

**NEVADA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Years Ended June 30, 2008 and 2007**

**PREPARED BY: Jeffrey P. Tissier, CPA**  
**Chief Financial Officer**

**TRUCKEE MEADOWS WATER AUTHORITY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**JUNE 30, 2008 AND 2007**

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**TRUCKEE MEADOWS WATER AUTHORITY  
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**JUNE 30, 2008 AND 2007**

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## **INTRODUCTORY SECTION**

December 1, 2008

To the Board of Directors, Our Customers, and Bondholders:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Truckee Meadows Water Authority (TMWA) for the Fiscal Year ended June 30, 2008. The purpose of the report is to provide the Board of Directors, our customers, and bondholders as well as other interested parties with reliable financial information about TMWA. TMWA's Finance Department has prepared the CAFR in accordance with Generally Accepted Accounting Principles (GAAP).

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The CAFR consists of four sections:

**Introduction Section-** This section is comprised of the letter of transmittal which contains information relative to TMWA's background, a listing of TMWA's principal officers, organizational chart and other relevant information to assist the reader in understanding TMWA's operations, financial condition, and accomplishments.

**Financial Section-** This section consists of TMWA's basic financial statements, supplementary financial information and independent auditor's report on the basic financial statements. In addition, this section includes Management's Discussion and Analysis (MD&A), which provides a narrative overview and explanation of the results reflected in the basic financial statements. The financial statements presented in this section were prepared in accordance with GAAP. TMWA's financial activities are reported as an enterprise fund (proprietary fund type).

**Statistical Section-** This section is comprised of selected financial, operational and demographic information generally presented on an annual basis since TMWA began water utility operations on June 11, 2001.

Compliance Section- This section consists of information regarding TMWA's compliance with state statutes, in particular conformance with the Local Government Finance Act.

## **REPORTING ENTITY**

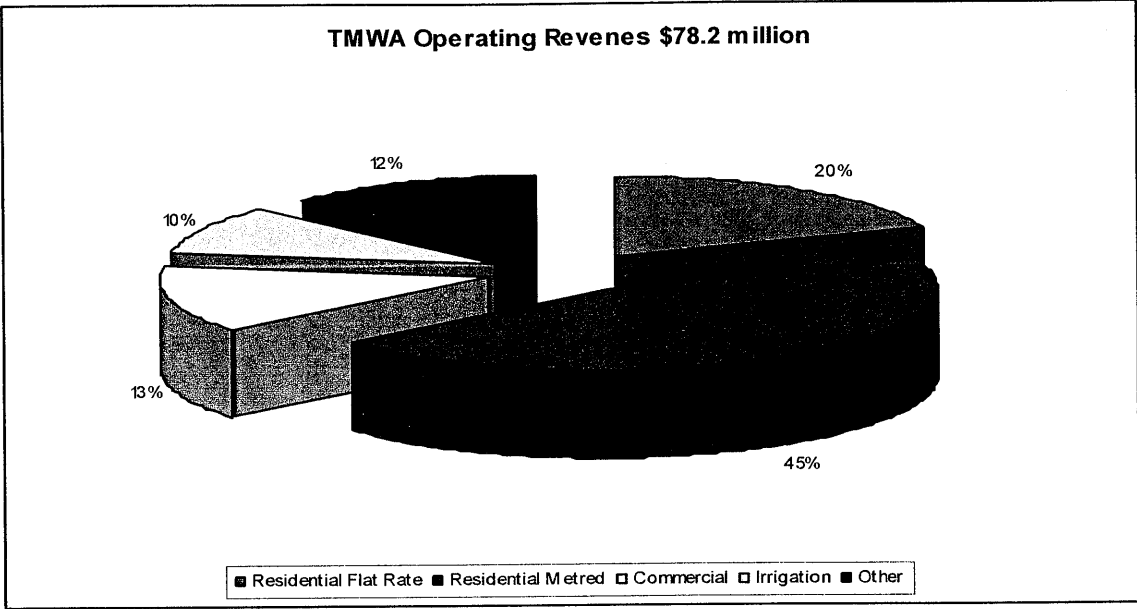
TMWA was formed as a Joint Powers Authority pursuant to chapter 277 of the Nevada Revised Statutes and is a political subdivision of the State of Nevada. TMWA is separate from its member agencies: City of Reno, City of Sparks and Washoe County. TMWA was formed in November 2000 for the purpose of acquiring the water division of Sierra Pacific Power Co. (SPPCo), a subsidiary of Sierra Pacific Resources ("SRP"), with the goal of retaining local control over the water resources of the area. TMWA took over the water system on June 11, 2001. There are no component units associated with this financial reporting entity.

TMWA has no financial interdependence with its member agencies. TMWA has broad powers to finance, construct and operate the water system, for the diversion, treatment, distribution, and sale of treated water to retail and wholesale customers. TMWA has full authority to set water rates for services subject to the approval of the TMWA Board of Directors, without approval by other entities. TMWA is a tax-exempt entity for purposes of federal taxes and State of Nevada property, sales and use taxes, as well as other state taxes. TMWA pays property taxes in Nevada and Sierra Counties of California for the privilege of storing water in private and federal reservoirs. TMWA has no taxing authority.

TMWA provides treated water to two wholesale customers and nearly 93,000 residential, commercial and irrigation services in the Reno-Sparks metropolitan areas. TMWA operates in a prescribed retail service area as described in the agreement between SPPCo and Washoe County dated June 25, 1996, as amended. The retail service territory can be modified from time to time pursuant to such agreement. The two wholesale customers are the Sun Valley General Improvement District (SVGID) and the Washoe County Department of Water Resources (WCDWR). SVGID located north of Reno-Sparks is wholly dependent upon TMWA water deliveries since this district has no source of water supply. The WCDWR purchases water from TMWA, however, WCDWR can provide a significant portion of its own water demands with WCDWR groundwater resources. There are seven separate contracts associated with these wholesale customers.

Nevada Revised Statutes require that an independent certified public accounting firm selected by the Board of Directors audit TMWA's financial statements on an annual basis. The independent auditor's report for the fiscal years ended June 30, 2008 and June 30, 2007 are presented in the Financial Section of this report. TMWA complies with the Local Government Budget and Finance Act as embodied in Chapter 354 of the Nevada Revised Statutes.

The following graph depicts the proportion of operating revenues by class for fiscal year 2008:



The metering of the water system, which began under Sierra Pacific in 1995, presents an interesting practical and political situation for TMWA. On the practical side, it presents a valuable opportunity to collect accurate data on water usage by customer class. This allows TMWA to make more accurate cost of service analyses, to make water rates more equitable across customer classes, and to better anticipate future water resource and water facility requirements. There are still approximately 13,200 customers who continue to pay the flat rate. There are less than 2,500 residential water services that remain to have a meter installed, and these represent problematic services with multiple customers on a single service line. Virtually every single family residence now has a meter. The TMWA Board has adopted a policy to bill all customers on a metered rate who have meters installed on January 1, 2010.

In just the last three fiscal years, (2006 through 2008), residential flat rate services as a percentage of total water services declined from 17.9 percent to 14.0 percent. Metered water service increased from 82.1 percent to 86 percent of total water services. Flat rate services were as much as 44.2 percent of total water services during TMWA's first full year of operations. TMWA is mindful of the revenue impact from the conversion to metered billing in its financial planning, and also accounts for the changing water demands in its water facility and resource planning efforts. In any event, system-wide equity in customer rates can only be achieved when all customers are charged based on the water they use. The decision to mandate metered billing is inevitable as the system becomes fully metered, and such decision is expected to be a manageable challenge for TMWA's management and elected board. In the meantime, TMWA is meticulously tracking water billing and usage statistics to guide its rate making decisions, as well as its water facility, water resource and financial planning.

TMWA honored its commitment to the community that water rates would not be increased during its first two years of operation. In June, 2003, TMWA's Board of Directors adopted facility charges, to collect funds from new developments to pay for the construction of storage, supply and treatment facilities for new and/or expanded services. In September 2003, TMWA's Board of Directors adopted revised customer rate schedules designed to increase water sales revenues annually by \$10 to \$11 million, with the rate increase effective October 1, 2003. In early 2005, the TMWA Board of Directors took under consideration another general water rate increase. The result of that public hearing was approval of a rate increase of an average of approximately 3.4% to take effect on March 1, 2005. Since that time TMWA has not implemented any retail/wholesale water rate revisions since TMWA has met or exceeded financial performance measures adopted by the TMWA Board in August 2003. TMWA's financial results for the current fiscal year have again allowed the Board to defer a general rate increase until spring of 2009. TMWA management annually reviews facility charges for new development and presents its recommendations to the Board for adoption. The most recent facility charges went into effect in March of 2008, and such charges are periodically under review.

The goal of TMWA, as adopted by the Board in August 2003, is to maintain a senior lien debt coverage ratio of 1.5x, which excludes developer facility charges and other fees associated with new development. This coverage is sufficient to meet minimum debt service coverage requirements, fund many of the rehabilitative capital projects on a pay-as-you-go basis and manage TMWA's senior lien bonding capacity to allow for future senior lien bond sales. These measures were deemed necessary to maintain system infrastructure in a prudent manner and insure that TMWA's bondholders are adequately protected. There are no other restrictions, commitments, or other limitations that would restrict the unrestricted cash assets for use in meeting TMWA's obligations. TMWA's senior lien coverage (excluding developer fees and charges) was approximately 1.50x as of June 30, 2008.

### **ECONOMIC OUTLOOK AND WATER RESOURCES**

TMWA's service area has experienced steady growth since TMWA's inception in 2001, with overall population gains in Washoe County of nearly 18 percent. After five years of sustained 9 to 10 percent annual growth in county-wide taxable sales, taxable sales have dipped significantly in fiscal year 2008 compared to the prior year. The Reno-Sparks metropolitan area enjoys a moderate climate, offers a wide variety of year-round recreational opportunities, and has a favorable tax structure. It is also centrally located in the Pacific region affording efficient distribution of goods throughout the western United States. Northern Nevada's favorable business tax environment has nurtured steady growth in the entire region and nearby communities in manufacturing, distribution, warehousing and industrial businesses. A surge in residential housing construction up through fiscal year 2006 fueled significant new retail development, including several nationally known retailers, in fiscal years 2007 and 2008, the region has experienced a significant recession in the housing market. Currently there are a significant number of available homes for sale on the market which is expected to take a number of years to clear.

To meet the demands of regional growth, TMWA prepared a very detailed Water Resource Plan for the years 2005-2025. That plan was adopted by the Board in March 2003 and was updated

during fiscal year 2007 with no significant changes. This extensive plan document addresses current water resources, future water resources, and water rights availability as well as defined drought standards. The focal point of the Water Resource Plan is the population and water demand forecasts for the TMWA service territory. These forecasts rely upon the results of TMWA's Population and Employment Econometric Model for Washoe County. This time series model simultaneously forecasts population and employment in Washoe County using historical employment and population data from 1969 to 2000.

To complement this resource planning effort, a comprehensive Water Facility Plan for the years 2005-2025 was developed which the TMWA Board adopted in December of 2004. The Facility Plan evaluates the infrastructure required to supply, treat and deliver resources to the customers over the life of the plan. The Facility Plan determines the Capital Improvement Plan needs. For fiscal year 2008, TMWA's Board approved a Capital Improvement Plan with a ten year spending level of \$347.8 million. Spending on the acquisition of water rights has been suspended because TMWA has a sufficient inventory of water rights to issue will-serve commitments against for the foreseeable future. TMWA is in the process of updating the Ten Year Capital Improvement Plan in light of the severe economic downturn and spending over the ensuing ten years is expected to be reduced in response to the economic climate. (Annual submission of a capital improvement plan spanning at least five years is a requirement of state law; however, TMWA has extended this planning horizon to ten years.)

TMWA's water planning department undertakes a number of water resource planning activities. TMWA also maintains water rights for current service requirements, is an active purchaser of water rights on the open market from which will-serve commitment letters are sold to new applicants for service if required, issues will-serve commitment letters to developers, requires and accepts permanent dedication of water rights from developers to obtain water service, as well as collects and manages the Water Meter Retrofit Fund.

TMWA is a very active supporter and participant in the process of negotiating and implementing Truckee River Operating Agreement (TROA), as are the TMWA member agencies including the cities of Reno, Sparks, and Washoe County. TMWA will be the primary signatory to the TROA along with the Pyramid Lake Paiute Tribe, the States of Nevada and California, and the Federal Government. TROA is intended to provide TMWA customers with certainty regarding the operation of the Truckee River system and additional drought supplies for existing as well as new customers. These lengthy and complex negotiations, which include interstate allocations of Lake Tahoe and Truckee River rights, are nearing their conclusion. TROA was signed by the aforementioned parties on September 6, 2008 at a signing ceremony in Reno. It is expected to take several years to implement TROA.

## **WATER QUALITY**

TMWA's highest priority is the protection of public health through modern water treatment techniques and water quality monitoring efforts. TMWA's primary source of water is the Truckee River, which sources at Lake Tahoe and other tributaries to the Truckee River, travels into Nevada through the Reno-Sparks Metropolitan area with the terminus of the river at

Pyramid Lake, approximately a 120-mile distance. The river's water quality is excellent; however additional steps are taken to purify the water to meet safe drinking water standards that were set forth by the United States Department of Environmental Protection in the early 90's. TMWA owns and operates the 84 million gallons per day (MGD) Chalk Bluff Water Treatment Plant (expanded from 69 MGD in 2005) and the 25 MGD Glendale Treatment Plant currently being expanded.

TMWA spends nearly \$1 million per year on monitoring water quality by analyzing nearly 11,000 samples per year at over 150 locations throughout the TMWA water system. TMWA strictly complies with the latest drinking water standards, including the revised arsenic standards as promulgated by the United States Environmental Protection Agency, and enforced by the Nevada State Division of Health.

## **WATER CONSERVATION**

Water conservation is a high priority at TMWA. Prudent use of the area's water resources extends this vital resource to periods of dry weather patterns and reduces or defers further investments in new plant and preserves system capacities. The purpose of water conservation at TMWA is to promote wise use of water through a number of initiatives. TMWA's current conservation programs are designed to achieve 10% annual water savings as part of the conservation goal agreed to in the 1996 Water Conservation Agreement between, TMWA's predecessor SPPCo, the Pyramid Lake Paiute Tribe, and the United States. The backbone of water conservation in the Truckee Meadows is the Water Meter Retrofit Program.

### **The Water Meter Retrofit Program**

In 1995, the conversion of TMWA's 44,651 flat rate services to metered services began. As of June 30, 2007, TMWA estimates that less than 2,500 residential and multi-unit metering facilities remain to be installed. The estimated cost to complete this endeavor is estimated to be about \$5.0-\$6.0 million due to the complexity of some conversions and the size of certain multi-tenant services.

The complete metering of the TMWA water system is expected to achieve at least a 10% reduction in water demands annually. Developers, through a charge of \$1,830 for every acre-foot of new water demand, provide funding for this project. These funds are considered restricted cash assets as represented on TMWA's balance sheet.

Complete metering of TMWA's system will also allow for determination of system losses and focus financial resources to areas of the service territory that requires system rehabilitation.

### **Twice a Week Watering**

TMWA's predecessor, SPPCo, initiated this voluntary program in the late 1980's in an effort to avoid investment in new facilities brought on by growing demands. During the 1987 to 1994 period, twice a week watering became mandatory as part of the conservations commitments and has remained in place since. The greatest benefit of this is to more evenly distribute the peak

demands for water during a summer week, which translates into less peaking demand on system capacities. Consequently more efficient use of plant capacities can be realized, minimizing further investment in plant capacity.

### **Landscape Efficiency Program**

This program promotes the use of attractive drought tolerant plants for the high desert climate experienced in Western Nevada. The program is augmented by certain irrigation customers, such as common area turf, road median landscapes, as well as certain commercial customers participating in an irrigation program based on data supplied by evaporation-transpiration sensing equipment. This equipment controls the amount of irrigation based upon moisture levels in turf areas. Also during periods of wet weather patterns, irrigation is deferred until such time as turf moisture levels indicate irrigation must be applied.

### **Water Audit Program**

This program assists TMWA customers in the evaluation of both indoor and outdoor water use. TMWA water conservation consultants visit residents and businesses to measure the amount of water applied to lawns and landscape. After evaluation of information, recommendations are made to the customer on how to adjust consumption while preserving their landscape. This program also looks for leaks within the home and promotes efficient water use indoors.

### **Classroom Education**

TMWA participates in a number of community events that promote conservation and responsible water use education. TMWA works with various schools by presenting information about the area's water resources, how these resources are used, and the benefits of water conservation. TMWA has prepared and distributed teaching materials to local schools.

### **Residential Water Efficiency Check**

TMWA responds to high bill complaints to assist customers with identifying the source of potential water leaks. Water leaks are often found to exist in the service line from the meter to the house, which is the responsibility of the homeowner. Sometimes homeowners are unaware of the amount of water loss that can occur from a leaking plumbing fixture inside the home. TMWA also furnishes water saving fixtures to interested homeowners. As flat rate customers have meters installed they become aware of their usage. For those who have greater than expected usage this program helps identify the reason for that usage.

