Investments are categorized as follows at June 30, 2004:

Form of Investment	Category 1	Category 2	Category 3	Reported Amount	Fair Value
Federal agency securities	$41,912,627	$ -	$ -	$41,912,627	$41,955,545
Investments not subject to categorization:					
Money Market Funds				5,363,869	5,363,869
				$47,276,496	$47,319,414

Investments were categorized as follows at June 30, 2003:

Form of Investment	Category 1	Category 2	Category 3	Reported Amount	Fair Value
Federal agency securities	$42,580,861	$ -	$ -	$42,580,861	$43,615,128
Investments not subject to categorization:					
Guaranteed investment contract				51,748,140	51,748,140
Money Market Funds				4,370,435	4,370,435
				$98,699,436	$99,733,703

The carrying amount of cash and investments is represented on the accompanying Statements of Net Assets as follows:

	2004	2003
Cash and investments, unrestricted	$ 50,809,845	$ 44,697,845
Cash and investments, restricted	61,990,678	59,735,100
	$112,800,523	$104,432,945

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not Being Depreciated:				
Construction in progress	$ 8,027,570	$ 12,337,662	$(4,972,132)	$ 15,393,100
Land	7,672,469	1,302,600	-	8,975,069
Water rights	3,054,995	1,358,054	-	4,413,049
Total Capital Assets not Being Depreciated	18,755,034	14,998,316	(4,972,132)	28,781,218
Capital Assets Being Depreciated:				
Distribution mains	141,189,502	9,297,640	-	150,487,142
Plant	116,894,667	151,697	-	117,046,364
Services	51,446,516	10,206,836	-	61,653,352
Booster pump stations	11,089,115	2,030,701	(131,940)	12,987,876
Tanks	23,557,493	995,348	-	24,552,841
Wells	11,272,128	1,810,844	-	13,082,972
Pressure reducing valves	2,531,341	262,556	-	2,793,897
Ditches	7,628,354	2,543,088	-	10,171,442
Reservoirs	9,181,015	2,505,954	(1,453,580)	10,233,389
Vehicles	2,145,671	362,767	(11,910)	2,496,528
Leasehold improvement	244,049	-	-	244,049
Furniture and fixtures	355,109	30,716	-	385,825
Computer hardware and software	2,079,027	2,733,513	-	4,812,540
Total Capital Assets Being Depreciated	379,613,987	32,931,660	(1,597,430)	410,948,217
Accumulated Depreciation:				
Distribution mains	(5,916,721)	(3,080,994)	-	(8,997,715)
Plant	(8,294,835)	(4,044,210)	-	(12,339,045)
Services	(3,760,373)	(2,435,546)	-	(6,195,919)
Booster pump stations	(1,491,731)	(578,643)	31,297	(2,039,077)
Tanks	(1,215,877)	(639,562)	-	(1,855,439)
Wells	(948,497)	(572,601)	-	(1,521,098)
Pressure reducing valves	(319,461)	(187,414)	-	(506,875)
Ditches	(287,601)	(254,695)	-	(542,296)
Reservoirs	(908,079)	(441,861)	222,202	(1,127,738)

	Beginning Balances	Increases	Decreases	Ending Balances
Vehicles	$ (450,627)	$ (322,310)	$ 6,302	$ (766,635)
Leasehold improvement	(103,121)	(125,306)	-	(228,427)
Furniture and fixtures	(53,266)	(36,677)	-	(89,943)
Computer hardware and software	(556,767)	(885,916)	-	(1,442,683)
Total Accumulated Depreciation	(24,306,956)	(13,605,735)	259,801	(37,652,890)
Total Capital Assets being Depreciated, Net	355,307,031	19,325,925	(1,337,629)	373,295,327
Total Capital Assets, Net	$374,062,065	$ 34,324,241	$(6,309,761)	$402,076,545

