



Southern Nevada
Water Authority

BASIC FINANCIAL STATEMENTS

Southern Nevada Water Authority

Enterprise Fund

Balance Sheets

June 30, 2008 and 2007

Assets	June 30, 2008	June 30, 2007
Current Assets - Restricted		
Investments	\$ 90,093,022	\$ 350,323,042
Other Receivables	14,414,202	15,335,892
Total Current Assets - Restricted	104,507,224	365,658,934
Current Assets - Unrestricted		
Cash and Cash Equivalents	5,452,582	12,166,291
Investments	330,522,966	458,639,415
Due From Member Agencies	19,546,710	23,137,781
Other Receivables	6,108,519	11,782,185
Other Current Assets	14,348,567	6,333,475
Total Current Assets - Unrestricted	375,979,344	512,059,147
Total Current Assets	480,486,568	877,718,081
Capital Assets		
Capital Assets Subject to Depreciation		
Property, Plant and Equipment	2,512,048,360	2,401,754,054
Accumulated Depreciation	(570,875,332)	(513,828,113)
Net Capital Assets Subject to Depreciation	1,941,173,028	1,887,925,941
Capital Assets Not Subject to Depreciation		
Land	88,253,534	18,353,443
Natural Resources Rights	325,175,725	307,220,745
Construction Work in Progress	1,028,225,185	728,357,167
Net Capital Assets Not Subject to Depreciation	1,441,654,444	1,053,931,355
Total Net Capital Assets	3,382,827,472	2,941,857,296
Other Noncurrent Assets		
Water Recharge Inventory	81,648,564	76,355,867
Total Non Current Assets	3,464,476,036	3,018,213,163
Total Assets	\$ 3,944,962,604	\$ 3,895,931,244

The accompanying notes are an integral part of these financial statements

Southern Nevada Water Authority
Enterprise Fund
Balance Sheets
June 30, 2008 and 2007

Liabilities and Fund Equity	June 30, 2008	June 30, 2007
Current Liabilities		
Accounts Payable	\$ 58,879,015	\$ 60,153,182
Accrued Interest Payable	10,855,964	12,634,282
Current Portion of Notes Payable	1,011,635	976,710
Current Portion of Bonds Payable	47,900,000	46,240,000
Commercial Paper Payable	400,000,000	400,000,000
Total Current Liabilities	<u>518,646,614</u>	<u>520,004,174</u>
Long-Term Liabilities		
Notes Payable, Net of Current Portion	14,834,740	15,846,375
Bonds Payable, Net of Current Portion	1,834,760,000	1,894,360,000
Deferred Amount on Refunding	(18,962,490)	(15,748,000)
Unamortized Bond Costs, Premiums and Discounts	<u>36,175,365</u>	<u>21,784,743</u>
Total Long-Term Liabilities	<u>1,866,807,615</u>	<u>1,916,243,118</u>
Total Liabilities	<u>2,385,454,229</u>	<u>2,436,247,292</u>
Fund Equity		
Invested in Capital Assets, Net of Related Debt	1,061,241,237	885,878,890
Restricted for Debt Service / Capital Assets	102,040,416	50,122,513
Unrestricted	<u>396,226,722</u>	<u>523,682,549</u>
Total Fund Equity	<u>1,559,508,375</u>	<u>1,459,683,952</u>
Total Liabilities and Fund Equity	<u>\$ 3,944,962,604</u>	<u>\$ 3,895,931,244</u>

The accompanying notes are an integral part of these financial statements

Southern Nevada Water Authority
Enterprise Fund
Statements of Revenues, Expenses and Changes in Fund Equity
For the Fiscal Years ended June 30, 2008 and 2007

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Operating Revenues		
Wholesale Delivery Charges	\$ 118,782,982	\$ 121,449,812
Groundwater Management Fees	1,976,911	1,953,768
Purveyor Administration Costs Recoveries	367,710	359,042
Las Vegas Wash	1,196,028	842,700
Other Revenues	2,010,404	1,586,346
Total Operating Revenues	<u>124,334,035</u>	<u>126,191,668</u>
Operating Expenses		
Personnel and Related	37,430,481	33,754,022
Electric Power	35,233,331	47,268,452
Depreciation	57,234,105	53,032,871
Operating and Maintenance	63,839,825	43,170,486
Total Operating Expenses	<u>193,737,742</u>	<u>177,225,831</u>
Operating Loss	<u>(69,403,707)</u>	<u>(51,034,163)</u>
Nonoperating Revenues (Expenses)		
Investment Income	24,494,593	29,484,713
Interest Expense	(65,800,690)	(70,962,485)
Amortization of Refunding Costs	(1,286,877)	(1,467,458)
Amortization of Bond Issue Costs, Premiums and Discounts	944,276	540,036
Other	5,200	835,062
Total Nonoperating Revenues (Expenses)	<u>(41,643,498)</u>	<u>(41,570,132)</u>
Loss Before Capital Contributions	<u>(111,047,205)</u>	<u>(92,604,295)</u>
Capital Contributions	210,871,628	239,207,602
Net Income	<u>99,824,423</u>	<u>146,603,307</u>
Fund Equity - Beginning of Year	<u>1,459,683,952</u>	<u>1,313,080,645</u>
Fund Equity - End of Year	<u><u>\$ 1,559,508,375</u></u>	<u><u>\$ 1,459,683,952</u></u>

The accompanying notes are an integral part of these financial statements

Southern Nevada Water Authority
Enterprise Fund
Statements of Cash Flows
For the Fiscal Years ended June 30, 2008 and 2007

	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>
Cash Flows from Operating Activities:		
General and Administrative/Resources Charges	\$ 1,468,909	\$ 1,361,582
Groundwater Management Fees	1,976,911	1,953,768
Las Vegas Wash Revenues	996,690	1,021,763
Wholesale Delivery Charges	118,408,501	123,078,894
Other Revenues	1,105,648	276,615
Cash Payments to Suppliers of Goods and Services	(89,871,114)	(115,471,194)
Net Cash Provided by Operating Activities	<u>34,085,545</u>	<u>12,221,428</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase or Construction of Capital Assets	(466,892,855)	(214,363,348)
Proceeds from Disposal of Property and Equipment	28,725	927,586
Proceeds of Debt Issuance		400,000,000
Principal Paid on Debt	(47,216,710)	(44,302,991)
Interest Paid on Debt	(107,710,469)	(101,370,779)
Capital Contributions	160,316,831	237,105,469
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(461,474,478)</u>	<u>277,995,937</u>
Cash Flows from Investing Activities:		
Purchases of Investment Securities	(49,465,182,423)	(52,049,063,274)
Proceeds from Sales or Maturities of Investment Securities	49,871,152,831	51,752,461,960
Investment Earnings	14,704,817	13,734,552
Net Cash Provided by (Used in) Investing Activities	<u>420,675,225</u>	<u>(282,866,762)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,713,709)	7,350,603
Cash and Cash Equivalents, Beginning of Year	12,166,291	4,815,688
Cash and Cash Equivalents, End of year	<u>\$ 5,452,582</u>	<u>\$ 12,166,291</u>
Reconciliation of Operating Loss to net Cash Provided by Operating Activities		
Operating Loss	\$ (69,403,707)	\$ (51,034,163)
Depreciation	57,234,105	53,032,871
Operating Expenses Paid by Contributed Capital	55,319,705	26,113,612
Changes in Assets and Liabilities		
(Increase)/Decrease in Due from Member Agencies	(592,073)	1,807,816
Increase in Other Receivables	(8,015,092)	(1,751,099)
(Increase)/Decrease in Other Current Assets	4,021,629	(5,812,882)
Increase in Water Recharge Inventory	(5,292,697)	(7,087,341)
Increase (Decrease) in Accounts Payable	813,675	(3,047,386)
Net Cash Provided by Operating Activities	<u>\$ 34,085,545</u>	<u>\$ 12,221,428</u>
Non-Cash Investing, Capital and Financing Activities		
Changes in Fair Value of Investments	\$ (577,012)	\$ (1,453,543)
Deferred Loss on Refunded Bonds	4,158,766	9,790,963
Refunding Bonds Issued	(171,720,000)	(315,980,000)
Bonds Refunded	183,420,000	314,395,000

The accompanying notes are an integral part of these financial statements

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Southern Nevada Water Authority (SNWA) is a political subdivision of the State of Nevada (the State) and is therefore the reporting entity. SNWA was created on July 25, 1991, pursuant to Nevada Revised Statutes (NRS) Chapter 277.080 to 277.180, inclusive, by a cooperative agreement among its member agencies, the Big Bend Water District, City of Boulder City, City of Henderson, City of Las Vegas, City of North Las Vegas, the Clark County Water Reclamation District, and Las Vegas Valley Water District (LVVWD). The Cooperative Agreement was amended on November 17, 1994, and January 1, 1996.

SNWA was created to secure additional supplies of water for southern Nevada and to effectively manage existing supplies of water through the cooperative action of its member agencies. A seven-member Board of Directors (the Board) comprised of one director from each member agency governs SNWA equally. SNWA operations are autonomous from its member agencies and the State, and its financial statements are not included in the financial statements of any other entity.

The Board has the power to periodically assess the member agencies directly for operating and capital budgets and for the satisfaction of any liabilities imposed against SNWA. In 1991, each member made an initial contribution to SNWA for operating and administrative expenses in the amount of \$15,000. Assessments for additional funds needed by SNWA, in accordance with approved operating and capital budgets, have been apportioned to its member agencies on the basis of water deliveries to those agencies. Funding received by SNWA from its member agencies for operations is recorded as operating revenue, while funding received for capital purchases is recorded as contributed capital. Member agencies that are not potable water purveyors (the City of Las Vegas and the Clark County Water Reclamation District) each contributed \$35,000 to SNWA operations during the fiscal years ended June 30, 2008 and June 30, 2007.

The SNWA Board appoints a General Manager. LVVWD's General Manager was also appointed General Manager of SNWA and LVVWD was named the operating agent for SNWA in 1993. LVVWD pays certain operating expenses on behalf of SNWA. SNWA reimburses LVVWD for those expenses, including the cost of LVVWD employees allocated to SNWA. SNWA has no employees of its own.

Southern Nevada Water Delivery System

Pursuant to the Transfer Act, Assembly Bill No. 542 approved by the Nevada Legislature in 1995, the assets of the Southern Nevada Water System (SNWS), as well as responsibility for operation of the system, were transferred from the Colorado River Commission (CRC) to SNWA, effective January 1, 1996. Along with the transfer of these assets, CRC transferred all books and records in its possession relating to SNWS and its facilities. In addition to these assets, all liabilities of CRC related to the SNWS were transferred to SNWA.

Fund Accounting

The accompanying basic financial statements are reported on the basis of fund accounting. A fund is a fiscal and accounting entity with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses.

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

Enterprise Fund

SNWA operations have been accounted for as a single enterprise fund. Enterprise fund operations are presented using the full accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of when revenues are received or expenses are paid. In this regard, SNWA operations are accounted for in a manner similar to a private business enterprise, where the intent of the governing body is that the costs of providing goods and services to customers on a continuing basis are financed or recovered primarily through user charges, and its financial measurement focus is on determination of net income, financial position, and cash flows. SNWA is guided by the pronouncements of the Governmental Accounting Standards Board (GASB). As an enterprise fund, and as permitted under GASB Statement No. 20, SNWA applies the requirements of the Financial Accounting Standard Board (FASB) Statements, Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates by management. Such estimates primarily relate to unsettled transactions and events as of the date of the basic financial statements. Actual results could differ from those estimates.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand and cash on deposit with financial institutions including time deposits (Note 2). Investments include obligations of the U.S. government and obligations of government-sponsored agencies, as well as investment grade corporate commercial paper. Investments are stated at par, with premiums or discounts expensed in the month of the investment's acquisition. Also, investments with a life greater than one year when purchased have been adjusted to fair market value as required by GASB Statement No. 31 (Note 3).

Restricted Assets

Restricted assets include unused bond proceeds which are restricted by bond covenants and sales tax proceeds restricted by state law.

Inventories

Inventory additions are recorded at cost. Reduction of inventory is recorded using the first-in, first-out accounting method. Inventories are included in other current assets.

Capital Assets

Property, plant, equipment and land are carried at historical cost if purchased, or at engineering estimates of fair market value at the time received if donated. Expenditures for improvements and betterments (including labor and overhead) are capitalized. Generally speaking, SNWA capitalizes assets with a cost greater than \$5,000 and a useful life greater than three years, except software costs, which are generally expensed, regardless of cost or useful life.