## **FINANCIAL INFORMATION**

### **Internal Controls**

TMWA employs various internal controls for the safeguarding of assets against losses from unauthorized use or disposition. TMWA's management is responsible for establishing and maintaining a system of internal controls designed to meet these objectives. Another purpose of

internal controls is to ensure that accounting data are compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. When establishing or reviewing internal controls, management weighs the cost to implement such controls over the benefits derived from implementing such controls. TMWA management is constantly looking for opportunities to improve or redesign internal controls. A key component of TMWA's internal controls is its budgetary controls.

### **Budgetary Controls**

TMWA is legally required to prepare, present to the TMWA Board and adopt an annual budget in conformance with Chapter 354 of the Nevada Revised Statutes. These statutes comprise the Administration of Local Government Finance Act, which stipulates that the Board be presented with a tentative budget on April 15 of each year, with formal adoption of the budget after a public hearing on the third Thursday of May of each year. The adopted budget is then filed with to the Nevada Department of Taxation.

TMWA is also required to prepare a Capital Improvement Plan for review and formal acceptance by the TMWA Board. This plan is a comprehensive compilation of all capital projects and capital outlays expected during the ensuing fiscal year. TMWA's Board is kept informed of TMWA's financial performance throughout the fiscal year at scheduled Board meetings. The General Manager, as the chief administrative officer, is authorized to approve all expenses that are within the approved budget. This authority is conferred upon the General Manager by virtue of the co-operative agreement between the City of Reno, City of Sparks, and the County of Washoe. This arrangement allows for the efficient operation of TMWA.

## **BUDGET ANALYSIS AND VARIANCES**

Actual total operating water revenues were slightly above budget by \$0.3 million for fiscal year ended June 30, 2008. Total budgeted revenues were \$77.9 million as compared to \$78.2 million in actual revenue. Charges for water sales were \$0.4 million under budget, while hydroelectric revenues were nearly \$0.3 million over budget. Other operating sales were nearly \$0.5 million over budget.

Total operating expenses of \$60.6 million were approximately \$1.0 million under the augmented budget of \$61.6 million. Savings on cash operating expenses of \$2.2 million were offset by \$1.2 million in greater depreciation expense. TMWA augmented its budget for expected spending on extraordinary expenses related to earthquake damage. Much of this spending did not occur in fiscal year 2008 and extended into the first quarter of fiscal year 2009. Operating expenses net of depreciation were \$2.2 million under budget primarily due to slightly lower spending on wages and salaries and related employee benefits. Spending on operating salaries and wages was \$0.1 million less than budget, while employee benefit spending was \$0.6 million less than budget. Lower operating wages and salaries were due to field personnel being assigned to capital projects during the winter season and holding vacant positions open as long as possible in an effort to manage these expenses. Health care expenses did not increase during the fiscal year which helped reduce employee benefit costs. Spending on services and supplies was \$1.5 million more than the augmented budgeted. TMWA incurred significant extraordinary maintenance expenses due to earthquake damage to the raw water conveyance structures feeding raw water to the Chalk Bluff Water Treatment Plant (CBWTP). The loss of gravity flow into the CBWTP caused additional electrical expenses due to reliance on pumping to bring water to the CBWTP. TMWA incurred approximately \$0.9 million in one-time extraordinary maintenance expenses during fiscal year 2008. These expenses did extend into fiscal year 2009 with spending abating after the first quarter of fiscal year 2009. Depreciation expense was \$1.2 million greater than budget because of the magnitude of capital spending and developer infrastructure.

Total net nonoperating expenses, including investment income, were \$2.6 million less than budget. Investment income and unrealized gain in investments, after capitalization of interest expenses, as required by FASB 62 was \$1.1 million higher than budgeted. This was due to much higher cash balances as a result of the issuance of tax-exempt commercial paper which allowed TMWA to use proceeds from commercial paper to fund construction projects. In addition suspension of purchases of water rights preserved unrestricted cash. Interest expense and amortization of bond/note issuance expenses was \$1.1 million less than budgeted, due to lower commercial paper interest rates and higher capitalization of interest expense in accordance with FASB 34. Variations in capitalizing interest expense to construction projects will create minor variances between budgeted and actual interest expense. TMWA received grant support of \$0.5 million in fiscal year 2008 for the implementation of TROA. TMWA incurred a \$0.1 million loss on disposal of assets.

Capital contribution revenues were \$4.2 million less than budget. Developer infrastructure contributions were \$0.4 million less than budget, collection of various developer fees and charges were collectively \$0.1 million less than budget while water meter retrofit contributions were \$0.9 million less than budget. Developer will-serve contributions were \$2.8 million short of

budget, reflecting the dramatic slowdown in residential construction.

Total Capital Improvement Plan expenditures were originally budgeted for \$109.1 million, which included \$40 million for water rights purchases in fiscal year 2008, and \$65.1 million for construction projects and \$4.0 million for water meter retrofit work. Actual construction spending was approximately \$58.3 million and \$0.9 million in water right acquisitions.

As reflected in the Statement of Cash Flows, TMWA financed the operating budget, and capital projects from operating cash flow, developer cash contributions, and investment income. As of June 30, 2008, TMWA has approximately \$95.7 million of financial resources to fund future capital projects and its upcoming operating budget. TMWA plans to augmented cash resources with proceeds from a \$25.0 million sale of commercial paper in February 2008. Of the total program authorization of \$160 million, TMWA has issued \$68 million thus far, utilizing the proceeds to finance water rights purchases in fiscal year 2007 and to fund certain construction projects in fiscal years 2008 and 2009. Interest rates on commercial paper were very low and were a compelling reason to fund construction projects with this source of funding.

TMWA continued funding of required cash reserves as prescribed by TMWA's bond covenants during fiscal year 2008. TMWA's renewal and replacement reserve is fully funded at \$10 million. The operations and maintenance reserve fund, which TMWA is required to maintain at a balance equal to one-sixth of TMWA's revised final operating budget, contained \$7.0 million as of June 30, 2008. TMWA still retains a \$1.8 million water rate stabilization reserve of which \$0.5 million is restricted and \$1.3 million is a reservation of unrestricted net assets. Finally, TMWA remains in possession of \$6.0 million in 2001A bond proceeds for the purchase of the four run-of-river hydroelectric generating facilities. One of the facilities was purchased during fiscal year 2008. Two are expected to be purchased in fiscal year 2009 and the fourth, a facility located in Farad, California that was heavily damaged by the 1997 flood, has not been restored by Sierra Pacific Power Company.

### **Cash Management**

As of June 30, 2008, TMWA had approximately \$175.6 million in unrestricted and restricted cash (refer to Note 4 to the financial statements). Of this total, \$95.7 million or 55% was unrestricted to fund immediate liabilities and use for future capital improvements. Restricted cash was \$79.9 million and included \$20.2 million for debt service payments paid on July 1, 2007. Twenty-four percent (18%) of the total unrestricted and restricted cash is invested in various investment contracts with major banks. The remainder of cash is invested in various triple A rated federal agency investments, A-1+/P-1+ corporate commercial paper or in money market mutual funds. The estimated weighted average return on investments for the fiscal year 2007 was approximately 4.8%, generating over \$8.3 million in gross investment income before capitalization of investment income pursuant to FASB 62. TMWA actively invests these funds in permitted investments with the goal of meeting liquidity needs and preserving capital in accordance with an investment policy adopted by the Board in July 2005.

### **Risk Management**

For a complete disclosure of TMWA's insurance policies, with coverages and exclusions, please refer to Note 9 in the Notes to the Financial Statements, and Schedule 13 in the Statistical Section.

### **Pension and Deferred Compensation Plans**

The Truckee Meadows Water Authority's pension and deferred compensation plans are discussed and described in Note 10 of the Notes to the Financial Statements.

### **TMWA MILESTONES**

TMWA, now in its seventh year of operation, was successful in garnering a rating agency upgrade in the prior two years. Originally rated A-/BBB, TMWA was upgraded in 2005 to "A" by Standard & Poor's and Fitch, and "A1" by Moody's. While preparing for the second refunding bond issue in early 2007, Standard & Poor's, citing TMWA's strong financial position and healthy cash reserves, upgrading their rating to "A+". As a result of the ratings upgrade and general market conditions, TMWA was able to issue \$218,975, 000 in refunding bonds, bringing the total of the original 2001-A (tax-exempt) bonds that have been refunded to \$354.6 million. The two refunding issues have resulted in annual interest savings of over \$1.1 million.

The 2007 Legislative Session featured a number of bills affecting water rights and resource issues, but none so far-reaching for TMWA as Senate Bill 487. The bill created, effective April 1, 2008, the Western Regional Water Commission consisting of a nine member Board which encompasses all of the local government stakeholders and all of the local water purveyors. The parties may, pursuant to the Legislation, pursue the formation of the Commission prior to April 1, 2008 by executing a Joint Powers Agreement (JPA). Duties of the Commission include oversight of the regional water resource planning, pursuing regional water management and conservation, and determining service territory boundaries for the water purveyors. The Commission must also evaluate consolidation of public water purveyors in the region by 2011. Notably, the Commission will not have the authority to acquire or develop new water resources nor will they have any authority over the setting of water rates and facility charges. The parties acted unilaterally to form an Interim Western Regional Water Commission so that activities related to the ultimate formation of the Commission itself, could be carried out in accordance with Nevada's open meeting laws and other statutory constraints.

### **ACKNOWLEDGEMENTS**

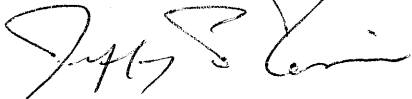
The timely preparation of this report could not be done without the assistance of TMWA finance personnel, finance consultants, and the management and employees of TMWA. We would like to thank the Board of Directors, TMWA customers, and the development community, for their commitment to the long-term financial stewardship of TMWA. Lori Williams who was TMWA's General Manager resigned her position on August 15, 2008 to pursue other opportunities. In her absence the TMWA Board of Directors named Mark Foree, P.E., who was formerly Director of Water Operations, Interim General Manager until such time an open

recruitment process can begin by June 2009. This appointment was to insure the smooth operation of TMWA.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mark Foree".

Mark Foree, P.E.  
Interim General Manager

A handwritten signature in cursive script that reads "Jeffrey P. Tissier".

Jeffrey P. Tissier CPA  
Chief Financial Officer

**Truckee Meadows Water Authority  
List of Principal Officials  
June 30, 2008**

**TMWA Board of Directors**

Mike Carrigan, City of Sparks Councilman, Chairman of the Board

David Aiazzi, City of Reno Councilman, Vice Chairman of the Board

Bob Cashell, City of Reno Mayor

Geno Martini, City of Sparks Mayor

Mike Cate, City of Reno Appointee

Tom Young, City of Reno Appointee

Bob Larkin, Washoe County Commissioner

**Management**

Lori Williams, General Manager (former General Manager as of September 15, 2008)

Mark Foree, PE, Director of Operations (Interim General Manager appointed effective September 15, 2008)

Sylvia Harrison, General Counsel

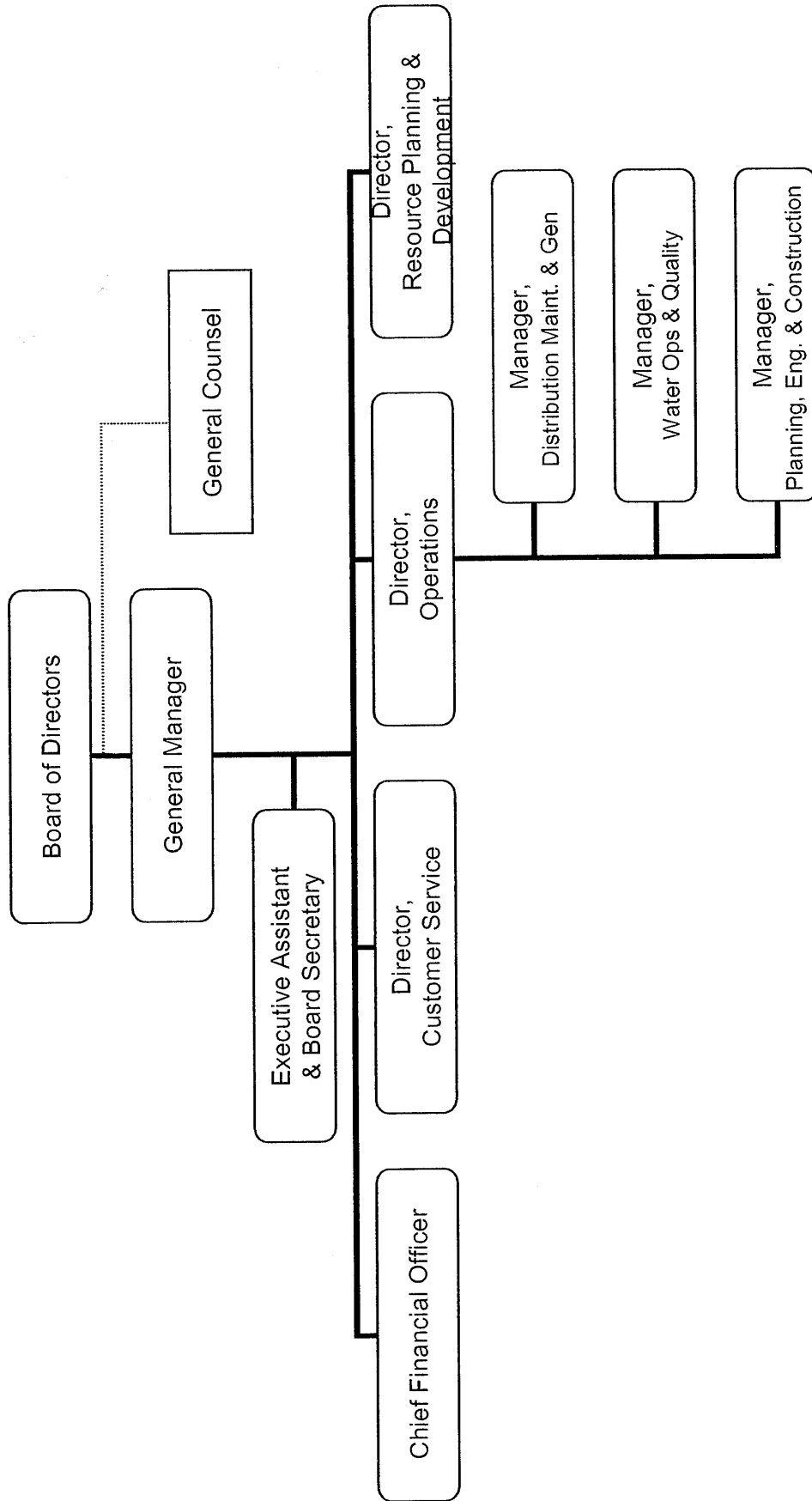
John Erwin, Director of Resource Planning and Development

Kim Mazeres, Director of Customer Relations

Jeffrey Tissier, CPA, Chief Financial Officer



# Organization Structure



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Truckee Meadows Water  
Authority, Nevada

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Oliver S. Cox*

President

*Jeffrey R. Emery*

Executive Director

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**FINANCIAL SECTION**

Independent Auditor's Report

To the Board of Directors of the  
Truckee Meadows Water Authority

We have audited the basic financial statements of Truckee Meadows Water Authority, a Joint Powers Authority (TMWA) as listed in the table of contents as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of TMWA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Truckee Meadows Water Authority at June 30, 2008 and 2007, the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 2A through 2M and the Schedule of Funding Progress on page 30, are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The accompanying introductory section, the schedules of revenues, expenses and changes in net assets - budget and actual, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of TMWA. The schedules of revenues, expenses and changes in net assets - budget and actual have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Kaplan, Armstrong & Co.*

Reno, Nevada  
November 26, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the TMWA's Comprehensive Annual Financial Report presents management's discussion and analysis of TMWA's financial performance during the fiscal years ended June 30, 2008, June 30, 2007, and June 30, 2006. This section should be read in conjunction with the transmittal letter at the front of this report and TMWA's financial statements following this section.

### FINANCIAL HIGHLIGHTS

	<u>TMWA's Net Assets</u>		
	<i>(in millions)</i>		
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Unrestricted Current Assets	\$ 110.0	\$ 110.8	\$ 95.2
Restricted Current Assets	27.7	29.2	23.1
Long-Term Restricted and Other Assets	57.0	56.8	57.9
Capital Assets	<u>651.8</u>	<u>605.4</u>	<u>534.0</u>
<b>Total Assets</b>	<u>846.5</u>	<u>802.2</u>	<u>710.2</u>
Long-Term Debt Outstanding	460.3	468.0	479.4
Other Liabilities	<u>104.6</u>	<u>78.8</u>	<u>29.7</u>
<b>Total Liabilities</b>	<u>564.9</u>	<u>546.8</u>	<u>509.1</u>
Invested in Capital Assets, Net of Related Debt	178.0	152.3	108.5
Restricted	16.3	15.7	12.6
Unrestricted	<u>87.3</u>	<u>87.4</u>	<u>80.0</u>
<b>Total Net Assets</b>	<u>\$281.6</u>	<u>\$ 255.4</u>	<u>\$ 201.1</u>

In fiscal year ended June 30, 2008, TMWA's total net assets increased by approximately \$26.2 million, primarily the result of capital spending, net of commercial paper note proceeds to fund capital outlays, developer contributions, and cash flow from operations. In the fiscal year ended June 30, 2007, TMWA's total net assets increased by approximately \$54.2 million, primarily the result of capital contributions from developers, cash flow from operations, and capital spending net of commercial paper note proceeds to fund capital outlays for acquisition of water rights.

