

SUPPLEMENTARY INFORMATION

**TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009**

	AUGMENTED BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES			
Charges for water sales	\$ 73,106,825	\$ 70,225,086	\$ (2,881,739)
Hydroelectric sales	2,523,774	2,769,918	246,144
Other operating sales	1,903,089	2,018,822	115,733
Total Operating Revenues	<u>77,533,688</u>	<u>75,013,826</u>	<u>(2,519,862)</u>
OPERATING EXPENSES			
Salaries and wages	12,561,420	11,624,261	937,159
Employee benefits	5,451,943	4,429,266	1,022,677
Services and supplies	24,454,783	24,460,779	(5,996)
Total Operating Expenses before Depreciation	<u>42,468,146</u>	<u>40,514,306</u>	<u>1,953,840</u>
Depreciation	21,909,408	22,153,951	(244,543)
Total Operating Expenses	<u>64,377,554</u>	<u>62,668,257</u>	<u>1,709,297</u>
Operating Income	<u>13,156,134</u>	<u>12,345,569</u>	<u>(810,565)</u>
NONOPERATING REVENUES (EXPENSES)			
Grants	564,277	564,277	-
Investment earnings	5,499,585	3,635,126	(1,864,459)
Unrealized gain on investments	-	18,013	18,013
Gain (Loss) on disposal of assets	-	3,557	3,557
Amortization of bond/note issuance costs	(509,268)	(613,050)	(103,782)
Interest expense	(25,872,909)	(23,481,043)	2,391,866
Total Nonoperating Revenues (Expenses)	<u>(20,318,315)</u>	<u>(19,873,120)</u>	<u>445,195</u>
Income (Loss) before Capital Contributions	<u>(7,162,181)</u>	<u>(7,527,551)</u>	<u>(365,370)</u>
CAPITAL CONTRIBUTIONS			
Water meter retrofit program	788,280	359,297	(428,983)
Developer infrastructure contributions	5,400,000	6,905,953	1,505,953
Developer will-serve contributions (net of refunds)	2,259,756	(25,229)	(2,284,985)
Developer capital contributions-other	746,352	541,325	(205,027)
Developer facility charges (net of refunds)	1,336,776	773,955	(562,821)
Contributions from others	-	1,808,438	1,808,438
Contributions from other governments	-	179,242	179,242
Net Capital Contributions	<u>10,531,164</u>	<u>10,542,981</u>	<u>11,817</u>
Change in Net Assets	<u>\$ 3,368,983</u>	<u>3,015,430</u>	<u>\$ (353,553)</u>
NET ASSETS , BEGINNING OF YEAR		<u>281,638,782</u>	
NET ASSETS , END OF YEAR		<u>\$ 284,654,212</u>	

**TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	FINAL BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES			
Charges for sales	\$ 73,080,453	\$ 72,686,046	\$ (394,407)
Hydroelectric sales	2,579,280	2,836,521	257,241
Other operating sales	2,230,861	2,697,601	466,740
Total Operating Revenues	<u>77,890,594</u>	<u>78,220,168</u>	<u>329,574</u>
OPERATING EXPENSES			
Salaries and wages	11,749,878	11,665,974	83,904
Employee benefits	5,134,503	4,528,891	605,612
Services and supplies	25,070,680	23,579,404	1,491,276
Total Operating Expenses before Depreciation	41,955,061	39,774,269	2,180,792
Depreciation	19,610,736	20,817,485	(1,206,749)
Total Operating Expenses	<u>61,565,797</u>	<u>60,591,754</u>	<u>974,043</u>
Operating Income	<u>16,324,797</u>	<u>17,628,414</u>	<u>1,303,617</u>
NONOPERATING REVENUES (EXPENSES)			
Grants	-	483,631	483,631
Investment earnings	6,016,451	6,841,981	825,530
Unrealized gain on investments	-	283,160	283,160
Gain (Loss) on disposal of assets	-	(91,170)	(91,170)
Amortization of bond issuance costs	-	(635,497)	(635,497)
Interest expense	(25,863,766)	(24,106,569)	1,757,197
Total Nonoperating Revenues (Expenses)	<u>(19,847,315)</u>	<u>(17,224,464)</u>	<u>2,622,851</u>
Income (Loss) before Capital Contributions	<u>(3,522,518)</u>	<u>403,950</u>	<u>3,926,468</u>
CAPITAL CONTRIBUTIONS			
Water meter retrofit program	2,335,632	1,408,879	(926,753)
Developer infrastructure contributions	8,460,000	8,092,373	(367,627)
Developer water-serve contributions	5,743,080	2,978,057	(2,765,023)
Developer capital contributions - other	1,455,000	2,401,248	946,248
Developer facility charges	4,476,660	3,412,118	(1,064,542)
Contributions from other governments	7,615,020	7,591,834	(23,186)
Net Capital Contributions	<u>30,085,392</u>	<u>25,884,509</u>	<u>(4,200,883)</u>
Change in Net Assets	<u>\$ 26,562,874</u>	<u>26,288,459</u>	<u>\$ (274,415)</u>
NET ASSETS, BEGINNING OF YEAR		<u>255,350,323</u>	
NET ASSETS, END OF YEAR		<u>\$ 281,638,782</u>	

STATISTICAL SECTION

**TRUCKEE MEADOWS WATER AUTHORITY
STATISTICAL SECTION
(UNAUDITED)**

This part of the Truckee Meadows Water Authority comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Section Contents

Schedule No.

Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

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Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate its water sales and other revenues.

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Debt Capacity

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt, and its ability to issue additional future debt.

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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place and to help make comparisons over time and with other utilities.

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Operating Information

These schedules contain information about the Authority's operations and resources to help the reader understand how the Authority's financial information relates to the services it provides and the activities it performs.

