

REQUIRED SUPPLEMENTARY INFORMATION

**TRUCKEE MEADOWS WATER AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

SCHEDULE OF FUNDING PROGRESS

| | (a) | (b) | (b - a) | (a / b) | (c) | [(b - a) / c] |
|---|--|--|--|-------------------------|----------------------------|--|
| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
| March 1, 2010 | \$ 4,967,671 | \$ 4,615,337 | \$ (352,334) | 107.63% | \$ 12,685,048 | -2.78% |
| July 1, 2007 | \$ 1,462,762 | \$ 7,112,341 | \$ 5,649,579 | 20.6% | \$ 12,325,564 | 45.8% |

As of the March 1, 2010 Actuarial Valuation, assets were deposited into the Retirement Benefits Investment Fund (RBIF) sponsored through the State of Nevada. The RBIF portfolio is designed to generate an 8% annual return over long-term time frames. Accordingly, the discount rate was increased to 8% from 4.25%, materially reducing the actuarial accrued liability.

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SUPPLEMENTARY INFORMATION

**TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

| | <u>AUGMENTED BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE</u> |
|---|-----------------------------|-----------------------|---------------------|
| OPERATING REVENUES | | | |
| Charges for water sales | \$ 71,959,040 | \$ 71,220,707 | \$ (738,333) |
| Hydroelectric sales | 2,340,857 | 2,577,660 | 236,803 |
| Other operating sales | 2,003,119 | 1,869,481 | (133,638) |
| Total Operating Revenues | <u>76,303,016</u> | <u>75,667,848</u> | <u>(635,168)</u> |
| OPERATING EXPENSES | | | |
| Salaries and wages | 12,079,968 | 11,180,101 | 899,867 |
| Employee benefits | 5,161,929 | 4,378,347 | 783,582 |
| Services and supplies | 22,783,139 | 20,839,709 | 1,943,430 |
| Total Operating Expenses before Depreciation | <u>40,025,036</u> | <u>36,398,157</u> | <u>3,626,879</u> |
| Depreciation | 21,468,108 | 21,990,618 | (522,510) |
| Total Operating Expenses | <u>61,493,144</u> | <u>58,388,775</u> | <u>3,104,369</u> |
| Operating Income | <u>14,809,872</u> | <u>17,279,073</u> | <u>2,469,201</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Grants | 861,091 | 861,091 | - |
| Investment earnings | 3,217,300 | 1,894,518 | (1,322,782) |
| Unrealized gain on investments | - | 255,111 | 255,111 |
| Gain (Loss) on disposal of assets | (600,000) | 8,848 | 608,848 |
| Amortization of bond/note issuance costs | (586,104) | (626,476) | (40,372) |
| Interest expense | (24,055,377) | (22,291,259) | 1,764,118 |
| Other non-operating revenue | - | 327,659 | 327,659 |
| Other non-operating expense | (625,000) | (699,042) | (74,042) |
| Total Nonoperating Revenues (Expenses) | <u>(21,788,090)</u> | <u>(20,269,550)</u> | <u>1,518,540</u> |
| Income (Loss) before Capital Contributions | <u>(6,978,218)</u> | <u>(2,990,477)</u> | <u>3,987,741</u> |
| CAPITAL CONTRIBUTIONS | | | |
| Water meter retrofit program | 59,328 | 248,618 | 189,290 |
| Developer infrastructure contributions | 1,200,000 | 4,088,095 | 2,888,095 |
| Developer will-serve contributions (net of refunds) | 132,888 | 133,305 | 417 |
| Developer capital contributions-other | 90,600 | 184,791 | 94,191 |
| Developer facility charges (net of refunds) | 162,264 | 437,933 | 275,669 |
| Contributions from others | - | 748,583 | 748,583 |
| Net Capital Contributions | <u>1,645,080</u> | <u>5,841,325</u> | <u>4,196,245</u> |
| Change in Net Assets | <u>\$ (5,333,138)</u> | <u>2,850,848</u> | <u>\$ 8,183,986</u> |
| NET ASSETS , BEGINNING OF YEAR | | <u>285,106,208</u> | |
| NET ASSETS , END OF YEAR | | <u>\$ 287,957,056</u> | |

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

| | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE</u> |
|--|-------------------------|-----------------------|--------------------|
| OPERATING REVENUES | | | |
| Charges for 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 | 11,619,701 | 941,719 |
| Employee benefits | 5,451,943 | 4,429,266 | 1,022,677 |
| Services and supplies | 24,454,783 | 24,013,343 | 441,440 |
| Total Operating Expenses before Depreciation | 42,468,146 | 40,062,310 | 2,405,836 |
| Depreciation | 21,909,408 | 22,153,951 | (244,543) |
| Total Operating Expenses | <u>64,377,554</u> | <u>62,216,261</u> | <u>2,161,293</u> |
| Operating Income | <u>13,156,134</u> | <u>12,797,565</u> | <u>(358,569)</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 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>(7,075,555)</u> | <u>86,626</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 water-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>3,467,426</u> | <u>\$ 98,443</u> |
| NET ASSETS, BEGINNING OF YEAR | | <u>281,638,782</u> | |
| NET ASSETS, END OF YEAR | | <u>\$ 285,106,208</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.

| <u>Section Contents</u> | <u>Schedule No.</u> |
|---|----------------------------|
| Financial Trends <i>These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.</i> | 1-6 |
| Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the Authority's ability to generate its water sales and other revenues.</i> | 7-8 |
| Debt Capacity <i>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.</i> | 9 |
| Demographic and Economic Information <i>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.</i> | 10-12 |
| Operating Information <i>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.</i> | 13-17 |