Capital asset activity for the year ended June 30, 2003 follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets not Being Depreciated:				
Construction in progress	$ 7,525,407	$5,521,284	$(5,019,121)	$ 8,027,570
Land	7,672,469	-	-	7,672,469
Water rights	1,822,755	1,232,240	-	3,054,995
Total Capital Assets not Being Depreciated	17,020,631	6,753,524	(5,019,121)	18,755,034
Capital Assets Being Depreciated:				
Distribution mains	130,736,693	10,452,809	-	141,189,502
Plant	116,724,014	170,653	-	116,894,667
Services	42,822,981	8,623,535	-	51,446,516
Booster pump stations	9,319,057	1,770,058	-	11,089,115
Tanks	23,177,350	380,143	-	23,557,493
Wells	98,74,402	1,397,726	-	11,272,128
Pressure reducing valves	2,158,958	372,383	-	2,531,341
Ditches	5,272,449	2,355,905	-	7,628,354
Reservoirs	9,181,015	-	-	9,181,015
Vehicles	1,733,418	439,858	(27,605)	2,145,671
Leasehold improvement	161,604	82,445	-	244,049
Furniture and fixtures	324,505	30,604	-	355,109
Computer hardware and software	1,266,144	852,883	-	2,079,027
Total Capital Assets Being Depreciated	352,712,590	26,929,002	(27,605)	379,613,987

	Beginning Balances	Increases	Decreases	Ending Balances
Accumulated Depreciation:				
Distribution mains	$ (2,996,263)	$ (2,920,458)	$ -	$ (5,916,721)
Plant	(4,256,695)	(4,038,140)	-	(8,294,835)
Services	(1,646,908)	(2,113,465)	-	(3,760,373)
Booster pump stations	(925,012)	(566,719)	-	(1,491,731)
Tanks	(599,416)	(616,461)	-	(1,215,877)
Wells	(460,585)	(487,912)	-	(948,497)
Pressure reducing valves	(156,106)	(163,355)	-	(319,461)
Ditches	(122,104)	(165,497)	-	(287,601)
Reservoirs	(466,504)	(441,575)	-	(908,079)
Vehicles	(200,813)	(270,741)	20,926	(450,627)
Leasehold improvement	(28,985)	(74,135)	-	(103,121)
Furniture and fixtures	(19,891)	(33,375)	-	(53,266)
Computer hardware and software	(84,503)	(472,264)	-	(556,767)
Total Accumulated Depreciation	(11,963,785)	(12,364,097)	20,926	(24,306,956)
Total Capital Assets being Depreciated, Net	340,748,805	14,564,905	(6,679)	355,307,031
Total Capital Assets, Net	$357,769,436	$ 21,318,429	$(5,025,800)	$374,062,065

NOTE 6 - LONG-TERM OBLIGATIONS

The 2001A and the 2001B 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.

Supported by User Charges:	Final Maturity Date	Authorized	Outstanding at 6/30/03	Outstanding at 6/30/04	2004-2005 Requirements Principal	Interest
2001A Water Revenue (Tax-Exempt) Bonds, 3.70%-5.50%	7/01/34	$448,810,000	$448,810,000	$448,810,000	$ -	$23,387,328
2001B Water Revenue (Taxable) Bonds, 5.75%	7/01/05	3,600,000	3,600,000	3,600,000	-	207,000
Subtotal		$452,410,000	452,410,000	452,410,000	$ -	$23,594,328
Less: Unamortized bond discount			4,510,696	4,364,941		
Total			$447,899,304	$448,045,059		

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

Debt to Maturity	Principal Payment	Interest Payment	Total Debt Service
June 30:			
2005	$ -	$ 23,594,328	$ 23,594,328
2006	6,520,000	23,594,328	30,114,328
2007	6,850,000	23,266,027	30,116,027
2008	7,195,000	22,924,377	30,119,377
2009	7,565,000	22,552,432	30,117,432
2010-2014	44,175,000	106,406,565	150,581,565
2015-2019	57,615,000	92,972,740	150,587,740
2020-2024	74,900,000	75,683,774	150,583,774
2025-2029	95,870,000	54,713,196	150,583,196
2030-2034	123,105,000	27,472,282	150,577,282
2035	28,615,000	1,503,090	30,118,090
	$452,410,000	$474,683,139	$927,093,139

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:

As of June 30,2004 the TMWA Board of Directors approved increasing the balance in the water rate stabilization account from $500,00 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 defendant in lawsuits with the United States, California and Nevada Governments and the Pyramid Lake Paiute Tribe. Presently, it is not possible to predict the outcome of these cases, as they are dependent upon finalization of a water settlement agreement stemming from Public Law 101-618.