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

Depreciation of property, plant and equipment is computed using the straight-line method over the estimated service lives of the respective assets. Major utility plant categories and their estimated service lives are as follows:

Intakes, Tunnels, and Supply Mains	75 years
Reservoirs and Structures	50 years
Treatment, Laboratory, and Power Operated Equipment	15 years
Transportation and Office Equipment	5 to 10 years
Northern Resource Equipment	5 to 40 years

Revenues

Operating revenues include the wholesale delivery charge, which for the year ended June 30, 2008, was \$257 per acre-foot of treated Colorado River water delivered to the purveyor members of SNWA. The wholesale delivery charge is designed to fund operation and maintenance of SNWS, as well as SNWA administration. SNWA also charged \$193 per acre-foot for raw Colorado River water delivered to the city of Boulder City for use on golf courses. The groundwater program revenues consist of an annual fee of \$30 per acre-foot of permitted groundwater rights or \$30 per domestic well. Purveyor administration billings are amounts charged to member agencies of SNWA who do not physically take potable water from the SNWA water system. These costs vary by purveyor and are designed to help compensate SNWA for administration costs associated with their membership. Las Vegas Wash revenues consist of contributions from other local governments towards operating costs of the Las Vegas Wash Coordination Committee.

Nonoperating revenues are investment income and a minimal amount of other miscellaneous items.

Expenses

Operating expenses include the costs of personnel, power, and other costs associated with the operation and maintenance of SNWS, as well as SNWA administration and depreciation. Non-operating expenses include interest expense as well as amortization of debt refunding gain / loss, premiums, discounts and issuance costs.

Capital Contributions

Capital contributions include various revenues SNWA receives that are restricted for use in a variety of capital improvement programs (Note 16).

Water Rights Holding Company

In 1999, the Board established Muddy River Water Holdings, Inc., a non-profit corporation authorized to facilitate the holding of water rights stock and stock options. This corporation holds any stock purchased by SNWA representing water rights.

Reclassification

Certain minor reclassifications have been made in fiscal 2007 amounts to conform with the fiscal 2008 presentation.

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

New Accounting Pronouncements

In November, 2007, the GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, effective for periods beginning after June 15, 2008 with earlier adoption encouraged. The statement improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. SNWA does not currently have any endowments. Therefore, adoption of Statement No. 52 is not expected to materially affect SNWA's financial position, results of operation or cash flows.

In June, 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for periods beginning after June 15, 2009 with earlier adoption encouraged. The statement improves how state and local governments report information about derivative instruments in their financial statements, requiring governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. SNWA currently reports derivative activity in the Notes to Basic Financial Statements (Note 12). Since SNWA is almost certain to take delivery of the energy associated with the derivative instruments, the reporting of them on financial statements is outside the scope of this GASB statement (paragraph 14). Therefore, adoption of Statement No. 53 is not expected to materially affect SNWA's financial position, results of operation or cash flows.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of a demand deposit account. SNWA has entered into an agreement whereby any balance in the demand deposit account at the close of each business day is "swept" into an interest earning investment account overnight. As of June 30, 2008 and 2007, the balances in this account were as follows:

June 30, 2008	Total	Unrestricted	Restricted
Demand Deposit Account	\$ 5,452,582	\$ 5,452,582	\$ -
Total Cash and Cash Equivalents	<u>\$ 5,452,582</u>	<u>\$ 5,452,582</u>	<u>\$ -</u>
June 30, 2007	Total	Unrestricted	Restricted
Demand Deposit Account	\$ 12,166,291	\$ 12,166,291	\$ -
Total Cash and Cash Equivalents	<u>\$ 12,166,291</u>	<u>\$ 12,166,291</u>	<u>\$ -</u>

On July 22, 2003, the Nevada State Assembly approved an amendment to NRS 356.020 establishing a Nevada State Treasurer's Pooled Collateral program for local governments. The primary objective of the collateral pool is to reduce the risk for government agencies, while at the same time decrease the overall collateral requirement for depositories. By centralizing the administration and reporting functions through the State Treasurer's office, both government agencies and depositories realize cost savings in terms of operational support and collateral efficiency. The bank utilized by SNWA participates in the pool by pledging securities for SNWA monies on deposit. The collateral pool for public fund deposits administered and monitored by the Nevada State Treasurer's Pooled Collateral Office requires depository

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

banks to place acceptable securities of no less than 102% of the market value of the aggregate total deposits of public entities in Nevada with a third party custodian.

NOTE 3. INVESTMENTS

Funds not immediately required for payment of operating or capital expenditures are invested by SNWA in U.S. Government and agency securities and other money market instruments. Nothing in the Cooperative Agreement that created SNWA or the Facilities and Operations Agreement that governs SNWA's relationship with its purveyor members dictates permitted or prohibited investments. Also, there is no applicable Nevada law. However, SNWA voluntarily chooses to comply with NRS 355.170, which governs permitted investments for counties, cities, and school districts in Nevada. NRS 355.170 limits investments to obligations of the federal government and its agencies, commercial bank certificates of deposit, obligations of state and local governments rated "A" or above, bankers' acceptances, repurchase agreements, and money market mutual funds.

As required by GASB Statement No. 31, an adjustment to fair market value has been made for investment securities with a life greater than one year at the time they were purchased. Fair market value was determined by quoted market prices provided by the Bank of New York Western Trust Company where SNWA has an investment custody account. The Bank of New York Western Trust Company acts as an agent for SNWA. For fiscal 2008 this adjustment resulted in a decrease in interest income of \$577,012. For 2007, the adjustment reduced interest income by \$1,453,543.

The following schedules detail the securities SNWA was holding for investment as of June 30, 2008 and 2007. Three valuations of investments are shown. Par value is the amount that SNWA will receive at maturity. Book value is the value calculated after adjusting investments with a maturity of one year or greater to the fair market value using valuation methods previously described. This column is presented as the book value of investments on the balance sheet. Fair value is presented for informational purposes only and represents the fair market value for all investments regardless of maturity date derived from market research conducted independently by the Bank of New York Western Trust Company.

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

Investments at June 30, 2008

Security	Investment Number	Purchase Date	Maturity Date	Days after Purchase Date	Par Value	Fair Value Adjustment	Book Value	MEMO Fair Value
FHLB	08-2145	06/30/08	07/01/08	1	\$ 35,513,000	\$ -	\$ 35,513,000	\$ 35,511,025
FHLB	08-2144	06/30/08	07/01/08	1	45,000,000	-	45,000,000	44,997,498
FHLB	08-2143	06/30/08	07/01/08	1	50,000,000	-	50,000,000	49,997,220
FMC	08-2147	06/30/08	07/01/08	1	50,000,000	-	50,000,000	49,997,220
FHLB	08-2148	06/30/08	07/07/08	7	20,500,000	-	20,500,000	20,490,582
FHA	08-2083	06/17/08	07/02/08	15	28,375,000	-	28,375,000	28,349,539
FMC	08-2090	06/18/08	07/15/08	27	33,000,000	-	33,000,000	32,948,810
FNMA	08-1838	04/18/08	04/08/13	1816	15,000,000	(93,750)	14,906,250	14,906,250
FHLMC	08-1450	02/15/08	02/05/13	1817	20,000,000	(438,800)	19,561,200	19,561,200
FHLMC	08-2146	06/30/08	06/26/13	1822	5,000,000	23,850	5,023,850	5,023,850
FHLMC	08-2127	06/26/08	06/26/13	1826	3,680,000	12,770	3,692,770	3,692,770
FHLB	08-1601	03/18/08	03/18/13	1826	7,000,000	21,875	7,021,875	7,021,875
FNMA	08-2126	06/26/08	06/26/13	1826	9,150,000	34,313	9,184,313	9,184,313
FNMA	08-1888	04/29/08	04/29/13	1826	9,300,000	(55,219)	9,244,781	9,244,781
FNMA	08-1365	01/30/08	01/29/13	1826	7,350,000	6,891	7,356,891	7,356,891
FHLB	08-1502	02/27/08	02/27/13	1827	10,500,000	22,969	10,522,969	10,522,969
FHLMC	08-1423	02/12/08	02/12/13	1827	15,000,000	(16,200)	14,983,800	14,983,800
FHLB	08-1431	02/13/08	06/20/13	1954	10,000,000	(115,625)	9,884,375	9,884,375
FHLMC	08-1414	02/11/08	08/06/13	2003	5,000,000	(54,349)	4,945,651	4,945,651
FHLB	08-1328	01/25/08	07/25/13	2008	3,975,000	4,968	3,979,968	3,979,968
FNMA	08-1650	03/24/08	09/24/13	2010	3,350,000	26,170	3,376,170	3,376,170
FNMA	08-1483	02/22/08	10/10/13	2057	4,500,000	5,625	4,505,625	4,505,625
FNMA	08-1339	01/28/08	10/10/13	2082	10,000,000	12,500	10,012,500	10,012,500
FNMA	08-1273	01/16/08	10/10/13	2094	20,000,000	25,000	20,025,000	20,025,000
					<u>\$ 421,193,000</u>	<u>\$ (577,012)</u>	<u>\$ 420,615,988</u>	<u>\$ 420,519,882</u>

SOUTHERN NEVADA WATER AUTHORITY

Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

Investments at June 30, 2007

Security	Investment Number	Purchase Date	Maturity Date	Days after Purchase Date	Par Value	Fair Value Adjustment	Book Value	MEMO Fair Value
FHA	07-2775	06/29/07	07/02/07	3	\$ 39,097,000	\$ -	\$ 39,097,000	\$ 39,086,573
FHLB	07-2773	06/29/07	07/02/07	3	48,151,000	-	48,151,000	48,138,158
FHA	07-2771	06/29/07	07/02/07	3	50,000,000	-	50,000,000	49,986,385
CHESHM	07-2769	06/29/07	07/02/07	3	9,100,000	-	9,100,000	9,091,764
ANGLES	07-2764	06/29/07	07/02/07	3	25,000,000	-	25,000,000	24,977,305
LOCFUN	07-2768	06/29/07	07/02/07	3	26,607,000	-	26,607,000	26,582,846
EBURY	07-2766	06/29/07	07/02/07	3	28,000,000	-	28,000,000	27,974,582
UBSFIN	07-2767	06/29/07	07/02/07	3	28,952,000	-	28,952,000	28,925,827
FHA	07-2776	06/29/07	07/03/07	4	21,230,000	-	21,230,000	21,221,967
FHLB	07-2774	06/29/07	07/03/07	4	50,000,000	-	50,000,000	49,981,805
TSLUSA	07-2765	06/29/07	07/05/07	6	22,133,000	-	22,133,000	22,103,167
THRPIL	07-2770	06/29/07	07/06/07	7	9,542,000	-	9,542,000	9,527,755
FHLB	07-2772	06/29/07	07/06/07	7	49,837,000	-	49,837,000	49,793,393
FHLB	07-2755	06/28/07	07/13/07	15	28,577,000	-	28,577,000	28,519,057
FHA	07-2691	06/21/07	07/09/07	18	10,570,000	-	10,570,000	10,544,338
FHLB	07-2664	06/15/07	07/11/07	26	48,775,000	-	48,775,000	48,599,820
FHLB	07-2737	06/27/07	07/25/07	28	25,000,000	-	25,000,000	24,903,193
FHLB	07-2222	03/23/07	09/04/07	165	10,000,000	-	10,000,000	9,996,875
FHLB	07-0946	10/25/06	08/24/07	303	6,000,000	-	6,000,000	5,999,340
FHLB	06-1263	01/20/06	08/24/07	581	4,000,000	(440)	3,999,560	3,999,560
FHLMC	07-0388	08/21/06	04/11/08	599	4,000,000	(2,880)	3,997,120	3,997,120
FHLB	06-1264	01/20/06	10/12/07	630	2,000,000	-	2,000,000	2,000,000
FHLB	06-0820	11/08/05	10/12/07	703	6,000,000	-	6,000,000	6,000,000
FHLB	06-0800	11/01/05	11/01/07	730	5,000,000	(1,050)	4,998,950	4,998,950
FHLMC	07-2034	03/05/07	03/05/09	731	15,000,000	(5,850)	14,994,150	14,994,150
FHLMC	05-0071	05/19/05	08/23/07	826	1,000,000	(2,813)	997,188	997,188
FHLB	07-1083	11/07/06	06/26/09	962	7,000,000	-	7,000,000	7,000,000
FNMA	07-2464	04/30/07	03/15/10	1050	17,000,000	(15,938)	16,984,063	16,984,063
FNMA	07-2463	04/30/07	03/29/10	1064	18,000,000	(16,875)	17,983,125	17,983,125
FHLB	07-0888	10/19/06	10/19/09	1096	15,000,000	(18,750)	14,981,250	14,981,250
FHLB	07-2035	03/05/07	03/05/10	1096	6,000,000	(9,375)	5,990,625	5,990,625
FHLB	07-1782	01/26/07	01/26/10	1096	10,000,000	(12,500)	9,987,500	9,987,500
FHLB	07-2036	03/05/07	03/05/10	1096	10,000,000	(15,625)	9,984,375	9,984,375
FHLMC	07-1781	01/26/07	01/26/10	1096	15,000,000	(23,700)	14,976,300	14,976,300
FNMA	06-1034	12/08/05	02/17/09	1167	2,000,000	(74,120)	1,925,880	1,925,880
FNMA	05-0069	05/19/05	08/26/08	1195	1,750,000	(24,609)	1,725,391	1,725,391
FHLB	05-0050	12/16/04	06/16/08	1278	870,000	(10,603)	859,397	859,397
FHLB	05-0070	05/19/05	08/26/09	1560	3,000,000	(4,688)	2,995,313	2,995,313
FHLB	07-1363	12/06/06	06/06/11	1643	10,000,000	(28,125)	9,971,875	9,971,875
FHLB	05-0060	02/10/05	10/30/09	1723	5,000,000	(100,000)	4,900,000	4,900,000
FHLB	05-0043	08/18/04	05/11/09	1727	900,000	(15,469)	884,531	884,531
FHLB	05-0046	09/17/04	07/06/09	1753	135,000	(1,266)	133,734	133,734
FHLB	05-0044	08/26/04	08/26/09	1826	3,165,000	(4,945)	3,160,055	3,160,055
FNMA	04-0967	04/29/04	04/29/09	1826	3,250,000	(67,031)	3,182,969	3,182,969
FNMA	07-1688	01/12/07	01/12/12	1826	15,000,000	(9,375)	14,990,625	14,990,625
FHLB	07-2416	04/23/07	04/23/12	1827	3,360,000	(12,600)	3,347,400	3,347,400
FHLB	07-2415	04/23/07	04/23/12	1827	5,415,000	(15,230)	5,399,770	5,399,770
FHLMC	07-2688	06/21/07	06/21/12	1827	40,000,000	(20,000)	39,980,000	39,980,000
FHLB	07-2086	03/09/07	03/09/12	1827	10,000,000	(34,375)	9,965,625	9,965,625
FHLB	04-0051	07/11/03	12/12/08	1981	5,000,000	(120,313)	4,879,688	4,879,688
FHLB	04-0970	04/30/04	10/30/09	2009	5,000,000	(103,125)	4,896,875	4,896,875
FHLB	03-0661	06/11/03	12/11/08	2010	7,000,000	(192,500)	6,807,500	6,807,500
FHLB	04-0043	07/10/03	01/09/09	2010	8,000,000	(230,000)	7,770,000	7,770,000
FHLB	04-0115	07/28/03	01/28/09	2011	10,000,000	(259,375)	9,740,625	9,740,625
					<u>\$ 810,416,000</u>	<u>\$ (1,453,543)</u>	<u>\$ 808,962,457</u>	<u>\$ 808,345,605</u>