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Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The Authority implemented GASB Statement No. 34 in 2003, and schedules presenting government-wide information include information beginning in that year.*

TRUCKEE MEADOWS WATER AUTHORITY
NET ASSETS BY COMPONENT
FOR FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004 AND 2003
(UNAUDITED)

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Net Assets:				
Invested in capital assets, net of related debt	\$204,520,599	\$169,052,803	\$143,200,208	\$101,609,961
Restricted	23,947,116	25,307,385	24,802,241	19,534,812
Unrestricted	<u>56,186,497</u>	<u>87,278,594</u>	<u>87,347,874</u>	<u>79,963,807</u>
Total net assets	<u><u>\$284,654,212</u></u>	<u><u>\$281,638,782</u></u>	<u><u>\$255,350,323</u></u>	<u><u>\$201,108,580</u></u>

Note: The Authority was formed in November 2000 and acquired its water system assets on June 11, 2001. Implementation of GASB Statement No. 34 occurred in fiscal year ended June 30, 2003.

<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
\$65,228,815	\$9,715,119	(\$16,502,825)
2,763,636	7,474,084	5,218,506
<u>50,545,732</u>	<u>47,670,208</u>	<u>41,665,539</u>
<u>\$118,538,183</u>	<u>\$64,859,411</u>	<u>\$30,381,220</u>

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TRUCKEE MEADOWS WATER AUTHORITY
CHANGES IN NET ASSETS
FOR FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, AND 2003
(UNAUDITED)

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income	Total Nonoperating Revenues/ (Expenses)	Income/(Loss) before Capital Contributions	Capital Contributions	Change in Net Assets
2009	\$75,013,826	\$62,668,257	\$12,345,569	(\$19,873,120)	(\$7,527,551)	\$10,542,981	\$3,015,430
2008	78,220,168	60,591,754	17,628,414	(17,224,464)	403,950	25,884,509	26,288,459
2007	81,020,289	55,553,506	24,864,444	(15,626,417)	9,238,027	44,401,377	54,241,743
2006	76,667,478	52,254,652	23,830,375	(17,555,437)	6,274,938	75,713,007	82,570,396
2005	73,813,294	48,434,832	24,788,349	(19,135,162)	5,653,187	47,435,472	53,678,772
2004	73,614,496	44,724,139	28,374,172	(19,890,167)	8,484,005	25,478,001	34,478,191
2003	62,475,728	42,027,221	20,448,507	(19,239,738)	1,208,769	17,169,746	18,398,066

Note: The Authority was formed in November 2000 and acquired its water system assets on June 11, 2001. Implementation of GASB Statement No. 34 occurred in fiscal year ended June 30, 2003.

TRUCKEE MEADOWS WATER AUTHORITY
OPERATING REVENUES BY CUSTOMER CLASS
FOR FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003, AND 2002
(UNAUDITED)

OPERATING REVENUES	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
Revenues from water sales:					
Residential unmetered water sales	\$14,216,666	\$ 15,310,296	\$ 16,612,010	\$ 18,536,414	\$ 21,382,048
Residential metered water sales	34,646,185	34,940,141	35,085,859	30,513,084	26,350,944
Commercial metered water sales	9,812,718	10,326,007	10,415,049	10,302,813	10,501,889
Irrigation metered & fire protection	8,716,187	8,880,817	9,076,013	8,225,084	8,185,580
Wholesale sales	<u>2,833,330</u>	<u>3,228,785</u>	<u>3,083,877</u>	<u>2,892,864</u>	<u>2,539,129</u>
Total Water Sales	70,225,086	72,686,046	74,272,808	70,470,259	68,959,590
Hydroelectric revenue	2,769,918	2,836,521	3,136,806	2,442,953	1,091,843
Other operating revenues	<u>2,018,822</u>	<u>2,697,601</u>	<u>3,610,675</u>	<u>3,754,266</u>	<u>3,761,861</u>
Total Operating Revenues	<u>\$ 75,013,826</u>	<u>\$ 78,220,168</u>	<u>\$ 81,020,289</u>	<u>\$ 76,667,478</u>	<u>\$ 73,813,294</u>

Note: The Authority was formed in November 2000 and acquired its water system assets on June 11, 2001.

<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
\$ 24,406,744	\$ 23,403,951	\$ 24,253,164
22,469,394	16,739,327	14,850,902
10,933,077	9,826,890	9,950,116
8,582,050	5,783,422	5,952,224
<u>2,225,690</u>	<u>1,988,566</u>	<u>1,743,441</u>
68,616,955	57,742,156	56,749,847
1,965,825	1,822,052	2,336,863
<u>3,031,716</u>	<u>2,911,520</u>	<u>1,351,588</u>
<u>\$ 73,614,496</u>	<u>\$ 62,475,728</u>	<u>\$ 60,438,298</u>

TRUCKEE MEADOWS WATER AUTHORITY
OPERATING EXPENSES
FOR FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003 AND 2002
(UNAUDITED)

	<u>June 30,2009</u>	<u>June 30,2008</u>	<u>June 30,2007</u>	<u>June 30,2006</u>	<u>June 30,2005</u>
Salaries and wages	\$ 11,624,261	\$ 11,665,974	\$ 10,083,912	\$ 9,852,372	\$ 9,625,252
Employee benefits	4,429,266	4,528,891	3,967,687	3,868,295	3,946,913
Contract services	6,623,576	5,848,255	5,489,563	6,054,308	5,427,544
Utilities/power	7,384,879	7,292,830	7,055,167	5,763,686	5,644,007
Professional services	2,751,236	2,755,823	2,331,511	2,591,223	2,051,063
Supplies	1,319,905	1,496,065	1,427,467	1,456,754	1,185,896
Chemicals	1,443,177	1,231,681	1,165,321	1,295,165	1,079,829
Insurance and claims	611,405	644,638	645,064	584,651	541,744
Leases and rentals	124,563	-	58,181	189,674	307,562
Other expenses	4,202,038	4,310,112	4,087,764	3,665,756	3,342,049
Total Operating Expenses before Depreciation	<u>40,514,306</u>	<u>39,774,269</u>	<u>36,311,637</u>	<u>35,321,884</u>	<u>33,151,859</u>
Depreciation	<u>22,153,951</u>	<u>20,817,485</u>	<u>19,241,869</u>	<u>16,932,768</u>	<u>15,282,973</u>
Total Operating Expenses	<u><u>\$ 62,668,257</u></u>	<u><u>\$ 60,591,754</u></u>	<u><u>\$ 55,553,506</u></u>	<u><u>\$ 52,254,652</u></u>	<u><u>\$ 48,434,832</u></u>

Note: The Authority was formed in November 2000 and acquired its water system assets on June 11, 2001.

