

Reno-Tahoe Airport Authority

Reno, NV



Comprehensive Annual Financial Report

For the year ended June 30, 2006



RENO-TAHOE AIRPORT AUTHORITY

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2006

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Reno-Tahoe International Airport

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November 15, 2006

Board of Trustees
Reno-Tahoe Airport Authority
Reno, Nevada

This report is the Comprehensive Annual Financial Report (CAFR) of the Reno-Tahoe Airport Authority ("RTAA") (formerly the Airport Authority of Washoe County), for the fiscal year July 1, 2005, through June 30, 2006. The staff of the RTAA prepared this report and is responsible for the information it contains. The purpose of this report is to fully and fairly present the financial position, operating results, and cash flows of the RTAA.

This CAFR contains financial statements and statistical data that fully disclose all the material financial operations of the RTAA. The financial statements and statistical information contained herein are the representations of the RTAA's management, which bears the responsibility for the accuracy, completeness, and fairness of this CAFR. A narrative overview and analysis of the financial activities of the RTAA that occurred during the year ended June 30, 2006 is presented in the Management's Discussion and Analysis (MD&A) found at the beginning of the Financial Section.

This Comprehensive Annual Financial Report has been prepared and organized based on guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). The GFOA awards a Certificate of Achievement to those entities whose annual financial reports are judged to conform to the high standards of public financial reporting, including generally accepted accounting principles issued by the Governmental Accounting Standards Board (GASB). It is our belief that the accompanying 2006 CAFR meets program standards, and it will be submitted to the GFOA for review.

In accordance with the above-mentioned guidelines, the accompanying CAFR consists of four parts:

1. **Introductory Section**, including members of the Board of Trustees, an Organization Chart and listing of Senior Management, a reproduction of the 2005 Certificate of Achievement, and this Letter of Transmittal.
2. **Financial Section**, including the Management's Discussion and Analysis (MD&A) of the 2006 financial statements, financial statements (with related footnotes) as of June 30, 2006 and 2005, and for the years then ended, accompanied by our independent auditor's report.

3. **Statistical Section**, providing financial, economic, and industry specific information.
4. **Compliance Section**, providing the Schedule of Expenditures of Federal Awards, the Schedule of Passenger Facility Charges, related notes, the Schedule of Findings and Questioned Costs and the independent auditor's report on the RTAA's compliance with Federal OMB Circular A-133 and Passenger Facility Charge program requirements.

REPORTING ENTITY

RTAA is a quasi-municipal corporation that was created by the Nevada State Legislature and began operation on July 1, 1978. The act creating the RTAA provides that it will serve a public use and will facilitate safe and convenient air travel and transport to and from the Reno-Tahoe area. The RTAA is an independent entity that is not part of any other unit of local government and does not use local property or sales tax revenue to fund its operation. The RTAA owns and operates Reno-Tahoe International Airport and Reno-Stead Airport.

Reno-Tahoe International Airport (RTIA) is a medium hub airport that served 5.2 million passengers last fiscal year representing a 1 percent increase in passengers over the previous fiscal year. With 9,851 daily departure seats available on 10 major/national, and 5 regional airlines, RTIA offers better air service than any other airport from a city of comparable size anywhere in the United States. Fares to and from Reno-Tahoe are among the lowest in the nation, with only 14 cities in the top 100 routinely offering lower fares than RTIA. RTIA is home to Alaska/Alaska Airlines, Aloha Airlines, American Airlines, Continental, Delta/Delta Connection, Frontier, SkyWest, Southwest Airlines, United Airlines, and US Airways. Together these airlines operate 79 daily departures to 16 non-stop destinations throughout the United States and Canada.



Upcoming air service includes Southwest's daily service to Chicago-Midway effective December 2006 and two daily non-stop flights to San Diego beginning in March 2007. Delta will be adding two new daily flights from Reno to Los Angeles effective March 2007 with United also adding one daily flight from Reno to Los Angeles in December 2006. Continental Airlines is adding one additional daily flight from Reno to Houston in December 2006 and in October 2006, US Airways added one daily Phoenix.