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Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

For the fiscal years ended June 30, 2008 and 2007, the weighted average yield on the entire investment portfolio was 4.43% and 5.20%, respectively, computed on the amortized cost basis.

SNWA's investment policy limits investments and risks to those permitted under the laws of the State of Nevada. Investments and risks authorized by NRS relevant to SNWA investments are:

- Obligations of United States agencies or instrumentalities or corporations sponsored by the government, not to exceed ten years maturity after the date of purchase. Credit quality ratings and the percent of total investments allowed are not specified. However, SNWA is not allowed to have more than 60 percent of its total investment portfolio with any one banker or broker.
- Commercial paper issued by corporations organized and operating in the United States that (1) is purchased from a registered broker-dealer, (2) at the time of purchase has a remaining term to maturity of no more than 270 days, and (3) is rated by a nationally recognized rating service as A-1, P-1 or its equivalent, or better, except that these investments may not, in aggregate value, exceed 20 percent of the total portfolio as determined on the date of purchase, and if the rating of the obligation is reduced to a level that does not meet these requirements, it must be sold as soon as possible.

The following shows the distribution and credit quality of investments at June 30, 2008 and 2007.

Investment Type	Rated	June 30, 2008	June 30, 2007
Federal Home Loan Bank	AAA	43.3%	50.3%
Federal Home Loan Mortgage Corporation	AAA	31.3%	9.3%
Federal National Mortgage Association	AAA	18.7%	7.0%
Federal Housing Authority	AAA	6.7%	14.9%
Commercial Paper	A 1+	0.0%	18.5%
		<u>100.0%</u>	<u>100.0%</u>

NOTE 4. DUE FROM MEMBER AGENCIES

SNWA bills its member agencies for wholesale delivery charges for water delivered to purveyor members, and/or reimbursement of general, administrative and other charges. In addition to these billings, purveyors collect regional connection charges, regional commodity charges and a regional reliability surcharge. Revenue from billings and collections are remitted to SNWA monthly. Management believes all accounts are collectible, and there has been no allowance made for bad debts. At June 30, 2008 and 2007, SNWA had the following amounts due from its member agencies:

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Due From Member Agencies June 30, 2008

	Total	Wholesale Delivery Charges	Regional Connection Charge	Regional Commodity Charge	Regional Reliability Surcharge	Other Charges
Big Bend Water District	\$ 40,917					\$ 40,917
City of Boulder City	335,287	\$ 335,287				
City of Henderson	6,671,993	3,424,842	\$ 2,715,560	\$ 441,302	\$ 90,289	
City of North Las Vegas	3,423,774	2,637,107	580,710	154,795	51,162	
Clark County Water Reclamation District	2,917					2,917
Clark County	199,338					199,338
Las Vegas Valley Water District	8,811,677	7,278,719	185,341	1,026,764	320,853	
Nellis Air Force Base	60,807	60,807				
Total	\$ 19,546,710	\$ 13,736,762	\$ 3,481,611	\$ 1,622,861	\$ 462,304	\$ 243,172

Due From Member Agencies June 30, 2007

	Total	Wholesale Delivery Charges	Regional Connection Charge	Regional Commodity Charge	Regional Reliability Surcharge	Other Charges
Big Bend Water District	\$ 19,747					\$ 19,747
City of Boulder City	320,896	\$ 320,896				
City of Henderson	6,283,876	2,176,173	\$ 3,525,851	\$ 477,593	\$ 104,259	
City of North Las Vegas	4,503,358	2,860,371	1,251,010	297,403	94,574	
Clark County Water Reclamation District	5,833					5,833
Clark County	-					
Las Vegas Valley Water District	11,929,325	7,930,095	2,602,960	1,106,851	289,419	
Nellis Air Force Base	74,746	74,746				
Total	\$ 23,137,781	\$ 13,362,281	\$ 7,379,821	\$ 1,881,847	\$ 488,252	\$ 25,580

LVVWD is a related party to SNWA. See Note 11 for a discussion of this relation.

NOTE 5. OTHER RECEIVABLES

Other receivables are amounts due from entities that are not member agencies of SNWA. Management believes all amounts are collectible, and no allowance has been made for bad debts. The following amounts were due as of June 30, 2008 and 2007:

<u>Other Receivables</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
State of Nevada - Department of Taxation	\$ 14,414,202	\$ 15,335,892
Power Trading Accounts Receivable	2,619,235	1,432,068
Accrued Investment Earnings	1,739,049	3,391,087
Grants Receivable	1,657,623	6,651,722
Southern California Edison	88,382	96,210
Water Smart Homes	4,230	
Northern Resource Property Receivable		211,098
Total	\$ 20,522,721	\$ 27,118,077

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For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

NOTE 6. OTHER CURRENT ASSETS

Other current assets consist of several prepaid expenses and miscellaneous current assets located at SNWA's northern resource property locations. The \$8.0 million increase in fiscal 2008's other current assets is the result of a \$4.6 million increase in an prepaid investment account used to secure future power contracts, an initial \$3.1 million investment in water leases (see notes 8 and 12 for a detailed discussion of these leases), and \$0.3 million net increases in four additional current asset classifications.

NOTE 7. CAPITAL ASSETS

Generally, SNWA capitalizes the cost of assets with a cost greater than \$5,000 and a useful life greater than three years. The following schedule is a summary of changes in major categories of capital assets for fiscal years ended June 30, 2008 and 2007. Natural resources rights are described in detail in Note 8, and Construction Work in Progress is described in Note 9.

<u>Capital Assets Category</u>	June 30, 2008			
	<u>Balance at June 30, 2007</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance at June 30, 2008</u>
<u>Capital Assets Subject to Depreciation</u>				
Organization and Improvements	\$ 390,481,268	\$ 38,650,989	\$ -	\$ 429,132,257
Pumping Stations and Wells	517,482,733	5,477,489	(16,660)	522,943,562
Transmission/Distribution/Mains	1,275,572,668	62,300,981	-	1,337,873,649
Office Furniture and Equipment	97,242,532	1,409,775	(62,403)	98,589,904
Transportation/Work/Equipment	5,319,595	495,262	(113,771)	5,701,086
Power Plant	104,071,807		(58,314)	103,513,493
Northern Resources Assets	11,583,451	2,728,534	(17,576)	14,294,409
Total Capital Assets Subject to Depreciation	2,401,754,054	111,063,030	(768,724)	2,512,048,360
<u>Accumulated Depreciation</u>				
Organization and Improvements	137,367,362	16,947,882	-	154,315,244
Pumping Stations and Wells	70,786,674	12,748,508	(15,444)	83,519,738
Transmission/Distribution/Mains	226,462,672	17,890,967	-	244,353,639
Office Furniture and Equipment	63,334,080	4,283,448	(58,751)	67,558,777
Transportation/Work/Equipment	4,290,490	400,878	(108,876)	4,582,492
Power Plant	10,985,357	3,391,517	-	14,376,874
Northern Resources Assets	601,478	1,570,904	(3,814)	2,168,568
Total Accumulated Depreciation	513,828,113	57,234,104	(186,885)	570,875,332
Net Capital Assets Subject to Depreciation	1,887,925,941	53,828,926	(581,839)	1,941,173,028
<u>Capital Assets Not Subject to Depreciation</u>				
Land and Land Rights	18,353,443	69,900,091		88,253,534
Natural Resource Rights	307,220,745	18,050,463	(95,483)	325,175,725
Construction in Progress	728,357,167	371,572,560	(71,704,542)	1,028,225,185
Net Capital Assets Not Subject to Depreciation	1,053,931,355	459,523,114	(71,800,025)	1,441,654,444
Total Net Capital Assets	\$ 2,941,857,296	\$ 513,352,040	\$ (72,381,864)	\$ 3,382,827,472

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<u>Capital Assets Category</u>	June 30, 2007			
	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Retirements/ Transfers</u>	<u>Balance at June 30, 2007</u>
<u>Capital Assets Subject to Depreciation</u>				
Organization and Improvements	\$ 345,833,947	\$ 44,647,321	\$ -	\$ 390,481,268
Pumping Stations and Wells	511,399,077	6,083,656		517,482,733
Transmission/Distribution/Mains	1,194,983,917	80,588,751		1,275,572,668
Office Furniture and Equipment	95,363,402	1,887,494	(8,364)	97,242,532
Transportation/Work/Equipment	5,238,621	262,863	(181,889)	5,319,595
Power Plant	104,689,472		(617,665)	104,071,807
Northern Resources Assets	-	11,583,451		11,583,451
Total Capital Assets Subject to Depreciation	<u>2,257,508,436</u>	<u>145,053,536</u>	<u>(807,918)</u>	<u>2,401,754,054</u>
<u>Accumulated Depreciation</u>				
Organization and Improvements	123,440,292	13,927,070		137,367,362
Pumping Stations and Wells	58,089,036	12,697,638		70,786,674
Transmission/Distribution/Mains	208,692,024	17,770,648		226,462,672
Office Furniture and Equipment	59,220,709	4,119,910	(6,539)	63,334,080
Transportation/Work/Equipment	3,980,704	491,675	(181,889)	4,290,490
Power Plant	7,560,906	3,424,451		10,985,357
Northern Resources Assets		601,478		601,478
Total Accumulated Depreciation	<u>460,983,671</u>	<u>53,032,870</u>	<u>(188,428)</u>	<u>513,828,113</u>
Net Capital Assets Subject to Depreciation	1,796,524,765	92,020,666	(619,490)	1,887,925,941
<u>Capital Assets Not Subject to Depreciation</u>				
Land and Land Rights	18,367,238	76,905	(90,700)	18,353,443
Natural Resource Rights	249,878,935	57,341,810		307,220,745
Construction in Progress	683,688,186	175,297,634	(130,628,653)	728,357,167
Net Capital Assets Not Subject to Depreciation	<u>951,934,359</u>	<u>232,716,349</u>	<u>(130,719,353)</u>	<u>1,053,931,355</u>
Total Net Capital Assets	\$ 2,748,459,124	\$ 324,737,015	\$ (131,338,843)	\$ 2,941,857,296

NOTE 8. NATURAL RESOURCES RIGHTS

Coyote Springs Water Rights

In 1997, the Board authorized the General Manager to initiate negotiations for the purchase of ground water rights and a well in the Coyote Springs valley about 60 miles northeast of Las Vegas. The well is one of the highest producing wells ever drilled in southern Nevada. In 1998, the Board approved the purchase of 7,500 acre-feet of ground water rights and the well with associated real property including easements. In 2002, SNWA purchased another 1,500 acre-feet of water rights from Coyote Springs Investment, LLC. As of June 30, 2008 the total amount paid for the 9,000 acre-feet of water rights, associated real estate and subsequent costs to perfect these water rights, was \$30,884,687.