<u>June 30,2004</u>	<u>June 30,2003</u>	<u>June 30,2002</u>
\$ 8,786,618	\$ 8,278,246	\$ 7,371,557
3,452,864	2,992,281	2,790,226
5,845,224	5,952,053	3,873,710
5,739,559	5,525,292	4,937,396
1,351,164	1,049,773	1,806,866
986,372	947,413	1,339,689
964,991	883,589	740,827
662,798	637,276	495,788
286,206	464,010	735,899
<u>3,042,608</u>	<u>2,933,191</u>	<u>2,273,166</u>
31,118,404	29,663,124	26,365,124
<u>13,605,735</u>	<u>12,364,097</u>	<u>11,354,485</u>
<u>\$ 44,724,139</u>	<u>\$ 42,027,221</u>	<u>\$ 37,719,609</u>

TRUCKEE MEADOWS WATER AUTHORITY
NONOPERATING REVENUES AND EXPENSES
FOR FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003 AND 2002
(UNAUDITED)

Fiscal Year	Investment Earnings	Interest Expense	Grants	Gain/(Loss) on Disposal of Assets	Other Revenue or Expenses	Total Nonoperating Expenses
2009	\$3,635,126	(\$23,481,043)	\$564,277	\$3,557	(\$595,037)	(\$19,873,120)
2008	6,841,981	(24,106,569)	483,631	(91,170)	(352,337)	(17,224,464)
2007	7,558,263	(23,937,895)	330,378	(83,894)	506,231	(15,626,917)
2006	6,149,397	(23,655,038)	41,967	97,249	(189,012)	(17,555,437)
2005	3,493,471	22,895,351	440,559	4,636	(178,477)	(19,135,162)
2004	3,938,551	(23,163,457)	197,608	(684,392)	(178,477)	(19,890,167)
2003	4,597,774	(23,552,125)	152,973	3,357	(441,717)	(19,239,738)
2002	4,572,853	(23,525,010)	-	4,526	(178,674)	(19,126,305)

Note: The Authority was formed in November 2000 and acquired its water system assets on June 11, 2001.

TRUCKEE MEADOWS WATER AUTHORITY
CAPITAL CONTRIBUTIONS BY SOURCE
FOR FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003 AND 2002
(UNAUDITED)

Fiscal Year	Developer Water Rights/ Will Serves	Developer Infrastructure	Developer Other	Water Meter Retrofit Program	Developer Facility Charges	From Other Governments	From Others	Total
2009	(\$25,229)	\$6,905,953	\$541,325	\$359,297	\$773,955	\$179,242	\$1,808,438	\$10,542,981
2008	2,978,057	8,092,373	2,401,248	1,408,879	3,412,118	7,591,834	-	25,884,509
2007	13,664,518	15,489,637	5,199,992	2,539,844	5,683,715	1,823,671	-	44,401,377
2006	44,901,700	13,209,519	5,933,186	4,274,819	7,393,783	-	-	75,713,007
2005	9,365,576	17,529,161	5,629,172	4,855,415	10,056,148	-	-	47,435,472
2004	7,532,758	5,873,397	3,596,996	5,198,577	2,748,668	527,605	-	25,478,001
2003	4,724,860	5,778,366	3,474,348	3,192,172	-	-	-	17,169,746
2002	3,047,602	1,882,008	2,137,489	2,244,992	-	-	-	9,312,091

Note: The Authority was formed in November 2000 and acquired its water system assets on June 11, 2001.

TRUCKEE MEADOWS WATER AUTHORITY
GALLONS OF WATER SOLD AND REVENUES BY CATEGORY
FOR FISCAL YEARS 2009, 2008, 2007, 2006, 2005, 2004, 2003 AND 2002
(UNAUDITED)

Category	Fiscal Year Ended June 30, 2009		Fiscal Year Ended June 30, 2008	
	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered (1)	--(1)	\$ 14,216,666	--(1)	\$ 15,310,296
Residential Metered	11,319,330	34,646,185	10,385,949	34,940,141
Commercial	4,642,286	9,812,718	4,547,882	10,326,007
Other (2)	3,059,335	8,716,187	2,677,005	8,880,817
Wholesale	1,659,709	2,833,330	1,763,412	3,228,785
Total	<u>20,680,660</u>	<u>\$ 70,225,086</u>	<u>19,374,248</u>	<u>\$ 72,686,046</u>
	Fiscal Year Ended June 30, 2007		Fiscal Year Ended June 30, 2006	
Category	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered (1)	--(1)	\$ 16,612,009	--(1)	\$ 18,536,414
Residential Metered	10,219,912	35,085,858	8,695,642	30,513,084
Commercial	4,397,648	10,415,048	4,365,760	10,302,813
Other (2)	2,665,330	9,076,013	2,388,314	8,225,084
Wholesale	1,773,874	3,083,877	1,581,576	2,892,864
Total	<u>19,056,764</u>	<u>\$ 74,272,805</u>	<u>17,031,292</u>	<u>\$ 70,470,259</u>
	Fiscal Year Ended June 30, 2005		Fiscal Year Ended June 30, 2004	
Category	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered (1)	--(1)	\$ 21,383,048	--(1)	\$ 24,406,744
Residential Metered	7,808,216	26,350,944	7,166,222	22,469,394
Commercial	4,483,265	10,501,889	4,832,724	10,933,077
Other (2)	2,448,526	8,185,580	2,869,795	8,582,050
Wholesale	1,432,520	2,539,129	1,282,857	2,225,690
Total	<u>16,172,527</u>	<u>\$ 68,960,590</u>	<u>16,151,598</u>	<u>\$ 68,616,955</u>
	Fiscal Year Ended June 30, 2003		Fiscal Year Ended June 30, 2002	
Category	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered (1)	--(1)	\$ 23,403,951	--(1)	\$ 24,253,164
Residential Metered	6,014,347	16,739,327	5,439,891	14,850,902
Commercial	4,634,532	9,826,890	4,163,228	9,950,116
Other (2)	1,933,611	5,783,422	2,119,840	5,952,224
Wholesale	1,361,691	1,988,566	1,259,208	1,743,441
Total	<u>13,944,181</u>	<u>\$ 57,742,156</u>	<u>12,982,167</u>	<u>\$ 56,749,847</u>

TMWA was formed June 11, 2001.