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, 2010, 2009, 2008, 2007, 2006, 2005, 2004 AND 2003
(UNAUDITED)

| | <u>June 30, 2010</u> | <u>June 30, 2009</u> | <u>June 30, 2008</u> | <u>June 30, 2007</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Net Assets: | | | | |
| Invested in capital assets, net of related debt | \$220,473,195 | \$204,972,595 | \$177,972,803 | \$152,295,208 |
| Restricted | 23,515,136 | 23,947,116 | 16,387,385 | 15,707,241 |
| Unrestricted | <u>43,968,725</u> | <u>56,186,497</u> | <u>87,278,594</u> | <u>87,347,874</u> |
| Total net assets | <u>\$287,957,056</u> | <u>\$285,106,208</u> | <u>\$281,638,782</u> | <u>\$255,350,323</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, 2006</u> | <u>June 30, 2005</u> | <u>June 30, 2004</u> | <u>June 30, 2003</u> |
|----------------------|----------------------|----------------------|----------------------|
| \$108,459,961 | \$58,708,815 | \$9,715,119 | (\$16,502,825) |
| 12,684,812 | 9,283,636 | 7,474,084 | 5,218,506 |
| <u>79,963,807</u> | <u>50,545,732</u> | <u>47,670,208</u> | <u>41,665,539</u> |
| <u>\$201,108,580</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, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, AND 2002
(UNAUDITED)

| Fiscal Year | Operating Revenues | Operating Expenses | Operating Income | Total Nonoperating Revenues/ (Expenses) | Income/(Loss) before Capital Contributions | Capital Contributions | Change in Net Assets |
|----------------|-----------------------|-----------------------|---------------------|--|--|--------------------------|-------------------------|
| 2010 | \$ 75,667,848 | \$ 58,388,775 | \$ 17,279,073 | \$ (20,269,550) | \$ (2,990,477) | \$ 5,841,325 | \$ 2,850,848 |
| 2009 | 75,013,826 | 62,216,261 | 12,797,565 | (19,873,120) | (7,075,555) | 10,542,981 | 3,467,426 |
| 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 |
| 2002 | 60,438,298 | 37,719,609 | 22,718,689 | (19,126,305) | 3,592,384 | 9,312,091 | 12,904,475 |

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, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, AND 2002
(UNAUDITED)

| OPERATING REVENUES | <u>June 30, 2010</u> | <u>June 30, 2009</u> | <u>June 30, 2008</u> | <u>June 30, 2007</u> | <u>June 30, 2006</u> |
|-------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Revenues from water sales: | | | | | |
| Residential unmetered water sales | \$13,115,143 | \$14,216,666 | \$15,310,296 | \$16,612,010 | \$18,536,414 |
| Residential metered water sales | 35,962,518 | 34,646,185 | 34,940,141 | 35,085,859 | 30,513,084 |
| Commercial metered water sales | 10,112,854 | 9,812,718 | 10,326,007 | 10,415,049 | 10,302,813 |
| Irrigation metered & fire protectic | 8,894,110 | 8,716,187 | 8,880,817 | 9,076,013 | 8,225,084 |
| Wholesale sales | <u>3,136,081</u> | <u>2,833,330</u> | <u>3,228,785</u> | <u>3,083,877</u> | <u>2,892,864</u> |
| Total Water Sales | 71,220,706 | 70,225,086 | 72,686,046 | 74,272,808 | 70,470,259 |
| Hydroelectric revenue | 2,577,660 | 2,769,918 | 2,836,521 | 3,136,806 | 2,442,953 |
| Other operating revenues | <u>1,869,482</u> | <u>2,018,822</u> | <u>2,697,601</u> | <u>3,610,675</u> | <u>3,754,266</u> |
| Total Operating Revenues | <u><u>\$75,667,848</u></u> | <u><u>\$75,013,826</u></u> | <u><u>\$78,220,168</u></u> | <u><u>\$81,020,289</u></u> | <u><u>\$76,667,478</u></u> |

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

| <u>June 30, 2005</u> | <u>June 30, 2004</u> | <u>June 30, 2003</u> | <u>June 30, 2002</u> |
|----------------------|----------------------|----------------------|----------------------|
| \$21,382,048 | \$24,406,744 | \$23,403,951 | \$24,253,164 |
| 26,350,944 | 22,469,394 | 16,739,327 | 14,850,902 |
| 10,501,889 | 10,933,077 | 9,826,890 | 9,950,116 |
| 8,185,580 | 8,582,050 | 5,783,422 | 5,952,224 |
| <u>2,539,129</u> | <u>2,225,690</u> | <u>1,988,566</u> | <u>1,743,441</u> |
| 68,959,590 | 68,616,955 | 57,742,156 | 56,749,847 |
| 1,091,843 | 1,965,825 | 1,822,052 | 2,336,863 |
| <u>3,761,861</u> | <u>3,031,716</u> | <u>2,911,520</u> | <u>1,351,588</u> |
| <u>\$73,813,294</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, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003 AND 2002
(UNAUDITED)