As reported on the Statement of Net Assets, at June 30, 2008, total Unrestricted Current Assets decreased by approximately \$0.8 million from June 30, 2007. The overall decrease was due to a decrease of \$1.4 million in accounts receivable, and a decrease of \$0.1 million in prepaid assets. Offsetting these decreases were increases in unrestricted cash of \$0.1 million, and an increase in due from other government of \$0.3 million and an increase in interest receivable of \$0.3 million. The decrease in accounts receivable was due to less delivered but unbilled water as well as less billed revenue at year end. This was due to cooler summer weather than experienced in the previous years. Prepaid assets decreased because of a lower payment than the previous year for upstream storage. Due from other governments increased by \$0.3 million and was due to a year end bill for a new grant award. Interest receivable

increased because of longer accrual periods for most investments. Cash increased modestly because monies spent on capital projects were offset by issuance of \$25.0 million of tax-exempt commercial paper notes.

As reported on the Statements of Net Assets, at June 30, 2007, total Unrestricted Current Assets increased by approximately \$15.6 million from June 30, 2006. This was due to an increase of \$16.4 million in unrestricted cash, \$1.5 million increase in accounts receivable and \$0.4 million increase from due from others. The increase in accounts receivable was due to greater than expected delivered but unbilled water and billed revenue which is due to a comparatively warm spring. These increases in unrestricted current assets were offset by decreases of \$2.2 million in due from other governments namely the receipt of final loan draws on the Nevada State Drinking Water State Revolving Loan Fund (DWSRF), and a \$0.5 million decrease in interest receivable. Interest receivable decreased because of a greater amount of investments maturing prior to year-end when compared to the prior year. Unrestricted cash increased because of the issuance of \$43 million in tax-exempt commercial paper, delay of a number of construction projects until fiscal year 2008 and greater than budgeted cash contributions from developers.

As reported on the Statements of Net Assets, at June 30, 2008, total Restricted Current Assets decreased by approximately \$1.5 million from June 30, 2007. This decrease was primarily due to the purchase of a hydroelectric plant prior to fiscal year end for \$2.0 million, a decrease in water meter retrofit restricted cash of \$0.1 million, offset by an increase in current bond debt service payable of \$0.6 million. The increase in current bond debt service was due to a scheduled increase in interest expense on the 2007 Refunding Bonds.

As reported on the Statements of Net Assets, at June 30, 2007, total Restricted Current Assets increased by approximately \$6.1 million from June 30, 2006. This increase was primarily due to an increase in unrestricted cash for the water meter retrofit fund for \$2.3 million and current bond debt service of \$3.8 million. The increase in the water meter retrofit fund's restricted cash was due to the slow down in water meter retrofits because the water system is nearly completely metered. Current bond debt service increased \$3.8 million because of principal due on the 2005-A bonds and because in the prior year the Series 2006 Refunding Bond sale closed just prior to year end and temporarily reduced prior year interest payments significantly.

At June 30, 2008, total Long-Term Restricted and Other Assets increased by \$0.2 million from June 30, 2007. An increase of \$0.8 million in the operations and maintenance reserve was offset by a decrease in other assets of \$0.3 million and a decrease in deferred charges of \$0.3 million. The increase in the operations and maintenance reserve was required as stipulated in TMWA's long term bond indentures. The decrease in other assets was due to reclassification of a one year portion of a ten year environmental insurance policy premium to short term. The decrease in deferred charges is due to the amortization of deferred bond issuance expenses.

At June 30, 2007, total Long-Term Restricted and Other Assets decreased \$1.1 million from June 30, 2006 because of a decrease in the future bond debt service reserves by \$1.0 million,

which was offset by additional funding of the renewal and replacement reserve account for \$0.6 million, and the funding of the operations and maintenance account for \$0.2 million. Decreases in other assets and deferred charges were \$0.6 million and \$0.3 million respectively. The future bond debt service reserve decreased by \$1.0 million in fiscal year 2007. This was due to 2007 refunding activity and the Nevada State Treasurer returning \$0.6 million on deposit to secure future debt service because TMWA did not need to draw down the full authorization of the DWSRF loan. Other increases in restricted reserves are in compliance with the Series 2001-A bond indenture requirements. The renewal and replacement reserve was fully funded in October 2006.

Capital assets net of accumulated depreciation increased by \$46.4 million from June 30, 2007 to June 30, 2008. This significant increase included \$8.1 million in developer infrastructure contributions, and nearly \$58.3 million in capital spending on construction projects, and \$0.9 million in water right acquisitions. The increase in gross capital assets is offset by \$20.8 million in depreciation expense.

Capital assets net of accumulated depreciation increased by \$71.4 million from June 30, 2006 to June 30, 2007. This significant increase included \$15.5 million in developer infrastructure contributions, \$37.2 million in water right acquisitions, and nearly \$37.9 million in capital spending on construction projects. The increase in gross capital assets is offset by \$19.2 million in depreciation expense.

At June 30, 2008, total current liabilities payable from unrestricted assets increased from June 30, 2007 by approximately \$25.2 million and were mainly due to the issuance of \$25.0 million in tax-exempt commercial paper (TECP) during fiscal year 2008. Other increases in current liabilities payable from unrestricted assets were \$1.0 million in contract payables, \$1.0 million in accrued liabilities, \$0.1 million increase in accrued interest payable and \$0.5 million in customer deposits and amounts due from developers. These increases were offset by reductions in accounts payable of \$2.4 million. The increase in TECP was to fund certain construction projects on an interim basis. The increase in accrued liabilities was primarily due to an accrual for the annual required contribution for post retirement health care and for an increase in compensated absences. The increase in accrued interest payable was due to accrued interest on outstanding TECP. Accounts payable decreased because a significant amount of invoices were paid before year end. Contracts and retention payable increased because a number of large and lengthy construction projects were nearing completion. The increase in customer deposits and amounts due developers was primarily a payment for oversizing infrastructure and increasing deposits on delinquent accounts.

At June 30, 2007, total current liabilities payable from unrestricted assets increased from June 30, 2006 and were mainly due to the issuance of \$43.0 million in tax-exempt commercial paper (TECP) during fiscal year 2007. The other major increase in current liabilities was accounts payable which increased by \$2.2 million. A number of expenses during the fiscal year, most notably power, were billed after fiscal year end. Contracts and retention payable decreased by \$0.9 million because of construction contracts being completed by year end. Accrued liabilities increased \$0.1 million and were due to increased accruals for post retirement health care expenses offset by a reduction in accruals for compensated absences.

Due to other governments increased by \$0.5 million because of payables owed to various governments for services and joint construction contracts. Accrued interest payable increased by \$0.2 million and was due to interest owed on the DWSRF loan and interest accrued on TECP maturing after fiscal year end. DWSRF loan payable increased \$0.2 million because principal payments were due in the upcoming fiscal year and no principal payments were due as of June 30, 2006.

Current liabilities payable from restricted assets at June 30, 2008 increased by \$0.6 million and is due is semi-annual interest due on TMWA senior lien indebtedness as well as the principal portion of the debt due in fiscal year 2008. The current portion of long term debt decreased by \$0.2 million while interest payable increased by \$0.8 million. These changes are due to prior years' refundings that have changed the schedule of principal and interest payments. Long term debt, net of current portion, decreased \$7.7 million as a result of reclassifying long term debt to short term debt. Amortization of bond discounts and premiums as well as refunding valuation allowances also affected this total reduction in long term debt. Non-current liabilities are made up of TMWA's long term debt, resulting from the purchase of the water assets from SPPCo, the outstanding long-term portion of the DWSRF loan, the long term portion of Series 2005A, \$40.0 million water revenue bonds to fund certain construction projects, the issuance of \$150.5 million in refunding bonds to refund \$146.0 million in Series 2001A bonds, and the issuance of \$218.9 million in 2007 Refunding bonds to refund \$212.3 million in Series 2001A bonds. Please refer to Note 6 of TMWA's Notes to the Financial Statements for additional information regarding these outstanding bonds.

Current liabilities payable from restricted assets at June 30, 2007 is semi-annual interest due on TMWA senior lien indebtedness as well as the principal portion of the debt due in fiscal year 2008. The net decrease in long-term debt of \$11.4 million from June 30, 2006 to June 30, 2007 was due to reclassification from long term debt to short term debt of \$3.8 million in principal payments of the Series 2001A bonds, the 2005 DWSRF Loan, the Series 2005A Bonds and Series 2007 Refunding bonds. In addition, TMWA increased the refunding valuation allowances as a result of refunding activity by a net amount of \$14.9 million. Offsetting these decreases were increases in total outstanding long term debt of approximately \$6.6 million and removal of \$6.2 million in original issue discounts resulting from the Series 2007 refunding.

#### **TMWA's Changes in Net Assets**

*(in millions)*

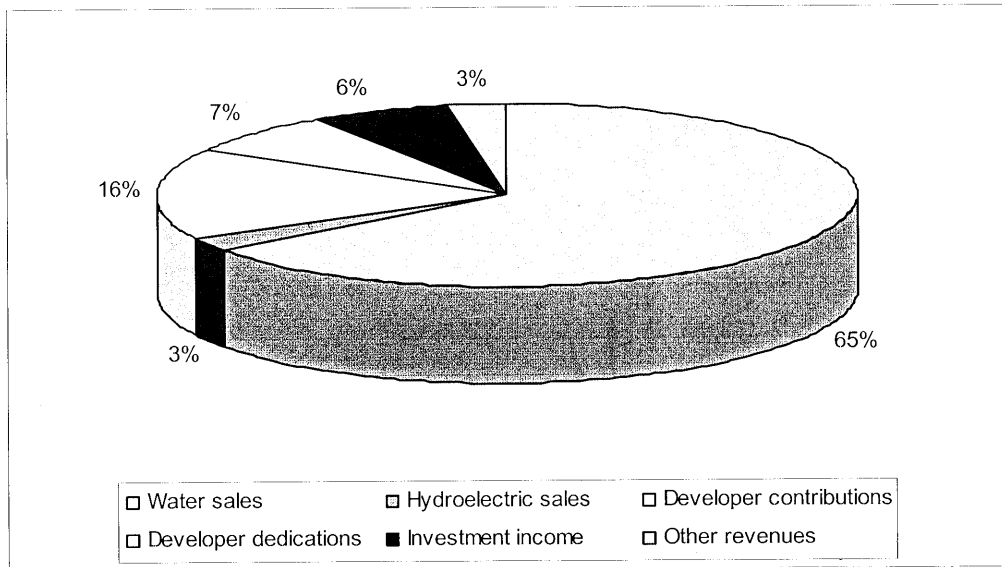
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Operating Revenues	\$ 78.2	\$ 81.0	\$ 76.7
Operating Expenses	<u>60.6</u>	<u>55.6</u>	<u>52.3</u>
Operating Income	17.6	25.4	24.4
Nonoperating Revenues (Expenses) net	<u>(17.2)</u>	<u>(15.6)</u>	<u>(17.5)</u>
Income before Capital Contributions	0.4	9.8	6.9
Capital Contributions	<u>25.9</u>	<u>44.4</u>	<u>75.7</u>
Change in Net Assets	<u>\$ 26.3</u>	<u>\$ 54.2</u>	<u>\$ 82.6</u>

## TMWA's Revenues

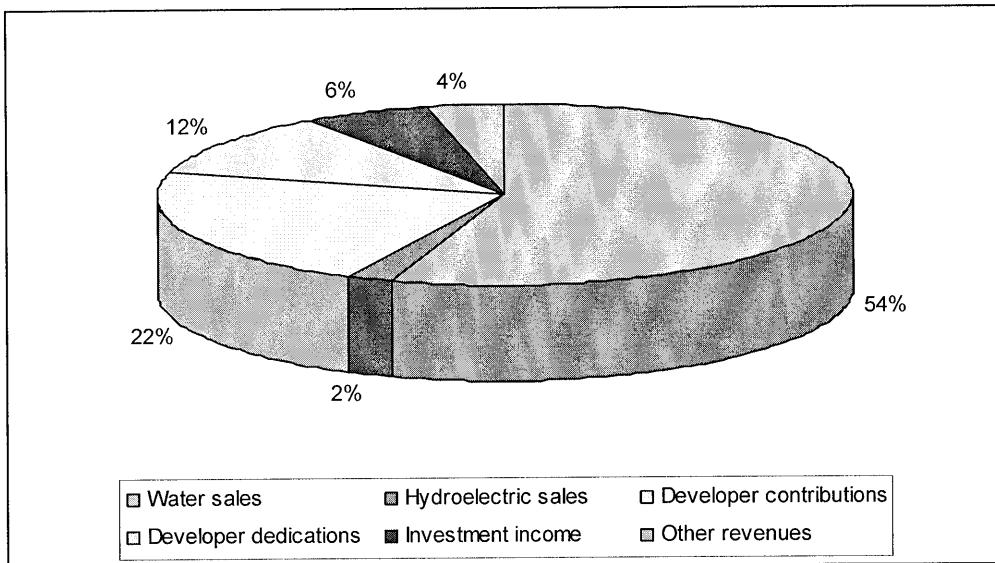
	June 30, 2008	June 30, 2007	June 30, 2006
<b>Revenues (in millions):</b>			
Operating Revenues:			
Water Sales	\$ 72.7	\$ 74.3	\$ 70.5
Hydroelectric Sales	2.8	3.1	2.4
Other Operating Revenues	<u>2.7</u>	<u>3.6</u>	<u>3.8</u>
	<u>78.2</u>	<u>81.0</u>	<u>76.7</u>
Nonoperating Revenues:			
Investment Earnings	7.1	7.6	6.1
Other	<u>0.5</u>	<u>1.3</u>	<u>0.2</u>
	<u>7.6</u>	<u>8.9</u>	<u>6.3</u>
Capital Contributions	<u>25.9</u>	<u>44.4</u>	<u>75.7</u>
<b>Total Revenues</b>	<u>\$ 111.7</u>	<u>\$ 134.3</u>	<u>\$ 158.7</u>

The table above and the graphs that follow represent the makeup of TMWA's total revenues for fiscal years ended June 30, 2008, 2007 and 2006:

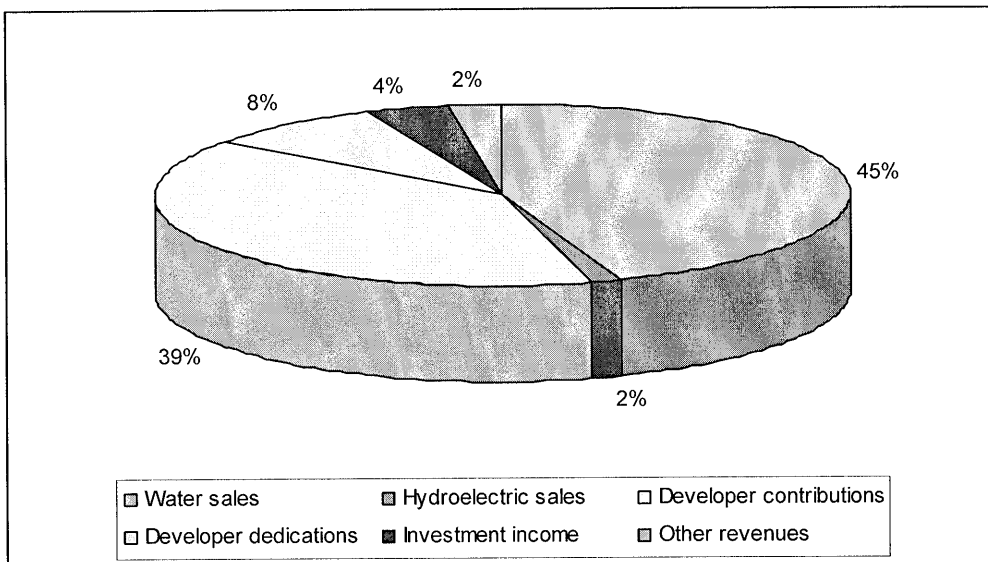
### Total Revenues for the Year Ended June 30, 2008



**Total Revenues for the Year Ended June 30, 2007**



**Total Revenues for the Year Ended June 30, 2006**



For fiscal year 2008, total operating revenues decreased \$2.8 million from fiscal year 2007. Water sales in fiscal year 2008 were \$1.6 million less than in fiscal year 2007 partially because of cooler spring and early summer weather patterns in comparison to the prior year and, a call to the public to reduce water demands because TMWA suffered significant damage to the raw water delivery system to the Chalk Bluff Water Treatment Plant (CBWTP) in front of increasing seasonal water demands in May 2008, and to a lesser extent a greater number of vacant residential premises. Hydroelectric revenues were \$0.3 million less in fiscal year 2008 than in fiscal year 2007. This was due primarily to less plant availabilities than in the previous fiscal year. Other operating sales were less than in the previous year due to less collection of inspection fees from new development and less non-potable water sales.

For fiscal year 2007, total operating revenues increased \$4.3 million from fiscal year 2006. Water sales in fiscal year 2007 were \$3.8 million greater than in fiscal year 2006 because of a much warmer spring in comparison to the prior year. Hydroelectric revenues were \$0.7 million greater in fiscal year 2007 than in fiscal year 2006. This was due primarily to greater plant availabilities than in the previous fiscal year. Other operating sales were \$0.2 million less than in the previous year due to less collection of inspection fees from new development.