In addition to increasing passenger numbers, cargo at RTIA increased 5.6 percent last fiscal year over 2005. Approximately 113 million pounds of cargo traveled through RTIA in fiscal year 2006.

The geographical area served by RTIA primarily encompasses the seven Nevada counties of Churchill, Douglas, Humboldt, Lyon, Pershing, Storey, and Washoe and the major cities of Reno, Sparks, and Carson City (the capital of the State of Nevada). The total air trade area

for the Airport also includes the Lake Tahoe area and several communities in northeastern California.

Reno-Stead Airport is a 5,000 acre general aviation airport, serving as a reliever airport for RTIA. General aviation airports typically do not have scheduled air service, but do provide for military, helicopter, charter, and private aircraft operation. Aircraft owners or aviation related businesses lease land or buildings at Reno-Stead from the RTAA. Reno-Stead is home to Aviation Classics, the Bureau of Land Management, the Nevada Army National Guard, Nevada Kart Club and the Reno Air Racing Association.

The nine-member Board of Trustees that governs the RTAA is appointed by the City of Reno, City of Sparks, Washoe County and the Reno-Sparks Convention & Visitors Authority. Four members are appointed by the City of Reno, two by the City of Sparks, two by Washoe County and a ninth board member is appointed by the Reno-Sparks Convention & Visitors Authority. The Board members' terms are staggered to ensure the presence of experienced members.

ECONOMIC CONDITION AND OUTLOOK



Today's RTAA is a dynamic organization that operates RTIA, the 59th busiest airport in the nation, as well as the popular Reno-Stead Airport, home to 250 based aircraft and the famous Reno National Championship Air Races. Together, these airports have a \$3.25 billion annual economic impact on the local economy. This sector provides close to 40,000 jobs to the local economy.

The strong financial condition of the RTAA is primarily a result of an economically diverse air trade area with strong origination and destination markets. Southwest Airlines has a major presence at RTIA with 49% of the passengers traveling to and from Reno, while there is balanced long haul and short haul service offered from the other carriers.

Despite the unrest in the airline industry today, the primary goal for RTIA is to increase air service. RTAA is constantly striving to add new airline service. Using a combination of detailed business analysis, case studies that are tailored to each airline and personal contacts, the air service marketing approach has been successful in acquiring new routes and seats. Furthermore, RTAA has earned a reputation for integrity when approaching airlines.

A spirit of partnership exists between the Airport and the airlines as new flights are added. Cooperative advertising programs and community sponsored incentives help establish new airlines and service in the RTIA market. If a new flight is successful, the RTAA is successful. Additional air service will be added during the fiscal year 2006-2007 which will increase the seats available to 10,699 to 17 nonstop destinations.

To make air service more attractive for a current or new airline, RTAA has adopted an airline incentive program for any airline establishing service to a market not currently served. This program allows up to 12 months of free terminal building rent and landing fees, or other

negotiated items, depending on the size of the new market. RTAA is a member of the Regional Marketing Committee (RMC) which offers advertising for air service to a new market. The RMC is made up of RTAA, Reno-Spark Convention & Visitors Authority, Ski Lake Tahoe, the local Reno-Sparks Hotel Casinos and all the Convention and Visitors Bureau in the region. Along with this advertising, RTAA also offers local advertising which may include a billboard ad, banners at the airport and local print advertising. Through the use of incentives, RTAA demonstrates a willingness to share start up risks and affect a commitment to seeing that an airline is successful in offering new air service to Reno-Tahoe.

GOOD FOR BUSINESS



Economic growth in the Reno-Tahoe Metropolitan Statistical Area (MSA) is very strong. The area had the 4th highest job growth in the nation (2nd quarter 2004). New home sales increased 36% from 2000 to 2005. The per capita income in the MSA is \$36,831, 19% higher than the national average of \$30,906. The present population of the primary air trade area served by RTIA is 1.2 million. While gaming and tourism have long dominated the area's economy, the business economy has strengthened and diversified in recent years with an influx of jobs associated with product distribution facilities and manufacturing. This trend is expected to continue.