| | <u>June 30,2010</u> | <u>June 30,2009</u> | <u>June 30,2008</u> | <u>June 30,2007</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Salaries and wages | \$ 11,180,101 | \$ 11,619,701 | \$ 11,665,974 | \$ 10,083,912 |
| Employee benefits | 4,378,347 | 4,429,266 | 4,528,891 | 3,967,687 |
| Contract services | 5,488,432 | 6,623,576 | 5,848,255 | 5,489,563 |
| Utilities/power | 6,639,620 | 7,384,879 | 7,292,830 | 7,055,167 |
| Professional services | 1,909,575 | 2,751,236 | 2,755,823 | 2,331,511 |
| Supplies | 1,112,419 | 1,319,905 | 1,496,065 | 1,427,467 |
| Chemicals | 1,653,424 | 1,443,177 | 1,231,681 | 1,165,321 |
| Insurance and claims | 647,983 | 611,405 | 644,638 | 645,064 |
| Leases and rentals | 69,472 | 124,563 | - | 58,181 |
| Other expenses | 3,318,784 | 3,754,603 | 4,310,112 | 4,087,764 |
| Total Operating Expenses before Depreciation | <u>36,398,157</u> | <u>40,062,310</u> | <u>39,774,269</u> | <u>36,311,637</u> |
| Depreciation | <u>21,990,618</u> | <u>22,153,951</u> | <u>20,817,485</u> | <u>19,241,869</u> |
| Total Operating Expenses | <u>\$ 58,388,775</u> | <u>\$ 62,216,261</u> | <u>\$ 60,591,754</u> | <u>\$ 55,553,506</u> |

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

| <u>June 30,2006</u> | <u>June 30,2005</u> | <u>June 30,2004</u> | <u>June 30,2003</u> | <u>June 30,2002</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 9,852,372 | \$ 9,625,252 | \$ 8,786,618 | \$ 8,278,246 | \$ 7,371,557 |
| 3,868,295 | 3,946,913 | 3,452,864 | 2,992,281 | 2,790,226 |
| 6,054,308 | 5,427,544 | 5,845,224 | 5,952,053 | 3,873,710 |
| 5,763,686 | 5,644,007 | 5,739,559 | 5,525,292 | 4,937,396 |
| 2,591,223 | 2,051,063 | 1,351,164 | 1,049,773 | 1,806,866 |
| 1,456,754 | 1,185,896 | 986,372 | 947,413 | 1,339,689 |
| 1,295,165 | 1,079,829 | 964,991 | 883,589 | 740,827 |
| 584,651 | 541,744 | 662,798 | 637,276 | 495,788 |
| 189,674 | 307,562 | 286,206 | 464,010 | 735,899 |
| 3,665,756 | 3,342,049 | 3,042,608 | 2,933,191 | 2,273,166 |
| <u>35,321,884</u> | <u>33,151,859</u> | <u>31,118,404</u> | <u>29,663,124</u> | <u>26,365,124</u> |
| <u>16,932,768</u> | <u>15,282,973</u> | <u>13,605,735</u> | <u>12,364,097</u> | <u>11,354,485</u> |
| <u>\$ 52,254,652</u> | <u>\$ 48,434,832</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, 2010, 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 |
|----------------|------------------------|---------------------|-----------|--|---------------------------------|-----------------------------------|
| 2010 | \$1,894,518 | (\$22,291,259) | \$861,091 | \$8,848 | (\$742,748) | (\$20,269,550) |
| 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) | 0 | 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, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003 AND 2002
(UNAUDITED)

| <u>Fiscal Year</u> | <u>Developer Water Rights/ Will Serves</u> | <u>Developer Infrastructure</u> | <u>Developer Other</u> | <u>Water Meter Retrofit Program</u> | <u>Developer Facility Charges</u> | <u>From Other Governments</u> | <u>From Others</u> | <u>Total</u> |
|--------------------|--|---------------------------------|------------------------|-------------------------------------|-----------------------------------|-------------------------------|--------------------|--------------|
| 2010 | \$133,305 | \$4,088,095 | \$184,791 | \$248,618 | \$437,933 | - | \$748,583 | \$5,841,325 |
| 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 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003 AND 2002
(UNAUDITED)

| <u>Category</u> | <u>Fiscal Year Ended June 30, 2010</u> | | <u>Fiscal Year Ended June 30, 2009</u> | | <u>Fiscal Year Ended June 30, 2008</u> | |
|---------------------------|--|----------------------|--|----------------------|--|----------------------|
| | <u>Gallons Sold (000)</u> | <u>Revenue</u> | <u>Gallons Sold (000)</u> | <u>Revenue</u> | <u>Gallons Sold (000)</u> | <u>Revenue</u> |
| Residential-Unmetered (1) | --(1) | \$ 13,115,143 | --(1) | \$ 14,216,666 | --(1) | \$ 15,310,296 |
| Residential Metered | 9,940,587 | 35,962,518 | 11,319,330 | 34,646,185 | 10,385,949 | 34,940,141 |
| Commercial | 4,642,286 | 10,112,854 | 3,051,746 | 9,812,718 | 4,547,882 | 10,326,007 |
| Other (2) | 1,858,589 | 8,894,110 | 3,059,335 | 8,716,187 | 2,677,005 | 8,880,817 |
| Wholesale | 1,284,293 | 3,136,081 | 1,659,709 | 2,833,330 | 1,763,412 | 3,228,785 |
| Total | 17,725,755 | \$ 71,220,706 | 19,090,120 | \$ 70,225,086 | 19,374,248 | \$ 72,686,046 |