(1) Complete consumption information is not available for unmetered customers.

(2) These accounts include irrigation and fire protection/sprinkler systems located on the premises of residential and commercial customers.

TRUCKEE MEADOWS WATER AUTHORITY
TEN LARGEST CUSTOMERS
JUNE 30, 2009
(UNAUDITED)

Customer Name	Water Used (000s Gallons)	Total Revenue	% of Total Water Sales
1 Washoe County Total	1,022,613	\$ 1,918,350	2.7%
2 Sun Valley General Improvement District	626,937	1,068,407	1.5%
3 City of Reno	286,831	799,860	1.1%
4 Washoe County School District	328,646	775,931	1.1%
5 Nevada Properties (Peppermill Casino)	259,869	527,907	0.7%
6 City of Sparks	151,833	445,065	0.6%
7 Somerset Homeowners Assn	130,990	381,722	0.5%
8 Prologis	127,674	358,067	0.5%
9 University of Nevada Reno	161,196	335,485	0.5%
10 Washoe Health Systems	124,874	295,643	0.4%
Totals	<u>3,221,463</u>	<u>\$ 6,906,437</u>	<u>9.8%</u>

TMWA was formed June 11, 2001.

City of Reno includes the Reno Housing Authority

TRUCKEE MEADOWS WATER AUTHORITY
DEBT SERVICE COVERAGE RATIOS
FOR FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003 AND 2002
(Amounts in '000's)
(UNAUDITED)

	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
Operating Revenues (1)	\$ 70,225	\$ 72,686	\$ 74,272	\$ 70,470	\$ 68,960
Nonoperating Revenues (2)	9,197	13,822	14,451	12,487	8,236
Gross Revenues	<u>79,422</u>	<u>86,508</u>	<u>88,723</u>	<u>82,957</u>	<u>77,196</u>
Operation and Maintenance Expenses (3)	40,098	39,342	35,855	34,869	32,710
Contribution to Water Rate Stabilization	-	-	-	-	-
Taxes other than Income Taxes (4)	416	432	457	453	442
Total Expenses	<u>40,514</u>	<u>39,774</u>	<u>36,312</u>	<u>35,322</u>	<u>33,152</u>
Net Revenues	<u>\$ 38,908</u>	<u>\$ 46,734</u>	<u>\$ 52,411</u>	<u>\$ 47,635</u>	<u>\$ 44,044</u>
Senior Lien Annual Debt Service (5)	<u>\$ 31,420</u>	<u>\$ 31,427</u>	<u>\$ 33,525</u>	<u>\$ 31,202</u>	<u>\$ 30,114</u>
Senior Lien Debt Coverage excluding SDCs	<u>1.24</u>	<u>1.49</u>	<u>1.56</u>	<u>1.53</u>	<u>1.46</u>
System Development Charges (SDCs):					
Developer facility charges	\$ 774	\$ 3,412	\$ 5,684	\$ 7,394	\$ 10,056
Developer capital contributions - other	541	2,401	5,802	6,515	6,219
Senior Lien Debt Coverage including SDCs (6)	<u>1.28</u>	<u>1.67</u>	<u>1.91</u>	<u>1.97</u>	<u>2.00</u>

TMWA was formed June 11, 2001. All of TMWA's outstanding debt is water revenue bonds.

- (1) Includes retail residential, commercial, irrigation water sales and wholesale water sales net of bad debt expense
- (2) Reflects hydroelectric revenues, other miscellaneous operating revenues from fees and charges as well as gross investment income before reduction by capitalized investment income as required by Financial Accounting Standards Board Pronouncement (FASB) 62.
- (3) Includes water supply, treatment, distribution, hydroelectric power plant maintenance customer Service, water resource planning, conservation programs, administration, and inspection services. Wages and salaries, employee benefits and services and supplies comprise these expenses.
- (4) The Authority is required to pay property taxes on water rights and storage facilities located in California. During the reported fiscal years TMWA paid various counties in California for hydroelectric facilities, and water storage rights in California.
- (5) The debt service for the fiscal years ended June 30, 2004, 2003 and 2002 was interest only. On July 1, 2005, TMWA paid its first principal payment of \$6,520,000 on the 2001-A & B Series Bonds. This schedule does not include the payments on the DWSRF loan or the tax-exempt commercial paper, which are subordinate to the 2001-A and 2005-A Bonds, and the 2006 Refunding and 2007 Refunding Bonds.

Excludes capitalized interest expense which would reduce total interest expense pursuant to FASB 34

- (6) TMWA's bond covenants require a minimum coverage of 1.25x total principal and interest payments.

<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
\$ 68,617	\$ 57,742	\$ 56,750
8,876	6,249	7,262
<u>77,493</u>	<u>63,991</u>	<u>64,012</u>
30,632	29,332	26,093
1,385	-	-
486	331	272
<u>32,503</u>	<u>29,663</u>	<u>26,365</u>
<u>\$ 44,990</u>	<u>\$ 34,328</u>	<u>\$ 37,647</u>
<u>\$ 23,594</u>	<u>\$ 23,594</u>	<u>\$ 23,594</u>
<u>1.91</u>	<u>1.45</u>	<u>1.60</u>
\$ 2,749	\$ -	\$ -
4,113	3,703	2,137
<u>2.20</u>	<u>1.61</u>	<u>1.69</u>

TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF TOTAL BUILDING PERMITS ISSUED
BY JURISDICTION/MEMBER ENTITY
FOR FISCAL YEARS 2009, 2008, 2007, 2006, 2005, 2004, 2003 AND 2002
(UNAUDITED)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Washoe County	1,586	2,222	2,829	3,492	3,521	3,447	3,512	3,551
City of Reno	3,592	4,744	6,737	9,947	9,335	7,197	5,986	6,017
City of Sparks	2,579	3,636	4,544	6,067	4,974	5,809	6,107	4,429

TMWA was formed June 11, 2001.