TMWA has ten wells which currently exceed the proposed federal drinking water standard for naturally occurring arsenic concentrations. TMWA is developing a compliance plan for submission to the State Health Department along with the development of options to assure that TMWA is prepared to meet the new arsenic standards. Upon approval of TMWA's compliance plan and determination of final design costs, TMWA may incur between $12 and $22 million in construction costs by 2006 to meet the new standards.

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 since inception.

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 employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada. 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. The Public Employees Retirement System of the State of Nevada 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:

	Contribution Rate		
Fiscal Year	Employer Pay Plan	Employer-Employee Plan	Total Contribution
2003/2004	20.25%	10.50%	$1,833,469
2002/2003	18.75%	9.75%	1,622,695
2001/2002	18.75%	9.75%	1,495,347

Deferred Compensation Plans:

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.

Post-Retirement Insurance Benefits:

By contract, employees who retire under PERS as discussed under the Defined Benefit Plan described above, are eligible for post-retirement medical benefits. The percentage of coverage by TMWA for the retired employees is based upon years of service and age upon retirement. Currently, no eligible employees have retired from service.

The prior union contract employer, SPPCo, currently holds the assets available for post-retirement benefits accumulated prior to the purchase of the Water System by TMWA in a post-retirement health care trust. The transfer of the assets held in trust by SPPCo to a trust established by TMWA had not occurred as of June 30 2004.

TMWA obtained an actuarial valuation for June 30, 2004 and recorded service cost of $343,027 for June 30, 2004 based on significant assumptions including a 6.50% discount rate and an 7.0% return on asset assumption. Based upon the valuation at June 30, 2004, assets available for benefits and the unfunded liability were $2,224,672 and $1,528,555, respectively. TMWA did not obtain an actuarial valuation for June 30, 2003, and thus, it recorded an estimated service cost of $233,000 and the assets available for benefits and the unfunded liability were not determinable.

NOTE 11 - COMMITMENTS

At June 30, 2004, TMWA was committed under the Asset Purchase Agreement to expend $8,000,000 for the purchase of Hydroelectric Assets at a future date, yet to be determined.

TMWA has committed $1,400,000 to further enhancements on the Truckee River once the transfer of Hydroelectric Assets to TMWA is completed.

Upon formation of TMWA, certain contracts with SPPCo were entered into, stipulating that SPPCo would provide a variety of Water System services on a transitional basis. TMWA assumed responsibility for bundled customer service on August 4, 2002, leaving SPPCo to continue providing only certain meter reading services. Meter reading services are reducing monthly as TMWA deploys automated metering reading equipment.

NOTE 12 - RELATED PARTY TRANSACTIONS

TMWA has entered into a cancelable administrative services agreement with the City of Reno expiring June 30, 2004, with automatic annual renewal unless terminated by either party. Under the agreement, the City of Reno will provide a variety of services including, but not limited to, accounting, purchasing, investing and other financial services, budgeting, human resources, administration of payroll and employee benefits, development and maintenance of information systems, and property management. On July 1, 2004 TMWA assumed maintenance of its information systems, but continued the other services under the agreement. Consequently, the monthly fee to the City of Reno was reduced from $49,557 per month to $34,557 per month, increasing 4% annually.

Included in amounts due to other governments at June 30, 2004 are right-of-way toll fees due the City of Sparks and the City of Reno in the amounts of $297,244 and $318,182 respectively, in addition to a regional water management fee due to Washoe County in the amount of $345,409. At June 30, 2003 the amounts were $100,876, $233,256 and $267,241 for the City of Sparks, the City of Reno and Washoe County, respectively. These fees are collected for the benefit of the local governments from TMWA customers. During the year ended June 30, 2004 the City of Sparks raised their right-of-way toll fees from 2% to 5% .