For fiscal year 2008, capital contributions decreased \$18.5 million from fiscal year 2007. The significant decrease can be attributed to lower sales of water service-will serve commitment to developers of \$10.7 million and less developer infrastructure dedications of \$7.4 million. Greater contributions from other governments of \$5.8 million were offset by a \$5.1 million decrease in collections of various developer fees for new water system capacity. The water meter retrofit fund received \$1.1 million less in cash contributions than in fiscal year 2007. Of the total \$25.9 million in developer capital contributions, \$17.8 million was in cash. Continued weakness in residential construction extended in to fiscal year 2008 from fiscal year 2007.

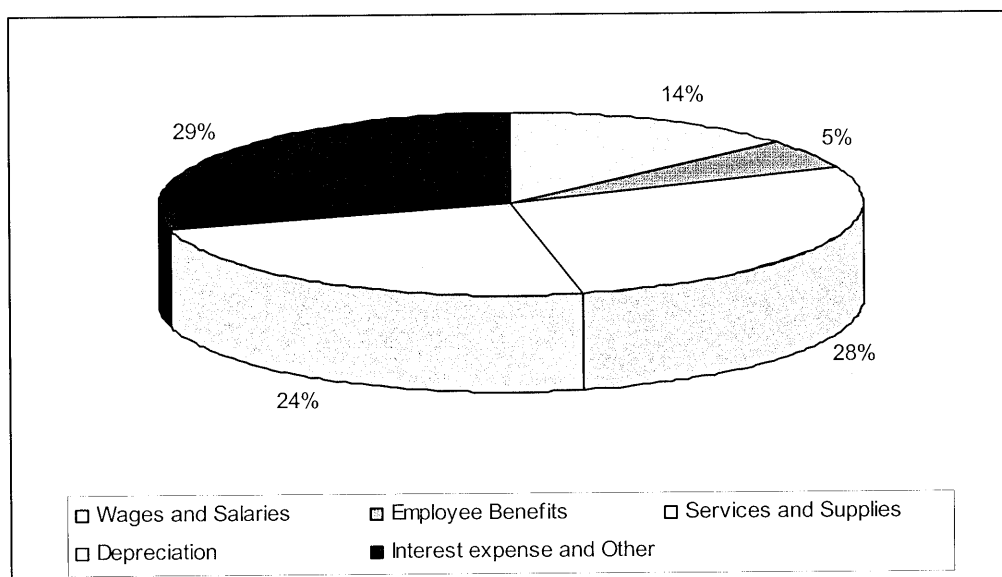
For fiscal year 2007, capital contributions decreased \$31.3 million from fiscal year 2006. The significant decrease can be attributed to lower sales of water service-will serve commitment to developers of \$31.2 million. Higher than expected developer infrastructure dedications of \$2.3 million were offset by a \$2.5 million decrease in collections of various developer fees for new capacity. The water meter retrofit fund received \$1.7 million less in cash contributions, than in fiscal year 2006. A contribution from another government was \$1.8 million due to reimbursement of facilities constructed to expand wholesale water service. Of the total \$44.4 million in developer capital contributions, \$28.9 million was in cash. TMWA witnessed a significant slowdown in residential construction activity towards the middle of fiscal year 2007.

## TMWA's Expenses

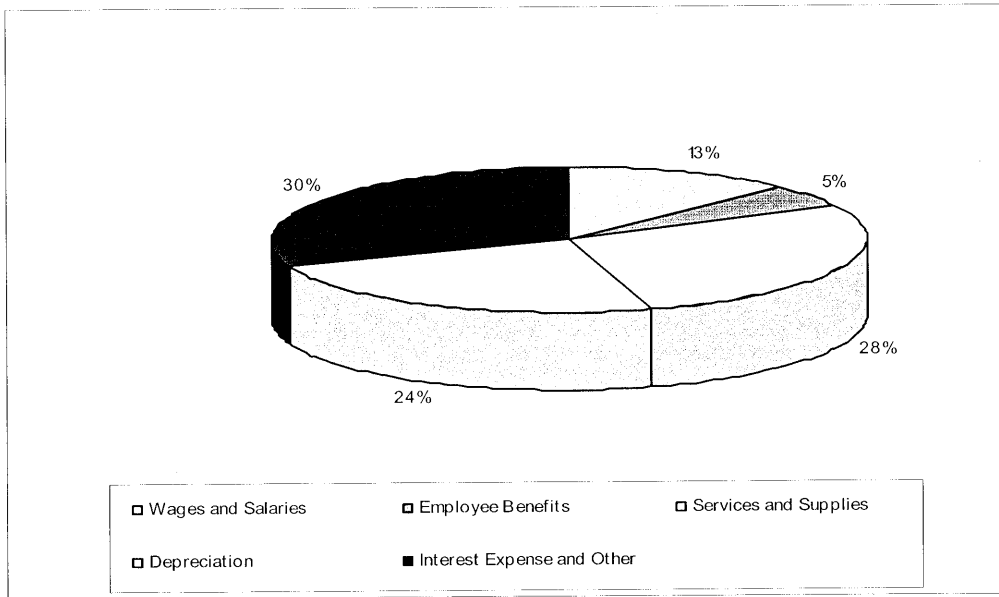
	June 30, 2008	June 30, 2007	June 30, 2006
<b>Expenses (in millions):</b>			
Operating Expenses:			
Wages & Salaries	\$ 11.7	\$ 10.1	\$ 9.9
Employee Benefits	4.5	4.0	3.8
Services & Supplies	23.6	22.3	21.6
Depreciation	<u>20.8</u>	<u>19.2</u>	<u>16.9</u>
	<u>60.6</u>	<u>55.6</u>	<u>52.2</u>
Nonoperating Expenses:			
Interest Expense	24.1	23.9	23.7
Other Non-operating Expenses	<u>0.7</u>	<u>0.6</u>	<u>0.2</u>
	<u>24.8</u>	<u>24.5</u>	<u>23.9</u>
<b>Total Expenses</b>	<u>\$ 85.4</u>	<u>\$ 80.1</u>	<u>\$ 76.1</u>

The table above and the graphs that follow represent the makeup of total operating and non-operating expenses for the years ended June 30, 2008, 2007 and 2006:

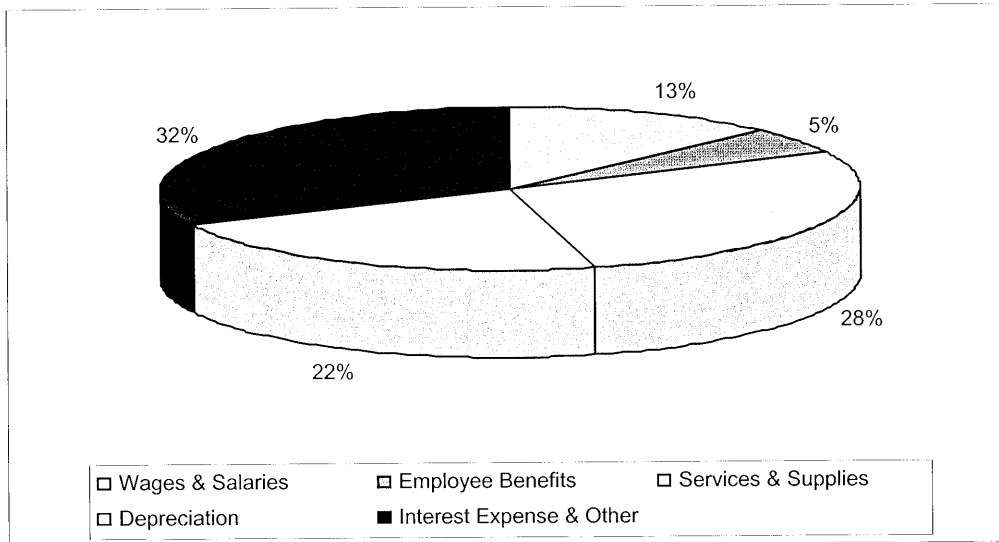
### Total Expenses for the Year Ended June 30, 2008



**Total Expenses for the Year Ended June 30, 2007**



**Total Expenses for the Year Ended June 30, 2006**



The \$5 million increase or 6.7% in TMWA's operating expenses from fiscal year 2007 to 2008 is due to an increase of \$1.6 million in wages and salaries, employee benefits increasing by \$0.5 million, services and supplies expense increasing \$1.3 million, and a \$1.6 million increase in depreciation expense. The increase in operating wages and salaries was due to the addition of personnel, an increase in the accrual for compensated absences since personnel took less sick and vacation leave during the year, an increase in overtime, and a general wage

increase of approximately 3.8%. Employee benefits increased by \$0.5 million and were primarily due to increases in contributions to PERS retirement system and increases to health care costs. Service and supplies expenses increased a modest \$1.3 million or 5.8 % year over year. This increase was primarily due to \$0.9 million in one-time emergency expenses as a result of earthquake damage to the raw water delivery system for the Chalk Bluff Water Treatment Plant (CBWTP) and other related emergency expenditures. TMWA had to construct temporary raw water delivery points to the CBWTP to meet increasing summer water demands. Increases in power and chemical expenses speak to the remainder of the increase in services and supplies expenses. Depreciation expense increased considerably by \$1.6 million or 9% because TMWA has completed a number of major construction projects in fiscal year 2008, while developer infrastructure contributions, although less than in previous years, was still significant. Non-operating expenses increased a total \$0.3 million or 1.2% because of increased interest expenses.

The \$3.4 million increase or 6.5% in TMWA's operating expenses from fiscal year 2006 to 2007 is due to an increase of \$0.2 million in wages and salaries with employee benefits increasing by \$0.2 million. Services and supplies expense increased \$0.7 million from the preceding fiscal year, along with a \$2.3 million increase in depreciation expense. The increase in operating wages and salaries was due to the addition of personnel and a general wage increase of approximately 3.8% or \$0.2 million. The increase was muted because of managing personnel vacancies and assigning personnel to capital projects when necessary. Service and supplies expenses increased a modest \$0.7 million or 3.2 % year over year. This increase can be solely attributed to increased power demands which occurred because of higher deliveries of water during the warm spring months when compared to the previous year. Depreciation expense increased considerably by \$2.3 million or 13.6% because TMWA has completed a number of major construction projects in fiscal year 2007, while developer infrastructure contributions were higher than in the previous year. Non-operating expenses increased a total \$0.6 million or 2.5% because of increased interest expenses and note issuance expenses related to the inauguration of the tax-exempt commercial paper (TECP) program. Offsetting increased interest and note issuance expenses due to the TECP program, were overall interest expense savings due to a major refunding of Series 2001A bonds.

## **CAPITAL ASSETS**

At June 30, 2008, TMWA's total capital assets were \$759.1 million net of accumulated depreciation of \$107.3 million, for a net book value of \$651.8 million. Included in the total capital assets reported on the Statements of Net Assets was \$20.8 million in construction work in progress.

At June 30, 2007, TMWA's total capital assets were \$694.1 million net of accumulated depreciation of \$88.7 million, for a net book value of \$605.4 million. Included in the total capital assets reported on the Statements of Net Assets was \$24.1 million in construction work in progress.

At June 30, 2006, TMWA's total capital assets were \$603.8 million net of accumulated depreciation of \$69.8 million, for a net book value of \$534.0 million. Included in the total

capital assets reported on the Statements of Net Assets was \$15.5 million in construction work in progress.

Detailed information about TMWA's capital assets can be found in Note 5 to TMWA's financial statements.

### **LONG-TERM DEBT**

At June 30, 2008, TMWA had \$537.5 million in total reported debt outstanding. This amount reflects \$553.8 million in total principal outstanding indebtedness, \$2.7 million net bond premium and \$19.0 million valuation adjustments due to refundings. Of the \$537.5 million in total reported debt outstanding, \$77.1 million was due in one year and is classified as short term indebtedness. The total outstanding indebtedness was made up of five series of bonds one of which was the Series 2001-A bonds, issued for the acquisition of TMWA from Sierra Pacific Resources. The second indebtedness was a Series 2005 Drinking Water State Revolving Fund loan provided by the State of Nevada to fund the Arsenic Mitigation Project. In November 2005, TMWA sold \$40.0 million in water revenue bonds, the Series 2005-A Bonds, to fund construction projects over the next two to three years. In May 2006, TMWA issued \$150.7 million in refunding bonds to refinance \$146.0 million of outstanding maturities of the Series 2001-A bonds. In January 2007, TMWA issued \$219.0 million in refunding bonds to refinance \$212.3 million of outstanding maturities of the Series 2001-A bonds. TMWA inaugurated a Tax-Exempt Commercial Paper (TECP) program in August 2006. TMWA sold in two sales an aggregate of \$43.0 million in TECP notes in fiscal year 2007 and another \$25.0 million in fiscal year 2008. TMWA intends to re-market the commercial paper as maturities come due and all the TECP is classified as a short term indebtedness since the TECP notes mature equal to or less 270 days.

At June 30, 2007 TMWA had \$520.3 million in total reported debt outstanding. This amount reflects \$538.1 million in total principal outstanding indebtedness, \$3.0 million in net bond premium and \$20.8 million valuation adjustments due to refundings. Of the total \$520.3 million in reported debt outstanding, \$52.3 million was due in one year and is classified as short term indebtedness. The total outstanding indebtedness was made up of five series of bonds one of which was the Series 2001-A bonds, issued for the acquisition of TMWA from Sierra Pacific Resources. The second indebtedness was a Series 2005 Drinking Water State Revolving Fund loan provided by the State of Nevada to fund the Arsenic Mitigation Project. In November 2005, TMWA sold \$40.0 million in water revenue bonds, the Series 2005-A Bonds, to fund construction projects over the next two to three years. In May 2006, TMWA issued \$150.7 million in refunding bonds to refinance \$146.0 million of outstanding maturities of the Series 2001-A bonds. In January 2007, TMWA issued \$219.0 million in refunding bonds to refinance \$212.3 million of outstanding maturities of the Series 2001-A bonds. TMWA inaugurated a Tax-Exempt Commercial Paper (TECP) program in August 2006. TMWA sold in two sales an aggregate of \$43.0 million in TECP notes. TMWA intends to re-market the commercial paper as maturities come due and all the TECP is classified as a short term indebtedness since the TECP notes mature equal to or less 270 days.

At June 30, 2006 TMWA had \$ 486.3 million in total reported debt outstanding. This amount reflects \$495.3 million in total principal outstanding indebtedness \$3.0 million in net bond discount and \$6.0 million valuation adjustments due to refundings. Of the \$486.3 million in total reported debt outstanding, \$6.9 million was due in one year and is classified as short term indebtedness. The total outstanding indebtedness was made up of four series of bonds, one of which was the Series 2001-A bonds, issued for the acquisition of TMWA from Sierra Pacific Resources. The second indebtedness was a Series 2005 Drinking Water State Revolving Fund loan provided by the State of Nevada to fund the Arsenic Mitigation Project. TMWA drew down \$4.7 million of the \$9.3 million authorized loan and notified the State of Nevada that the project was completed. TMWA did not draw the remaining \$4.6 million of the \$9.3 million loan authorization. In November 2005, TMWA sold \$40.0 million in water revenue bonds, the Series 2005-A Bonds, to fund construction projects over the next two to three years. In May 2006, TMWA issued \$150.7 million in refunding bonds to refinance \$146.0 million of the outstanding maturities of the Series 2001-A bonds.

Detailed information about TMWA's indebtedness can be found in Note 6 to TMWA's financial statements.

### **CURRENTLY KNOWN FACTS**

The TMWA Board at the October 2007 board meeting voted to not increase retail or wholesale water rates since TMWA has met or exceeded all financial performance measures established in August 2003. The most important performance measures are that senior lien bond coverage (net of developer charges and fees) is equal to or greater than 1.5X of senior lien debt service, and that the customer cost of service is adequately covered by total operating revenues and gross investment income.

TMWA's Board adopted new customer water rates in March 2005 to insure TMWA can increase senior lien bonding capacity, and progress with a planned \$40.0 million bond sale in the first half of fiscal year 2006. Also with improved credit ratings from A-/BBB+ to A+/A, TMWA established and inaugurated a tax-exempt commercial paper program in August 2006 to fund the acquisition of water rights. Will-serve commitments are issued against these water rights to developers for new and/or expanded water service and potentially future construction projects. This has freed up a substantial amount of unrestricted cash to fund future construction projects over the next two years.

TMWA has established various developer facility charges that were adopted in June of 2003. These charges were designed to pay for the construction of new water infrastructure capacity relating to new and/or expanded water service. The original facility charges were established \$1,667 per gallon per minute (GPM) for treatment and supply capacity and \$1,095 per GPM for storage capacity. The TMWA Board raised these fees and charges in November 2006. The supply and treatment facility fee was increased to \$3,236 per GPM and the storage treatment fee to \$1,240 per GPM in November 2006. The facility fees were increased due to substantially increased costs of construction. The TMWA Board raised these fees in March 2008 as a result of changes in construction costs. The supply and treatment fee was increased to \$3,734 from the previous amount of \$3,236 and the storage fee was decreased to \$1,217 from the previous amount of \$1,240 per GPM. These fees are reviewed and adjusted periodically.

## **CONTACTING TMWA's FINANCIAL MANAGEMENT**

This financial report was prepared for the benefit of the customers, bond investors, and the Board of Directors of the Truckee Meadows Water Authority. The Comprehensive Annual Financial Report was prepared to provide interested parties with a general overview of the Truckee Meadows Water Authority's accountability for the financial resources it manages. For questions or additional information, please contact the Truckee Meadows Water Authority's Finance Department at P.O. Box 30013, Reno, Nevada 89509-3013.