Muddy River Water Rights

In 1996, the Board authorized the General Manager to request proposals for acquisition of up to 5,600 acre-feet of Muddy River water rights from shareholders of the Muddy Valley Irrigation Company (MVIC). Three years later, SNWA purchased 3,662 acre-feet of water rights from several shareholders. In 2000, SNWA exercised all options possible and obtained the permanent water rights associated with those options totaling 1,764 acre-feet. The Board authorized and executed an additional purchase of shares, representing a total of 188 acre-feet, in 2001. In 2002 and 2004, the Board authorized the acquisition of an additional 3,300 acre-feet and 600 acre-feet, respectively, of Muddy River water rights bringing the total authorized for purchase to 9,500 acre-feet. Finally, in 2008 the Board authorized the acquisition of additional shares of MVIC, along with additional shares of other northeastern Clark County rural irrigation companies. The authorization does not give a specific limit for MVIC acquisition but instead establishes a \$40 million limit for new acquisition or lease of MVIC and two other rural irrigation

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companies. As of June 30, 2008, SNWA has obtained approximately 7,254 acre-feet of Muddy River water rights at a cost of \$24,032,992. See Subsequent Events (Note 18) for a discussion of additional MVIC rights acquired after June 30, 2008.

Virgin River Water Rights Development

In 1994, the Board agreed to accept assignment of Nevada's Virgin River water rights from LVVWD, subject to SNWA reimbursing LVVWD for all costs incurred related to the acquisition of those water rights. Additionally SNWA acquired 350 shares of Bunkerville Irrigation Company (BIC) in September, 2005. The shares represent 3,710 acre-feet of Virgin River surface water rights. Under the terms of an agreement between SNWA and the Virgin Valley Water District (VVWD) in 2000, SNWA transferred 3,710 acre-feet of its water rights to VVWD to assist VVWD in the development of additional groundwater resources in the Virgin River Basin. Finally, in 2008 the Board authorized the acquisition of additional shares of BIC and the Mesquite Irrigation Company (MIC). The authorization which includes MVIC as described above does not give a specific limit for acquisition but instead establishes a \$40 million limit for new acquisition or lease of MVIC, BIC, and MIC. As of June 30, 2008, the carrying value of \$27,718,635 represents all initial payments for Virgin River water rights and any subsequent research and development costs.

In-State Water Projects

In 1989, LVVWD filed applications to appropriate water from multiple hydrographic basins located in eastern Nevada. In 2003, the Board agreed to accept assignment of those applications from LVVWD for a payment of \$9.9 million, which represented LVVWD's costs to date of developing and perfecting those water rights. As of June 30, 2008, the carrying value of \$10,134,854 represents the initial payment to LVVWD plus additional costs that have been incurred.

Arizona Water Bank

In 1993, the Board approved a cooperative agreement among its member agencies for funding and participation in the Arizona Underground Storage Demonstration Project (the Project). The Project was originally an agreement between the Central Arizona Water Conservation District (CAWCD) and the Metropolitan Water District of Southern California to store water from the Colorado River in underground aquifers in Arizona. SNWA agreed to participate in the Project and pay CAWCD to store Colorado River water in Arizona. In the event of either a flood release or an anticipatory release of Colorado River water, water stored in Arizona would then become the property of the States of California and Nevada. In 1996 and 1997, the United States Secretary of Interior declared a surplus, and 50,000 acre-feet of water stored in Arizona were assigned to SNWA. Under the Project, SNWA purchased the 50,000 acre-feet of water available for future use and funded the expenditure through capital contributions from SNWA's member agencies.

In 2001, SNWA and CRC approved an Agreement for Interstate Water Banking (Banking Agreement) with the Arizona Water Banking Authority (AWBA). AWBA agreed to use its best efforts to store 1.2 million acre-feet of Colorado River water underground in Arizona for SNWA under the Banking Agreement, and two related agreements executed in 2002. Also in 2002, SNWA and CRC entered into an agreement with AWBA to allow SNWA to store water in Arizona during that year while the remaining agreements were being negotiated. Under the 2002 agreement, SNWA stored 66,595 acre-feet of Colorado River water in Arizona. Additionally in 2004, AWBA agreed to store an extra 10,000 acre-feet of Nevada's unused Colorado River water for SNWA.

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In 2004, the Board approved an amendment to the 2001 Banking Agreement, which guarantees Nevada 1.25 million acre-feet of water storage in aggregate (approximately 1.13 million acre-feet of additional storage plus utilization of the roughly 120,000 acre-feet of water previously stored) in Arizona, for a series of payments totaling \$330 million. The \$330 million in payments includes an initial payment of \$100 million, and payments of \$23 million a year for ten years starting in 2009. To date, SNWA has paid the initial \$100 million on this agreement. The agreement allows a maximum withdrawal of 20,000 acre-feet of this water in calendar years 2007 and 2008, increasing to 30,000 acre-feet in 2009 and 2010, and 40,000 acre-feet per year beginning in 2011.

As of June 30, 2008, SNWA has spent \$116,117,707 on Arizona Water Bank projects.

Northern Resource Properties and Related Rights

In 2006 and 2007, the SNWA Board approved the purchase of seven properties in Spring Valley, Nevada. In addition to its substantial land holdings (over 23,000 acres), SNWA also acquired surface and groundwater rights associated with the properties. To date, SNWA has acquired approximately 34,000 acre-feet per year (AFY) of surface water rights, 6,000 AFY of groundwater rights and 24,000 AFY of supplemental water rights. SNWA intends to use the surface water right to help manage the groundwater basin and support other environmental management activities associated with its Clark, Lincoln and White Pine Counties Groundwater Development Project.

The Bureau of Land Management (BLM), the United States Forest Service (USFS) and the National Park Service (NPS) issue permits allowing livestock to graze on lands in districts formed primarily under the Taylor Grazing Act. These grazing permits specify grazing preference and the terms and conditions under which permittees make grazing use during the term of the permit. They are issued in units known as Animal Unit Months (AUM) which are defined as the amount of forage needed by an animal unit grazing for one month (approximately 1,000 pounds of dry forage). Permits issued by the BLM and USFS have lives of ten years and are subject to renewal. Permits issued by the NPS have lives of one year and can also be renewed. As of June 30, 2008 SNWA owned 64,769 AUMs of permits.

As of June 30, 2008, SNWA had spent \$62,128,420 to acquire the northern resource properties and related rights.

Hydropower Rights

CRC was created in 1935 for the purpose of securing and distributing Nevada's right to Colorado River water and hydroelectric power. CRC delivers Nevada's allocation of Colorado River hydroelectric power to various municipal and non-municipal customers in southern Nevada. One of those customers located in Henderson, Nevada is Pioneer Americas, LLC (Pioneer), a manufacturer of chlorine and caustic soda used in various chemical processes.

In addition to hydropower, CRC also purchased supplemental energy for Pioneer in the wholesale energy market. As a result of regional market volatility in 2000 and 2001, the price of Pioneer's portfolio of supplemental energy was higher than market, and higher than Pioneer could pay. Pioneer approached CRC about the possibility of selling its entire portfolio of energy contracts, including hydropower. In January 2003, CRC offered the Pioneer portfolio to SNWA. SNWA agreed to purchase Pioneer's hydropower contract from CRC for \$53 million, allowing CRC to retain the Pioneer supplemental energy portfolio and use the \$53 million to settle those contracts.

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There are five contracts associated with the Pioneer hydropower. Two are associated with power generated at the Hoover Dam, two at the Parker-Davis Dam, and one is related to the transmission of the hydropower. The Hoover Dam contracts expire in 2017, and the Parker-Davis Dam contracts expire in 2028. It is expected that these contracts will be renewed for 20-year terms when applicable. As a result, this hydropower is considered a perpetual resource.

The cost of this hydroelectric energy has been, and is projected to be, very stable at about \$10/megawatt hour (MWh). Adding amortization of debt for the \$53 million results in a net cost of about \$35/MWh over the next 30 years.

Las Vegas Groundwater Bank

In 1999, the Nevada Legislature directed SNWA to establish a Groundwater Management Program (GMP) for the Las Vegas valley. The GMP provided for the recharging of treated Colorado River water into the Las Vegas valley groundwater basin (LVVGB) for the permanent benefit of the aquifer. Funds collected as part of the GMP are used for this recharge and other programs to benefit well owners. Costs associated with the GMP were \$1,158,430 as of June 30, 2008.

The following table shows the water and power rights and related options balances for the fiscal years ended June 30, 2008 and 2007:

<u>Natural Resources Rights</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
In State Water Projects		
Coyote Springs Water Rights	\$ 30,884,687	\$ 30,884,687
Muddy River Water Rights	24,032,992	22,125,929
Virgin River Water Rights Development	27,718,635	19,181,609
In-State Water Projects	10,134,854	10,134,854
Arizona Water Bank	116,117,707	113,729,297
Northern Resource Property and Rights	62,128,420	57,005,939
Hydropower Rights	53,000,000	53,000,000
Las Vegas Groundwater Bank	1,158,430	1,158,430
Total Natural Resources Rights	<u>\$ 325,175,725</u>	<u>\$ 307,220,745</u>

NOTE 9. CONSTRUCTION IN PROGRESS

SNWA maintains three capital construction programs: (1) the Capital Improvements Plan (CIP) which includes those capital projects that will collectively expand capacity of the SNWS from 400 million gallons per day (MGD) in 1996 to 900 MGD by 2014, (2) the Major Construction and Capital Plan (MCCP) which includes capital projects not associated with the CIP, and (3) the Las Vegas Wash Capital Improvements Plan (LVWCIP), which are capital projects associated with improving water quality in the Las Vegas Wash, the natural channel that drains the Las Vegas valley into Lake Mead.

Capital Improvements Plan (CIP)

In 1994, SNWA began a CIP project estimated to cost \$2.1 billion. The purpose of the CIP was to expand the capacity of the SNWS from 400 MGD to 900 MGD by 2014. The CIP will give Nevada the

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capacity and reliability to access its entire 300,000 acre-feet allocation of the Colorado River, plus any banked, transferred, or purchased water that may be delivered to Nevada via the Colorado River. On May 17, 2007, the Board approved Amendment 17 to the CIP reflecting current estimated construction costs of the CIP project at \$2.9 billion. The additional \$800 million spending authorization is mainly for Lake Mead Intake No 3, which is scheduled for completion in 2012.

It is the express intent of the CIP to build improvements on a phased or as needed basis. All costs associated with the CIP are capitalized. Direct costs include land costs, costs of construction and engineering contracts and interest. Indirect costs include such items such as administration, planning and design, public information, program management, construction management, and environmental mitigation.

Land costs, which include the costs of easements and other rights-of-way, and actual purchases of property, are coded to Construction Work In Progress (CWIP), but are immediately closed out to Property, Plant and Equipment (PP&E) and added to the property ledger. Land costs are listed separately from the costs of other assets on the property ledger and are not depreciated.

Direct costs of construction of a CIP project are recorded as CWIP. Ancillary costs directly related to construction projects are also capitalized to CWIP. Based on a cost estimating criteria study performed for the SNWS Treatment and Transmission Facility, indirect costs are allocated to specific projects based on 30% of the direct cost of the project. When a project is finished, an agenda item is brought before the Board to accept the project as complete. With Board acceptance, associated CWIP costs are reclassified to PP&E.

Major Construction and Capital Plan (MCCP)

In 2002, SNWA created the MCCP to address the need for capital projects not directly related to the expansion of the SNWS. Unlike the CIP which has a finite life, the MCCP is intended to have an unlimited life. The MCCP defines and authorizes projects that are necessary to maintain facilities in a sound and functional condition, maintain or improve water quality, develop water resources, reduce operating costs, address environmental and safety issues, provide support facilities (including power), and meet other objectives defined by the Board.