Source: As reported by each local governmental entity

TRUCKEE MEADOWS WATER AUTHORITY
SELECTED DEMOGRAPHIC AND ECONOMIC STATISTICS
FOR WASHOE COUNTY
FOR FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003, AND 2002
(UNAUDITED)

Fiscal Year Ended June 30,	POPULATION ⁽¹⁾	PER CAPITA INCOME ⁽²⁾	MEDIAN AGE ⁽³⁾	SCHOOL ENROLLMENT ⁽⁴⁾	TOTAL PERSONAL INCOME ⁽²⁾	UNEMPLOYMENT RATE (PERCENT) ⁽⁵⁾
2009	426,966	n/a	36.0	63,310	n/a	11.7%
2008	419,775	n/a	36.5	63,635	n/a	5.4%
2007	415,775	n/a	34.5	63,044	n/a	4.2%
2006	409,085	\$42,080	36.5	62,390	\$16,943,510,000	4.0%
2005	396,844	40,780	35.9	62,098	16,007,090,000	3.8%
2004	383,453	39,450	35.1	60,411	15,071,220,000	3.8%
2003	373,233	37,400	35.8	58,908	13,917,120,000	4.5%
2002	359,423	36,831	35.6	57,404	13,323,522,000	4.7%

Fiscal Year Ended June 30,	TOTAL LABOR FORCE ⁽⁵⁾	CONSTRUCTION ACTIVITY - TOTAL VALUE ⁽⁶⁾	NUMBER OF NEW FAMILY UNITS ⁽⁶⁾	TAXABLE SALES ⁽⁷⁾	GROSS INCOME GAMING REVENUE ⁽⁸⁾	TOTAL PASSENGER AIR TRAFFIC ⁽⁹⁾
2009	226,155	85,657,662	103	5,707,791,051	\$867,202,273	3,979,015
2008	228,617	202,519,159	240	6,823,701,000	996,615,975	4,841,257
2007	222,610	225,084,828	557	7,202,640,557	1,069,608,365	5,014,382
2006	219,400	307,685,955	851	7,268,593,250	1,072,936,817	5,149,700
2005	212,400	368,356,469	1,113	6,687,446,995	1,016,864,082	5,097,170
2004	208,800	345,640,310	1,009	6,023,436,676	1,011,657,616	4,918,829
2003	201,200	305,249,144	1,217	5,481,582,915	1,032,987,724	4,514,225
2002	201,700	294,355,860	1,324	5,292,178,588	1,049,151,610	4,485,369

Sources:

⁽¹⁾ Nevada State Demographer⁽²⁾ U.S. Department of Commerce, Bureau of Economic Analysis
As of 2007, the County reported that this statistic no longer has a reliable source.⁽³⁾ Nevada State Demographer,⁽⁴⁾ Washoe County School District.⁽⁵⁾ State Department of Employment, Training and Rehabilitation (DETR)⁽⁶⁾ Washoe County Building and Safety Department.⁽⁷⁾ Nevada State Department of Taxation⁽⁸⁾ Nevada State Gaming Control Board⁽⁹⁾ Reno/Tahoe International Airport

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TRUCKEE MEADOWS WATER AUTHORITY
TEN LARGEST EMPLOYERS IN WASHOE COUNTY
June 30, 2009
(UNAUDITED)

Employer Name	December 2008			December 1999		
	No. of Employees	Rank	% of Total County Employment	No. of Employees	Rank	% of Total County Employment
Washoe County School District	8,500 - 8,999	1	4.17%	6,000 - 6,499	1	3.46%
University of Nevada, Reno	4,500 - 4,999	2	2.26%	3,000 - 3,499	2	1.80%
Washoe County	3,000 - 3,499	3	1.55%	2,500 - 2,999	4	1.52%
International Game Technology	2,500 - 2,999	4	1.31%	-	-	-
Renown Medical Center (formerly Washoe Medical Center)	2,000 - 2,499	5	1.07%	2,000 - 2,499	7	1.24%
Peppermill Hotel Casino - Reno	2,000 - 2,499	6	1.07%	-	-	-
Silver Legacy Resort Casino	1,500 - 1,999	7	0.83%	2,500 - 2,999	5	1.52%
City of Reno	1,500 - 1,999	8	0.83%	-	-	-
Atlantis Casino Resort	1,500 - 1,999	9	0.83%	-	-	-
St. Mary's	1,500 - 1,999	10	0.83%	-	-	-
Eldorado Hotel & Casino	-	-	-	2,000 - 2,499	6	1.24%
Circus Circus Casinos	-	-	-	2,000 - 2,499	-	1.24%
Harrah's - Reno	-	-	-	2,000 - 2,499	8	1.24%
Reno Hilton	-	-	-	2,000 - 2,499	3	1.24%
Sparks Nugget, Inc	-	-	-	2,000 - 2,499	10	1.24%

**TRUCKEE MEADOWS WATER AUTHORITY
CUSTOMERS AND WATER SALES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003 AND 2002
(UNAUDITED)**

<u>Category</u>	<u>Customers by Category as of June 30, 2009</u>			
	Average Number of <u>Accounts</u>	% of Total <u>Accounts</u>	Fiscal Year Water <u>Revenues (1)</u>	% of Total <u>Revenues</u>
Residential -Unmetered	12,590	13.5%	\$ 14,216,666	440.3%
Residential Metered	68,557	73.4%	34,646,185	1073.0%
Commercial and Irrigation	8,397	9.0%	17,573,511	544.3%
Other (2)	3,808	4.1%	955,394	29.6%
Wholesale	7	0.0%	2,833,330	87.8%
Total	<u>93,359</u>	<u>100.0%</u>	<u>\$ 70,225,086</u>	<u>2175.0%</u>