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**TRUCKEE MEADOWS WATER AUTHORITY**  
**STATEMENTS OF NET ASSETS**  
**JUNE 30, 2008 AND 2007**

**ASSETS**

	<b>2008</b>	<b>2007</b>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 95,733,750	\$ 95,589,875
Accounts receivable, net	10,866,112	12,222,455
Due from others	327,837	343,510
Due from other governments	373,932	129,155
Interest receivable	1,842,821	1,548,206
Prepaid assets	815,216	929,386
	<u>109,959,668</u>	<u>110,762,587</u>
<b>RESTRICTED CURRENT ASSETS</b>		
Cash and investments:		
Water meter retrofit program	3,494,875	3,632,562
Current bond debt service	20,173,394	19,584,238
Hydro asset purchase	4,000,000	6,000,000
	<u>27,668,269</u>	<u>29,216,800</u>
Total Current Assets	<u>137,627,937</u>	<u>139,979,387</u>
<b>RESTRICTED NONCURRENT ASSETS</b>		
Cash and investments:		
Future bond debt service	32,668,105	32,668,105
Operations and maintenance	6,992,510	6,174,679
Renewal and replacement	10,000,000	10,000,000
Water rate stabilization	500,000	500,000
Hydro asset purchase	2,000,000	2,000,000
	<u>52,160,615</u>	<u>51,342,784</u>
<b>NONCURRENT ASSETS</b>		
Capital assets, net	651,794,247	605,435,107
Other assets	348,977	523,465
Deferred charges	4,581,511	4,893,579
	<u>656,724,735</u>	<u>610,852,151</u>
Total Noncurrent Assets	<u>708,885,350</u>	<u>662,194,935</u>
Total Assets	<u>\$ 846,513,287</u>	<u>\$ 802,174,322</u>

**LIABILITIES**

<b>CURRENT LIABILITIES PAYABLE FROM UNRESTRICTED</b>		
<b>CURRENT ASSETS</b>		
Accounts payable	\$ 2,840,297	\$ 5,281,255
Contracts and retention payable	3,782,852	2,779,108
Accrued liabilities	5,347,221	4,394,833
Due to other governments	1,969,309	1,954,013
Accrued interest payable	297,915	174,744
Current portion of long term debt	68,197,511	43,191,321
Customer deposits and amounts due to developers	1,932,500	1,412,620
	<u>84,367,605</u>	<u>59,187,894</u>
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED</b>		
<b>CURRENT ASSETS</b>		
Current portion of long term debt	8,920,000	9,095,000
Interest payable	11,253,394	10,489,238
	<u>20,173,394</u>	<u>19,584,238</u>
Total Current Liabilities	<u>104,540,999</u>	<u>78,772,132</u>
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net of current portion	460,333,506	468,051,867
Total Liabilities	<u>564,874,505</u>	<u>546,823,999</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	177,972,803	152,295,208
Restricted for water meter retrofit program	3,494,875	3,632,562
Restricted for operations and maintenance reserve	2,392,510	1,574,679
Restricted for renewal and replacement reserve	10,000,000	10,000,000
Restricted for water rate stabilization	500,000	500,000
Unrestricted	87,278,594	87,347,874
Total Net Assets	<u>281,638,782</u>	<u>255,350,323</u>
Total Liabilities and Net Assets	<u>\$ 846,513,287</u>	<u>\$ 802,174,322</u>

**TRUCKEE MEADOWS WATER AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>OPERATING REVENUES</b>		
Charges for water sales	\$ 72,686,046	\$ 74,272,808
Hydroelectric sales	2,836,521	3,136,806
Other operating sales	<u>2,697,601</u>	<u>3,610,675</u>
Total Operating Revenues	<u>78,220,168</u>	<u>81,020,289</u>
<b>OPERATING EXPENSES</b>		
Salaries and wages	11,665,974	10,083,912
Employee benefits	4,528,891	3,967,687
Services and supplies	<u>23,579,404</u>	<u>22,260,038</u>
Total Operating Expenses before Depreciation	39,774,269	36,311,637
Depreciation	<u>20,817,485</u>	<u>19,241,869</u>
Total Operating Expenses	<u>60,591,754</u>	<u>55,553,506</u>
Operating Income	<u>17,628,414</u>	<u>25,466,783</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Grants	483,631	330,878
Investment earnings	6,841,981	7,558,263
Unrealized gain on investments	283,160	-
Gain (Loss) on disposal of assets	(91,170)	(83,894)
Amortization of bond issuance costs	(635,497)	(494,066)
Interest expense	(24,106,569)	(23,937,895)
Other	<u>-</u>	<u>1,000,297</u>
Total Nonoperating Revenues (Expenses)	<u>(17,224,464)</u>	<u>(15,626,417)</u>
Income before Capital Contributions	<u>403,950</u>	<u>9,840,366</u>
<b>CAPITAL CONTRIBUTIONS</b>		
Water meter retrofit program	1,408,879	2,539,844
Developer infrastructure contributions	8,092,373	15,489,637
Developer will-serve contributions	2,978,057	13,664,518
Developer capital contributions-other	2,401,248	5,199,992
Developer facility charges	3,412,118	5,683,715
Contributions from other governments	<u>7,591,834</u>	<u>1,823,671</u>
Net Capital Contributions	<u>25,884,509</u>	<u>44,401,377</u>
Change in Net Assets	26,288,459	54,241,743
<b>NET ASSETS , BEGINNING OF YEAR</b>	<u>255,350,323</u>	<u>201,108,580</u>
<b>NET ASSETS , END OF YEAR</b>	<u>\$ 281,638,782</u>	<u>\$ 255,350,323</u>

See accompanying notes.

**TRUCKEE MEADOWS WATER AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 79,569,897	\$ 79,788,311
Cash paid to employees	(15,242,477)	(13,905,919)
Cash paid to suppliers	(25,716,408)	(19,425,387)
Other nonoperating revenues	-	1,000,297
Net Cash Provided by Operating Activities	<u>38,611,012</u>	<u>47,457,302</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Grants	<u>310,623</u>	<u>330,878</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(57,793,197)	(76,241,594)
Interest paid on financing	(23,179,492)	(22,594,027)
Principal paid on financing	(9,286,321)	(6,943,400)
Proceeds from capital debt issuance	-	2,201,863
Proceeds from commercial paper note issuances	25,000,000	43,000,000
Proceeds from refunding bonds	-	218,975,000
Proceeds transferred to refunding escrow	-	(218,858,264)
Proceeds from capital asset disposal	32,508	-
Contributions for water meter retrofit program	1,408,879	2,539,844
Contributions from developers-will-serve letters	2,978,057	13,664,518
Contributions from developers-other	2,375,528	5,199,992
Contributions from developers-facility charges	3,412,118	5,683,715
Contributions from other governments	7,591,834	1,823,671
Bond/Note issuance costs	(323,430)	(2,643,053)
Net Cash (Used) by Capital and Related Financing Activities	<u>(47,783,516)</u>	<u>(34,191,735)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<u>8,275,056</u>	<u>8,780,046</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(586,825)	22,376,491
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b> (including \$80,559,584 and \$74,594,443 in restricted accounts for the years ended June 30, 2007 and 2006, respectively)	<u>176,149,459</u>	<u>153,772,968</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b> (including \$79,828,884 and \$80,559,584 in restricted accounts for the years ended June 30, 2008 and 2007, respectively)	<u>\$ 175,562,634</u>	<u>\$ 176,149,459</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	<u>\$ 17,628,414</u>	<u>\$ 25,466,783</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	20,817,485	19,241,869
Other non-operating revenues	-	1,000,297
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	1,356,343	(1,432,273)
Due from others	15,673	98,211
Due from other governments	(71,768)	24,211
Prepaid assets	288,658	167,746
Increase (decrease) in:		
Accounts payable	(2,440,958)	2,165,493
Accrued liabilities	952,388	114,269
Due to customers and developers	49,481	109,284
Due to other governments	15,296	501,412
Total Adjustments	<u>20,982,598</u>	<u>21,990,519</u>
Net Cash Provided by Operating Activities	<u>\$ 38,611,012</u>	<u>\$ 47,457,302</u>
<b>NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Developer infrastructure contributions	\$ 8,092,373	\$ 15,489,637
Capitalization of interest expense	1,359,401	734,277
Capitalization of interest revenue	1,444,530	761,644
Amortization of bond discounts and deferred charges	312,067	389,695
Amortization of refunding allowances to interest expense	1,803,775	355,929

See accompanying notes.

**TRUCKEE MEADOWS WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Truckee Meadows Water Authority (TMWA) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. A summary of the more significant accounting policies applied in the preparation of the accompanying basic financial statements follows.

Reporting Entity and Purpose:

TMWA is a joint powers authority formed in November 2000 under the Joint Powers Legislation of the State of Nevada, pursuant to a Cooperative Agreement among the City of Reno, Nevada, the City of Sparks, Nevada, and Washoe County, Nevada. TMWA was formed to purchase water assets (the Water System), undertake the water utility operations and to develop, manage and maintain supplies of water for the benefit of the Truckee Meadows communities. TMWA purchased the existing water system operated by Sierra Pacific Power Company (SPPCo).

TMWA is governed by a seven member Board of Directors appointed by:

- Reno City Council (3 seats)
- Sparks City Council (2 seats)
- Washoe County (1 seat)
- At-Large (1 seat), appointed by above members

The cities and county representatives are not required to be elected officials. However, TMWA bylaws require that the at-large seat be an elected official within one of the three jurisdictions.

Basis of Accounting:

TMWA activities are accounted for as an enterprise fund (proprietary fund type). A fund is an accounting entity with a self-balancing set of accounts established to record the financial position and results of operations of the governmental entity. Activities of enterprise funds resemble activities of business enterprises; the purpose is to obtain and use economic resources to meet its operating objectives. The financial statements for TMWA are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred.

A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from an exchange transaction such as providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonoperating revenues and nonoperating expenses result from nonexchange transactions or ancillary services.

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TMWA applies all applicable Governmental Accounting Standards Board (GASB) pronouncements in accounting and reporting for proprietary activities, as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's) of the Committee of Accounting Procedure, (unless those pronouncements conflict with or contradict GASB pronouncements) issued on or before November 30, 1989 in accounting and reporting for its operations.

Budgets and Budgetary Accounting:

TMWA adheres to the Local Government Budget and Finance Act (Act) incorporated within the Statutes of the State of Nevada. The Act and TMWA policy include the following major procedures to establish budgetary data:

- On or before April 15, the General Manager of TMWA submits to the Board of Directors a tentative budget for the fiscal year commencing the following July 1.
- Public hearings on the tentative budget are held on the third Thursday in May.
- Prior to June 1, at a public hearing, the Board of Directors indicates changes, if any, to be made to the tentative budget and adopts a final budget by the favorable vote of a majority of the members of the Board. The final budget must then be forwarded to the Nevada Department of Taxation for final approval.
- Any revisions that alter total appropriations must be approved in advance by the Board. Formal budgetary integration is employed as a management control device during the year.
- Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Appropriations lapse at year end.
- In accordance with State statute, actual expenses may not exceed the sum of operating and nonoperating expenses.

The budget reflected in the financial statements has been amended from the original amounts in accordance with State statute for the year ended June 30, 2008.

Cash and Investments:

Cash balances are, to the extent practical, invested as permitted by law. Monies that are not required for immediate obligations are invested.

Investments authorized by state statutes and TMWA's bond resolutions include, but are not limited to, guaranteed investment contracts, obligations of the U.S. Treasury, obligations of other U.S. Government agencies, negotiable and non-negotiable certificates

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of deposit issued by commercial banks or insured savings and loan associations, bankers acceptances, repurchase agreements, "AAA" rated mutual funds that invest in securities of the Federal Government or agencies of the Federal Government, and the State of Nevada Local Government Investment Pool (LGIP), an external investment pool which is administered by the State Treasurer with oversight by the Board of Finance of the State of Nevada. Investments are reported at fair value, including the investment with LGIP in which the value is the same as the value of the pool shares.

Restricted cash and investments are monies that are restricted by legal or contractual requirements.

Cash Equivalents:

Cash equivalents include short-term highly liquid investments (3 months or less) that are both readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes of value. Based on the nature of the investment policies, all amounts are available on demand and are, therefore, classified as cash equivalents on the Statements of Cash Flows.

Accounts Receivable:

Accounts receivable is comprised of amounts due from TMWA's customers, net of an allowance for uncollectible accounts. Amounts due from TMWA customers are comprised of amounts billed and an estimate of amounts earned but unbilled for water deliveries prior to fiscal year end.

Restricted Assets:

Certain proceeds of TMWA's water revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statements of Net Assets because their use is limited by applicable bond covenants as follows:

- Current bond debt service - used to segregate resources accumulated for debt service payments over the next twelve months.
- Future bond debt service - used to report resources set aside to make up potential future deficiencies in the current bond debt service.
- Operations and maintenance - used to report resources set aside to subsidize potential deficiencies from TMWA's operation that could adversely affect debt service payments.
- Renewal and replacement - used to report resources set aside to subsidize potential deficiencies in cash flow for replacement of water facilities.
- Water rate stabilization - used to report resources set aside to stabilize customer rates if significant water revenue fluctuations occur.

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Certain assets of TMWA are classified as restricted assets on the Statements of Net Assets because they were derived from contributions from developers to fund the water meter retrofit program as mandated by Public Law 101-618.

A portion of the proceeds from the TMWA's water revenue bonds are classified as restricted assets on the Statement of Net Assets because their use is limited to the future purchase of Hydroelectric Assets, as stipulated in the Asset Purchase Agreement with SPPCo.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items have been classified as current and noncurrent.

Capital Assets:

All purchased property, plant and equipment is stated at cost. TMWA capitalizes all assets with a cost of at least \$5,000 and a useful life greater than one year. The cost of maintenance and repairs that do not increase productive capacity or materially extend the life of an asset are not capitalized. Interest cost incurred during the construction phase of the assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Developer contributed capital assets are recorded at estimated fair value at the date of contribution to TMWA.

Depreciation is computed using the straight-line method over the assets' estimated useful lives (in years) as follows:

Distribution mains	60-75	Canals/Ditches	15-50
Plant	15-50	Reservoirs	20-75
Services	15-60	Vehicles	5-10
Booster pump stations	15-50	Furniture and fixtures	10
Tanks	65-75	Computer hardware and software	3-5
Wells	15-50	Lab equipment	5
Pressure reducing valves	25	Corporate building	50
Hydroelectric facilities	60		

Compensated Absences:

Under contract, employees are permitted to accumulate earned but unused vacation and sick pay benefits. The liability for compensated absences is accrued as amounts are earned by employees to the extent it is likely TMWA will ultimately pay those benefits. The liability is included in accrued liabilities in the accompanying Statements of Net Assets.

**TRUCKEE MEADOWS WATER AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
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Classification of Revenues:

Operating revenues consist of water sales, hydroelectric sales, miscellaneous fee income and various reimbursements of operating expenses. Nonoperating revenues consist essentially of income derived from investments. Developer facility charges, will serve contributions and other contributions reflect payments for water service. Developer infrastructure contributions are an estimation of the value of infrastructure built by developers and permanently dedicated to TMWA.

Reclassification:

Certain accounts in June 30, 2007 financial statements have been reclassified for comparative purposes to conform with the presentation in the June 30, 2008 financial statements.

**NOTE 2 – COMPLIANCE WITH NEVADA REVISED STATUTES AND THE NEVADA ADMINISTRATIVE CODE**

TMWA conformed to all significant statutory constraints on its financial administration during the year.

**NOTE 3 – ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net consisted of the following:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Billed amounts	\$ 4,806,055	\$ 5,307,123
Earned, but unbilled amounts	<u>6,418,857</u>	<u>7,127,763</u>
	11,224,912	12,434,886
Allowance for uncollectibles	<u>(358,800)</u>	<u>(212,431)</u>
Accounts receivable, net	<u>\$10,866,112</u>	<u>\$12,222,455</u>

**NOTE 4 – CASH AND INVESTMENTS**

Deposits:

In accordance with state statutes, TMWA's cash is deposited with insured banks. All money deposited by TMWA that is not within the limits of insurance must be secured by collateral. At June 30, 2008, the carrying amount of TMWA's deposits (including a certificate of deposit) of \$16,912,805 was less than the respective bank balance of \$18,504,037 by \$1,591,232. At June 30, 2007, the carrying amount of TMWA's deposits

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of \$6,395,729 was less than the respective bank balance of \$7,334,142 by \$938,413. The difference between the carrying amount and bank balance results from outstanding checks and deposits not yet reflected in the bank's records.