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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, 2004

	FINAL BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES			
Charges for water sales	$ 64,482,476	$ 68,616,955	$ 4,134,479
Hydroelectric sales	1,921,207	1,965,825	44,618
Other operating sales	1,608,946	2,515,531	906,585
Total Operating Revenues	68,012,629	73,098,311	5,085,682
OPERATING EXPENSES			
Salaries and wages	9,324,068	8,786,618	537,450
Employee benefits	3,840,507	3,452,864	387,643
Services and supplies	18,384,159	18,878,922	(494,763)
Total Operating Expenses before Depreciation	31,548,734	31,118,404	430,330
Depreciation	13,361,994	13,605,735	(243,741)
Total Operating Expenses	44,910,728	44,724,139	186,589
Operating Income	23,101,901	28,374,172	5,272,271
NONOPERATING REVENUES (EXPENSES)			
Federal grants	167,085	197,608	30,523
Investment earnings	4,049,355	3,938,551	(110,804)
Loss on disposal of assets	(1,883,186)	(684,392)	1,198,794
Amortization of bond issuance costs	(324,000)	(178,477)	145,523
Interest expense	(23,594,328)	(23,163,457)	430,871
Total Nonoperating Revenues (Expenses)	(21,585,074)	(19,890,167)	1,694,907
Income before Capital Contributions	1,516,827	8,484,005	6,967,178
CAPITAL CONTRIBUTIONS			
Water meter retrofit program	2,000,000	5,198,577	3,198,577
Developer infrastructure contributions	4,000,000	5,873,397	1,873,397
Developer water-right contributions	3,000,000	7,532,758	4,532,758
Developer capital contributions-other	1,750,000	4,113,181	2,363,181
Developer facility charges	1,052,800	2,748,668	1,695,868
Contributions from other governments	425,000	527,605	102,605
Net Capital Contributions	12,227,800	25,994,186	13,766,386
Change in Net Assets	$ 13,744,627	34,478,191	$ 20,733,564
NET ASSETS , BEGINNING OF YEAR		30,381,220	
NET ASSETS , END OF YEAR		$ 64,859,411	

TRUCKEE MEADOWS WATER AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2003

	FINAL BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES			
Charges for water sales	$ 59,719,900	$ 57,742,156	$ (1,977,744)
Hydroelectric sales	2,102,005	1,822,052	(279,953)
Other operating sales	967,878	2,683,200	1,715,322
	62,789,783	62,247,408	(542,375)
OPERATING EXPENSES			
Salaries and wages	8,533,830	8,278,246	255,584
Employee benefits	3,538,333	2,992,281	546,052
Services and supplies	18,011,639	18,392,597	(380,958)
Total Operating Expenses before Depreciation	30,083,802	29,663,124	420,678
Depreciation	12,865,000	12,364,097	500,903
Total Operating Expenses	42,948,802	42,027,221	921,581
Operating Income	19,840,981	20,220,187	379,206
NONOPERATING REVENUES (EXPENSES)			
Federal grants	115,000	152,973	37,973
Investment earnings	3,028,162	4,597,774	1,569,612
Gain on disposal of assets	-	3,357	3,357
Amortization of bond issuance costs	(324,000)	(178,477)	145,523
Interest expense	(23,594,328)	(23,552,125)	42,203
Other	(165,000)	(263,240)	(98,240)
Total Nonoperating Revenues (Expenses)	(20,940,166)	(19,239,738)	1,700,428
Income (Loss) before Capital Contributions	(1,099,185)	980,449	2,079,634
CAPITAL CONTRIBUTIONS			
Water meter retrofit program	2,000,000	3,192,171	1,192,171
Developer infrastructure contributions	4,000,000	5,778,366	1,778,366
Developer water-right contributions	4,000,000	4,724,860	724,860
Developer capital contributions - other	3,394,179	3,702,669	308,490
Contributions from other governments	987,200	-	(987,200)
Total Capital Contributions	14,381,379	17,398,066	3,016,687
Change in Net Assets	$ 13,282,194	18,378,515	$ 5,096,321
NET ASSETS, BEGINNING OF YEAR		12,002,705	
NET ASSETS, END OF YEAR		$ 30,381,220	