Reno-Tahoe area business developments have a significant impact on air service demand in this market. A 2005 resident survey found that 47% of travelers through RTIA are traveling on business. Several national publications recognize Reno-Sparks and Nevada as great places to do business. In January 2006, the Chief Executive Magazine ranked Nevada No. 2 as the best state for business. In May 2006, Inc. Magazine ranked the Reno-Sparks area the fifth best mid-size market in which to do business, and the region was also ranked in the top 25 overall best cities in which to do business in America. Thirty-six Fortune 500 companies and nine Top 20 Fortune America's Most Admired Companies have a significant presence in northern Nevada. Wal-Mart recently opened a new 915,564 square-foot distribution center that will service 72 Wal-Mart stores throughout Nevada and California. Other Fortune 500 companies located in the area include General Electric, Dell, Federal Express, Cisco Systems and Barnes & Noble. All have chosen to expand or move into this region, joining longstanding corporate residents Ralston Foods, International Game Technology and General Motors.



The tax climate is pro-business and critical to a corporation's profit potential. Nevada's tax structure is designed to be less burdensome to both business and its employees. Nevada has no corporate, personal, unitary, inventory or franchise taxes. Coupled with the area's reasonable property and sales tax rates, it becomes clear why Reno/Sparks/Tahoe is a desirable place to live and work. Add to that a litany of other attributes including, accessibility to western markets, a major transportation hub, an abundance of available industrial/office/commercial space, and an advanced telecommunications infrastructure.

REGIONAL RENAISSANCE

Both the City of Reno and the City of Sparks are revitalizing their downtown cores. Nearly 2,000 condo units in downtown Reno are in some phase of planning or construction. The condos will range from studios to \$1 million penthouse suites. The City of Sparks is working with a developer to build commercial buildings, houses and an apartment complex at the new Sparks Marina development. There will also be a condominium project on the northeast corner of the lake, next to the commercial building. Red Development of Kansas City will be looking at taking 100 to 110 acres, including tearing down an old outlet mall on Sparks Boulevard and putting in a shopping center which represents a \$400 million investment. In downtown Sparks, the first phase of the Victorian Square redevelopment will be breaking ground this next year which will include 167 townhouses. Some will be live/work townhouses where the first floor will house business and the remaining floors will be living space. Small retailers or service businesses, such as attorneys and accountants, could live on the top two floors and work on the bottom floor. The development will also include two restaurant pads and retail areas. The second phase will be to build the new City hall which will also include a bottom floor of small boutique shops.

The Grand Sierra Resort and Convention Center is in the process of converting the Reno Hilton Hotel into a four-star major development that includes two condo hotel towers, a casino, and eventually two immense water parks. The resort will offer families, travelers, conventioners, and gaming enthusiasts the opportunity to stay at the gateway of the Sierra Nevada Mountains.

The Reno Transportation Rail Access Corridor (ReTRAC) project was completed in early 2006. This project lowered 2.3 miles of railroad track through downtown Reno and is the biggest public works improvement ever undertaken by the City of Reno. The project was completed on schedule and under budget. It will ensure that Reno's downtown will be safe, clean and more open for economic development. The City of Reno is currently working on a project for downtown improvements which include widening the sidewalks to accommodate outside dining, street vendors, and special events and increased lighting and police presence. Also under way is Reno's Homeless Services Center. The site will include a 150-bed men's drop in center, St. Vincent's Dining Room, a homeless resource services center, the Reno-Sparks Gospel Mission and a women's and family shelter.



A mixed-use public plaza opened in the fall of 2005 and includes an 85 foot by 185 foot rectangular ice rink. The design also includes a sloped amphitheater, a stage and marker elements that depict the history of Reno, including water feature and landscaping that includes a grove of trees. A canopy will be added to the ice rink for the 2006 winter season.

In keeping with the theme of "America's Adventure Place", the Truckee River Whitewater Park allows everyone to enjoy outdoor activity year round. The park provides a constant flow of clean, fresh water through its 11 drop-pools. It is one half mile long, with easy access for the public and spectators, and attracts world class white water kayakers to the site. The white water park is planned for expansion thru both Reno & Sparks!