On December 6, 2007, the Board approved Amendment 9 to the MCCP bringing its total authorized amount for active projects to \$1.2 billion. Either the wholesale delivery charge or capital contributions are designated as the funding source for each MCCP project. Of the 74 projects comprising the \$1.2 billion currently authorized for the MCCP, \$1.0 billion (79.7%) will be funded by new expansion revenues and \$0.2 billion (18.6%) will be funded by the wholesale delivery charge. In terms of projects, 16 projects (21.6%) will be funded by capital contributions while 56 projects (75.7%) will be funded by the wholesale delivery charge. Two projects (2.7% of projects, 1.7% of total dollars) will be jointly funded by the two revenue sources.

Las Vegas Wash Capital Improvements Plan (LVWCIP)

The Las Vegas Wash (the Wash) is the primary urban runoff, wastewater and floodwater outlet from the Las Vegas valley into Lake Mead and the Colorado River. The Wash is considered a critical component in the many environmental and water resource issues facing southern Nevada. The LVWCIP presents a summary of planned capital expense activities necessary to support long-term enhancement and management of the Wash.

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The LVWCIP, revised and approved by the Board on January 17, 2008, includes projects totaling approximately \$73.9 million. Of that amount, about \$67.9 million (85.0%) is for channel stabilization facilities. The remaining \$6.0 million (15.0%) is for bank protection facilities, revegetation activities, design studies and miscellaneous programs. It is projected that these projects will be funded by 4% of the gross sales tax SNWA receives which has been designated for the Wash, as well as grants and contracts provided by various federal agencies.

The following shows the construction in progress balance for the fiscal years ended June 30, 2008 and 2007:

<u>Construction In Progress</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Capital Improvements Plan	\$ 629,937,912	\$ 560,811,788
Major Construction and Capital Plan	368,162,832	148,389,422
Las Vegas Wash Capital Improvement Plan	30,124,441	19,155,957
Total Construction In Progress	<u>\$ 1,028,225,185</u>	<u>\$ 728,357,167</u>

Interest Capitalization Policy

In accordance with FASB Statement No. 34, as amended by Statement No. 62, SNWA has capitalized the interest cost of restricted tax-exempt borrowings, less interest earned on temporary investment of the proceeds of those borrowings, from the date of borrowing until the assets acquired with those borrowings are ready for their intended use. SNWA capitalized \$39,264,991 and \$33,521,745 of interest expense, which was offset by \$6,182,125 and \$11,603,584 of interest income, in the fiscal years ended June 30, 2008 and 2007, respectively.

To avoid the carrying costs of bond proceeds that will not be used for some time to fund capital projects, SNWA generally issues bonds sufficient to fund about two years of estimated capital project expenditures. SNWA also can use sales tax proceeds as needed to fund capital projects construction payments on a pay-as-you-go basis.

NOTE 10. WATER RECHARGE INVENTORY

In 1993, member agencies of SNWA entered into a cooperative agreement for the banking of water (recharge) in the LVVGB. The purpose of this agreement was to allow LVVWD to recharge water on behalf of the member agencies for future use. SNWA was not a party to the 1993 agreement.

In 2006, SNWA's Board approved an agreement between SNWA and the parties involved in the 1993 cooperative agreement for the sale and transfer of water banked in the LVVGB. The agreement centrally locates this water source with SNWA for future use by all member agencies. In addition, SNWA entered into a cooperative agreement with LVVWD, to allow SNWA to store water in the LVVGB for the future use of SNWA. In this agreement LVVWD agrees to continue its recharge of the LVVGB, with SNWA reimbursing all related costs on a monthly basis. The agreement allows SNWA to control the water stored in the LVVGB for supplemental use of the valley's water system in future years, to operate a Groundwater Management Program as directed by NRS 572, and other uses as deemed necessary. As of June 30, 2008, SNWA has paid \$81.6 million for 292,937.4 acre-feet of recharge.

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NOTE 11. ACCOUNTS PAYABLE

Accounts payable balances by category for the fiscal years ending June 30, 2008 and 2007 are as follows:

<u>June 30, 2008</u>			
<u>Accounts Payable</u>	Total	Payable to LVVWD	Payable to Other Vendors
Administration Expenses	\$ 19,600,555		\$ 19,600,555
Treatment Plant Expenses	3,130,011	\$ 3,130,011	
Construction Contracts and Administration	26,846,389	5,554,571	21,291,818
Construction Contracts Retention	9,302,060		9,302,060
Total Accounts Payable	<u><u>\$ 58,879,015</u></u>	<u><u>\$ 8,684,582</u></u>	<u><u>\$ 50,194,433</u></u>

<u>June 30, 2007</u>			
<u>Accounts Payable</u>	Total	Payable to LVVWD	Payable to Other Vendors
Administration Expenses	\$ 17,155,080		\$ 17,155,080
Treatment Plant Expenses	3,901,938	\$ 3,901,938	
Construction Contracts and Administration	30,693,340	5,277,071	25,416,269
Construction Contracts Retention	8,402,824		8,402,824
Total Accounts Payable	<u><u>\$ 60,153,182</u></u>	<u><u>\$ 9,179,009</u></u>	<u><u>\$ 50,974,173</u></u>

Las Vegas Valley Water District (Related Party Transactions)

LVVWD is a quasi-municipal corporation created under a special act of the legislature of the State of Nevada in 1947 for the purpose of obtaining and distributing water primarily in the Las Vegas valley, which includes the metropolitan area of Clark County and the City of Las Vegas. A complete copy of LVVWD's Comprehensive Annual Financial Report (CAFR) can be found at www.lvvwd.com or can be obtained by mailing a request to the SNWA address listed on page 2-8.

The SNWA Board appoints a General Manager. In 1993, LVVWD's General Manager was also appointed General Manager of SNWA, and LVVWD was named the operating agent for SNWA.

LVVWD pays operating expenses on behalf of SNWA, and SNWA reimburses LVVWD for those expenses, including the cost of LVVWD employees allocated to SNWA, within thirty days. SNWA has no employees of its own. LVVWD in their role of operating agent hires all employees utilized by SNWA. Consequently, any financial reporting requirements regarding employees utilized by SNWA including but not limited to reporting on post employment benefits can be found in the LVVWD CAFR.

Effective July 1, 2007, LVVWD implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. As a result of this implementation, LVVWD allocated a portion of the costs related to postemployment benefits other than pensions to SNWA. These costs, totaling \$544,970 as of June 30, 2008, are included in the amounts payable to LVVWD.

During the mid 1990s LVVWD, in their capacity as operating agent for SNWA, paid substantially all operating and capital expenses on behalf of SNWA, and SNWA reimbursed LVVWD monthly. As

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payments for SNWA's CIP, MCCP and LVWCIP grew larger in the late 1990s SNWA began paying construction contracts directly and took over the responsibility for paying construction contracts' retention. SNWA also pays most of the cost of power required to operate the SNWS.

The amount that SNWA owed LVVWD for operating expenses and payroll costs as of June 30, 2008, is shown in the preceding chart. As mentioned in Note 4, LVVWD collects certain connection and consumption fees and remits those to SNWA. These fees are not netted against the amounts shown in the payable to LVVWD column in this note.

LVVWD has no control over SNWA's operation or finances. As described in Note 1, Reporting Entity, SNWA is autonomous from LVVWD, does not include LVVWD's information within its own financial statements, nor is SNWA's information included in LVVWD's financial statements.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Economic Conditions

The United States is experiencing a widespread decline in residential real estate sales, mortgage lending and related construction activity, accompanied by inflationary trends and emerging weakness in the commercial and investment banking systems, and is engaged in several overseas conflicts, all of which are likely to have far-reaching effects on the economic activity in the country for an indeterminate period. The near- and long-term impact of these factors on the Nevada economy and SNWA's operations cannot be predicted at this time but may be substantial.

Construction Contracts

In connection with its three capital improvements plans, SNWA makes commitments to pay contractors working on those projects. However, SNWA only pays those contractors for the work they have completed. As of June 30, 2008, SNWA had construction contract commitments totaling approximately \$930.3 million. This is the amount SNWA will be obligated to pay if all contractors perform per their contracts. SNWA could substantially reduce the amount of this commitment by notifying contractors to suspend further work and paying for work completed to that point.

Operating Leases

Lease Obligations

In 2004 the Board approved a non-cancelable operating lease agreement between Parkway Center, LLC, (Molasky) and SNWA for office space at the Molasky Corporate Center in downtown Las Vegas located at 100 City Parkway. The original lease allowed SNWA to lease 129,375 square feet of office space beginning August 1, 2007, for a period of twenty years with renewal options. Two additional amendments approved in 2006 added an additional 52,994 square feet of office space for the same twenty year period. On December 21, 2007, SNWA exercised its purchase option on the office space described in the original 2004 lease, thereby reducing the amount of office space subject to the lease agreement with Molasky to 52,994 square feet. LVVWD leases 34,898 square feet within the area leased and/or owned by SNWA. See Lease Receivables below. The 2006 amendments allow for an annual escalation factor of 4% annually, with parking spaces receiving no escalation. For the fiscal year ended June 30, 2008, SNWA had paid \$2,127,659 on the lease including lease payments made on the original lease through

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December 21, 2007. Leasehold improvements are charged to SNWA's MCCP capital program as incurred.

SNWA leases 2.27 acres of land from the Moapa Valley Water District (MVWD). The land located in the Moapa Valley includes a fenced yard, approximately 1,200 square feet of office space and approximately 3,200 square feet of adjoining shop space. The lease expires in May 2009, and annual lease payments are \$30,000. There are no escalation clauses in the lease. This facility is being used to pursue additional water sources in the Moapa Valley where SNWA has substantial water rights. SNWA subleases this property to the MVIC. See Lease Receivables below.

In April 2005, SNWA agreed to lease approximately 2,000 square feet of office and visitor space, adjoining parking, and existing commercial signage located in downtown Ely, Nevada. The lease expires in 2012. The office is to facilitate staff involved in development and outreach in the Clark, Lincoln, and White Pine Counties' groundwater development projects and the integrated water planning process. Annual lease payments are \$9,600. There are no escalation clauses in the lease.

In April 2008, the Board approved agreements allowing SNWA to lease rights from shareholders of the MVIC, the BIC and the MIC. The approval allows leases to be offered for any period of time that is agreeable to SNWA and the water rights holder. All current leases are set to begin on October 1, 2008, and are from one to ten years in duration with an annual escalation factor of 3%.

None of the leases listed above contain contingent rentals, which are rentals in which amounts are dependent upon some factor other than the passage of time.

The following table shows the remaining minimal rental payments due under the terms of the lease contracts described above. Additional contracts securing leases for MVIC, BIC, and MIC were finalized after June 30, 2008. The summary of these transactions can be found in Note 18 Subsequent Events.

Fiscal Year	Molasky	MVWD	Ely Office Space	Water Leases	Total
June 30					
2009	\$ 2,272,870	\$ 30,000	\$ 9,600	\$ -	\$ 2,312,470
2010	2,352,952		9,600	2,861,854	5,224,407
2011	2,436,239		9,600	2,872,059	5,317,898
2012	2,522,856		9,600	199,740	2,732,196
2013	2,612,939			119,667	2,732,606
2014-2018	14,547,212			153,340	14,700,552
2019-2023	17,405,564				17,405,564
2024-2028	16,394,323				16,394,323
	<u>\$ 60,544,955</u>	<u>\$ 30,000</u>	<u>\$ 38,400</u>	<u>\$ 6,206,659</u>	<u>\$ 66,820,014</u>

As discussed in Note 6, SNWA has prepaid \$3.1 million of water leases thereby negating any minimal payments required in fiscal 2009

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Lease Receivables

In 2006, SNWA entered into an interlocal sublease agreement with LVVWD regarding office space either purchased or leased from Molasky. The twenty year agreement allows LVVWD to lease 8,000 square feet of space from the floors owned by SNWA and 26,240 square feet from the area leased from Molasky. The space owned by SNWA that is being leased has an approximate carrying value of \$2,083,604 with \$62,598 in accumulated depreciation having been taken through June 30, 2008. In addition LVVWD pays a share of leasehold improvements. The sublease assumes a ten year useful life on leasehold improvements and LVVWD pays a pro-rated share of the amortized value of such improvements. The sublease contains no escalation clauses. Also LVVWD is responsible for any utilities and services assessed to SNWA for the space occupied by LVVWD.

In 2004, SNWA entered into a sublease agreement with MVIC regarding office space leased by SNWA from MVWD. The five year agreement allows MVIC to sublease approximately 1,200 square feet of office space and approximately 3,200 square feet of warehouse space from the space leased by SNWA from MVWD. The sublease contains no escalation clauses. In addition, MVIC pays for its share of utility and energy costs.

