



Southern Nevada
Water Authority

INTRODUCTORY SECTION



SOUTHERN NEVADA WATER AUTHORITY

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December 10, 2008

Board of Directors
Southern Nevada Water Authority
1001 South Valley View Boulevard
Las Vegas, Nevada 89153

We are pleased to present the Southern Nevada Water Authority's (SNWA) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. SNWA's MD&A can be found beginning on page 2-2 immediately following the report of the independent auditors.

FORMAL TRANSMITTAL OF THE CAFR

This report was prepared by SNWA staff, in accordance with current accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board (GASB). The presentation of data is designed to conform to guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). SNWA management is solely responsible for the accuracy of the data presented and the completeness and fairness of presentation, including all disclosures. We believe the data to be accurate in all material respects and reported in a manner designed to fairly set forth the financial position and results of SNWA's financial activities and operations.

We believe SNWA's internal controls over financial reporting adequately safeguard SNWA's assets and provide reasonable assurance of proper recording of financial transactions and the preparation of financial statements and accompanying information. In developing and evaluating SNWA's accounting and financial reporting system, consideration is given to the adequacy of such internal controls. These controls are designed to provide reasonable assurance regarding safeguarding assets against loss from unauthorized use or disposition and also to prevent fraudulent financial reporting. The controls enhance the reliability of financial records for preparing financial statements and maintaining accountability of SNWA assets. Reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived from that control, and the evaluation of costs and benefits requires estimates and judgments by management. SNWA is committed to continually improve and strengthen its internal control procedures.

Bond covenants and state statutes require an annual audit of SNWA's basic financial statements. This year, the independent public accounting firm of Piercy Bowler Taylor & Kern, Certified Public Accountants and Business Advisors, performed the audit. Their report on the basic financial statements, which contains an unqualified opinion, is included in the financial section.

The independent audit of the basic financial statements of SNWA was part of a broader, federally-mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The regulatory provisions governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the basic financial statements, but also on the government's internal controls and compliance with legal requirements involving administration of federal awards. This report is available in a separate Single Audit Compliance Report.

SNWA MEMBER AGENCIES

Big Bend Water District • Boulder City • Clark County Water Reclamation District • City of Henderson • City of Las Vegas • City of North Las Vegas • Las Vegas Valley Water District

PROFILE OF SNWA

Basic Information -- SNWA is a political subdivision of the State of Nevada (the State), created in 1991 by a cooperative agreement of its member agencies. SNWA was created to address Southern Nevada's unique water needs on a regional basis and was charged with managing the region's water resources providing for Las Vegas valley area residents' and businesses' present and future needs. SNWA is governed by a seven-member Board of Directors (the Board) composed of one director from each of the seven member agencies. Because its operations are autonomous from its member agencies and the State; therefore, SNWA's financial statements are not included in the financial statements of any other entity.

The Las Vegas Valley Water District (LVVWD) serves under contract as operating agent for SNWA. In that capacity, LVVWD previously paid substantially all operating and capital expenses on behalf of SNWA and was reimbursed by SNWA. As payments for the SNWA Capital Improvement Plan increased to current levels, SNWA began paying construction contracts directly. Currently, SNWA directly pays most of the cost of the power required to operate the Southern Nevada Water System.

Accounting System -- The SNWA accounting system is structured on the basis of fund accounting. In governmental accounting, a fund is a self-contained accounting entity with its own set of assets, liabilities, revenues, expenditures or expenses and fund balance. SNWA uses a single enterprise fund to present its financial operations. The enterprise fund is used to account for SNWA operations using full accrual accounting in a manner similar to a private business enterprise. It is the intent of SNWA to establish water rates and other charges at levels sufficient to provide for payment of general operations and maintenance expenses as well as capital improvements and required annual debt service. Under full accrual accounting, revenues are recognized when earned and expenses (including depreciation) are recognized when incurred.