The Summit Sierra outdoor mall opened in March 2006, located to the South at the intersection of Highway 395 and the Mt. Rose Highway. The 70-acre site houses several retailers that are new to Northern Nevada such as Dillard's, Abercrombie & Fitch, Banana Republic, Chico's, J. Jill, and Orvis.



RTIA is the closest airport to the Lake Tahoe area, which is the gateway to 18 ski resorts in the Sierra Nevada Mountains. Southwest Airlines recently announced that they are the "Official" airline of Ski Lake Tahoe! Ongoing regeneration continues to make a dramatic impact on both the North and South Shores of Lake Tahoe. The Heavenly Village, Village Center and Ski Run Boulevard areas have all been newly renovated offering a mix of unique boutiques, high-end adventure apparel shops and a year-round sightseeing gondola that whisks you 9,000 feet above sea level. Heavenly Mountain Resort has invested a total of \$36 million in renovations since Vail took over in 2002. The new village at Northstar includes a pedestrian friendly village featuring 100 luxury condominiums, a variety of shopping options, art galleries and specialty retailers all centered around a year-round ice skating rink. The Ritz-Carlton Hotel Company plans to develop a 173-room, ski-in, ski-out resort and 20,000 square foot spa at Highlands in North Lake Tahoe on Northstar Mountain. This will be Lake Tahoe's first five star-caliber hotel. Construction is expected to begin in the summer 2007, with a scheduled late 2009 opening. New to Squaw Valley is "The Village at Squaw Valley, USA." The first two phases of Intrawest's new \$250-million Village at Squaw Valley are open. The European-style pedestrian village has a total of 286 slope side condominiums, 17 boutique shops and seven restaurants.

SPECIAL EVENTS

Tourism and conventions continue to be big business in the Reno-Sparks area. The Reno-Sparks Convention & Visitors Authority owns and operates several facilities designed to draw out of town visitors. The Convention Center houses 565,000 square foot of convention space. The Reno-Sparks Livestock Events Center is a 35,000 square feet exhibit space with an indoor arena seating 6200 and a lighted outdoor arena seating 9000. The Reno Rodeo holds its event in the arena as does the Nevada State Fair. The only facility of its kind in the world, the National Bowling Stadium is dedicated to the sport of bowling. Opening in 1995, The Los Angeles Times called it the "Taj Mahal of Tenpins." The Reno Events Center was completed in January, 2005. It has grossed over \$6 million in ticket sales since opening and 50% of the tickets are sold in northern California. The Reno Events Center hosts conventions and trade shows, and serves as a downtown entertainment venue. With 118,000 square feet available for events, this \$65 million facility reflects the City's commitment to diversifying the downtown economy. Current enhancements include upgraded rigging capable of holding heavier sound systems and various improvements to the ventilation system to handle pyrotechnics. Future expansion includes dressing rooms and additional backstage areas. Two large events are hosted by the Reno-Sparks Convention & Visitors Authority, the Safari Club and an annual Volley Ball Festival. Both have signed multi year agreements. A record 25,000 people arrived in Reno for the Safari Club International 33rd annual Hunter's Convention in January 2006. Just slightly smaller in number of participants than the summer Olympics, the Volleyball Festival is the world's largest annual sporting event for women. Attendance is estimated at about 9,500 young women age 11 to 18, and 11,750 coaches, parents, recruiters, staff and spectators.



The Reno-Tahoe area draws hundreds of thousands of visitors to Northern Nevada for community-wide special events throughout the year. This year's special event season started with the Reno Rodeo, a nine-day event in its 86th year and a PRCA (Professional Rodeo Cowboys Association) sanctioned sporting event. The Reno Rodeo is a non-profit organization made up of over 550 volunteers with over 120,000 fans in attendance; it is the 3rd largest PRCA tour rodeo. The event impacts the Reno/Sparks area economy by approximately \$34.5 million. The Reno Rodeo was nationally televised on OLN, ESPN, ESPN2 and CBS.

The first week of August is reserved for Hot August Nights; a celebration of the 50's and 60's emphasizing the cars of the era. More than 200,000 people flock to the event. There are more than 5,000 classic cars from 36 states across the nation, including Alaska, Massachusetts and Florida and three Canadian provinces. Californians bring over 2,500 cars for this event. Nevadans have over 1,500 cars entered and registration from the Pacific Northwest is strong with more than 280 from Oregon and 220 from Washington.