| <u>Category</u> | <u>Fiscal Year Ended June 30, 2007</u> | | <u>Fiscal Year Ended June 30, 2006</u> | | <u>Fiscal Year Ended June 30, 2005</u> | |
|---------------------------|--|----------------------|--|----------------------|--|----------------------|
| | <u>Gallons Sold (000)</u> | <u>Revenue</u> | <u>Gallons Sold (000)</u> | <u>Revenue</u> | <u>Gallons Sold (000)</u> | <u>Revenue</u> |
| Residential-Unmetered (1) | --(1) | \$ 16,612,009 | --(1) | \$ 18,536,414 | --(1) | \$ 21,383,048 |
| Residential Metered | 10,219,912 | 35,085,858 | 8,695,642 | 30,513,084 | 7,808,216 | 26,350,944 |
| Commercial | 4,397,648 | 10,415,048 | 4,365,760 | 10,302,813 | 4,483,265 | 10,501,889 |
| Other (2) | 2,665,330 | 9,076,013 | 2,388,314 | 8,225,084 | 2,448,526 | 8,185,580 |
| Wholesale | 1,773,874 | 3,083,877 | 1,581,576 | 2,892,864 | 1,432,520 | 2,539,129 |
| Total | 19,056,764 | \$ 74,272,805 | 17,031,292 | \$ 70,470,259 | 16,172,527 | \$ 68,960,590 |

| <u>Category</u> | <u>Fiscal Year Ended June 30, 2004</u> | | <u>Fiscal Year Ended June 30, 2003</u> | | <u>Fiscal Year Ended June 30, 2002</u> | |
|---------------------------|--|----------------------|--|----------------------|--|----------------------|
| | <u>Gallons Sold (000)</u> | <u>Revenue</u> | <u>Gallons Sold (000)</u> | <u>Revenue</u> | <u>Gallons Sold (000)</u> | <u>Revenue</u> |
| Residential-Unmetered (1) | --(1) | \$ 24,406,744 | --(1) | \$ 23,403,951 | --(1) | \$ 24,253,164 |
| Residential Metered | 7,166,222 | 22,469,394 | 6,014,347 | 16,739,327 | 5,439,891 | 14,850,902 |
| Commercial | 4,832,724 | 10,933,077 | 4,634,532 | 9,826,890 | 4,163,228 | 9,950,116 |
| Other (2) | 2,869,795 | 8,582,050 | 1,933,611 | 5,783,422 | 2,119,840 | 5,952,224 |
| Wholesale | 1,282,857 | 2,225,690 | 1,361,691 | 1,988,566 | 1,259,208 | 1,743,441 |
| Total | 16,151,598 | \$ 68,616,955 | 13,944,181 | \$ 57,742,156 | 12,982,167 | \$ 56,749,847 |

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, 2010
(UNAUDITED)

| Customer Name | Water Used (000s Gallons) | Total Revenue | % of Total Water Sales |
|---|------------------------------|---------------------|---------------------------|
| 1 Washoe County total | 1,277,278 | \$ 2,347,343 | 3.3% |
| 2 City of Reno | 263,591 | 951,461 | 1.4% |
| 3 Sun Valley General Improvement District | 578,127 | 848,334 | 1.2% |
| 4 Washoe County School District | 270,444 | 680,857 | 1.0% |
| 5 City of Sparks | 136,928 | 426,312 | 0.6% |
| 6 Prologis | 111,560 | 336,356 | 0.5% |
| 7 Washoe Health Systems | 130,610 | 332,401 | 0.5% |
| 8 University of Nevada Reno | 145,462 | 329,003 | 0.5% |
| 9 Somerset Homeowner's Association | 99,668 | 31,011 | 0.0% |
| 10 Nevada Properties (Peppermill Casino) | 160,424 | 289,172 | 0.4% |
| Totals | <u>3,174,092</u> | <u>\$ 6,572,250</u> | <u>9.3%</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, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003 AND 2002
(Amounts in '000's)
(UNAUDITED)

| | June 30, 2010 | June 30, 2009 | June 30, 2008 | June 30, 2007 | June 30, 2006 | June 30, 2005 | June 30, 2004 | June 30, 2003 | June 30, 2002 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Operating Revenues (1) | \$ 71,221 | \$ 70,225 | \$ 72,686 | \$ 74,272 | \$ 70,470 | \$ 68,960 | \$ 68,617 | \$ 57,742 | \$ 56,750 |
| Nonoperating Revenues (2) | 6,669 | 9,197 | 13,822 | 14,451 | 12,487 | 8,236 | 8,876 | 6,249 | 7,262 |
| Gross Revenues | <u>77,890</u> | <u>79,422</u> | <u>86,508</u> | <u>88,723</u> | <u>82,957</u> | <u>77,196</u> | <u>77,493</u> | <u>63,991</u> | <u>64,012</u> |
| Operation and Maintenance Expenses (3) | 35,979 | 39,646 | 39,342 | 35,855 | 34,869 | 32,710 | 30,632 | 29,332 | 26,093 |
| Contribution to Water Rate Stabilization | - | - | - | - | - | - | 1,385 | - | - |
| Taxes other than Income Taxes (4) | 419 | 416 | 432 | 457 | 453 | 442 | 486 | 331 | 272 |
| Total Expenses | <u>36,398</u> | <u>40,062</u> | <u>39,774</u> | <u>36,312</u> | <u>35,322</u> | <u>33,152</u> | <u>32,503</u> | <u>29,663</u> | <u>26,365</u> |
| Net Revenues | <u>\$ 41,492</u> | <u>\$ 39,360</u> | <u>\$ 46,734</u> | <u>\$ 52,411</u> | <u>\$ 47,635</u> | <u>\$ 44,044</u> | <u>\$ 44,990</u> | <u>\$ 34,328</u> | <u>\$ 37,647</u> |
| Senior Lien Annual Debt Service (5) | <u>\$ 31,124</u> | <u>\$ 31,420</u> | <u>\$ 31,427</u> | <u>\$ 33,525</u> | <u>\$ 31,202</u> | <u>\$ 30,114</u> | <u>\$ 23,594</u> | <u>\$ 23,594</u> | <u>\$ 23,594</u> |
| Senior Lien Debt Coverage excluding SDCs | <u>1.33</u> | <u>1.25</u> | <u>1.49</u> | <u>1.56</u> | <u>1.53</u> | <u>1.46</u> | <u>1.91</u> | <u>1.45</u> | <u>1.60</u> |
| System Development Charges (SDCs): | | | | | | | | | |
| Developer facility charges | \$ 438 | \$ 774 | \$ 3,412 | \$ 5,684 | \$ 7,394 | \$ 10,056 | \$ 2,749 | \$ - | \$ - |
| Developer capital contributions - other | 185 | 541 | 2,401 | 5,802 | 6,515 | 6,219 | 4,113 | 3,703 | 2,137 |
| Senior Lien Debt Coverage including SDCs (6) | <u>1.35</u> | <u>1.29</u> | <u>1.67</u> | <u>1.91</u> | <u>1.97</u> | <u>2.00</u> | <u>2.20</u> | <u>1.61</u> | <u>1.69</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, 2007 and 2010 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.

TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF TOTAL BUILDING PERMITS ISSUED
BY JURISDICTION/MEMBER ENTITY
FOR FISCAL YEARS 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003 AND 2002
(UNAUDITED)

| | <u>2010</u> | <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 | 1,279 | 1,586 | 2,222 | 2,829 | 3,492 | 3,521 | 3,447 | 3,512 | 3,551 |
| City of Reno | 3,030 | 3,592 | 4,744 | 6,737 | 9,947 | 9,335 | 7,197 | 5,986 | 6,017 |
| City of Sparks | 2,007 | 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, 2010, 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⁾ |
|----------------------------------|---------------------------|--|------------------------------|-------------------------------------|--|--|
| 2010 | 434,519 | n/a | 37.3 | 62,452 | n/a | 13.6% |
| 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⁾ |
|----------------------------------|--|--|---|------------------------------|---|--|
| 2010 | 222,451 | \$55,952,010 | 35 | \$5,176,981,699 | \$788,545,658 | 3,777,701 |
| 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⁾ 2010 Washoe County Consensus Forecast
- ⁽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

**TRUCKEE MEADOWS WATER AUTHORITY
TEN LARGEST EMPLOYERS IN WASHOE COUNTY
JUNE 30, 2010
(UNAUDITED)**

| Rank | <u>Employer Name</u> | <u>No. of Employees</u> | <u>% of Total County Employment</u> |
|------|---------------------------------|-----------------------------|---|
| 1 | Washoe County School District | 8500-8999 | 4.05 |
| 2 | University of Nevada-Reno | 4000-4499 | 2.02 |
| 3 | Washoe County | 2500-2999 | 1.35 |
| 4 | Renown Regional Medical Center | 2000-2499 | 1.12 |
| 5 | International Gaming Technology | 2000-2499 | 1.12 |
| 6 | St Mary's Hospital | 1500-1999 | 0.90 |
| 7 | Atlantis Casino Resort | 1500-1999 | 0.90 |
| 8 | City of Reno | 1500-1999 | 0.90 |
| 9 | Grand Sierra Resort | 1500-1999 | 0.90 |
| 10 | Circus Circus Casino | 1000-1499 | 0.67 |

Source: Washoe County

**TRUCKEE MEADOWS WATER AUTHORITY
CUSTOMERS AND WATER SALES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003 AND 2002
(UNAUDITED)**

Customers by Category as of June 30, 2010

| <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 | 10,403 | 11.1% | \$ 13,115,143 | 18.4% |
| Residential Metered | 70,556 | 75.6% | 35,962,518 | 50.5% |
| Commercial and Irrigation | 8,465 | 9.1% | 17,872,178 | 25.1% |
| Other (2) | 3,943 | 4.2% | 1,134,786 | 1.6% |
| Wholesale | 7 | 0.0% | 3,136,081 | 4.4% |
| Total | 93,374 | 100.0% | \$ 71,220,706 | 100.0% |

Customers by Category as of June 30, 2009

| <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 | 12,590 | 13.5% | \$ 14,216,666 | 20.2% |
| Residential Metered | 68,557 | 73.4% | 34,646,185 | 49.3% |
| Commercial and Irrigation | 8,397 | 9.0% | 17,573,511 | 25.0% |
| Other (2) | 3,808 | 4.1% | 955,394 | 1.4% |
| Wholesale | 7 | 0.0% | 2,833,330 | 4.0% |
| Total | 93,359 | 100.0% | \$ 70,225,086 | 100.0% |

Customers by Category as of June 30, 2008

| <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 | 14,063 | 15.1% | \$ 15,310,296 | 21.1% |
| Residential Metered | 67,357 | 72.3% | 34,940,141 | 48.1% |
| | 8,203 | 8.8% | 18,305,887 | 25.2% |
| Other (2) | 3,595 | 3.9% | 900,937 | 1.2% |
| Wholesale | 7 | 0.0% | 3,228,785 | 4.4% |
| Total | 93,225 | 100.0% | \$ 72,686,046 | 100.0% |

Customers by Category as of June 30, 2007

| <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 | 15,488 | 16.7% | \$ 16,612,009 | 22.4% |
| Residential Metered | 65,749 | 70.9% | 35,085,858 | 47.2% |
| | 7,966 | 8.6% | 18,602,006 | 25.0% |
| Other (2) | 3,469 | 3.7% | 889,055 | 1.2% |
| Wholesale | 7 | 0.0% | 3,083,877 | 4.2% |
| Total | 92,679 | 100.0% | \$ 74,272,805 | 100.0% |