Investments:

As of June 30, 2008 TMWA had the following investments and maturities:

	<u>Fair Value</u>	<u>Less than 1 Year</u>
INVESTMENTS:		
U.S. Agencies	\$ 79,238,367	\$ 79,238,367
Guaranteed Investment Contracts	34,355,718	34,355,718
LGIP	356,265	356,265
Money Market Mutual Funds	21,814,114	21,814,114
Commercial Paper	<u>22,885,365</u>	<u>22,885,365</u>
Total Investments	<u>\$158,649,829</u>	<u>\$158,649,829</u>

As of June 30, 2007 TMWA had the following investments and maturities:

	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 - 3 Years</u>
INVESTMENTS:			
U.S. Agencies	\$ 76,141,633	\$ 44,377,478	\$31,764,155
Guaranteed Investment Contracts	41,593,006	41,593,006	-
LGIP	341,375	341,375	-
Money Market Mutual Funds	48,634,650	48,634,650	
Commercial Paper	<u>3,043,066</u>	<u>3,043,066</u>	-
Total Investments	<u>\$169,753,730</u>	<u>\$137,989,575</u>	<u>\$31,764,155</u>

Nevada Revised Statutes (NRS 355.170) set forth acceptable investments for Nevada governments. On July 7, 2005 the TMWA Board adopted an investment policy which further limited its investment choices. Nevada Revised Statutes and TMWA's investment policy set portfolio component thresholds to further limit its exposure to certain risks as set forth below. TMWA's investment policy does not allow for investment in asset backed securities even though such investments are permitted under state law.

Interest Rate Risk:

Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. This risk can be mitigated by diversification durations of fixed rate investments held in the investment portfolio. As a

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means of limiting TMWA's exposure to this risk, TMWA constantly monitors the bond futures market and ladders investments accordingly to maximize investment returns while balancing the investment maturities with spending requirements. State statute limits investment in obligations of an agency of the United States or a corporation sponsored by the United States government to those maturing within ten years from the date of purchase.

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations and is a function of the credit quality ratings of investments. TMWA follows state statute for reducing exposure to investment credit risk by investing in guaranteed investment contracts, U.S. Agency securities, "AAA" rated money market mutual funds that invest in securities issued by the U.S. Government or agencies of the U.S. Government, and the State of Nevada Local Government Pooled Investment Fund (LGIP). TMWA has a small debt reserve fund with LGIP, which is an unrated external investment pool and has an investment duration of 78 days. In addition, the guaranteed investment contracts in which TMWA invests are unrated. Investments in U.S. Agencies are rated "AAA" and investments in corporate commercial paper are rated "A-1+/"P-1+".

Concentration of Credit Risk:

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Securities held by TMWA or by TMWA's custodians are diversified to eliminate risk of loss from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

At June 30, 2008 and 2007, the following investments exceeded 5% of TMWA's total investments:

	June 30, 2008	
Federal Home Loan Mortgage Corporation	\$51,561,344	32.50%
Bank of America Guaranteed Investment Contract	\$29,755,718	18.76%
Federal National Mortgage Association	\$21,136,222	13.32%
Corporate Commercial Paper A-1+/P-1+	\$22,885,365	14.43%
	June 30, 2007	
Federal Home Loan Mortgage Corporation	\$55,135,839	32.48%
Bank of America Guaranteed Investment Contract	\$29,905,596	17.62%
Federal National Mortgage Association	\$11,981,399	5.01%

**TRUCKEE MEADOWS WATER AUTHORITY**  
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NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not Being Depreciated:				
Construction in progress	\$ 24,107,186	\$ 14,623,941	\$ (17,966,521)	\$ 20,764,606
Land	9,866,847	-	(3,251)	9,863,596
Water rights	<u>91,206,229</u>	<u>908,424</u>	<u>-</u>	<u>92,114,653</u>
 Total Capital Assets not Being Depreciated	 <u>125,180,262</u>	 <u>15,532,365</u>	 <u>(17,969,772)</u>	 <u>122,742,855</u>
 Capital Assets Being Depreciated:				
Distribution mains	207,934,166	36,832,210	-	244,766,376
Plant	131,459,889	8,909,829	-	140,369,718
Services	96,448,889	4,043,534	-	100,492,423
Booster pump stations	23,591,039	2,479,332	(49,404)	26,020,967
Tanks	35,709,834	9,371,279	(214,550)	44,866,563
Wells	18,021,495	2,374,739	-	20,396,234
Pressure reducing valves	4,243,054	842,361	(74,615)	5,010,800
Canals/Ditches	14,272,665	1,022,823	-	15,295,488
Reservoirs	11,897,134	-	-	11,897,134
Vehicles	3,484,295	397,187	(39,459)	3,842,023
Leasehold improvements	244,049	-	(244,049)	-
Furniture and fixtures	633,829	20,420	-	654,249
Computer hardware and software	8,314,715	150,191	(2,121,362)	6,343,544
Lab equipment	33,593	-	-	33,593
Hydroelectric facilities	4,114,515	3,587,413	(8,856)	7,693,072
Corporate building	<u>8,620,977</u>	<u>65,828</u>	<u>-</u>	<u>8,686,805</u>
 Total Capital Assets Being Depreciated	 <u>569,024,138</u>	 <u>70,097,146</u>	 <u>(2,752,295)</u>	 <u>636,368,989</u>
 Accumulated Depreciation:				
Distribution mains	(19,949,756)	(4,281,073)	-	(24,230,829)
Plant	(24,920,911)	(4,510,916)	-	(29,431,827)
Services	(18,735,046)	(5,432,588)	-	(24,167,634)
Booster pump stations	(4,099,953)	(1,221,303)	-	(5,321,256)
Tanks	(4,106,816)	(996,465)	24,109	(5,079,172)
Wells	(4,227,965)	(1,237,855)	-	(5,465,820)
Pressure reducing valves	(1,219,049)	(297,006)	32,148	(1,483,907)
Canals/Ditches	(1,663,026)	(433,571)	-	(2,096,597)
Reservoirs	(2,518,400)	(376,500)	-	(2,894,900)
Vehicles	(1,928,200)	(456,749)	38,941	(2,346,008)
Leasehold improvements	(244,049)	-	244,049	-
Furniture and fixtures	(231,752)	(64,404)	-	(296,156)

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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Computer hardware and software	\$ (4,588,892)	\$ (1,384,216)	\$ 2,103,163	\$ (3,869,945)
Lab equipment	(13,437)	(6,719)	-	(20,156)
Hydroelectric facilities	(110,286)	(116,640)	-	(226,926)
Corporate building	<u>(211,755)</u>	<u>(174,709)</u>	<u>-</u>	<u>(386,464)</u>
 Total Accumulated Depreciation	 <u>(88,769,293)</u>	 <u>(20,990,714)</u>	 <u>2,442,410</u>	 <u>(107,317,597)</u>
 Total Capital Assets being Depreciated, Net	 <u>480,254,845</u>	 <u>49,106,432</u>	 <u>(309,885)</u>	 <u>529,051,392</u>
 Total Capital Assets, Net	 <u>\$605,435,107</u>	 <u>\$64,638,797</u>	 <u>\$(18,279,657)</u>	 <u>\$651,794,247</u>

Capital asset activity for the year ended June 30, 2007 follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets not Being Depreciated:				
Construction in progress	\$ 15,591,658	\$ 12,474,068	\$(3,958,540)	\$ 24,107,186
Land	9,866,847	-	-	9,866,847
Water rights	<u>54,016,765</u>	<u>37,189,464</u>	<u>-</u>	<u>91,206,229</u>
 Total Capital Assets not Being Depreciated	 <u>79,475,270</u>	 <u>49,663,532</u>	 <u>(3,958,540)</u>	 <u>125,180,262</u>
Capital Assets Being Depreciated:				
Distribution mains	192,142,615	15,957,614	(166,063)	207,934,166
Plant	124,770,714	6,689,175	-	131,459,889
Services	87,575,979	8,872,910	-	96,448,889
Booster pump stations	19,059,804	4,712,580	(181,345)	23,591,039
Tanks	32,280,907	3,610,270	(181,343)	35,709,834
Wells	17,496,607	526,108	(1,220)	18,021,495
Pressure reducing valves	4,083,957	159,097	-	4,243,054
Canals/Ditches	12,561,913	1,710,752	-	14,272,665
Reservoirs	11,897,134	-	-	11,897,134
Vehicles	3,192,758	349,116	(57,579)	3,484,295
Leasehold improvements	244,049	-	-	244,049
Furniture and fixtures	567,644	66,185	-	633,829
Computer hardware and software	7,104,436	1,210,279	-	8,314,715
Lab equipment	33,593	-	-	33,593
Hydroelectric facilities	2,827,428	1,287,087	-	4,114,515
Corporate building	<u>8,503,294</u>	<u>117,683</u>	<u>-</u>	<u>8,620,977</u>
 Total Capital Assets Being Depreciated	 <u>524,342,832</u>	 <u>45,268,856</u>	 <u>(587,550)</u>	 <u>569,024,138</u>

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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Accumulated Depreciation:				
Distribution mains	\$ (15,931,152)	\$ (4,018,604)	\$ -	\$ (19,949,756)
Plant	(20,618,812)	(4,302,099)	-	(24,920,911)
Services	(13,793,568)	(4,941,478)	-	(18,735,046)
Booster pump stations	(3,392,009)	(913,351)	205,407	(4,099,953)
Tanks	(3,295,535)	(874,763)	63,482	(4,106,816)
Wells	(3,103,096)	(1,124,875)	6	(4,227,965)
Pressure reducing valves	(932,579)	(286,470)	-	(1,219,049)
Canals/Ditches	(1,258,120)	(404,906)	-	(1,663,026)
Reservoirs	(2,141,925)	(376,475)	-	(2,518,400)
Vehicles	(1,535,973)	(446,569)	54,342	(1,928,200)
Leasehold improvements	(244,049)	-	-	(244,049)
Furniture and fixtures	(172,121)	(59,631)	-	(231,752)
Computer hardware and software	(3,343,104)	(1,245,788)	-	(4,588,892)
Lab equipment	(6,719)	(6,718)	-	(13,437)
Hydroelectric facilities	(39,838)	(70,448)	-	(110,286)
Corporate building	(42,061)	(169,694)	-	(211,755)
	<u>(69,850,661)</u>	<u>(19,241,869)</u>	<u>323,237</u>	<u>(88,769,293)</u>
Total Capital Assets being Depreciated, Net	<u>454,492,170</u>	<u>26,026,987</u>	<u>(264,313)</u>	<u>480,254,845</u>
Total Capital Assets, Net	<u>\$533,967,440</u>	<u>\$ 75,690,519</u>	<u>\$ (4,222,853)</u>	<u>\$605,435,107</u>

**NOTE 6 – LONG-TERM DEBT**

The 2001A Bonds issued June 1, 2001 constitute special, limited obligations of TMWA. The principal of and interest on the Bonds are payable solely from and secured by an irrevocable pledge of the net revenues derived by TMWA from the operation of the Water System. The Bonds do not constitute a general obligation of TMWA, nor do these bonds constitute a general obligation of the City of Reno, the City of Sparks, Washoe County, or the State of Nevada.

On June 8, 2005 TMWA entered into a loan contract with the State of Nevada Drinking Water State Revolving Fund (DWSRF) to fund TMWA's Arsenic Mitigation Project. TMWA made draws on this contract as construction proceeded, totaling \$4,669,565. The loan constitutes a special limited obligation of TMWA and the principal and interest on the loan will be payable solely from and secured by an irrevocable pledge of the net revenues derived from the operation of the Water System. This loan has a term of 20 years. This loan is subordinate to the 2001A Bonds issued June 1, 2001, as well as future senior lien bonds.

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On November 15, 2005 TMWA issued \$40,000,000 in Series 2005A water revenue bonds which constitute special limited obligations of TMWA. The principal and interest are payable solely from, and secured by an irrevocable pledge of the net revenues derived by TMWA from the operation of the Water System. The bonds do not constitute a general obligation of TMWA, and do not constitute a general obligation of the City of Reno, the City of Sparks, Washoe County, or the State of Nevada. The bonds have a term of 30 years. These senior lien bonds were sold on senior lien parity with the 2001A bonds.

On May 3, 2006 TMWA issued \$150,745,000 in Series 2006 Refunding Bonds which constitute special limited obligations of TMWA. These bonds were sold to refund \$145,970,000 in maturities of the Series 2001A Bonds. The proceeds of the refunding bond issue were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2001A Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from TMWA's Statements of Net Assets. The reacquisition price exceeded the net carrying amount of the old debt by \$5,901,299. The unamortized balance is being netted against the new outstanding debt and is being amortized as a component of interest expense over the remaining life of the newly issued debt, which has a shorter remaining life than the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 27 years by \$10,016,065, and resulted in an economic gain of \$5,152,424. The total amount outstanding in the irrevocable trust for the defeased debt at June 30, 2008 and 2007 was \$148,559,865 and \$148,925,842 respectively.

On August 15, 2006 TMWA began an inaugural Tax-Exempt Commercial Paper (TECP) program that authorized the issuance of up to \$160,000,000 in TECP notes. Of the total authorization, TMWA has issued \$68,000,000 and \$43,000,000 as of June 30, 2008 and June 30, 2007 respectively. The first draw was on August 16, 2006 for \$30,000,000, and a second draw was on December 5, 2006 for \$13,000,000 for a total issuance of \$43,000,000 which was outstanding for the fiscal year ended June 30, 2007. A third draw was made on February 15, 2008 for \$25,000,000 for a total issuance of \$68,000,000 which was outstanding as of June 30, 2008. The proceeds from the first two draws were used solely to purchase water rights for future sale of will serve commitments to developers. The third draw is to fund certain construction projects on an interim basis. The TECP program is facilitated by a direct pay letter of credit between TMWA and Lloyds TSB Bank PLC. The letter of credit expires on August 16, 2010. The average interest rate on the outstanding balance of TECP as of June 30, 2008 and June 30, 2007 was 1.52% and 3.71% respectively. As of June 30, 2008 the total TECP notes outstanding

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were composed of 11 tranches ranging in size from \$1.5 million to \$11 million and ranging in maturities from 89 to 251 days. As of June 30, 2007 the total TECP notes outstanding were composed of five tranches ranging in size from \$2.0 million to \$19.5 million and ranging in maturities from 67 to 121 days.

On January 17, 2007 TMWA issued \$218,975,000 in Series 2007 Refunding Bonds which constitute special limited obligations of TMWA. These bonds were sold to refund \$212,275,000 in maturities of the Series 2001A Bonds. The proceeds of the refunding bond issue were used to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating financial resources for the future debt service payments of the refunded Series 2001A Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from TMWA's Statements of Net Assets. The reacquisition price exceeded the net carrying amount of the old debt by \$15,284,819. The unamortized balance is being netted against the new outstanding debt and is being amortized as a component of interest expense over the remaining life of the old debt, which has a shorter remaining life in comparison to the remaining life of the refunding bonds. This advance refunding was undertaken to reduce total debt service payments over the next 24 years by \$18,192,500, and resulted in an economic gain of \$10,439,350. The total amount outstanding in the irrevocable trust for the defeased debt at June 30, 2008 and June 30, 2007 was \$217,277,448 and \$218,857,188, respectively.

TMWA's senior lien bonds are insured by various municipal insurance companies. Financial Security Assurance Inc. (FSA) is TMWA's primary insurer and insures the 2001A Bonds, and the majority of the 2006 and 2007 Refunding Bonds. MBIA Inc. insures TMWA's 2005 Bonds, and XL Capital Assurance insures one maturity each of the 2006 and 2007 Refunding Bonds. Beginning in late January, 2008, TMWA started to receive notices of certain rating agency downgrades of the ratings assigned to certain insurers of TMWA bonds. XL Capital Assurance had its rating downgraded from "AAA" to "A" by Fitch Ratings. Subsequently, Moody's downgraded XL Capital Assurance from "Aaa" to "A3". In April 2008, TMWA received notice that Fitch downgraded MBIA Inc. from "AAA" to "AA". Prior to June 30, 2008, XL Capital Assurance was ultimately downgraded to "BBB-" while Fitch withdrew its rating of MBIA Inc. at MBIA's request. Moody's subsequently downgraded XL Capital, now known as Syncora Guarantee Inc., to "B2", and by late October, Moody's rating slipped to "Caal". In addition, subsequent to year end, FSA was downgraded from "Aaa" to "Aa3" by Moody's. At no time was the underlying rating of TMWA's bonds affected; and in each case, TMWA filed the appropriate material event disclosures in accordance with SEC rule 15c2-12.

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The following schedules summarize the changes in long-term obligations as of June 30, 2008 and 2007.