There are many great events in the area in September, and heading things off is the Best of the West Rib Cook Off held in the City of Sparks and sponsored by John Ascuaga's Nugget. Following the rib cook off are the Reno Balloon Races. The balloon races first got off the ground in 1982, with only 20 balloons participating. This year, 23 years later, the event includes over 100 balloons. The mission of the Great Reno Balloon Race is to provide a premier, safe, family-oriented/tourist-attractive, visually dramatic event that celebrates the joy of flight while remaining free to the public.



The blue September skies of Reno are also the home of the National Championship Air Races (NCAR). The NCAR and Air Show have run at the Reno-Stead Airport every year since 1964. It has only been interrupted once – in September 2001 when all aircraft in the U.S. were grounded following the terrorist attacks in New York and Washington. The National Championship Air Races bring together hundreds of aviation and sports enthusiasts from around the world, including many residents of Reno and the surrounding areas. Race and air show participants include astronauts, airline pilots, and military and civilian aviators.

Street Vibrations is the place to be for those in search of a celebration of music, metal and motorcycles. An official Northern California Harley-Davidson Dealers Association event, Street Vibrations offers tours, entertainment, parades, ride-in shows, Chrome Alley retail vendors, Camel Roadhouse, the Harley-Davidson Factory Store, concerts and more. The event attracts an estimated 40,000 people to the Reno/Tahoe/Carson City area and is expected to pump about \$21 million into the local economy. Now ranked the 6th largest motorcycle event in the nation, Street Vibrations combines the best bikes the West has to offer with incredible bands on multiple stages throughout the community.

MAJOR INITIATIVES AND DEVELOPMENT

On July 1, 2005 the Airport Authority of Washoe County became the Reno-Tahoe Airport Authority. Governor Kenny Guinn signed legislation June 21, 2006 officially changing the name of the organization that operates Reno-Tahoe International Airport and Reno-Stead Airport. In reality, the name change has been evolving over the past few years as Reno-Tahoe International Airport has grown in scope, service and reputation. The importance of international name recognition is emphasized by the change in Airport passengers. Last year, over 150,000 of the Airport's passengers were international travelers who make up the fastest growing segment of customers.

Renaming the Airport Authority of Washoe County with the world renowned Reno-Tahoe name creates a brand and increases recognition of the airport system worldwide. As efforts at international air service marketing increase, it signals to the aviation industry that Reno-Tahoe is a world class airport.

With this new recognition comes a responsibility to operate an airport that represents world class standards. RTAA has changed more than just its' name. The vision is enhanced with a renewed focus on customer service and planning and design are leading edge. Air service marketing will reach beyond the region and even beyond national borders.

TERMINAL ENHANCEMENTS



Various terminal improvements were completed in the 2005-2006 fiscal year. Total reconstruction and modernization of concourse restrooms was completed adding needed facilities for the traveling public. Installation of new technology for a state-of-the-art Emergency Operations Center and Airport Communication Center (EOC/ACC) was completed. The new EOC/ACC is located at a remote site on the Airport and enhances the management of daily and emergency operations resulting in improved safety and security for all airport users. Along with this project, the RTAA purchased a new state-of-the-art Mobile Incident Command Vehicle that will be used for emergency operations management.

RTAA is currently in design for a new In-Line Baggage system to eliminate the current lobby screening process for checking baggage. This project will not only include three nodes behind the ticket counters for the airlines to utilize, but will also completely reconfigure the ticket counter and passenger lobby area. The project is expected to begin construction in 2007.

The RTAA's security costs remain high in the post 9-11 Transportation Security Administration (TSA) era. As security requirements are added, the RTAA has met the challenge of compliance. Security costs doubled from \$1.5 million in 2001, to \$3.0 million in 2003, and have continued to increase to \$3.3 million in 2006.