Budgetary Controls -- As required by Nevada statutes, the Board approves SNWA's budget annually following a public hearing, and a copy of the budget is submitted to the Nevada Department of Taxation. Budgetary controls are established at the levels of total estimated operating and non-operating expenses. SNWA is a self-supporting operation of a commercial nature, which also receives a portion of the ¼ penny sales tax known as the Clark County Tax for Infrastructure. Revenues and expenditures will vary, depending on the timing and level of demand for services.

The budget effectively controls expenditures at various levels. Most disbursements are made through the issuance of purchase orders or in connection with approved contracts. The Support Services Department administers purchasing of new furniture, vehicles, and communication equipment. The Information Systems Department administers computer equipment purchases. Financial Services prepares periodic variance reports by division. In addition, departments can access budget to actual information in real time throughout SNWA's computer network. Division managers are accountable for over/under expenditures. The Human Resources Department controls new positions. All of the departments referred to above are LVVWD departments that provide support for SNWA.

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy – Las Vegas, including areas within Clark County that surround the city, continues to thrive on gaming and tourism. According to calendar year 2007 statistics provided by the Las Vegas Convention and Visitors' Authority (LVCVA), 46% of all Las Vegas visitors arrive by air via McCarran International Airport, an international port of entry and one of the ten busiest airports in the world. LVCVA estimates that in calendar year 2007 the total visitor count to the Las Vegas metropolitan area was a record 39.2 million, up 0.7% from the previous year.

According to the U.S. Bureau of Census, Clark County experienced a population increase of 81%, up from 770,280 in 1990 to 1,394,440 in 2000. As of June 30, 2008, the population of Clark County was estimated to be just over 2.0 million. Experts forecast Clark County's population to exceed 2.28 million residents by 2010. Some job growth also continues in the Las Vegas metropolitan area despite the sluggishness of the national economy. Total employment at June 30, 2008, was 997,200, compared to 942,000 a year earlier. The unemployment rate for the Las Vegas metropolitan area was 6.5% on June 30, 2008, up from 4.8% the previous year. The median price of a new home in Las Vegas in 1995 was \$125,100 and peaked at \$349,900 in 2005. As of June 2008 it was \$269,900.

Long-term financial planning – As of June 30, 2008, SNWA has slightly less than \$2.3 billion in outstanding general obligation debt. See Note 13 for a discussion of outstanding SNWA debt. SNWA is required to set rates and charges at levels sufficient to cover all operating costs and debt service. All applicable bond covenants have been met or exceeded.

SNWA has four options to sell debt. First, SNWA can ask LVVWD to sell debt on its behalf. Standard & Poor's rates LVVWD bonds "AA+", and Moody's Investors Service rates them at "Aa1". This rating makes LVVWD's bonds "high investment" grade.

The second option is for SNWA to sell its bonds to the State Bond Bank, which then sells the State's general obligation bonds. The 1997 Nevada Legislature made this option available. Standard & Poor's rates the State's bonds "AA+", and Moody's Investor Services rates them at "Aa1". This rating classifies the State's bonds as "high investment" grade.

The third option, which was made available by the 1999 Nevada Legislature, is the Clark County Bond Bank. SNWA can sell its bonds to the Clark County Bond Bank, which can then sell Clark County general obligation bonds. Standard & Poor's rates Clark County bonds "AA+", and Moody's Investor Services rates them at "Aa1". SNWA generally intends to use LVVWD to sell short-term (commercial paper) and variable rate debt, and the State of Nevada or Clark County to sell long-term fixed-rate debt.

Finally, SNWA can issue debt in its own name. SNWA has an issuer credit rating of "AA-" by Standard & Poor's. This is the rating Standard & Poor's would assign to SNWA's senior debt, if it existed. However, SNWA cannot make a general obligation (property tax) pledge so interest rates would be higher. Also, SNWA's credit rating is slightly below the rating of LVVWD, the State of Nevada, or Clark County, which would result in slightly higher interest rates. As a result, it is expected that SNWA will continue to use the options listed above to issue debt.