None of the subleases listed above contain contingent rentals.

The following shows the remaining minimal rental payments due to SNWA under the terms of the sublease agreements described above.

Fiscal Year	LVVWD	MVIC
<u>June 30</u>	<u> </u>	<u> </u>
2009	\$ 1,564,881	\$ 2,400
2010	1,564,881	
2011	1,564,881	
2012	1,564,881	
2013	1,564,881	
2014-2018	7,824,407	
2019-2023	7,824,407	
2024-2028	6,259,526	
	<u>\$ 29,732,745</u>	<u>\$ 2,400</u>

Forward Energy Contracts

Because Las Vegas is uphill from its major water supply, reliable electrical service is essential to SNWA's ability to deliver water. To gain more control over energy reliability and costs, SNWA manages the majority of its power supply rather than purchasing energy from the local regulated investor-owned utility under tariff rates approved by the Nevada Public Utilities Commission.

To provide electrical energy at a known and budgeted cost, SNWA actively manages a portfolio of energy resources and adheres to a strict set of energy risk management procedures established by a Risk Management Committee that serves to fulfill the Energy Risk Management Policy adopted by the Board.

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This portfolio is made up of four types of derivatives, as defined and which are accounted for in accordance with GASB issued Technical Bulletin No. 2003-1. Therefore, these are not reported at fair market value in the statements of net assets. They are:

- Electricity Forward Contracts
- Electricity Generation (with associated transmission)
- Financial Natural Gas Swaps
- Financial Power Swaps

The fair market value of this portfolio at June 30, 2008, for which SNWA neither paid nor was paid anything at inception, was estimated using market prices derived from broker quotes and exchange prices for the period July 1, 2008, through June 30, 2018, and is summarized as follows:

	Estimated Fair Market Value (in millions)
Electricity Forward Contracts	\$ 85.7
Electricity Generation and Transmission	7.8
Financial Power Swaps	(1.6)
Financial Natural Gas Swaps	180.9
Total Estimated Fair Value	<u>\$ 272.8</u>

Hypothetically, if this portfolio of derivatives was liquidated at market prices on June 30, 2008, it would be valued at approximately \$272.8 million. However, the hypothetical value is of limited use because this portfolio exists solely for purposes of serving SNWA's projected energy requirements over the next 10 years. SNWA's portfolio of energy derivatives currently looks favorable relative to existing market prices, but the derivatives were procured simply to decrease the variability of SNWA's energy costs.

The fair market value estimates reported above can also be considered in terms of expected costs to serve approximately 10.5 million MWhs of forecasted energy requirements over the next 10 years. At market prices estimated on June 30, 2008, the forecasted energy cost (commodity cost only) to serve SNWA's energy requirements over the next 10 years would be approximately \$88/MWh. However, because SNWA has procured energy in the form of derivative contracts in order to stabilize its energy costs, commodity prices are expected to be closer to \$62/MWh over the same planning horizon. When compared to market prices, this reflects a savings equivalent to the estimated fair market value reported above.

The design and intent of SNWA's energy portfolio is to ensure sufficient reliable energy to meet all water pumping needs at the lowest known and budgetable cost, while incorporating renewable energy where appropriate. The estimated fair market value of the energy portfolio represents the difference between estimated future (or forecasted) portfolio costs and current market costs. The primary risks associated with this portfolio are counter-party credit and termination risks. SNWA manages these risks with policies and procedures that require careful financial evaluation of trading partners, trading limits, and in some cases as required by policy, the posting of collateral.

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Silverhawk Power Plant

SNWA partnered with Gen West, a wholly owned subsidiary of Pinnacle West Capital Corp. of Phoenix, Arizona, to build and operate the 580 megawatt Silverhawk electric power generating plant. The plant is located in the Apex industrial area approximately 20 miles northeast of Las Vegas. SNWA has paid 25% of the construction costs, is obligated to pay 25% of the operating costs and is entitled to 25% of the generated electricity.

For a period of 8 years beginning June 1, 2005 SNWA entered into an energy exchange agreement with Nevada Power Company (NPC) whereby NPC has the right to dispatch the plant using their professional judgment, and SNWA receives 75 MW firm delivered power 24 hours per day.

Renewable Generation

In support of its commitment to sustainable living, the SNWA has recently constructed several small renewable generators and is in the process of developing others. In 2007, three small hydro-turbine projects became operational which recover energy previously lost through traditional rate of flow control valves. Early in 2008 several small solar photovoltaic projects also became operational. These generation projects are now delivering energy to various locations throughout SNWA's system.

Federal Grants

SNWA has received a total of \$19.9 million from the federal government through the U.S. Bureau of Reclamation as partial reimbursement of the costs incurred by its member agencies to build reclaimed water facilities in the Las Vegas valley. These reclaimed water facilities reduce the demand on potable water facilities by providing treated wastewater for irrigation use by golf courses. Pursuant to a 2004 agreement between SNWA and the Southern Nevada Water Recycling Project, SNWA has distributed \$15.0 million of these funds through June 30, 2008.

Litigation

SNWA is the defendant in various litigation matters. It is management's opinion, based upon advice from legal counsel, that the risk of financial losses to SNWA from such litigation will not have a material adverse effect on SNWA's future financial position, results of operations or cash flows. Accordingly, no provision has been made for any such losses.

SNWA does not accrue for estimated future legal and defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters, but rather records such as period costs when services are rendered.

NOTE 13. OUTSTANDING DEBT

Pursuant to the Transfer Act (Note 1), SNWA assumed responsibility for all CRC debt associated with the SNWS as of 1996. In 1997, SNWA received authorization to sell its bonds directly to the Nevada State Bond Bank. In 1999, SNWA received authorization to sell its bonds through a newly authorized Clark County Bond Bank. SNWA also has bonds payable, which were issued by LVVWD on SNWA's behalf. Because the state and county bond banks have not dealt in commercial paper or adjustable rate bonds, SNWA will continue to use LVVWD to sell those kinds of debt instruments and use the Nevada and Clark County bond banks to sell long-term fixed-rate bonds.

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Debt Covenants

Management believes that SNWA has complied with all legal requirements, limitations, and restrictions imposed by debt covenants. SNWA is required to set charges for its purveyor members at levels sufficient to cover all operating and maintenance expenses (excluding depreciation), all debt service requirements, and amounts required to be deposited in reserve accounts, if any. Other requirements of long-term debt covenants include adequate insurance coverage for liability, property, and LVVWD employees, and an annual audit of SNWA's basic financial statements by independent certified public accountants.

Defeasance of Debt

CRC, LVVWD, and SNWA have issued bonds to advance refund portions of previous debt issues. Advance refunding funds have been placed in escrow accounts. As of June 30, 2008, 15 issues with \$1,345,852,865 in prior year in-substance defeased debt remains outstanding. The assets in these escrow accounts, as well as the liabilities for those in-substance defeased debt issues, have been removed from these financial statements. Furthermore, in accordance with GASB Statement No. 23, any accounting gain or loss resulting from these transactions has been deferred and is being amortized over the life of the related debt (Note 14).

Current Year Debt Issuance Activity

On February 19, 2008, LVVWD issued on SNWA's behalf \$171,720,000 of general obligation water improvement bonds (LVVWD 2008B Bonds) refunding the entire outstanding balance of the LVVWD 1998 bonds, except for the May 2008 payment. Additional details on this issue follow below.

The following is a comprehensive summary of each of the outstanding debt issues as of June 30, 2008.

State of Nevada Loan No. SNWA-1

Nevada law has created an account for the Nevada revolving fund. This account finances the construction of public water system projects authorized by the federal Safe Drinking Water Act. This federally financed program requires that funds made available to each state must be committed and used each year; otherwise future financing opportunities under the program are lost to the state. SNWA's CIP project to build ozone facilities to disinfect water at the Alfred Merritt Smith Water Treatment Facility qualified under the statutory and regulatory requirements, and was the only such project within the state that qualified for that year's funding. Therefore, SNWA made application for a loan from Nevada for the \$12,269,695 in available funding to keep the money within Nevada. The interest rate on the loan is fixed at 3.61% and the term is 20 years. Constant semiannual payments of principal and interest are due on August 1 and February 1.

State of Nevada Loan No. SWNA-2

On June 29, 2001, SNWA received a second loan from the Nevada revolving fund in the amount of \$10 million. SNWA applied for this loan to help preserve Nevada's access to federal Safe Drinking Water Act funds that would otherwise be lost to the public water systems in Nevada. The interest rate on the loan is fixed at 3.46%, and the term is 20 years. Constant semiannual payments of principal and interest are due on August 1 and February 1.

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CRC 1995 Bonds

These general obligation bonds in the original amount of \$118,590,000 were sold by CRC on December 28, 1995. Proceeds of this bond sale were used to refund \$105,995,000 of CRC 1994 bonds maturing July 1, 2007 through 2024. Interest payments only were due on these bonds until July 1, 1999. After that date these bonds mature annually on July 1, 1999 through 2025. Because \$108,550,000 of CRC 200D were used to defease later maturities of this issue, the final bond matured on July 1, 2007. Interest on these bonds was payable semiannually on January 1 and July 1. The interest rate was 5.40%.

LVVWD 1996A Bonds

These general obligation bonds in the original amount of \$180,000,000 were sold by LVVWD on July 25, 1996. These funds were used to pay for general construction related to CIP. Originally these bonds matured annually on May 15, 2000 through 2026. Because \$149,095,000 of LVVWD 1998 bonds and \$19,205,000 of LVVWD 2005B bonds were used to defease later maturities of this issue, the final bond matured on May 15, 2006. Interest on these bonds was payable semiannually on November 15 and May 15. The interest rate was 6.04%.

CRC 1997A Bonds

These general obligation bonds in the original amount of \$49,270,000 were sold by CRC on September 15, 1997. SNWA has contracted with CRC to construct and operate the power facilities associated with the CIP. These funds were used to construct Phase I of the CRC Power Delivery Project. Title to these facilities will remain with CRC. However, SNWA has an exclusive right to use these facilities in perpetuity, and an obligation to make debt service payments as they come due. Therefore, the assets and liabilities associated with these facilities are carried on the books of SNWA as well as CRC. Because \$41,550,000 of CRC2005I bond issue was used to defease the later maturities of this bond issue, the remaining bond will mature on September 15, 2007. Interest is payable semiannually on March 15 and September 15. The interest rate is 5.34%.

CRC 1997B Bonds

These general obligation bonds in the original amount of \$5,545,000 were sold by CRC on September 24 1997. The funds were used to advance refund certain maturities of CRC 1992 bonds. These bonds mature annually on July 1, 1998 through 2012. Interest on these bonds is payable semiannually on January 1 and July 1. The interest rate is 5.07%.

LVVWD 1998 Bonds

These general obligation bonds in the original amount of \$190,255,000 were sold by LVVWD on April 9, 1998. These funds were used to advance refund \$9,715,000 of LVVWD March 1995 bonds, \$12,380,000 of LVVWD July 1995 bonds, and \$149,095,000 of LVVWD 1996A bonds. These bonds mature annually on May 15 beginning in 2000. Interest is due semiannually on May 15 and November 15. The interest rate is 5.13%.

SNWA 1998 Bonds

These general obligation bonds in the original amount of \$300,000,000 were sold by SNWA through the State Bond Bank on July 9, 1998. This marked the first time SNWA had used the authorization granted by the 1997 Nevada Legislature to sell bonds directly to the Nevada State Bond Bank. This was a new

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money bond issue and the \$296,236,936 it generated was added to the construction fund for CIP. Originally these bonds matured annually on May 15 through 2028. Because \$254,400,000 of SNWA's 2005F bond issue was used to defease the later maturities of this issue, payments from November 15, 2005, to November 15, 2027 will be interest only, with the final payment on May 15, 2028, being interest and all remaining principal. Interest is payable semiannually on May 15 and November 15. The interest rate is 5.00%.

CRC 1999A Bonds

These general obligation bonds in the original amount of \$25,730,000 were sold by CRC on October 1, 1999. SNWA has contracted with CRC to construct and operate the power facilities associated with CIP. These funds were used to construct Phase II of the CRC Power Delivery Project. Title to these facilities will remain with CRC. However, SNWA has an exclusive right to use these facilities in perpetuity, and an obligation to make debt service payments as they come due. Therefore, the assets and liabilities associated with these facilities are carried on the books of SNWA as well as CRC. Originally, these bonds matured annually on September 15 through 2029. Because \$22,295,000 of CRC 2005I bond issue was used to defease the later maturities of this issue, the remaining bond will mature on September 15, 2009. These bonds mature annually on September 15 and interest is payable semiannually on March 15 and September 15. The interest rate is 6.50%.