AT YOUR SERVICE

RTAA's commitment to customer service is reflected in the many improvements added this year. Creative Host Services (CHS), the Airport master food and beverage concessionaire, replaced their existing food options to reflect the demographic changes in the traveling public. Offering Peet's Coffee, in the lobby of the Terminal and remodeled food outlets on both concourses, a much healthier fare options are available for travelers. In the main food court of the terminal, Zona Mexicana, a much fresher, healthier food option has been added. Other new offerings to the public are the addition of Zoom Systems, a kiosk selling electronic equipment and attachments. And lastly, massage chairs were added to three locations, one on each concourse and one in the pre-security area at the connector to both concourses.



The parking lot revenue control system has been upgraded which will speed up the processing of passenger vehicles in and out of RTAA's parking garage. The major new benefit of the system is the acceptance of credit cards as you enter the parking garage which encourages the passenger to use the new "Credit Lines," simplifying transactions using a credit card both in and out.

RTAA also entered into a land lease agreement with a developer to construct a Hyatt Place Hotel on the Airport West property, located at the gateway to the Airport. Construction is expected to be completed by Fall of 2007. The 127 room, six story hotel will occupy 2.6 areas of the approximately ten acre site. The balance of the site will be developed with office, retail and restaurant sites.

NOISE REDUCTION

Established by the Federal Aviation Administration in 1979, Federal Aviation Regulation (FAR), Part 150 (Airport Noise Compatibility Planning) provides for a voluntary program which airports can follow to conduct airport noise compatibility planning. A Part 150 Study defines a system for measuring noise impacts on surrounding land uses and establishes guidelines for identifying incompatible land uses. Programs such as sound insulation, land acquisition, and permanent noise monitoring and flight tracking systems can be funded by Airport Improvement (AIP) Grants. In 2001, the RTAA updated the Part 150 Study and expanded opportunities to receive grant funds for meaningful noise related programs.

The Part 150 Study produced two documents, the Noise Exposure Map and the Noise Compatibility Plan. The Noise Exposure Map quantified the noise impact in the areas surrounding the Airport. The Noise Compatibility Plan identifies methods to reduce or mitigate noise impacts on the community. Projects to implement the Part 150 Study are eligible for Federal grants. It should be noted however, that due to fleet changes the noise impacts on the local community have been reduced since 2001.

RTAA will continue to acquire previously identified noise impacted land around the Airport. Several federal noise grants have been received and used to acquire existing residential sites in the southwest area of the Airport. All such acquisitions are subject to the Federal Uniform

Relocation Assistance and Real Property Acquisition Policies. Because of the relocation benefits under this program, many of the tenants in acquired housing are able to become first time home buyers.

Another Part 150 project is the sound insulation program. Sound insulation generally consists of the installation of new acoustically designed metal doors and windows in homes near RTIA. To date, RTAA has insulated 1,238 homes. Of that total, 743 are in the City of Reno, 413 in Sparks, and 82 are in unincorporated Washoe County. Four additional phases of the program are currently being implemented in both Sparks and the City of Reno.

STEAD

The development of the Reno-Stead Airport is also continuing. The extension and reconstruction of runway 14-32 along with additional taxiway reconstruction was completed this year. The amount of new asphalt pavement being constructed is equivalent to 21 miles of single lane roadway. Currently runway 14-32 is 9,000 feet long and runway 8-26 is 7,600 feet long. A request for proposals was conducted this past year for development of additional aircraft hangars. Six aircraft owners were successful in winning proposals and new hangars will be built during the 2006-07 fiscal year which will add additional revenues to the operation. In fiscal year 2007-08, a master plan update will be completed which will further assist in development of the airport both for aviation and non-aviation purposes. New taxiway lanes are under construction to accommodate additional T-hangar facilities, an instrument landing system (ILS) will be added to runway 14-32 and full replacement of existing edge lighting on runway 8-26.



FINANCIAL INFORMATION

While the RTAA is a quasi-governmental entity, the generally accepted accounting principles applicable to an enterprise fund governmental entity are followed. RTAA's financial statements are prepared on an accrual basis. Revenues are recognized when earned, not when they are received. Expenses are recognized when incurred, not when they are paid.