<u>Category</u>	<u>Customers by Category as of June 30, 2008</u>			
	Average Number of <u>Accounts</u>	% of Total <u>Accounts</u>	Fiscal Year Water <u>Revenues (1)</u>	% of Total <u>Revenues</u>
Residential -Unmetered	14,063	15.1%	\$ 15,310,296	21.1%
Residential Metered	67,357	72.3%	34,940,141	48.1%
Commercial	8,203	8.8%	10,326,007	14.2%
Other (2)	3,595	3.9%	8,880,817	12.2%
Wholesale	7	0.0%	3,228,785	4.4%
Total	<u>93,225</u>	<u>100.0%</u>	<u>\$ 72,686,046</u>	<u>100.0%</u>

<u>Category</u>	<u>Customers by Category as of June 30, 2007</u>			
	Average Number of <u>Accounts</u>	% of Total <u>Accounts</u>	Fiscal Year Water <u>Revenues (1)</u>	% of Total <u>Revenues</u>
Residential -Unmetered	15,488	16.7%	\$ 16,612,009	22.4%
Residential Metered	65,749	70.9%	35,085,858	47.2%
Commercial	7,966	8.6%	10,415,048	14.0%
Other (2)	3,469	3.7%	9,076,013	12.2%
Wholesale	7	0.0%	3,083,877	4.2%
Total	<u>92,679</u>	<u>100.0%</u>	<u>\$ 74,272,805</u>	<u>100.0%</u>

<u>Category</u>	<u>Customers by Category as of June 30, 2006</u>			
	Average Number of <u>Accounts</u>	% of Total <u>Accounts</u>	Fiscal Year Water <u>Revenues (1)</u>	% of Total <u>Revenues</u>
Residential -Unmetered	16,466	18.0%	\$ 18,536,414	26.3%
Residential Metered	63,744	69.7%	30,513,084	43.3%
Commercial	7,787	8.5%	10,302,813	14.6%
Other (2)	3,407	3.7%	8,225,084	11.7%
Wholesale	7	0.0%	2,892,864	4.1%
Total	<u>91,411</u>	<u>100.0%</u>	<u>\$ 70,470,259</u>	<u>100.0%</u>

TMWA was formed June 11, 2001.

- (1) Water Revenues are revenues that are billed and estimated for the fiscal year periods.
Estimated revenues are revenues for water deliveries just prior to fiscal year end that are unbilled until July of the next fiscal year.
- (2) Includes irrigation services and private fire protection services located on the premises of commercial and some residential customers.

Customers by Category as of June 30, 2005

<u>Category</u>	<u>Average Number of Accounts</u>	<u>% of Total Accounts</u>	<u>Fiscal Year Water Revenues (1)</u>	<u>% of Total Revenues</u>
Residential -Unmetered	19,945	22.9%	\$ 21,382,048	31.0%
Residential Metered	56,555	64.8%	26,350,944	38.2%
Commercial	5,296	6.1%	10,501,889	15.2%
Other (2)	5,449	6.2%	8,185,580	11.9%
Wholesale	4	0.0%	2,539,129	3.7%
Total	87,249	100.0%	\$ 68,959,590	100.0%

Customers by Category as of June 30, 2004

<u>Category</u>	<u>Average Number of Accounts</u>	<u>% of Total Accounts</u>	<u>Fiscal Year Water Revenues (1)</u>	<u>% of Total Revenues</u>
Residential -Unmetered	25,855	30.5%	\$ 24,406,744	35.6%
Residential Metered	48,214	56.9%	22,469,394	32.7%
Commercial	5,276	6.2%	10,933,077	15.9%
Other (2)	5,342	6.3%	8,582,050	12.5%
Wholesale	4	0.1%	2,225,690	3.2%
Total	84,691	100.0%	\$ 68,616,955	100.0%

Customers by Category as of June 30, 2003

<u>Category</u>	<u>Average Number of Accounts</u>	<u>% of Total Accounts</u>	<u>Fiscal Year Water Revenues (1)</u>	<u>% of Total Revenues</u>
Residential -Unmetered	30,975	38.3%	\$ 23,403,951	40.5%
Residential Metered	40,585	50.1%	16,739,327	29.0%
Commercial	4,960	6.1%	9,826,890	17.0%
Other (2)	4,489	5.5%	5,783,422	8.4%
Wholesale	4	0.1%	1,988,566	3.5%
Total	81,013	100.0%	\$ 57,742,156	100.0%

Customers by Category as of June 30, 2002

<u>Category</u>	<u>Average Number of Accounts</u>	<u>% of Total Accounts</u>	<u>Fiscal Year Water Revenues (1)</u>	<u>% of Total Revenues</u>
Residential -Unmetered	34,781	44.2%	\$ 24,253,164	42.7%
Residential Metered	34,745	44.1%	14,850,902	26.2%
Commercial	6,821	8.7%	9,950,116	17.5%
Other (2)	2,330	3.0%	5,952,224	10.5%
Wholesale	4	0.1%	1,743,441	3.1%
Total	78,681	100.0%	\$ 56,749,847	100.0%

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TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
June 30, 2009
(UNAUDITED)

<u>Coverage</u>	<u>Carrier/Policy</u>	<u>Term</u>	<u>Limits/Deductible</u>
Property/Boiler and Machinery Policy	Affiliated FM Insurance Company	6/11/09 to 6/11/10	Blanket limit of \$216,500,000 per occurrence with sub-limits of \$75,000,000 for earthquake for Earth Movement (excluding CA properties) and \$25,000,000 for flood (excluding Glendale plant and 1355 Capital Blvd.) and \$10,000,000 flood for 1355 Capital Blvd.. Coverage includes Business Interruption and Extra Expense. Deductibles for flood and earth movement are \$100,000 per occurrence for each location; general policy deductible is \$25,000.
General Liability and Business Automobile Policy	Arch Insurance Company	6/11/09 to 6/11/10	First \$1,000,000 in liability limits. General Liability Aggregate limit of \$3,000,000. General liability deductible of \$25,000 per occurrence. Auto Physical Damage deductible of \$1,000.
Excess Umbrella Liability Policy	Arch Insurance Company	6/11/09 to 6/11/10	\$20,000,000 excess liability limit.
Workers' Compensation	Employer's Insurance Company of Nevada	6/11/09 to 6/11/10	Fully insured for statutory limits under Workers' Compensation law with no deductible. Policy also provides \$1,000,000 limit for Employer's Liability.
Employee Health Insurance	By contract with the City of Reno's health insurance programs	6/11/09 to 6/11/10	Varies by plan selected.
Commercial Pollution Liability	American International Specialty Lines Insurance Company	6/11/09 to 6/11/10	\$50,000,000 limit \$100,000 deductible each incident. Products Pollution coverage limited to \$35,00,000.