June 30, 2008	Final Maturity Date	Authorized	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due in 2008-2009
Supported by User Charges:							
2001 A Water Revenue (Tax Exempt) Bonds, 3.70%-5.5%	7/1/2034	\$ 448,810,000	\$ 80,795,000	\$ -	\$ 7,195,000	\$ 73,600,000	\$ 7,565,000
2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21%	7/1/2026	4,669,565	4,576,165	-	191,321	4,384,844	197,511
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	40,000,000	-	670,000	39,330,000	695,000
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	150,745,000	-	-	150,745,000	300,000
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	218,975,000	-	1,230,000	217,745,000	360,000
Subtotal		863,199,565	495,091,165	-	9,286,321	485,804,844	9,117,511
Less: Unamortized net bond discount (premium)			(3,077,212)		404,625	(2,672,587)	
Less: Unamortized losses on refundings			20,830,189	-	(1,803,775)	19,026,414	
Total Debt Before Tax Exempt Commercial Paper			477,338,188	-	7,887,171	469,451,017	
TMWA Tax-Exempt Commercial Paper		160,000,000	43,000,000	25,000,000	-	68,000,000	68,000,000
Total Debt		<u>\$ 1,023,199,565</u>	<u>\$520,338,188</u>	<u>\$ 25,000,000</u>	<u>\$ 7,887,171</u>	<u>\$ 537,451,017</u>	<u>\$77,117,511</u>

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June 30, 2007	Final Maturity Date	Authorized	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due in 2007-2008
Supported by User Charges:							
2001 A Water Revenue (Tax Exempt) Bonds, 3.70%-5.5%	7/1/2034	\$ 448,810,000	\$299,920,000	\$ -	\$219,125,000	\$ 80,795,000	\$ 7,195,000
2005 Water Revenue DWSRF (Tax Exempt) Bonds 3.21%	7/1/2026	4,669,565	4,669,565	-	93,400	4,576,165	191,321
2005 A Water Revenue (Tax Exempt) Bonds 4.25%-5.00%	7/1/2036	40,000,000	40,000,000	-	-	40,000,000	670,000
2006 Water Revenue (Tax Exempt) Refunding Bonds 3.50%-4.875%	7/1/2034	150,745,000	150,745,000	-	-	150,745,000	-
2007 Water Revenue (Tax Exempt) Refunding Bonds 4.00%-5.00%	7/1/2030	218,975,000	-	218,975,000	-	218,975,000	1,230,000
Subtotal		863,199,565	495,334,565	218,975,000	219,218,400	495,091,165	9,286,321
Less: Unamortized net bond discount (premium)			3,042,065	236,670	(6,355,947)	(3,077,212)	-
Less: Unamortized losses on refundings			6,025,396	15,160,722	(355,929)	20,830,189	-
Total Debt Before Tax Exempt Commercial Paper			486,267,104	203,577,608	212,506,524	477,338,188	9,286,321
TMWA Tax-Exempt Commercial Paper		160,000,000	-	43,000,000	-	43,000,000	43,000,000
Total Debt		<u>\$ 1,023,199,565</u>	<u>\$486,267,104</u>	<u>\$246,577,608</u>	<u>\$212,506,524</u>	<u>\$ 520,338,188</u>	<u>\$52,286,321</u>

Annual debt service requirements to maturity for TMWA's bonds and commercial paper are as follows:

<u>Debt to Maturity</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Debt Service</u>
June 30:			
2009	\$ 77,117,511	\$ 22,435,239	\$ 99,552,750
2010	9,538,902	21,972,895	31,511,797
2011	10,025,500	21,462,256	31,487,756
2012	10,542,311	20,923,781	31,466,092
2013	11,094,343	20,360,252	31,454,595
2014-2018	64,745,416	92,296,382	157,041,798
2019-2023	81,478,652	75,545,625	157,024,277
2024-2028	99,637,209	56,104,801	155,742,010
2029-2033	125,065,000	31,070,731	156,135,731
2034-2037	<u>64,560,000</u>	<u>3,675,900</u>	<u>68,235,900</u>
Total	<u>\$ 553,804,844</u>	<u>\$ 365,847,862</u>	<u>\$ 919,652,706</u>

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Because commercial paper notes have a maturity of less than 270 days, they are presented as maturing in fiscal year 2009. It is the intent of TMWA that as TECP matures, the interest and principal will be remarketed into new commercial paper notes.

**NOTE 7 – NET ASSETS**

Restricted Net Assets:

TMWA records the following restrictions of net assets:

Restricted in accordance with bond covenants: TMWA's bond covenants require certain restrictions of TMWA's net assets for operations and maintenance, renewal and replacement, and water rate stabilization.

Restricted for water meter retrofit program: This restriction was created to segregate the portion of net assets derived from contributions made by developers to fund the water meter retrofit program as mandated by Public Law 101-618.

Board Designation:

The TMWA Board of Directors approved increasing the balance in the water rate stabilization account from \$500,000 to \$1,848,864, for an increase of \$1,348,864. This increase is not reflected as restricted net assets, but is considered a designated portion of unrestricted net assets.

**NOTE 8 – CONTINGENT LIABILITIES**

TMWA is a co-defendant with others, in lawsuits with the Pyramid Lake Paiute Tribe. It is anticipated these lawsuits will be dismissed upon finalization of a water settlement agreement stemming from Public Law 101-618, and the Truckee River Operating Agreement (TROA). TMWA anticipates further litigation following the execution of TROA related to its implementation.

On August 31, 2006, the Truckee-Carson Irrigation District (TCID) filed an action in California against SPPCo and TMWA seeking damages and enforcement of a 1943 agreement (the 1943 Operating Agreement) between TCID and TMWA (as successor to SPPCo). The 1943 Operating Agreement relates to the operation and maintenance of certain interests, including a water right established by storage in Donner Lake (the Deeded Donner Lake Water Right). TCID and TMWA own the Deeded Donner Lake Water Right as tenants-in-common, and the 1943 Operating Agreement includes provisions concerning use of water from that water right for domestic purposes, irrigation, and for hydroelectric generation. The action concerns whether the 1943 Operating Agreement is still controlling, whether prior operations not consistent with it constitute a breach of contract, and whether TCID has been damaged. TCID claims damages for prior losses of use of the Donner Lake Water Right that exceed \$50,000,000.

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TMWA has answered TCID's complaint and has filed a cross-complaint seeking partition of the Deeded Donner Lake Water Right and monetary relief from TCID for its failure to contribute to the expense of operation and maintenance of the Donner Lake Dam facilities. It is not possible at this time to predict the outcome of the litigation. However, TMWA will vigorously defend the matter and counsel for TMWA believes that TCID's allegations that damages are or exceed \$50 million are greatly exaggerated.

**NOTE 9 – RISK MANAGEMENT**

TMWA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. TMWA is responsible for group health insurance premiums payable to the City of Reno for coverage in the City's self-funded health insurance program. All other risks are covered by commercial insurance purchased from independent third parties. There have been no settlements in excess of insurance coverage for the past three years.

**NOTE 10 – PENSIONS AND OTHER EMPLOYEE BENEFITS**

Defined Benefit Plan:

Plan Description. TMWA contributes to the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing, multiple-employers, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada (PERS). PERS provides retirement, disability and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to participants of PERS. These benefit provisions may only be amended through legislation. PERS issues a publicly available financial report that includes the financial statements and required supplementary information for PERS. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, NV 89703-1599 or by calling (775) 687-4200.

Funding Policy. Plan members have the option of being funded under two alternative methods. Under the employer pay contribution plan, TMWA is required to contribute all amounts due under the plan. Under the employee-employer contribution plan, TMWA and the employee share equally in contribution of amounts due under the plan. The contribution requirements of plan members and TMWA are established by Chapter 286 of the Nevada Revised Statutes. The funding mechanism may only be amended through legislation. TMWA's contribution rates, based on employee members' covered payroll, and amount contributed, which equaled required contributions, are as follows:

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<u>Fiscal Year</u>	<u>Contribution Rate</u>		<u>Total Contribution</u>
	<u>Employer Pay Plan</u>	<u>Employee-Employer Plan</u>	
2007/2008	20.50%	10.50%	\$ 2,587,902
2006/2007	19.75%	10.50%	\$ 2,250,446
2005/2006	19.75%	10.50%	\$ 2,258,950

Deferred Compensation Plans:

All employees of TMWA are eligible to participate in a Section 457 Deferred Compensation Plan, monies of which are maintained in a trust, separate from the general assets of TMWA. In addition to the Section 457 Deferred Compensation Plan, non-union employees are eligible to participate in a Section 401(a) Money Purchase Retirement Plan, monies of which are maintained in a trust, separate from the general assets of TMWA.

Other Post-Employment Benefit Plan (OPEB):

TMWA has adopted, prospectively, Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the fiscal year ended June 30, 2008. As such, TMWA recognizes the cost of postemployment benefits in the year when the employee services are received and reports the accumulated liability from prior years.

Plan Description. The Truckee Meadows Water Authority Post Retirement Medical Plan and Trust (Plan), a single-employer defined benefit OPEB plan was established to provide eligible TMWA employees with post employment health benefits. Pursuant to Nevada State Administrative Regulations, adopted in September 2008, the Plan will be governed by not less than three but not more than five trustees who were yet to be appointed by the TMWA Board of Directors as of June 30, 2008.

Eligibility. There are three employee classifications eligible for benefits: a pre-January 1, 1998 collective bargaining unit group, a post-December 31, 1997 collective bargaining unit group, and a group for management, professional, and administrative (MPAT) personnel regardless of date of hire. Eligibility requirement, benefit levels, employee contributions and employer contributions are amended through TMWA's collective bargaining agreements for its represented employees and by the TMWA Board of Directors with respect to MPAT employees.

Employees must have at least ten years of service to be eligible for benefits and must be at least 55 years of age. The pre-January 1, 1998 group is represented employees who will receive a benefit as a percentage of the total health premium, dependent upon years of service and age of retirement, with the exception of a 20 years of service employee electing risk would pay nothing towards health premiums. For this group dependents are also covered. The post-December 31, 1997 group is represented employees who will

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receive a total of \$1,250 times years of service towards health care premiums. This amount does not grow with interest and once exhausted a retiree may convert to COBRA, but only for the 18 month continuation period. For MPAT employees, the annual employer subsidy is \$235 times years of service, up to 30 years prorated for each month of retirement while under the age of 65. On or after the age of 65, the subsidy is \$105 times years of service prorated for each month of retirement while age 65 and older. If an MPAT employee retires before age 62 the subsidy is reduced by 5% for each full year retirement precedes 62. There is not extra subsidy for spousal or dependent coverage except continuation benefits provided for under COBRA. Retirees are responsible for the remaining portion of premiums.

The number of participants as of July 1, 2007, the effective date of the OPEB valuation was 167.

Funding Policy, Annual OPEB Cost and Net OPEB Obligation. Currently, the funding policy for retiree health benefits is on a pay-as-you-go basis. For the year ended June 30, 2008, TMWA paid approximately \$50,000 on behalf of five retirees. On May 25, 2007, TMWA was notified by the Internal Revenue Service that tax-exempt status was granted for a 501(c)-9 Voluntary Employee Benefit Association (VEBA) that TMWA established as an irrevocable trust for funding of the post employment health benefits. TMWA anticipates an initial funding of the VEBA with approximately \$4.1 million during FY09; comprised of a \$1.4 million transfer from Sierra Pacific Power Company's VEBA for the post employment benefits accumulated prior to the purchase of the Water System by TMWA, and the \$2.7 million TWMA has accrued as its net OPEB obligation as of June 30, 2008. In accordance with State regulations, the future trustees will enter into an investment contract with the State of Nevada Retirement Benefit Insurance Fund to invest and manage the plan assets once in TMWA's VEBA.

TMWA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, were as follows:

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 518,064	-	0%	\$ 2,679,871

TMWA has had actuarial valuations prepared prior to the adoption of GASB 45 under the guidance of the FASB standards, resulting in accrual of a net OPEB obligation of approximately \$2.1 as of June 30, 2007. Given this, the net OPEB obligation as of June 30, 2008 was calculated as follows:

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	2008
Annual Required Contribution (ARC):	
Normal cost	\$ 304,045
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	214,019
Annual Required Contribution (ARC)	\$ 518,064
Determination of Net OPEB Obligation	
Annual Required Contribution (ARC)	\$ 518,064
Annual OPEB Cost	\$ 518,064
Retiree Benefit Payments Paid	-
Contributions Made to Trust	-
Increase (decrease) in Net OPEB Obligation	518,064
Net OPEB Obligation, Beginning of Year	2,161,807
Net OPEB Obligation, End of Year	\$ 2,679,871

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2008 was as follows:

Actuarial Accrued Liability (AAL)	\$ 7,112,341
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	\$ 7,112,341
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll	\$ 12,325,564
UAAL as a Percentage of Covered Payroll	57.70%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, provides current year information and will provide multi-year trend information, when available, that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and

**TRUCKEE MEADOWS WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

the plan members to that point in time. The actuarial methods and assumptions used include techniques that are designed to reduce the short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial valuation date	July 1, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, closed
Remaining amortization period	30 years
Investment rate of return	4.25%
Projected salary increases	3.80%
Healthcare inflation rate	6.00%

**NOTE 11 – COMMITMENTS**

At June 30, 2008, TMWA was committed under the Asset Purchase Agreement to expend \$8,000,000 for the purchase of Hydroelectric Assets. SPPCo and TMWA have agreed to pro-rate this sum equally among the four run-of-river hydroelectric plants so the plants could be purchased individually. As of June 30, 2008 TMWA had completed the purchase of one of the four run-of-river hydroelectric plants for \$2,000,000. On July 25, 2008 TMWA purchased the second run-of-river hydroelectric facility for \$2.0 million. The purchase of the third run-of-river hydroelectric plant is expected before June 30, 2009 once all land surveys are finalized and the fourth will be purchased at an unspecified future date.

TMWA has committed \$1,400,000 to further enhancement of the Truckee River as mitigation for operation of the Farad hydroelectric plant which has yet to be transferred.

TMWA has committed 1.5% of its combined operating expense budget and total annual debt service in fiscal year 2008 as a contribution to the Truckee River Fund of the Community Foundation of Western Nevada for the purposes of water shed protection and enhancements to the Truckee River that will benefit the water customers of TMWA.

**NOTE 12 – SUBSEQUENT EVENTS**

On September 6, 2008, the Truckee River Operating Agreement (TROA) was signed by the United States, the Pyramid Lake Paiute Tribe, the State of California, the State of Nevada, the Truckee Meadows Water Authority, the City of Reno, the City of Sparks, Washoe County, and other signatories. This agreement sets forth the framework by which the Truckee River water flows will be managed in the future. This agreement will allow for the storage of water in United States Bureau of Reclamation (USBOR) reservoirs located in California. Stored water will be used for preservation and

**TRUCKEE MEADOWS WATER AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

enhancement of downstream fisheries and provide additional drought storage for the municipal supply. It is expected that implementation of this agreement may take several or more years.

TMWA had \$68 million in outstanding Tax-Exempt Commercial Paper (TCEP) notes as of June 30, 2008. Although credit markets have been unstable, subsequent to year end, TMWA's short-term dealers have been successful in remarketing the maturing tranches totaling \$58.8 million, with the remaining \$10.2 million to be remarketed upon maturity in March 2009. TMWA's has a direct pay letter of credit facility with Lloyds TSB Bank that supports TMWA's TECP program.

**NOTE 13 – OTHER MATTERS**

During the 2007 session of the State of Nevada Legislature, a Senate Bill 487 (SB 487) was enacted into law that mandates the creation of the Western Regional Water Commission (WRWC) by April 1, 2008. The commission will be governed by a nine member board comprised of the following appointed members: two members from the Reno City Council, two members from the Sparks City Council, two members from the Board of Washoe County Commissioners, one member representing the Truckee Meadows Water Reclamation Facility, one member from the Board of Trustees of the South Truckee Meadows General Improvement District (STMGID), and one member from the Board of Trustees of the Sun Valley General Improvement District (SVGID). The WRWC's charge includes carrying out provisions of the legislation to provide for a centralized system of decision-making regarding the full use of available water resources, facilitate effective land use and resource planning, facilitate effective and efficient planning, management and operation of facilities, establish policies for managing existing water resources, provide for the protection of watersheds, and provide for regional conservation efforts. A State of Nevada Legislative committee consisting of six members will provide oversight of the WRWC. Neither the Legislative Committee nor the WRWC will have the authority or interfere in the process to set user rates or fees of member agencies. The WRWC has been formed and is holding public meetings as of June 30, 2008. Currently, a study is underway to look at the feasibility of integration of water purveyors. It is difficult at this time to determine the outcome of this study.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TRUCKEE MEADOWS WATER AUTHORITY  
SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS  
JUNE 30, 2008**

	(a)	(b)	(b - a)	(a/b)	(c)	[(b - a) / c]
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a Percentage of Covered Payroll</b>
July 1, 2007	\$ -	\$ 7,112,341	\$ 7,112,341	0.0%	\$ 12,325,564	57.7%

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**SUPPLEMENTARY INFORMATION**

**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
<b>OPERATING REVENUES</b>			
Charges for water 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>
<b>OPERATING EXPENSES</b>			
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	<u>41,955,061</u>	<u>39,774,269</u>	<u>2,180,792</u>
Depreciation	<u>19,610,736</u>	<u>20,817,485</u>	<u>(1,206,749)</u>
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>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
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	<u>(25,863,766)</u>	<u>(24,106,569)</u>	<u>1,757,197</u>
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>
<b>CAPITAL CONTRIBUTIONS</b>			
Water meter retrofit program	2,335,632	1,408,879	(926,753)
Developer infrastructure contributions	8,460,000	8,092,373	(367,627)
Developer will-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	<u>7,615,020</u>	<u>7,591,834</u>	<u>(23,186)</u>
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>
<b>NET ASSETS , BEGINNING OF YEAR</b>		<u>255,350,323</u>	
<b>NET ASSETS , END OF YEAR</b>		<u>\$ 281,638,782</u>	

**TRUCKEE MEADOWS WATER AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
IN NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2007**