Cash Management -- During the past fiscal year, SNWA funds (including available operating, debt service, and capital improvement funds) were invested in obligations of the U.S. government, obligations of government-sponsored agencies, certificates of deposit, money market accounts, and corporate commercial paper in accordance with SNWA's investment policy. Government and agency obligations are purchased through recognized and regulated brokers dealing in government securities. All investments are held by a bank's trust department in SNWA's name or are insured or collateralized with securities held by a third party in SNWA's name. For the fiscal year ended June 30, 2008, SNWA earned an average yield on its entire investment portfolio of 4.43% computed on an amortized cost basis.

Risk Management -- SNWA employs a multifaceted approach to risk management, which includes transfer, elimination, avoidance, reduction, and/or assumption of risk of loss. SNWA purchases insurance from the commercial insurance market on real and personal property, including earthquake and flood, with common policy restrictions covering direct physical loss of, or damage to, buildings, fixtures, equipment, boilers, machinery, and supplies. The blanket limit of liability under the property insurance program is \$500 million (flood coverage limited to \$25 million, earthquake coverage limited to \$50 million) with a deductible of \$50,000 for all losses except earthquake and flood, which have a deductible of \$500,000, and underground

communications, water transmission and distribution lines, which have a \$500,000 deductible. This program also provides terrorism insurance for all locations with a blanket limit of \$500 million. SNWA self-insures the first \$1 million for automobile and general liability exposure and purchases excess liability insurance in the amount of \$20 million. It also purchases employee fidelity insurance in the amount of \$1 million and other miscellaneous coverages.

In contracts, SNWA obtains indemnification and hold harmless agreements. These agreements require that contractors name SNWA as an additional insured under the indemnitor's insurance coverage, usually in the amount of \$1 million to \$10 million for commercial general and automobile liability insurance. SNWA provides builders risk insurance for all construction projects with a blanket limit of \$100 million per contract, or higher as needed, with a \$50,000 deductible per claim, except earthquake and flood where the deductible is \$500,000 per claim. The cost of settlements and awards has not exceeded insurance coverage for any of the past five fiscal years.

SEC REQUIREMENT

On November 10, 1994, the Securities and Exchange Commission amended the Securities Exchange Act of 1934, Rule 15c2-12, regarding continuing disclosure by issuers of municipal securities for the benefit of holders of such securities. The amendments require, among other things, that certain annual financial information be provided to various information repositories for bond issues sold on or after July 3, 1995. The annual financial information must include an update of the same financial statements, except for forecasts, that were included in the final official statement issued at the time of the bond sale. The required annual financial information for SNWA is presented in the SEC Disclosure Compliance Section of this report. SNWA forwards copies of its CAFR to appropriate information repositories.

AWARDS AND ACKNOWLEDGMENTS

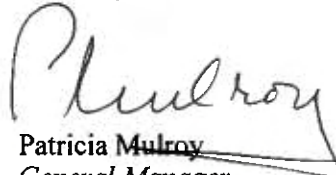
The GFOA awarded the Certificate of Achievement for Excellence in Financial Reporting to SNWA for its CAFR for the fiscal year ended June 30, 2007. This was the twelfth consecutive year that SNWA received this award.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized financial report, whose contents conform to program standards. Such reports must satisfy both accounting principles generally accepted in the United States of America, and applicable legal requirements.


The Certificate of Achievement is valid for a period of one year only. We believe this report continues to conform to the Certificate of Achievement Program requirements, and SNWA plans to submit it to the GFOA following approval from the Board.

We express our appreciation to all members of SNWA's administrative staff and the independent certified public accounting firm of Piercy Bowler Taylor & Kern. Additionally, we recognize SNWA's Accounting staff for their efforts in preparing this report, especially Randall Buie, SNWA Controller, and Cheryl Styck, Senior Accountant. We also thank the members of the Board for their continued support in the planning and implementation of the financial affairs of SNWA.