TRUCKEE MEADOWS WATER AUTHORITY
NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY
FOR FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003, AND 2002
(UNAUDITED)

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Administration/IT	25	23	15	12	11
Supply/Treatment Operations	32	28	32	34	35
Distribution Maintenance	45	45	44	43	39
Hydroelectric	6	7	7	7	7
Customer Service/Conservation	42	39	33	31	31
Water Planning/Resources	11	10	11	10	10
Engineering/Construction	17	22	27	27	29
Total Authorized Employees	<u>178</u>	<u>174</u>	<u>169</u>	<u>164</u>	<u>162</u>

TMWA was formed June 11, 2001.

During fiscal year 2007, the IT/GIS functions were moved to Administration.

<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
9	8	9
35	35	36
36	32	32
7	7	8
29	27	17
10	10	10
28	25	21
<u>154</u>	<u>144</u>	<u>133</u>

**TRUCKEE MEADOWS WATER AUTHORITY
CURRENT AND HISTORICAL WATER RATES
FOR FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003, AND 2002
(UNAUDITED)**

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Customer Charges By Meter Size					
3/4"	\$15.70	\$15.70	\$15.70	\$15.70	\$15.70
1"	17.30	17.20	17.20	17.20	17.20
1 1/2"	19.60	19.60	19.60	19.60	19.60
2"	22.80	22.80	22.80	22.80	22.80
3"	25.90	25.90	25.90	25.90	25.90
4"	29.80	29.80	29.80	29.80	29.80
6"	34.50	34.50	34.50	34.50	34.50
Commodity Charge (all meter sizes)					
Tier 1	1.63	1.58	1.58	1.58	1.58
Tier 2	2.64	2.50	2.50	2.50	2.50
Tier 3	3.05	2.91	2.91	2.91	2.91

Above rates are for metered single family residential service.

Monthly Base Rates (Meter Size)

3/4"	\$84.20	\$74.90	\$74.90	\$74.90	\$74.90
1"	121.20	106.20	106.20	106.20	106.20
1 1/2"	219.80	184.90	184.90	184.90	184.90
2"	313.20	264.10	264.10	264.10	264.10
3"	393.20	331.90	331.90	331.90	331.90
4"	498.50	420.30	420.30	420.30	420.30
6"	n/a	n/a	n/a	n/a	n/a

Above rates are for unmetered single family residential service

TMWA rates took effect on June 11, 2001, and were revised effective October 2003, March 2005, and May, 2009.

<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
\$14.80	\$10.02	\$10.02
16.30	10.61	10.61
18.50	12.24	12.24
21.50	14.34	14.34
24.40	21.91	21.91
28.10	n/a	n/a
32.60	n/a	n/a
\$1.56	\$1.56	\$1.56
2.43	2.43	2.43
2.90	2.43	2.43
\$67.50	\$49.19	\$49.19
93.50	68.14	68.14
152.60	111.22	111.22
218.90	159.50	159.50
275.00	200.84	200.84
348.30	253.82	253.82
495.30	360.97	360.97

TRUCKEE MEADOWS WATER AUTHORITY
SELECTED OPERATING AND CAPITAL INDICATORS
FOR FISCAL YEARS ENDED JUNE 30, 2009, 2008, 2007, 2006, 2005, 2004, 2003, AND 2002
(UNAUDITED)

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Miles of water mains	1,330	1,310	1,258	1,252	1,227
Number of storage tanks	42	38	37	35	34
Number of pump stations	105	93	94	93	93
Number of wells	32	32	33	33	33
Treatment capacity (MGD)					
Glendale Plant	25	25	25	25	25
Chalk Bluff	89	89	89	89	89

Notes:

TMWA's water system was purchased from Sierra Pacific on June 11, 2001

MGD = millions of gallons per day

<u>June 30, 2004</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
1,175	1,127	1,090
34	33	33
92	92	90
32	31	31
25	25	25
89	69	69

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COMPLIANCE SECTION



KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
of the Truckee Meadows Water Authority

We have audited the basic financial statements of the Truckee Meadows Water Authority, a Joint Powers Authority (TMWA) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered TMWA's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of TMWA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of TMWA's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether TMWA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors of TMWA, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
November 13, 2009



KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

**Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance With *OMB Circular A-133***

To the Board of Directors of the
Truckee Meadows Water Authority

Compliance

We have audited the compliance of Truckee Meadows Water Authority, a Joint Powers Authority (TMWA), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. TMWA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of TMWA's management. Our responsibility is to express an opinion on TMWA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about TMWA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of TMWA's compliance with those requirements.

In our opinion, TMWA complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 09-1.

Internal Control Over Compliance

The management of TMWA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered TMWA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of TMWA's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal

program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

TMWA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit TMWA's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors of TMWA, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
November 13, 2009

**TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	Federal CFDA No.	Project/ Pass-Through Grantor's No.	Expenditures 2008-2009
U.S. Environmental Protection Agency Office of Water: <i>Passed through:</i> State of Nevada Department of Conservation and Natural Resources - Division of Environmental Protection: Capitalization Grants for Drinking Water State Revolving Funds - Wellhead Protection Program Implementation	66.468	DEP #08-006-2	\$ 60,281
U.S. Department of the Interior Bureau of Reclamation: <i>Direct Award:</i> Major Program: Providing Water to At-Risk Natural Desert Terminal Lakes - Truckee River Operating Agreement (TROA) - Desert Terminal Lakes Program - TROA Completion and Implementation	15.508	07FG200126	<u>503,996</u> <u>\$ 564,277</u>

Note 1 - Reporting Entity:

The accompanying Schedule of Expenditures of Federal Awards presents fairly the activity of all federal award programs of Truckee Meadows Water Authority. The Truckee Meadows Water Authority reporting entity is defined in Note 1 to the financial statements. All expenditures of awards from federal agencies are included in the schedule.