STATISTICAL SECTION

TRUCKEE MEADOWS WATER AUTHORITY
OPERATING REVENUES BY CUSTOMER CLASS
FOR THE YEARS ENDED JUNE 30, 2004, 2003 AND 2002

	June 30, 2004	June 30, 2003	June 30, 2002
Charges for water sales			
Residential unmetered water sales	$ 24,406,744	$ 23,403,951	$ 24,253,164
Residential metered water sales	22,469,394	16,739,327	14,850,902
Commercial metered water sales	10,933,077	9,826,890	9,950,116
Irrigation metered and fire protection	8,582,050	5,783,422	5,952,224
Wholesale sales	2,225,690	1,988,566	1,743,441
	68,616,955	57,742,156	56,749,847
Hydroelectric revenue	1,965,825	1,822,052	2,336,863
Other operating revenues	2,515,531	2,683,200	1,351,588
Total Operating Revenues	$ 73,098,311	$ 62,247,408	$ 60,438,298

TMWA was formed June 11, 2001.

TRUCKEE MEADOWS WATER AUTHORITY
OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2004, 2003 AND 2002

	June 30, 2004	June 30, 2003	June 30, 2002
Salaries and Wages	$ 8,786,618	$ 8,278,246	$ 7,371,557
Employee Benefits	3,452,864	2,992,281	2,790,226
Contract Services	5,845,224	5,952,053	3,873,710
Utilities/Power	5,739,559	5,525,292	4,937,396
Professional Services	1,351,164	1,049,773	1,806,866
Supplies	986,372	947,413	1,339,689
Chemicals	964,991	883,589	740,827
Insurance and Claims	662,798	637,276	495,788
Leases and Rentals	286,206	464,010	735,899
Other Expenses	3,042,608	2,933,191	2,273,166
	$ 31,118,404	$ 29,663,124	$ 26,365,124

TMWA was formed June 11, 2001.

TRUCKEE MEADOWS WATER AUTHORITY
DEBT SERVICE COVERAGE RATIOS
FOR THE YEARS ENDED JUNE 30, 2002, 2003 AND 2004

	Fiscal Year Results 2002	Fiscal Year Results 2003	Fiscal Year Results 2004
Operating Revenues (1)	$ 56,750	$ 57,742	$ 68,617
Non-Operating Revenues (2)	8,062	11,137	13,317
Gross Revenues	64,812	68,879	81,934
Operation and Maintenance Expenses (3)	23,756	27,510	28,667
Contribution to Water Rate Stabilization	-	-	1,385
Taxes other than Income Taxes (4)	272	331	486
Total Expenses	24,028	27,841	30,538
Net Revenues	$ 40,784	$ 41,038	$ 51,396
Annual Debt Service (5)	$ 13,763	$ 23,594	$ 23,594
Coverage including SDC's (6)	2.96	1.74	2.18
Coverage excluding SDC's (6)	2.81	1.58	1.89

TMWA was formed June 11, 2001.

(1) Includes retail residential, commercial, irrigation water sales, wholesale water sales. Hydroelectric sales are netted against operating expenses.

(2) Represents $4,572,853 in investment income, $1,351,588 other miscellaneous operating income and $2,137,489 in System Development Charges (SDCS) for the fiscal year ended 6/30/2002 Represents $4,597,774 in investment income, $2,836,173 other miscellaneous operating income and $3,702,669 in System Development Charges (SDCS) for the fiscal year ended 6/30/2003 Represents $3,939,551 in investment income, $2,515,531 other miscellaneous operating income and $6,861,849 in System Development Charges (SDCS) for the fiscal year ended 6/30/2004 Other revenues do not include water meter retrofit payments and sales of water rights/will serves since these projects are earmarked expenditures.

(3) Includes Supply, Treatment & Distribution, (including labor costs and purchased power costs, net of hydroelectric output), Customer Service, 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.