Customers by Category as of June 30, 2006

| <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 | 16,466 | 18.0% | \$ 18,536,414 | 26.3% |
| Residential Metered | 63,744 | 69.7% | 30,513,084 | 43.3% |
| Commercial and Irrigation | 7,787 | 8.5% | 17,670,604 | 25.1% |
| Other (2) | 3,407 | 3.7% | 857,293 | 1.2% |
| Wholesale | 7 | 0.0% | 2,892,864 | 4.1% |
| Total | 91,411 | 100.0% | \$ 70,470,259 | 100.0% |

Continued

TRUCKEE MEADOWS WATER AUTHORITY
CUSTOMERS AND WATER SALES BY CATEGORY
FOR THE FISCAL YEARS ENDED JUNE 30, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003 AND 2002
(UNAUDITED)

Continued

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 and Irrigation | 5,296 | 6.1% | 18,022,769 | 26.1% |
| Other (2) | 5,449 | 6.2% | 664,700 | 1.0% |
| 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 and Irrigation | 5,276 | 6.2% | 19,055,226 | 27.8% |
| Other (2) | 5,342 | 6.3% | 459,901 | 0.7% |
| 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 and Irrigation | 4,960 | 6.1% | 15,390,414 | 17.0% |
| Other (2) | 4,489 | 5.5% | 219,898 | 0.3% |
| 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 and Irrigation | 6,821 | 8.7% | 15,398,106 | 17.5% |
| Other (2) | 2,330 | 3.0% | 504,234 | 10.5% |
| Wholesale | 4 | 0.1% | 1,743,441 | 3.1% |
| Total | 78,681 | 100.0% | \$ 56,749,847 | 100.0% |

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 private fire protection services located on the premises of commercial and some residential customers.

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TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF INSURANCE COVERAGE
June 30, 2010
(UNAUDITED)

| <u>Coverage</u> | <u>Carrier/Policy</u> | <u>Term</u> | <u>Limits/Deductible</u> |
|--|---|----------------------|--|
| Property/Boiler and Machinery Policy | Affiliated FM Insurance Company | 6/11/10 to 6/11/2011 | Blanket limit of \$266,500,000 per occurrence with sub-limits of \$100,000,000 for earthquake for Earth Movement (excluding CA properties) and \$25,000,000 for flood (excluding Glendale plant). 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 | 6/11/10 to 6/11/2011 | 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 | 6/11/10 to 6/11/2011 | \$20,000,000 excess liability limit. |
| Workers' Compensation | Employer's Insurance Company of Nevada | 6/11/10 to 6/11/2011 | 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 | 6/11/10 to 6/11/2011 | Varies by plan selected |
| Commercial Pollution Liability | American International Specialty Lines Insurance Company | 6/11/01 to 6/11/2011 | \$50,000,000 limit \$100,000 deductible each incident . Products Pollution coverage limited to \$35,000,000 |

TRUCKEE MEADOWS WATER AUTHORITY
NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY
FOR FISCAL YEARS ENDED JUNE 30, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, AND 2002
(UNAUDITED)

| | <u>June 30, 2010</u> | <u>June 30, 2009</u> | <u>June 30, 2008</u> | <u>June 30, 2007</u> | <u>June 30, 2006</u> |
|-----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Administration/IT | 22 | 25 | 23 | 15 | 12 |
| Supply/Treatment Operations | 28 | 32 | 28 | 32 | 34 |
| Distribution Maintenance | 45 | 45 | 45 | 44 | 43 |
| Hydroelectric | 5 | 6 | 7 | 7 | 7 |
| Customer Service/Conservation | 41 | 42 | 39 | 33 | 31 |
| Water Planning/Resources | 14 | 11 | 10 | 11 | 10 |
| Engineering/Construction | 15 | 17 | 22 | 27 | 27 |
| Total Authorized Employees | 170 | 178 | 174 | 169 | 164 |

TMWA was formed June 11, 2001.

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

| <u>June 30, 2005</u> | <u>June 30, 2004</u> | <u>June 30, 2003</u> | <u>June 30, 2002</u> |
|----------------------|----------------------|----------------------|----------------------|
| 11 | 9 | 8 | 9 |
| 35 | 35 | 35 | 36 |
| 39 | 36 | 32 | 32 |
| 7 | 7 | 7 | 8 |
| 31 | 29 | 27 | 17 |
| 10 | 10 | 10 | 10 |
| 29 | 28 | 25 | 21 |
| <u>162</u> | <u>154</u> | <u>144</u> | <u>133</u> |

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TRUCKEE MEADOWS WATER AUTHORITY
CURRENT AND HISTORICAL WATER RATES
FOR FISCAL YEARS ENDED JUNE 30, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, AND 2002
(UNAUDITED)