Note 2 - Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

**TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

Summary of Auditor's Results

- Kafoury, Armstrong & Co. issued an unqualified opinion on the financial statements of the Truckee Meadows Water Authority for the year ended June 30, 2009.
- No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.
- The audit disclosed no instances of noncompliance, which were material to the financial statements of Truckee Meadows Water Authority.
- No significant deficiencies in the internal control over the major Federal award program were disclosed during the audit as reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
- Kafoury, Armstrong & Co. issued an unqualified opinion on compliance for major federal award programs of Truckee Meadows Water Authority.
- An audit finding, relative to the major Federal award program for Truckee Meadows Water Authority, which is required to be reported under section .510(a) of OMB Circular A-133 is included on the following pages.
- Truckee Meadows Water Authority had one major program for the year ended June 30, 2009, as follows:
 - Providing Water to At-Risk Natural Desert Terminal Lakes – CFDA 15.508
- The dollar threshold used to distinguish between Type A and Type B programs for the year ended June 30, 2009 was \$300,000.
- Truckee Meadows Water Authority did not qualify as a low risk auditee for the year ended June 30, 2009 under the criteria set forth in section .530 of OMB Circular A-133.

Findings Relating to the Financial Statement Audit Reported in Accordance with Generally Accepted Governmental Auditing Standards (GAGAS)

There were no such findings in relation to the financial statement audit of Truckee Meadows Water Authority for the year ended June 30, 2009.

Summary Schedule of Prior Audit Findings

Not Applicable. Truckee Meadows Water Authority was not subject to audit in accordance with *Government Auditing Standards* for the year ended June 30, 2008.

**TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

Findings and Questioned Costs for Major Federal Award Program:

Finding 09-1:

U.S. Department of the Interior:

Providing Water to At-Risk Natural Desert Terminal Lakes, CFDA #15.508

Grant Award Number: Affects the grant award under CFDA #15.508 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: The OMB Circular A-133 Compliance Supplement states that non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.

While reviewing a contract with a service provider that was funded under Truckee Meadows Water Authority's Providing Water to At-Risk Natural Desert Terminal Lakes Program, it was noted that the contract did not contain a certification from the vendor that they were not suspended or debarred. In addition, there was no evidence that the organization had taken steps to ensure the service provider was not suspended or debarred.

Questioned Costs: None.

Context: The condition above appears to be a systemic problem. While contracts obtained through the organization's bidding procedures include language certifying the contractor is not suspended or debarred, contracts not subject to the organization's bidding procedures do not include a certification clause certifying the contractor is not suspended or debarred.

Effect: The organization may have contracted with an entity that had been suspended or debarred or otherwise declared ineligible from receiving Federal contracts.

Cause: The language of the contract did not include a certification clause stating that the service provider was not suspended or debarred. The organization did not take steps to determine that the service provider was not debarred.

Recommendation: We recommend the organization implement procedures to ensure that all service providers that are paid with federal funds are not suspended or debarred, regardless of the process used to secure those services.

Management's Response: See management's response on page 62.

November 13, 2009

Grantor Agencies

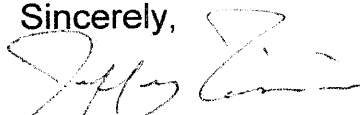
RE: U.S. Department of the Interior, Bureau of Reclamation,
Providing Water to At-Risk Natural Desert Terminal Lakes, CFDA
#15.508.

This letter is a written response to the Fiscal Year 2008-2009 Finding
09-1 Department of the Interior, Bureau of Reclamation, Providing
Water to At-Risk Natural Desert Terminal Lakes, CFDA #15.508.

The Truckee Meadows Water Authority (TMWA) has implemented
the following corrective actions procedures:

- 1) A Debarment Certification will be obtained from all Independent Contractors who will be recipients of state or federal funding to certify they have not been suspended or debarred from receiving federal funds.
- 2) TMWA will access pertinent federal informational websites to verify that those certifications are accurate on an annual basis and retain such documentation.

Sincerely,



Jeffrey Tissier
Chief Financial Officer



KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountant's Report on
Nevada Revised Statute 354.6241

To the Board of Directors of the
Truckee Meadows Water Authority

We have reviewed the assertion provided by management in accordance with Nevada Revised Statute 354.624 (5) (a):

- The identified fund is being used expressly for the purpose for which it was created,
- The fund is administered in accordance with accounting principles generally accepted in the United States of America,
- The restricted net assets in the fund were reasonable and necessary to carry out the purposes of the fund at June 30, 2009 (based on the interpretation of reasonable and necessary provided by the Legislative Counsel Bureau),
- The sources of revenues available for the fund are as noted in the financial statements,
- The fund conformed to significant statutory and regulatory constraints on its financial administration during the year ended June 30, 2009.
- The net assets of the fund are as noted in the financial statements.

This assertion is the responsibility of the management of the Truckee Meadows Water Authority.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the assertion. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the assertion provided by management referred to above is not fairly stated in all material respects.

Kafoury, Armstrong & Co

Reno, Nevada
November 13, 2009

AUDITOR'S COMMENTS

STATUTE COMPLIANCE

The required disclosure on compliance with Nevada Revised Statutes and the Nevada Administrative Code is contained in Note 2 to the financial statements.

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

TMWA conformed to all significant statutory constraints on its financial administration during the year ended June 30, 2008.

PRIOR YEAR RECOMMENDATIONS

There were no recommendations made in the audit report for the year ended June, 30, 2008. However, we did issue a letter to management setting forth areas for improvement in internal control. TMWA took action on the letter in its meeting of December 17, 2008.

CURRENT YEAR RECOMMENDATIONS

Our recommendation for the current year is included in the Schedule of Findings and Questioned Costs.