SNWA 2000 Bonds

These general obligation bonds in the original amount of \$200,000,000 were sold by SNWA through the Clark County Bond Bank on July 11, 2000. SNWA was the first local government to use the Clark County Bond Bank authorized by the 1999 Legislature to issue bonds. This was a new money bond issue and the \$197,661,802 it generated was added to the construction fund for the CIP. Originally, these bonds matured annually on July 1 with semiannual interest payments. Because \$170,730,000 of the SNWA 2006 refunding bond issue was used to defease the later maturities of this issue, the remaining bonds will mature on July 1, 2010. The interest rate is 6.00%.

SNWA 2001 Bonds

These general obligation bonds in the original amount of \$250,000,000 were sold by SNWA through the Clark County Bond Bank on June 13, 2001. This was the second time SNWA used the Clark County Bond Bank authorized by the 1999 Nevada Legislature to issue bonds. \$116,259,653 was used on July 3, 2001, to prepay the two federal repayment contracts related to the Robert E. Griffith Project title transfer. The remainder was added to the construction fund for the CIP. These bonds mature annually on June 1 from 2004 to 2031. Interest is payable semiannually on June 1 and December 1. Because \$63,795,000 of the SNWA 2006 refunding bond issue was used to defease the bond principal payments between June 2006 to June 2022, only interest payments will be made during these years. The interest rate is 5.00%.

SNWA 2002 Bonds

These general obligation bonds in the original amount of \$200,000,000 were sold by SNWA through the Clark County Bond Bank on November 19, 2002. This entire issue's proceeds were added to the construction fund for the CIP. These bonds mature annually on June 1 from 2005 to 2032. Interest is payable semiannually on June 1 and December 1. The effective interest rate is 4.78%.

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Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

LVVWD 2003B Bonds

The letter of credit which facilitated the tax-exempt commercial paper program that LVVWD started for SNWA in 1998 expired on January 14, 2003. On January 9, 2003, LVVWD issued \$250,000,000 in long-term general obligation bonds to completely retire the \$250,000,000 in tax-exempt commercial paper notes. These bonds mature annually on June 1 from 2004 to 2027. Interest is payable semiannually on June 1 and December 1. The effective interest rate is 4.66%.

CRC 2003C Bonds

These Nevada general obligation bonds in the original amount of \$21,515,000 were sold by CRC on September 17, 2003. The funds were used to advance refund certain maturities of CRC 1993 Bonds. These bonds mature annually on July 1, 2004 through 2011. Interest on these bonds is payable semiannually on January 1 and July 1. The effective interest rate is 2.67%

LVVWD 2005B Bonds

These general obligation bonds in the original amount of \$27,925,000 were sold on April 13, 2005. The proceeds of the bond sale were used to completely refund \$3,060,000 of LVVWD March 1995 series bonds, and partially refund \$6,295,000 of LVVWD July 1995 series bonds and \$19,205,000 of LVVWD 1996A series bonds. These bonds mature annually on June 1 through 2010. Interest on these bonds is payable semiannually on June 1 and December 1. The interest rate is 3.24%.

SNWA 2005F Bonds

These general obligation bonds in the original amount of \$249,365,000 were sold on May 17, 2005. The proceeds of the bond sale were used to partially refund \$254,000,000 of SNWA's 1998 series bonds. These bonds mature annually on December 1 through 2026. Interest on these bonds is payable semiannually on June 1 and December 1. The interest rate is 4.30%.

CRC 2005H Bonds

These general obligation bonds in the original amount of \$36,130,000 were sold on March 23, 2005. The proceeds of the bond sale were used to partially refund \$35,615,000 of CRC 1994 series bonds. These bonds mature annually on June 30 through 2027. Interest on these bonds is payable semiannually on January 1 and June 30. The interest rate is 4.73%.

CRC 2005I Bonds

These general obligation bonds in the original amount of \$65,300,000 were sold on March 23, 2005. The proceeds of the bond sale were used to partially refund \$41,550,000 of CRC 1994 series bonds, and \$22,295,000 of CRC 1999A series bonds. These bonds mature annually on September 15 through 2029. Interest on these bonds is payable semiannually on March 15 and September 15. Interest rate is 4.53%.

SNWA 2006 Refunding

These general obligation bonds in the original amount of \$242,880,000 were sold on May 22, 2006. The proceeds of the bond sale were used to partially refund \$170,730,000 of SNWA 2000 series bonds, and \$63,795,000 of SNWA 2001 series bonds. These bonds mature annually on June 1 through 2030. Interest on these bonds is payable semiannually on December 1 and June 1. The interest rate is 4.59%.

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Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

CRC 2006D Bonds

These general obligation bonds in the original amount of \$111,840,000 were sold on July 11, 2006. The proceeds of the bond sale were used to fully refund the CRC 1995 series bonds. These bonds mature annually on July 1 through 2024. Interest on these bonds is payable semiannually on January 1 and July 1. The interest rate is 4.50%.

SNWA 1106 Bonds

These general obligation bonds in the original amount of \$604,140,000 were sold on November 2, 2006. The proceeds of the bond sale were used to partially refund \$103,120,000 of SNWA 2001 series bonds, and \$97,455,000 of SNWA 2002 series bonds. The issue also generated \$392,810,379 of new money which will be used for future construction projects. The bonds mature annually on November 1 through 2036. Interest on these bonds is payable semiannually on May 1 and November 1. The interest rate is 4.49%.

LVVWD 2008B Bonds

These general obligation bonds in the original amount of \$171,720,000 were sold on February 19, 2008. The proceeds of the bond sale along with a reoffering premium were used to refund \$183,420,000 of LVVWD 1998 series bonds. These bonds mature annually on June 1 through 2026. Interest on these bonds is payable semiannually on December 1 and June 1. The interest rate is 4.12%.

On February 19, 2008, proceeds from the bonds along with \$13,828,281 of premium less bond issue costs of \$811,187 were deposited into escrow to refund the May 15, 2009 to May 15, 2026 payments of the LVVWD 1998 series bond at the redemption price of 100%. SNWA expects to save \$14.1 million over the life of the LVVWD 2008B debt issue.

LVVWD Commercial Paper

On March 10, 2004, LVVWD began a new Tax-Exempt Commercial Paper (TECP) program for SNWA that authorized the issuance of up to \$400 million in TECP notes. The entire balance is currently issued. The proceeds were used on the following projects; \$200 million to fund SNWA's CIP, \$100 million to fund the purchase of the 25% interest in the Silverhawk power plant, and \$100 million to purchase water resources. This TECP program is facilitated by a letter of credit between LVVWD and BNP Paribas and Lloyds TSB Bank PLC. The letter of credit expires on March 9, 2009. The average interest rate on the \$400 million outstanding as of June 30, 2008 was 1.60%. Commercial paper is traded on the open market and is subject to market interest fluctuations. The TECP notes are composed of 31 tranches ranging in size from \$1.1 million to \$44.0 million, and ranging in maturity from 28 to 182 days.

The following schedules present changes in long-term debt for the years ending June 30, 2008 and 2007.

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Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

Outstanding Debt Activity, June 30, 2008

Debt Issue	Beginning Balance 7-1-07	Additions	Retirements	Ending Balance 6-30-08
SNWA-1	\$ 8,929,194		\$ 549,231	\$ 8,379,963
SNWA-2	7,893,891		427,479	7,466,412
Subtotal Notes Payable	<u>16,823,085</u>		<u>976,710</u>	<u>15,846,375</u>
CRC 1997A	1,135,000		1,135,000	-
CRC 1997B	3,515,000		635,000	2,880,000
LVVWD 1998	184,290,000		184,290,000	-
SNWA 1998	27,225,000		5,875,000	21,350,000
CRC 1999A	1,805,000		570,000	1,235,000
SNWA 2000	12,450,000		3,930,000	8,520,000
SNWA 2001	65,535,000		5,040,000	60,495,000
SNWA 2002	91,475,000		3,990,000	87,485,000
LVVWD 2003B	225,990,000		6,695,000	219,295,000
CRC 2003C	8,210,000		3,700,000	4,510,000
LVVWD 2005 B	20,685,000		6,990,000	13,695,000
SNWA 2005 F	249,365,000		-	249,365,000
CRC 2005 H	31,620,000		-	31,620,000
CRC 2005 I	65,300,000		-	65,300,000
SNWA 2006 Refund	241,275,000		1,295,000	239,980,000
CRC 2006 D	106,585,000		5,515,000	101,070,000
SNWA 1106	604,140,000		-	604,140,000
LVVWD 2008B	-	\$ 171,720,000	-	171,720,000
Subtotal Bonds Payable	<u>1,940,600,000</u>	<u>171,720,000</u>	<u>229,660,000</u>	<u>1,882,660,000</u>
Total Debt Before Commercial Paper	1,957,423,085	171,720,000	230,636,710	1,898,506,375
LVVWD Commercial Paper	400,000,000			400,000,000
Total Debt	<u><u>\$ 2,357,423,085</u></u>	<u><u>\$ 171,720,000</u></u>	<u><u>\$ 230,636,710</u></u>	<u><u>\$ 2,298,506,375</u></u>

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Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

Outstanding Debt Activity, June 30, 2007

Debt Issue	Beginning Balance 7-1-06	Additions	Retirements	Ending Balance 6-30-07
SNWA-1	\$ 9,459,122		\$ 529,928	\$ 8,929,194
SNWA-2	8,306,954		413,063	7,893,891
Subtotal Notes Payable	<u>17,766,076</u>		<u>942,991</u>	<u>16,823,085</u>
CRC 1995	113,820,000		113,820,000	-
CRC 1997A	2,215,000		1,080,000	1,135,000
CRC 1997B	4,120,000		605,000	3,515,000
LVVWD 1998	185,105,000		815,000	184,290,000
SNWA 1998	32,145,000		4,920,000	27,225,000
CRC 1999A	2,345,000		540,000	1,805,000
SNWA 2000	16,175,000		3,725,000	12,450,000
SNWA 2001	173,430,000		107,895,000	65,535,000
SNWA 2002	192,765,000		101,290,000	91,475,000
LVVWD 2003B	232,365,000		6,375,000	225,990,000
CRC 2003C	11,715,000		3,505,000	8,210,000
LVVWD 2005 B	27,010,000		6,325,000	20,685,000
SNWA 2005 F	249,365,000		-	249,365,000
CRC 2005 H	31,620,000		-	31,620,000
CRC 2005 I	65,300,000		-	65,300,000
SNWA 2006 Refund	242,880,000		1,605,000	241,275,000
CRC 2006 D	-	\$ 111,840,000	5,255,000	106,585,000
SNWA 1106	-	<u>604,140,000</u>	-	<u>604,140,000</u>
Subtotal Bonds Payable	<u>1,582,375,000</u>	<u>715,980,000</u>	<u>357,755,000</u>	<u>1,940,600,000</u>
Total Debt Before Commercial Paper	1,600,141,076	715,980,000	358,697,991	1,957,423,085
LVVWD Commercial Paper	400,000,000			400,000,000
Total Debt	<u><u>\$ 2,000,141,076</u></u>	<u><u>\$ 715,980,000</u></u>	<u><u>\$ 358,697,991</u></u>	<u><u>\$ 2,357,423,085</u></u>

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Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

Composition of Outstanding Debt, June 30, 2008

Debt Issue	Ending Balance 6-30-08	Current Portion	Long-Term Portion	Accrued Interest at 6-30-08
SNWA-1	\$ 8,379,963	\$ 569,237	\$ 7,810,726	\$ 126,048
SNWA-2	7,466,412	442,398	7,024,014	107,641
Subtotal Notes Payable	<u>15,846,375</u>	<u>1,011,635</u>	<u>14,834,740</u>	<u>233,689</u>
CRC 1997A	-	-	-	
CRC 1997B	2,880,000	670,000	2,210,000	
LVVWD 1998	-	-	-	
SNWA 1998	21,350,000	-	21,350,000	133,438
CRC 1999A	1,235,000	600,000	635,000	23,413
SNWA 2000	8,520,000	4,145,000	4,375,000	
SNWA 2001	60,495,000	5,315,000	55,180,000	264,433
SNWA 2002	87,485,000	4,150,000	83,335,000	367,967
LVVWD 2003B	219,295,000	7,030,000	212,265,000	937,380
CRC 2003C	4,510,000	3,900,000	610,000	
LVVWD 2005 B	13,695,000	6,685,000	7,010,000	57,046
SNWA 2005 F	249,365,000	6,715,000	242,650,000	1,039,021
CRC 2005 H	31,620,000	-	31,620,000	
CRC 2005 I	65,300,000	1,360,000	63,940,000	917,055
SNWA 2006 Refund	239,980,000	1,350,000	238,630,000	919,208
CRC 2006 D	101,070,000	4,285,000	96,785,000	
SNWA 1106	604,140,000	-	604,140,000	4,543,027
LVVWD 2008B	171,720,000	1,695,000	170,025,000	695,113
Subtotal Bonds Payable	<u>1,882,660,000</u>	<u>47,900,000</u>	<u>1,834,760,000</u>	<u>9,897,101</u>
Total Debt Before Commercial Paper	1,898,506,375	48,911,635	1,849,594,740	10,130,790
LVVWD Commercial Paper	400,000,000	400,000,000	-	725,174
Total Debt	<u>\$ 2,298,506,375</u>	<u>\$ 448,911,635</u>	<u>\$ 1,849,594,740</u>	<u>\$ 10,855,964</u>