| | <u>6/30/2010</u> | <u>6/30/2009</u> | <u>6/30/2008</u> | <u>6/30/2007</u> | <u>6/30/2006</u> | <u>6/30/2005</u> | <u>6/30/2004</u> | <u>6/30/2003</u> | <u>6/30/2002</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Customer Charges By Meter Size | | | | | | | | | |
| 3/4" | \$15.70 | \$15.70 | \$15.70 | \$15.70 | \$15.70 | \$15.70 | \$14.80 | \$10.02 | \$10.02 |
| 1" | 17.30 | 17.30 | 17.20 | 17.20 | 17.20 | 17.20 | 16.30 | 10.61 | 10.61 |
| 1 1/2" | 19.60 | 19.60 | 19.60 | 19.60 | 19.60 | 19.60 | 18.50 | 12.24 | 12.24 |
| 2" | 22.80 | 22.80 | 22.80 | 22.80 | 22.80 | 22.80 | 21.50 | 14.34 | 14.34 |
| 3" | 25.90 | 25.90 | 25.90 | 25.90 | 25.90 | 25.90 | 24.40 | 21.91 | 21.91 |
| 4" | 29.80 | 29.80 | 29.80 | 29.80 | 29.80 | 29.80 | 28.10 | n/a | n/a |
| 6" | 34.50 | 34.50 | 34.50 | 34.50 | 34.50 | 34.50 | 32.60 | n/a | n/a |
| Commodity Charge (all meter sizes) | | | | | | | | | |
| Tier 1 | 1.72 | 1.63 | 1.58 | 1.58 | 1.58 | 1.58 | \$1.56 | \$1.56 | \$1.56 |
| Tier 2 | 2.78 | 2.64 | 2.50 | 2.50 | 2.50 | 2.50 | 2.43 | 2.43 | 2.43 |
| Tier 3 | 3.25 | 3.05 | 2.91 | 2.91 | 2.91 | 2.91 | 2.90 | 2.43 | 2.43 |

Above rates are for metered single family residential service.

Monthly Base Rates (Meter Size)

| | | | | | | | | | |
|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 3/4" | \$86.30 | \$84.20 | \$74.90 | \$74.90 | \$74.90 | \$74.90 | \$67.50 | \$49.19 | \$49.19 |
| 1" | 124.30 | 121.20 | 106.20 | 106.20 | 106.20 | 106.20 | 93.50 | 68.14 | 68.14 |
| 1 1/2" | 225.20 | 219.80 | 184.90 | 184.90 | 184.90 | 184.90 | 152.60 | 111.22 | 111.22 |
| 2" | 321.00 | 313.20 | 264.10 | 264.10 | 264.10 | 264.10 | 218.90 | 159.50 | 159.50 |
| 3" | 403.00 | 393.20 | 331.90 | 331.90 | 331.90 | 331.90 | 275.00 | 200.84 | 200.84 |
| 4" | 510.00 | 498.50 | 420.30 | 420.30 | 420.30 | 420.30 | 348.30 | 253.82 | 253.82 |
| 6" | n/a | n/a | n/a | n/a | n/a | n/a | 495.30 | 360.97 | 360.97 |

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 and 2010.

TRUCKEE MEADOWS WATER AUTHORITY
SELECTED OPERATING AND CAPITAL INDICATORS
FOR FISCAL YEARS ENDED JUNE 30, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, AND 2002
(UNAUDITED)

| | <u>June 30, 2010</u> | <u>June 30, 2009</u> | <u>June 30, 2008</u> | <u>June 30, 2007</u> | <u>June 30, 2006</u> |
|--------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Miles of water mains | 1,332 | 1,330 | 1,310 | 1,258 | 1,252 |
| Number of storage tanks | 42 | 42 | 38 | 37 | 35 |
| Number of pump stations | 93 | 93 | 93 | 94 | 93 |
| Number of wells | 32 | 32 | 32 | 33 | 33 |
| Treatment capacity (MGD) | | | | | |
| Glendale Plant | 25 | 25 | 25 | 25 | 25 |
| Chalk Bluff | 95 | 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, 2005</u> | <u>June 30, 2004</u> | <u>June 30, 2003</u> | <u>June 30, 2002</u> |
|----------------------|----------------------|----------------------|----------------------|
| 1,227 | 1,175 | 1,127 | 1,090 |
| 34 | 34 | 33 | 33 |
| 93 | 92 | 92 | 90 |
| 33 | 32 | 31 | 31 |
| 25 | 25 | 25 | 25 |
| 89 | 89 | 69 | 69 |

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COMPLIANCE SECTION



**Independent Auditor's 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, 2010, and have issued our report thereon dated November 23, 2010. 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 auditing 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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

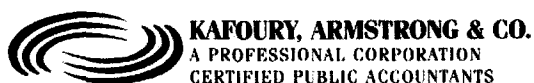
As part of obtaining reasonable assurance about whether TMWA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 or other matters 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 23, 2010



**Independent Auditor's Report on Compliance with Requirements That Could Have a
Direct and Material Effect on 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 could have a direct and material effect on each of TMWA's major programs for the year ended June 30, 2010. TMWA's major federal programs are 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 each of its major federal programs 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 compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that 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 Finding 10-1.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of

expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as Finding 10-1. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the response.

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 23, 2010

**TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

| <u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE</u> | <u>Federal CFDA No.</u> | <u>Project/ Pass-Through Grantor's No.</u> | <u>Expenditures 2009-2010</u> |
|--|-----------------------------|--|-----------------------------------|
| U.S. Department of the Interior | | | |
| Research and Development Cluster | | | |
| Fish and Wildlife Service | | | |
| Direct Award: | | | |
| Research Grants - Fish Passage and Protection Task | 15.650 | 84240-9-J012 | <u>\$ 50,000</u> |
| Total Research and Development Cluster | | | <u>50,000</u> |
| Total U.S. Department of the Interior | | | <u>50,000</u> |
| U.S. Department of the Interior | | | |
| Bureau of Reclamation | | | |
| Direct Award: | | | |
| Providing Water to At-Risk Natural Desert Terminal Lakes - Truckee River Operating Agreement (TROA) - Desert Terminal Lakes Program - TROA Completion and Implementation | 15.508 | R10AP20768 | <u>781,575</u> |
| U.S. Environmental Protection Agency | | | |
| Office of Water: | | | |
| Passed through State of Nevada Department of Conservation and Natural Resources - Division of Environmental Protection: | | | |
| ARRA - Capitalization Grants for Drinking Water State Revolving Funds - Mogul Bypass Siphon Project | 66.468A | ARRA TMWA-1 | 2,309,945 |
| Capitalization Grants for Drinking Water State Revolving Funds - Glendale Water Supply Improvement Project | 66.468 | TMWA-2 | <u>201,110</u> |
| Total U.S. Environmental Protection Agency | | | <u>2,511,055</u> |
| U.S. Department of Homeland Security | | | |
| Federal Emergency Management Agency: | | | |
| Passed through State of Nevada Department of Public Safety - Division of Emergency Management | | | |
| Disaster Grants - Public Assistance - Embankment and Road Repair - Washoe Flume and Erosion | 97.036 | FEMA 1629 PW287-1 | <u>29,516</u> |
| Total Federal Financial Assistance | | | <u>\$ 3,372,146</u> |