Sincerely,

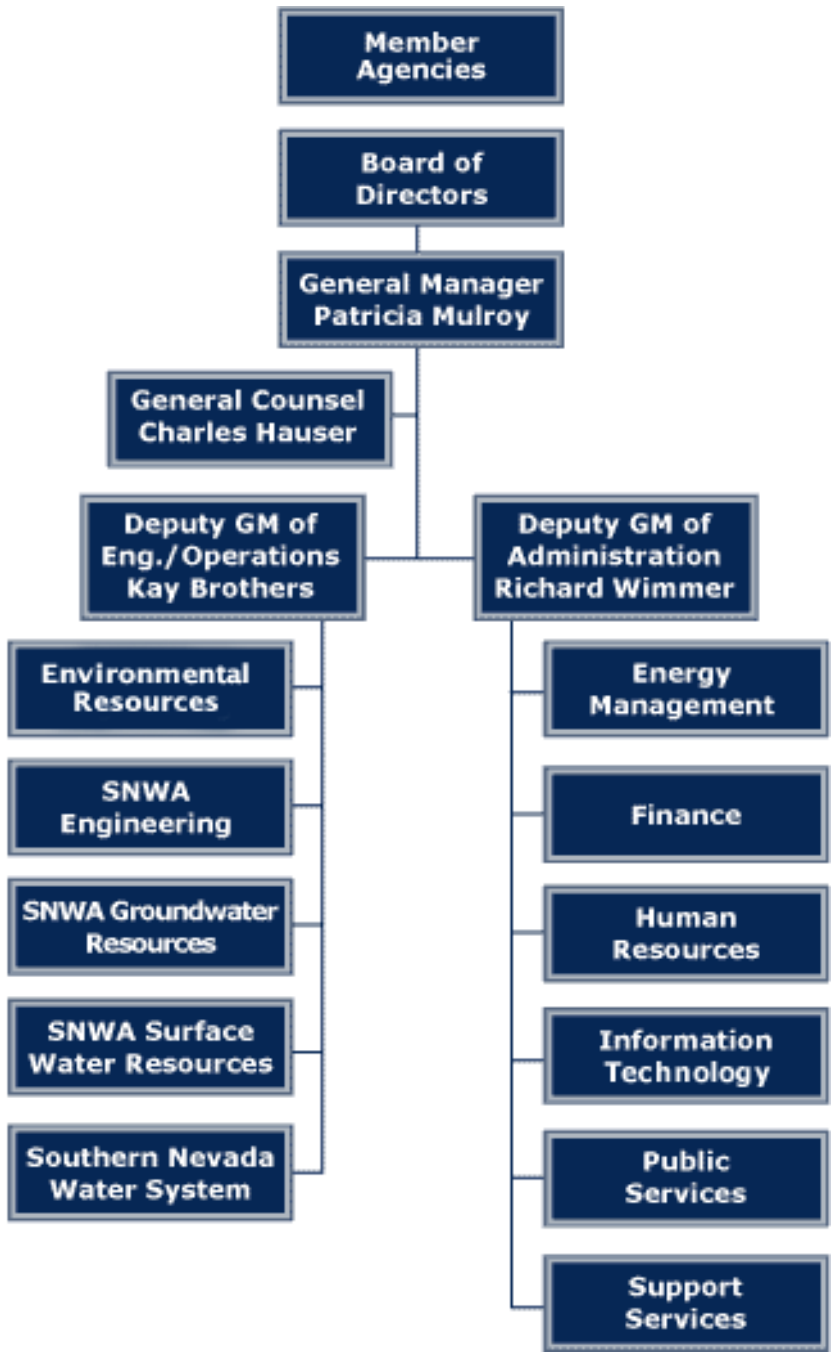


Patricia Mulroy
General Manager



Cary M. Casey
Treasurer

ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Southern Nevada Water Authority

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

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



Charles S. Cox

President

Jeffrey R. Enos

Executive Director