(6) The debt service for the fiscal years ended June 30, 2002, 2003, 2004 was interest only. On July 1, 2005 TMWA will pay its first principal payment of $6,520,000 TMWA's bond covenants require a minimum coverage of 1.25

TRUCKEE MEADOWS WATER AUTHORITY
CUSTOMERS BY CATEGORY
FOR THE YEARS ENDED JUNE 30, 2004, 2003 AND 2002

Customers by Category as of June 30, 2004

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

Customers by Category as of June 30, 2003

Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues (1)	% of Total Revenues
Residential -Unmetered	30,975	38.2%	$ 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	10.0%
Wholesale	4	0.1%	1,988,566	3.5%
Total	81,013	100.0%	$ 57,742,156	100.0%

Customers by Category as of June 30, 2002

Category	Average Number of Accounts	% of Total Accounts	Fiscal Year Water Revenues (1)	% of Total Revenues
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	0.0%	1,743,441	3.1%
Total	78,681	100.0%	$ 56,749,847	100.0%

TMWA was formed June 11, 2001.

(1) Water revenues are the revenues billed and estimated for the periods
Estimated revenue is revenue that is earned but unbilled as of fiscal year end

(2) Includes irrigation services and private fire protection/sprinkler systems located on the premises of commercial and some residential customers.

TRUCKEE MEADOWS WATER AUTHORITY
GALLONS OF WATER SOLD AND REVENUES BY CATEGORY
FOR THE YEARS ENDED JUNE 30, 2002, 2003 AND 2004

	June 30, 2002		June 30, 2003		June 30, 2004	
Category	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue	Gallons Sold (000)	Revenue
Residential-Unmetered (1)	--(1)	$24,253,164	--(1)	$23,403,951	--(1)	$24,406,744
Residential Metered	5,439,891	14,850,902	6,014,347	16,739,327	7,166,222	22,469,394
Commercial	4,163,228	9,950,116	4,634,532	9,826,890	4,832,724	10,933,077
Other (2)	2,119,840	5,952,224	1,933,611	5,783,422	2,869,795	8,582,050
Wholesale	1,259,208	1,743,441	1,361,691	1,988,566	-	2,225,690
Total	12,982,167	$56,749,847	13,944,181	$57,742,156	14,868,741	$68,616,955

TMWA was formed June 11, 2001.

(1) The Truckee Meadows Water Authority (TMWA) was wholly dependent upon Sierra Pacific Resources for meter reading, billing of water accounts, and remittance processing in fiscal year 2001-2002. During fiscal year 2001-2002 Sierra Pacific Resources was responsible for reporting revenue and consumption data to TMWA. Consumption information is not available for unmetered customers. Consumption information was estimated from water rates and reported revenues submitted to TMWA for residential metered, commercial metered, and large volume service accounts.

TMWA assumed responsibilities for billing water accounts, and remittance processing on August 4, 2002. Sierra Pacific Resources continues to provide meter reading services to TMWA.

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

TRUCKEE MEADOWS WATER AUTHORITY
TEN LARGEST CUSTOMERS
June 30, 2004

Customer Name	Water Used 000s Gallons	Total Revenue	% of Total Water Sales
1 Washoe County Dept. of Water Resources	538,166	$ 1,119,196	1.6%
2 Sun Valley General Improvement District	744,691	1,106,494	1.6%
3 City of Reno	374,108	945,167	1.4%
4 Washoe County School District	406,184	860,403	1.3%
5 University of Nevada, Reno	235,677	541,417	0.8%
6 City of Sparks	163,985	437,200	0.6%
7 Reno Hilton	197,128	377,779	0.6%
8 John Ascuaga's Nugget	150,490	324,096	0.5%
9 Nevada Properties	153,997	316,419	0.5%
10 Caughlin Ranch Homeowner's Assoc.	118,054	309,439	0.5%
Totals	3,082,480	$ 6,337,610	9.4%

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, 2004 (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, 2004,
- The net assets of the funds are as noted in the financial statements.

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

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

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

Kafoury, Armstrong & Co.

Reno, Nevada
September 13, 2004

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

There were no potential violations reported in the financial statements for the period ended June 30, 2003.

PRIOR YEAR RECOMMENDATIONS

There were no recommendations made in the audit report for the period ended June 30, 2003.

CURRENT YEAR RECOMMENDATIONS

We did not find any financial weaknesses of a magnitude to justify inclusion within this audit report. Our audit did identify recommendations to improve procedures and accountability that have been communicated by us to management.