TRUCKEE MEADOWS WATER AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

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.

Note 3 - Disaster Grants - Public Assistance (97.036)

The reported amount represents expenditures incurred and paid for with non-federal funds in fiscal year 2007 which were subsequently re-characterized as Federal expenditures when the FEMA award was received in fiscal year 2010.

Note 4 - Capitalization Grants for Drinking Water State Revolving Funds (66.468A)

The reported ARRA amount includes expenditures incurred and paid for with non-federal funds in fiscal year 2009 which were subsequently re-characterized as Federal expenditures when the ARRA award was received in fiscal year 2010 as follows:

| | |
|------------------|---------------------|
| Fiscal year 2009 | \$ 787,066 |
| Total Reported | <u>\$ 2,309,945</u> |

**TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Section I – Summary of Auditor's Results

Financial Statements

Kafoury, Armstrong & Co. issued an unqualified opinion on the financial statements of the Truckee Meadows Water Authority for the year ended June 30, 2010.

Internal control over financial reporting:

- No material weaknesses were identified.
- No significant deficiencies were identified.

No material noncompliance to the financial statements was noted.

Federal Awards

Internal control over major programs:

- No material weaknesses were identified.
- A significant deficiency was reported.

Kafoury, Armstrong & Co. issued an unqualified opinion on compliance for major programs of the Truckee Meadows Water Authority.

An audit finding, relative to a 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.

Identification of major programs:

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

Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468

The dollar threshold used to distinguish between Type A and Type B programs for the year ended June 30, 2010 was \$300,000.

Truckee Meadows Water Authority did not qualify as a low risk auditee for the year ended June 30, 2010 under the criteria set forth in section .530 of OMB Circular A-133.

Section II – Financial Statement Findings

There were no findings disclosed during the audit as reported in the Independent Auditor's 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* for the year ended June 30, 2010.

**TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Section III – Federal Award Finding and Questioned Costs

U.S. Environmental Protection Agency; passed through from the Nevada Department of Conservation and Natural Resources:

Finding 10-1:

Capitalization Grants for Drinking Water State Revolving Funds, CFDA 66.468

Grant Award Number: Affects the grant award TMWA-2 included under CFDA 66.468 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: As noted in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments*, costs charged to the Federal program must be for allowable costs. To be allowable under Federal awards, costs must not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.

As part of our testing over Allowable Costs/Cost Principles, we tested a sample of transactions for conformance with the criteria contained in the “Basic Guidelines” section of OMB Circular A-87. For one of the transactions tested, we noted that an identical invoice was used as supporting documentation for expenditures under another Federal Award, the Fish Passage and Protection Task (CFDA 15.650).

Questioned Costs: \$19,691.

Context: The condition above appears to be a systemic problem.

Effect: Unallowable costs have been charged to the Federal program.

Cause: Truckee Meadows Water Authority does not have adequate procedures in place to ensure that expenditures charged to a Federal award program are not already reported as an expenditure of another Federal award program.

Recommendation:

We recommend Truckee Meadows Water Authority implement a preventative control by means of creating sub-account numbers for recording and capturing Federal expenditures, by federal award program, in the accounting information system.

Management's Response:

See management's response on page 66.

November 18, 2010

Grantor Agencies

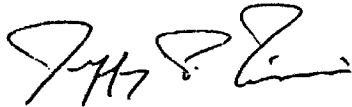
Re: Capitalization Grants for Drinking Water State Revolving Funds, CFDA #66.468

This letter is a written response to the Fiscal Year 2009-2010 Finding 10-1.

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

For multiple federal and state grants funding a single project TMWA will utilize task accounting codes with the project accounting code to accurately isolate expenses to be reimbursed by different grants.

Sincerely,



Jeffrey Tissier
Chief Financial Officer

**TRUCKEE MEADOWS WATER AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Award Findings and Questioned Costs

U.S. Department of the Interior:

Finding 09-1:

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.

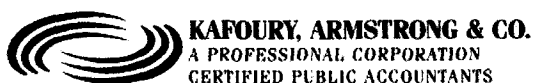
Context: The condition above appears to be a systemic problem. While contracts obtained through the organization's bidding procedures include language certifying the contractor is not suspended or debarred, contracts not subject to the organization's bidding procedures do not include a certification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

Status: During the year ended June 30, 2010, Truckee Meadows Water Authority ensured all service providers were not suspended or debarred.



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, 2010 (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, 2010.
- 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 23, 2010

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, 2009.

PRIOR YEAR RECOMMENDATIONS

Our recommendation for the prior year is included in the Summary Schedule of Prior Audit Findings.

CURRENT YEAR RECOMMENDATIONS

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