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Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

Composition of Outstanding Debt, June 30, 2007

Debt Issue	Ending Balance 6-30-07	Current Portion	Long-Term Portion	Accrued Interest at 6-30-07
SNWA-1	\$ 8,929,194	\$ 549,231	\$ 8,379,963	\$ 134,310
SNWA-2	7,893,891	427,479	7,466,412	113,803
Subtotal Notes Payable	<u>16,823,085</u>	<u>976,710</u>	<u>15,846,375</u>	<u>248,113</u>
CRC 1995	-		-	
CRC 1997A	1,135,000	1,135,000	-	23,173
CRC 1997B	3,515,000	635,000	2,880,000	
LVVWD 1998	184,290,000	870,000	183,420,000	1,148,180
SNWA 1998	27,225,000	5,875,000	21,350,000	171,992
CRC 1999A	1,805,000	570,000	1,235,000	34,220
SNWA 2000	12,450,000	3,930,000	8,520,000	
SNWA 2001	65,535,000	5,040,000	60,495,000	287,533
SNWA 2002	91,475,000	3,990,000	87,485,000	400,571
LVVWD 2003B	225,990,000	6,695,000	219,295,000	965,276
CRC 2003C	8,210,000	3,700,000	4,510,000	
LVVWD 2005 B	20,685,000	6,990,000	13,695,000	86,188
SNWA 2005 F	249,365,000	-	249,365,000	1,039,021
CRC 2005 H	31,620,000	-	31,620,000	
CRC 2005 I	65,300,000	-	65,300,000	917,055
SNWA 2006 Refund	241,275,000	1,295,000	239,980,000	923,524
CRC 2006 D	106,585,000	5,515,000	101,070,000	
SNWA 1106	604,140,000	-	604,140,000	4,543,027
Subtotal Bonds Payable	<u>1,940,600,000</u>	<u>46,240,000</u>	<u>1,894,360,000</u>	<u>10,539,760</u>
Total Debt Before Commercial Paper	1,957,423,085	47,216,710	1,910,206,375	10,787,873
LVVWD Commercial Paper	400,000,000	400,000,000		1,846,409
Total Debt	<u>\$ 2,357,423,085</u>	<u>\$ 447,216,710</u>	<u>\$ 1,910,206,375</u>	<u>\$ 12,634,282</u>

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Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

SNWA total debt service requirements (including interest) to maturity are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009 ¹	\$ 448,911,635	\$ 99,632,969	\$ 548,544,604
2010	55,342,809	87,943,482	143,286,291
2011	54,075,277	85,102,852	139,178,129
2012	61,129,086	82,357,785	143,486,871
2013	63,424,283	79,298,209	142,722,492
2014-2018	359,786,548	345,216,371	705,002,919
2019-2023	441,801,737	248,307,033	690,108,770
2024-2028	504,705,000	128,634,708	633,339,708
2029-2033	217,120,000	39,517,687	256,637,687
2034-2038	92,210,000	5,738,275	97,948,275
Totals	<u>\$ 2,298,506,375</u>	<u>\$ 1,201,749,371</u>	<u>\$ 3,500,255,746</u>

¹Because commercial paper notes have a maturity of less than 270 days, they are presented as all maturing in the current year. In reality, as they mature the interest will be paid and the principal rolled into new commercial paper notes.

Please see Note 18, Subsequent Events, for details on debt issues that closed after June 30, 2008.

NOTE 14. DEFERRED AMOUNT ON REFUNDING

As required by GASB standards, increases or decreases in the amount of debt outstanding as a result of advance refunding of bond issues should be capitalized and amortized over the life of the refunding bond issue. The decision to refund bonds is made because there is an economic gain to be realized from refunding, even though there may be an increase in the amount of debt outstanding. Economic gain is determined by comparing the present value cash flow of the existing bond issue with that of the refunding bond issue. Typically, the economic gain comes from lower interest rates of the refunding bonds.

Advance refunding a bond issue usually results in an increase in the amount of debt outstanding as indicated by the brackets on the numbers in the following table. However, when SNWA prepaid the two federal repayment contracts to obtain title to a portion of the SNWS on July 3, 2001, it received a \$46 million discount from the amount due.

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Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

The balances are being amortized over the life of their associated debt. Deferred amounts on refunding as of June 30, 2008 and 2007, are as follows:

	June 30, 2008	June 30, 2007
LVVWD 1998 Bonds	\$ -	\$ (7,119,471)
SNWA 2001 Bonds	35,995,267	38,090,274
CRC 2003C Bonds	106,108	132,636
LVVWD 2005B Bonds	(295,000)	(590,001)
SNWA 2005F Bonds	(9,396,590)	(9,906,646)
CRC 2005H Bonds	(2,031,448)	(2,139,419)
CRC 2005I Bonds	(2,646,953)	(2,779,301)
SNWA 2006 Refunding Bonds	(10,700,368)	(11,189,605)
CRC 2006D Refunding Bonds	(12,897,828)	(13,703,942)
SNWA 1106 Bonds	(6,245,138)	(6,542,525)
LVVWD 2008B Bonds	(10,850,540)	
Total	\$ (18,962,490)	\$ (15,748,000)

NOTE 15. UNAMORTIZED BOND COSTS, PREMIUMS AND DISCOUNTS

Rather than being expensed in the year of issue, discounts/premiums and costs associated with issuing bonds are capitalized and amortized over the lives of the respective bonds. Amortization schedules are maintained for each bond issue and amortization is recorded monthly. Bonds sold at a premium are presented as positive balances. Conversely, discounts are designated with a negative amount. The unamortized balances at June 30, 2008 and 2007 are as follows:

	June 30, 2008	June 30, 2007
CRC 1997 Bonds	\$ (89,598)	\$ (93,044)
LVVWD 1998 Bonds		(3,288,031)
SNWA 2001 Bonds	(660,884)	(690,988)
SNWA 2002 Bonds	2,111,531	2,199,692
SNWA 2003 Bonds	8,532,051	8,984,081
LVVWD 2005B Bonds	478,060	732,755
SNWA 2005F Bonds	11,160,191	11,767,391
CRC 2005H Bonds	(27,826)	(29,293)
CRC 2005I Bonds	1,433,227	1,500,935
SNWA 2006 Refunding Bonds	592,703	619,803
CRC 2006D Refunding Bonds	3,071,693	3,263,660
SNWA 1106 Bonds	(3,128,316)	(3,182,218)
LVVWD 2008B Bonds	12,702,533	
Total	\$ 36,175,365	\$ 21,784,743

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Notes to Basic Financial Statements

For the fiscal year ended June 30, 2008, and the fiscal year ended June 30, 2007

NOTE 16. CAPITAL CONTRIBUTIONS

Revenues received to fund new expansion are reported on the income statement as capital contributions. Capital contributions received for the fiscal years ended June 30, 2008 and 2007, were as follows:

Capital Contributions	June 30, 2008	June 30, 2007
Contributed Capital	\$ 73,800,795	\$ 4,310,316
Regional Connection Charge	61,512,873	121,359,088
Sales Tax	53,315,770	55,060,027
Regional Commodity Charge	14,799,831	15,049,243
Regional Reliability Charge	3,977,286	3,779,815
Southern Nevada Public Lands Management Act	3,388,500	3,708,440
Purveyor Member Debt Service Billings	76,573	76,573
Raw Water Facilities Charge		35,864,100
Total Capital Contributions	<u>\$ 210,871,628</u>	<u>\$ 239,207,602</u>

NOTE 17. RISK MANAGEMENT

SNWA is exposed to a variety of risks that may result in losses. These risks include possible loss related to torts; theft of, damage to, or destruction of assets; business interruption, errors and omissions; product liability suits; and natural disasters. SNWA manages and finances these risks through a combination of purchasing commercial insurance and self-assumption of risk. The self-assumption of risk by SNWA is in the form of deductibles of \$50,000 for damage to SNWA property except for earthquake and flood which have a deductible of \$500,000 per occurrence, and errors and omissions claims of \$100,000 per incident. Also, SNWA self-insures its fleet of vehicles for material damage claims. In addition, in 2003 SNWA implemented a self-insurance program for its automobile and general liability exposure. SNWA assumes the first \$1 million for any one claim and purchases \$30 million of excess liability insurance. SNWA has not established a separate fund or account to finance or record its retained risks for this coverage.

LVVWD, which serves as operating agent for SNWA, provides all employees for SNWA and also provides workers' compensation insurance for its employees as required by Nevada law. In 2003, LVVWD implemented a self-insured workers' compensation program. Under the current program, LVVWD assumes the first \$500,000 per claim. LVVWD purchases excess workers' compensation insurance with statutory limits for any claims, which exceed the self-insured retention of \$500,000. SNWA has no employees of its own.

For the fiscal year ended June 30, 2008, SNWA has had no significant reductions in insurance coverage from the prior fiscal year. Also, the amount of settlements and awards has not exceeded insurance coverage for each of the past five fiscal years.

GASB Statement No. 10 requires that for retained risks, a liability for claims be reported if information available prior to issuance of the financial statement indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In

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addition, there are also situations in which incidents occur before the balance sheet date, but claims are not reported or asserted when the financial statements are prepared. As of June 30, 2008, SNWA has no significant retained risks and therefore has no accrued liability for retained risks.

NOTE 18. SUBSEQUENT EVENTS

Water Leases and Purchases from the MVIC, MIC, and BIC

As described in Notes 8 and 12 SNWA has been aggressively purchasing and leasing shares of MVIC, MIC, and BIC. After June 30, 2008, SNWA purchased an additional 212.6 shares of the three irrigation companies which represent 554.3 acre-feet of additional water supplies for \$4.06 million.

SNWA has also leased an additional 1,913.4 shares representing 9,602.6 acre-feet of additional annual water supply. The following shows the remaining minimal rental payments due under the terms of these lease contracts.

Fiscal Year June 30	Water Leases
2009	\$ 1,044,287
2010	312,691
2011	309,030
2012	99,752
2013	84,995
2014-2018	126,213
2019-2023	6,688
	<u>\$ 1,983,657</u>

Wholesale Delivery Charge

Effective July 1, 2007, the wholesale delivery charge was increased from \$257/acre-foot to \$262/acre-foot. The raw water wholesale delivery charge was decreased slightly \$193/acre-foot to \$192/acre-foot.

Bond Issues

On July 2, 2008, Clark County on behalf of SNWA issued \$400.0 million in general obligation bonds. Proceeds of this issue will be used for future construction costs. The issue was sold at a premium of \$19.1 million and has a true interest cost of 4.63%. The 30 year issue will add approximately \$26.8 million to the annual debt service liability.

On July 30, 2008, SNWA issued \$6.9 million of subordinate lien revenue bonds. The bonds were issued pursuant to the Clean Renewable Energy Bonds Program as established by the Internal Revenue Code. The issue was sold at a true interest cost of 1.17%. The 15 year issue will add approximately \$0.5 million to the annual debt service liability.

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Builders' Risk and Terrorism Insurance

On July 17, 2008, the Board approved the purchase of Builders' Risk and Terrorism Insurance on intake number 3 currently under construction. Limits of the policy include \$715 million of builders' risk, \$250 million of primary terrorism insurance on real and personal property and \$465 million of excess terrorism insurance. The premium on this comprehensive policy will be \$13,457,210.

Purchase of Additional Water Rights

On September 18, 2008, the Board approved the purchase of 1,340.91 acre-feet of upper Muddy River annual water rights for a cost of \$11,531,826. This purchase is over and above the water rights approved for purchase as described in Notes 8 and 12 and this section. The per acre-foot price of \$8,600 is consistent with the aforementioned water rights.

Forward Energy Contracts

The volatility of the financial and commodity markets in the third quarter of calendar 2008 has caused the fair market value of SNWA's energy resources portfolio to fall from \$272.8 million on June 30, 2008 to \$67.3 million on September 20, 2008. However as described in Note 12, this valuation is of limited use because the portfolio has been created solely to provide for the future energy requirements of SNWA.