	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>OPERATING REVENUES</b>			
Charges for sales	\$ 72,218,025	\$ 74,272,808	\$ 2,054,783
Hydroelectric sales	2,753,820	3,136,806	382,986
Other operating sales	2,043,677	3,610,675	1,566,998
Total Operating Revenues	<u>77,015,522</u>	<u>81,020,289</u>	<u>4,004,767</u>
<b>OPERATING EXPENSES</b>			
Salaries and wages	11,169,529	10,083,912	1,085,617
Employee benefits	4,913,898	3,967,687	946,211
Services and supplies	20,964,648	22,260,038	(1,295,390)
Total Operating Expenses before Depreciation	<u>37,048,075</u>	<u>36,311,637</u>	<u>736,438</u>
Depreciation	17,855,700	19,241,869	(1,386,169)
Total Operating Expenses	<u>54,903,775</u>	<u>55,553,506</u>	<u>(649,731)</u>
Operating Income	<u>22,111,747</u>	<u>25,466,783</u>	<u>3,355,036</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Grants	-	330,878	330,878
Investment earnings	7,022,086	7,558,263	536,177
Gain (Loss) on disposal of assets	-	(83,894)	(83,894)
Amortization of bond issuance costs	(278,000)	(494,066)	(216,066)
Interest expense	(24,585,211)	(23,937,895)	647,316
Other	-	1,000,297	1,000,297
Total Nonoperating Revenues (Expenses)	<u>(17,841,125)</u>	<u>(15,626,417)</u>	<u>2,214,708</u>
Income before Capital Contributions	<u>4,270,622</u>	<u>9,840,366</u>	<u>5,569,744</u>
<b>CAPITAL CONTRIBUTIONS</b>			
Water meter retrofit program	3,000,000	2,539,844	(460,156)
Developer infrastructure contributions	7,435,600	15,489,637	8,054,037
Developer water-serve contributions	40,000,000	13,664,518	(26,335,482)
Developer capital contributions - other	3,349,056	5,199,992	1,850,936
Developer facility charges	3,870,391	5,683,715	1,813,324
	-	1,823,671	1,823,671
Net Capital Contributions	<u>57,655,047</u>	<u>44,401,377</u>	<u>(13,253,670)</u>
Change in Net Assets	<u>\$ 61,925,669</u>	<u>54,241,743</u>	<u>\$ (7,683,926)</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>		<u>201,108,580</u>	
<b>NET ASSETS, END OF YEAR</b>		<u>\$ 255,350,323</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.*

1-6

**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.*

7-8

**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.*

9

**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.*

10-12

**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.*

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, 2008, 2007, 2006, 2005, 2004 AND 2003**  
**(UNAUDITED)**

	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Net Assets:						
Invested in capital assets, net of related debt	\$177,972,803	\$152,295,208	\$108,459,961	\$58,708,815	\$9,715,119	(\$16,502,825)
Restricted	16,387,385	15,707,241	12,684,812	9,283,636	7,474,084	5,218,506
Unrestricted	<u>87,278,594</u>	<u>87,347,874</u>	<u>79,963,807</u>	<u>50,545,732</u>	<u>47,670,208</u>	<u>41,665,539</u>
Total net assets	<u><u>\$281,638,782</u></u>	<u><u>\$255,350,323</u></u>	<u><u>\$201,108,580</u></u>	<u><u>\$118,538,183</u></u>	<u><u>\$64,859,411</u></u>	<u><u>\$30,381,220</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.

**TRUCKEE MEADOWS WATER AUTHORITY**  
**CHANGES IN NET ASSETS**  
**FOR FISCAL YEARS ENDED JUNE 30, 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
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	25,466,783	(15,626,417)	9,840,366	44,401,377	54,241,743
2006	76,667,478	52,254,652	24,412,826	(17,555,437)	6,857,389	75,713,007	82,570,396
2005	73,813,294	48,434,832	25,378,462	(19,135,162)	6,243,300	47,435,472	53,678,772
2004	73,614,496	44,724,139	28,890,357	(19,890,167)	9,000,190	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, 2008, 2007, 2006, 2005, 2004, 2003, AND 2002**  
**(UNAUDITED)**

OPERATING REVENUES	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005	June 30, 2004	June 30, 2003	June 30, 2002
Revenues from water sales:							
Residential unmetered water sales	\$ 15,310,296	\$ 16,612,010	\$ 18,536,414	\$ 21,382,048	\$ 24,406,744	\$ 23,403,951	\$ 24,253,164
Residential metered water sales	34,940,141	35,085,859	30,513,084	26,350,944	22,469,394	16,739,327	14,850,902
Commercial metered water sales	10,326,007	10,415,049	10,302,813	10,501,889	10,933,077	9,826,890	9,950,116
Irrigation metered & fire protection	8,880,817	9,076,013	8,225,084	8,185,580	8,582,050	5,783,422	5,952,224
Wholesale sales	3,228,785	3,083,877	2,892,864	2,539,129	2,225,690	1,988,566	1,743,441
Total Water Sales	72,686,046	74,272,808	70,470,259	68,959,590	68,616,955	57,742,156	56,749,847
Hydroelectric revenue	2,836,521	3,136,806	2,442,953	1,091,843	1,965,825	1,822,052	2,336,863
Other operating revenues	2,697,601	3,610,675	3,754,266	3,761,861	3,031,716	2,911,520	1,351,588
Total Operating Revenues	\$ 78,220,168	\$ 81,020,289	\$ 76,667,478	\$ 73,813,294	\$ 73,614,496	\$ 62,475,728	\$ 60,438,298

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

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

	June 30,2008	June 30,2007	June 30,2006	June 30,2005	June 30,2004	June 30,2003	June 30,2002
Salaries and wages	\$ 11,665,974	\$ 10,083,912	\$ 9,852,372	\$ 9,625,252	\$ 8,786,618	\$ 8,278,246	\$ 7,371,557
Employee benefits	4,528,891	3,967,687	3,868,295	3,946,913	3,452,864	2,992,281	2,790,226
Contract services	5,848,255	5,489,563	6,054,308	5,427,544	5,845,224	5,952,053	3,873,710
Utilities/power	7,292,830	7,055,167	5,763,686	5,644,007	5,739,559	5,525,292	4,937,396
Professional services	2,755,823	2,331,511	2,591,223	2,051,063	1,351,164	1,049,773	1,806,866
Supplies	1,496,065	1,427,467	1,456,754	1,185,896	986,372	947,413	1,339,689
Chemicals	1,231,681	1,165,321	1,295,165	1,079,829	964,991	883,589	740,827
Insurance and claims	644,638	645,064	584,651	541,744	662,798	637,276	495,788
Leases and rentals	-	58,181	189,674	307,562	286,206	464,010	735,899
Other expenses	4,310,112	4,087,764	3,665,756	3,342,049	3,042,608	2,933,191	2,273,166
<b>Total Operating Expenses</b>							
before Depreciation	39,774,269	36,311,637	35,321,884	33,151,859	31,118,404	29,663,124	26,365,124
Depreciation	20,817,485	19,241,869	16,932,768	15,282,973	13,605,735	12,364,097	11,354,485
<b>Total Operating Expenses</b>	<b>\$ 60,591,754</b>	<b>\$ 55,553,506</b>	<b>\$ 52,254,652</b>	<b>\$ 48,434,832</b>	<b>\$ 44,724,139</b>	<b>\$ 42,027,221</b>	<b>\$ 37,719,609</b>

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

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

Fiscal Year	Investment Earnings	Interest Expense	Federal Grants	Gain/(Loss) on Disposal of Assets	Other Revenue or (Expenses)	Total Nonoperating Expenses
2008	\$6,841,981	(\$24,106,569)	\$483,631	(\$91,170)	(\$352,337)	(\$17,224,464)
2007	7,558,263	(23,937,895)	330,878	(83,894)	506,231	(15,626,417)
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, 2008, 2007, 2006, 2005 AND 2004**  
**(UNAUDITED)**

Fiscal Year	Developer Water Rights/ Will Serves	Developer Infrastructure	Developer Other	Water Meter Retrofit Program	Developer Facility Charges	From Other Governments	Total
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 2008, 2007, 2006, 2005, 2004, 2003 AND 2002**  
**(UNAUDITED)**

Fiscal Year Ended June 30, 2008				
Category	Gallons Sold (000)	Revenue		
Residential-Unmetered (1)	--(1)	\$ 15,310,296		
Residential Metered	10,385,949	34,940,141		
Commercial	4,547,882	10,326,007		
Other (2)	2,677,005	8,880,817		
Wholesale	1,763,412	3,228,785		
Total	<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)	\$ 16,612,010	--(1)	\$ 18,536,414	
Residential Metered	10,219,912	35,085,859	8,695,642	30,513,084	
Commercial	4,397,648	10,415,049	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>\$ 74,272,808</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, 2008**  
**(UNAUDITED)**

Customer Name	Water Used (000s Gallons)	Total Revenue	% of Total Water Sales
1 Washoe County Total	1,622,933	\$ 2,574,864	3.7%
2 Sun Valley General Improvement District	598,748	1,011,647	1.4%
3 City of Reno	307,001	979,884	1.4%
4 Washoe County School District	397,899	882,075	1.3%
5 City of Sparks	158,639	460,658	0.7%
6 University of Nevada, Reno	171,803	356,435	0.5%
7 Washoe Health Systems	127,028	301,686	0.4%
8 Grand Sierra Resort	151,346	298,357	0.4%
9 Nevada Properties (Peppermill Casino)	141,796	290,881	0.4%
10 Caughlin Ranch Homeowners' Association	87,370	264,303	0.4%
Totals	<u>3,764,563</u>	<u>\$ 7,420,790</u>	<u>10.5%</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, 2007, 2006, 2005, 2004, 2003 AND 2002**  
**(Amounts in 000's)**  
**(UNAUDITED)**

	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005	June 30, 2004	June 30, 2003	June 30, 2002
Operating Revenues (1)	\$ 72,686	\$ 74,272	\$ 70,470	\$ 68,960	\$ 68,617	\$ 57,742	\$ 56,750
Nonoperating Revenues (2)	13,822	14,451	12,487	8,236	8,876	6,249	7,262
Gross Revenues	<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)	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)	432	457	453	442	486	331	272
Total Expenses	<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>\$ 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>\$ 31,427</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>1.49</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	\$ 3,412	\$ 5,684	\$ 7,394	\$ 10,056	\$ 2,749	\$ -	\$ -
Developer capital contributions - other	2,401	5,802	6,515	6,219	4,113	3,703	2,137
Senior Lien Debt Coverage including SDCs (6)	<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 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.

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Washoe County</b>	2,222	2,829	3,492	3,521	3,447	3,512	3,551
<b>City of Reno</b>	5,176	9,161	14,931	13,171	11,607	13,171	14,931
<b>City of Sparks</b>	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, 2008, 2007, 2006, 2005, 2004, 2003, AND 2002**  
**(UNAUDITED)**

Fiscal Year Ended June 30,	POPULATION <sup>(1)</sup>	PER CAPITA INCOME <sup>(2)</sup>	MEDIAN AGE <sup>(3)</sup>	SCHOOL ENROLLMENT <sup>(4)</sup>	TOTAL PERSONAL INCOME <sup>(2)</sup>	UNEMPLOYMENT RATE (PERCENT) <sup>(5)</sup>
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 <sup>(5)</sup>	CONSTRUCTION ACTIVITY - TOTAL VALUE <sup>(6)</sup>	NUMBER OF NEW FAMILY UNITS <sup>(6)</sup>	TAXABLE SALES <sup>(7)</sup>	GROSS INCOME GAMING REVENUE <sup>(8)</sup>	TOTAL PASSENGER AIR TRAFFIC <sup>(9)</sup>
2008	228,617	\$405,038,000	480	\$6,823,701	\$996,614	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:

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

**TRUCKEE MEADOWS WATER AUTHORITY**  
**TEN LARGEST EMPLOYERS IN WASHOE COUNTY**  
**JUNE 30, 2008**  
**(UNAUDITED)**

<u>Employer Name</u>	<u>December 2007</u>			<u>December 1998</u>		
	<u>No. of Employees</u>	<u>Rank</u>	<u>% of Total County Employment</u>	<u>No. of Employees</u>	<u>Rank</u>	<u>% of Total County Employment</u>
Washoe County School District	8,500-8,900	1	3.93%	5,500-5,999	1	3.06%
University of Nevada, Reno	4,500-4,999	2	2.13%	2,500-2,999	2	1.61%
Washoe County	3,000-3,499	3	1.42%	2,500-2,999	4	1.42%
International Game Technology	2,500-2,999	4	1.25%	-	-	0.00%
Renown Medical Center (formerly Washoe Medical Center)	2,500-2,999	5	1.15%	2,000-2,499	7	1.29%
Peppermill Hotel Casino - Reno	2,000-2,499	6	1.13%	-	-	0.00%
Integrity Staffing Solutions	2,000-2,499	7	1.03%	-	-	0.00%
Silver Legacy Resort Casino	2,000-2,499	8	0.96%	2,500-2,999	5	0.96%
City of Reno	2,000-2,499	9	0.92%	-	-	0.00%
Atlantis Casino Resort	1,500-1,999	10	0.84%	-	-	0.00%
Reno Hilton	-	-	0.00%	2,500-2,999	3	1.60%
Elldorado Hotel 7 Casino	-	-	0.00%	2,500-2,999	6	1.39%
Sparks Nugget	-	-	0.00%	2,000-2,499	8	1.28%
Circus Circus Casinos Inc.-Reno	-	-	0.00%	2,000-2,499	9	1.20%
Harrah's-Reno	-	-	0.00%	2,000-2,499	10	1.14%

Source: Washoe County as of December, 2007

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

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%
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>

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%	\$ 16,612,010	22.4%
Residential Metered	65,749	70.9%	35,085,859	47.2%
Commercial	7,966	8.6%	10,415,049	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>\$ 74,272,808</u>	<u>100.0%</u>

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	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>

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	<u>87,249</u>	<u>100.0%</u>	<u>\$ 68,959,590</u>	<u>100.0%</u>

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

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	<u>84,691</u>	<u>100.0%</u>	<u>\$ 68,616,955</u>	<u>100.0%</u>

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	<u>81,013</u>	<u>100.0%</u>	<u>\$ 57,742,156</u>	<u>100.0%</u>

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	<u>78,681</u>	<u>100.0%</u>	<u>\$ 56,749,847</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.

**TRUCKEE MEADOWS WATER AUTHORITY**  
**SCHEDULE OF INSURANCE COVERAGE**  
**June 30, 2008**  
**(UNAUDITED)**

<u>Coverage</u>	<u>Carrier/Policy</u>	<u>Term</u>	<u>Limits/Deductible</u>
Property/Boiler and Machinery Policy	Affiliated FM Insurance Company	6/11/08 to 6/11/09	Blanket limit of \$190,000,000 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	6/11/08 to 6/11/09	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	6/11/08 to 6/11/09	\$20,000,000 excess liability limit.
Workers' Compensation	Employer's Insurance Company of Nevada	6/11/08 to 6/11/09	Fully insured for statutory limits under Workers' Compensation las 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	6/11/08 to 6/11/09	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 \$35,00,000

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

	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005	June 30, 2004	June 30, 2003	June 30, 2002
Administration/IT	23	15	12	11	9	8	9
Supply/Treatment Operations	28	32	34	35	35	35	36
Distribution Maintenance	45	44	43	39	36	32	32
Hydroelectric	7	7	7	7	7	7	8
Customer Service/Conservation	39	33	31	31	29	27	17
Water Planning/Resources	10	11	10	10	10	10	10
Engineering/Construction	22	27	27	29	28	25	21
Total Authorized Employees	174	169	164	162	154	144	133

TMWA was formed June 11, 2001.

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

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

	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005	June 30, 2004	June 30, 2003	June 30, 2002
Customer Charges By Meter Size							
3/4"	\$15.70	\$15.70	\$15.70	\$15.70	\$14.80	\$10.02	\$10.02
1"	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	18.50	12.24	12.24
2"	22.80	22.80	22.80	22.80	21.50	14.34	14.34
3"	25.90	25.90	25.90	25.90	24.40	21.91	21.91
4"	29.80	29.80	29.80	29.80	28.10	n/a	n/a
6"	34.50	34.50	34.50	34.50	32.60	n/a	n/a
Commodity Charge (all meter sizes)							
First 1,000 gallons/month	1.58	1.58	1.58	1.58	\$1.56	\$1.56	\$1.56
6,000 to 28,000 gallons	2.50	2.50	2.50	2.50	2.43	2.43	2.43
Greater than 28,000 gallons	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"	\$74.90	\$74.90	\$74.90	\$74.90	\$67.50	\$49.19	\$49.19
1"	106.20	106.20	106.20	106.20	93.50	68.14	68.14
1 1/2"	184.90	184.90	184.90	184.90	152.60	111.22	111.22
2"	264.10	264.10	264.10	264.10	218.90	159.50	159.50
3"	331.90	331.90	331.90	331.90	275.00	200.84	200.84
4"	420.30	420.30	420.30	420.30	348.30	253.82	253.82
6"	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 and March 2005. The TMWA Board of Directors have adopted a resolution calling for all customers to be billed on the metered rate effective on January 1, 2010.

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

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

## Notes:

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

MGD = millions of gallons per day

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**COMPLIANCE SECTION**

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, 2008 (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 conforms to significant statutory and regulatory constraints on its financial administration during the year ended June 30, 2008,
- 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.

*Kapoury, Armstrong & Co.*

Reno, Nevada  
November 26, 2008

## 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, 2007.

### PRIOR YEAR RECOMMENDATIONS

There were no recommendations made in the audit report for the year ended June 30, 2007.

### CURRENT YEAR RECOMMENDATIONS

We did not find any financial weaknesses of a magnitude to justify inclusion within this audit report, however, see our letter regarding deficiencies noted in internal control over financial reporting under separate cover.