RTAA prepares, approves, and revises its budget pursuant to Nevada's Local Government Budget and Finance Act, airline agreements, and the RTAA's revenue bond resolutions. The RTAA staff prepares a tentative budget, for the fiscal year beginning July 1, that must be adopted by the Board of Trustees and filed with the State Department of Taxation before April 15. Pursuant to airline agreements, airlines that have signed agreements with RTAA must also review the budget.

The Local Government Budget and Finance Act further requires that public hearings regarding the tentative budget be held in May. The final budget must be adopted and filed with the State by June 1. Any changes to total budgeted revenues or expenses must be approved by a resolution of the Board of Trustees and filed with the State Department of Taxation. By virtue of the Enabling Legislature, the TRAA must also adhere to the requirements of the Local Government Purchasing Act.



Agreements with the airlines contain a formula for the calculation of the landing fee and rental rates charged by the RTAA. A five-year airline agreement was executed in October 1996 and a three-year extension was agreed upon in fiscal year 2001. During fiscal year 2004-2005, the airlines and RTAA agreed to another three year extension of the airline agreement. This Agreement is a revenue sharing agreement. Landing fees calculated based on the expenses of the Airfield Cost Center, and rents are calculated on the expenses of the Terminal Building Cost Center. All revenues are assigned to a cost center with expenses netted against revenues for that cost center. The non-airline cost centers are Ground Transportation, Reno-Stead Airport and Other which include building and land rents and ground handling fees. Net revenues received from all cost centers are shared 50% by the signatory airlines and 50% by the RTAA in the following fiscal year. At year-end, a final reconciliation of actual expenses to budget expenses is completed and a settlement made with the airlines depending on whether fees were over or under collected.

FIDUCIARY RESPONSIBILITIES

RTAA employees are part of the State of Nevada Public Employees Retirement System (the System). RTAA contributions are less than one percent of the total contributions made under the System. Under Nevada law, RTAA has no liability for any unfunded obligations of the System.

The RTAA also offers its employees a deferred compensation plan. This Plan allows employees to defer receiving a portion of their salary in a tax exempt investment retirement fund. Under the Plan, the amounts deferred are held in trust by a third party administrator. These amounts are invested based on the instructions of the employees.

The RTAA also has an Internal Revenue Code Section 125 Plan. This Plan allows employees to pay for their insurance premiums and other unreimbursed medical and dependent care costs with pretax dollars. This results in tax savings to the employee, increasing their net pay. This was done to assist the employees in meeting their portion of past increases in group medical insurance premiums.

CASH MANAGEMENT

he RTAA has three checking accounts into which all revenues are deposited and from which checks are written. Two of these checking accounts are used to pay operation and maintenance expenses and payroll expenses. Transfers are made between these checking

accounts and the trust funds as required by RTAA's revenue bond resolutions. The third checking account is RTAA's prebond funds. These are the funds RTAA had on hand the day before the first bond issue was sold and are not restricted as to use pursuant to the revenue bond resolutions.

The money held in the trust funds is invested by RTAA in securities guaranteed by the U. S. Government or investments guaranteed by such securities, pursuant to RTAA's revenue bond resolutions. A small portion of these investments is of such a short term that it is not practical or customary to have physical custody of the actual investment document in Reno, Nevada. As such, a custodial bank takes possession for RTAA in the name of RTAA's Revenue Bond Trustee. The balance of RTAA's investment securities is held by a third party custodial bank, but in the name of the RTAA.



The investment interest earned is deposited in one of three trust funds. Interest earned from RTAA's revenue bond Construction Fund is deposited in the Construction Fund to help fund the completion of the Construction Fund projects. Interest earned by any of the other revenue bond trust funds is deposited with the other RTAA revenues in the Revenue Fund to help pay the expenses and debts of the Airports. Earnings from RTAA's pre-bond issue funds are deposited with the pre-bond funds to be used at a later date for Airport purposes.

RTAA's investment earnings increased this year over the prior year. RTAA's investment policy allows investments in instruments issued by the Federal Government, such as Treasury Notes, Bonds and Agency Notes. Short-term investments are allowed in Commercial Paper and Repurchase Agreements. The average rate of return on investments for the fiscal year is consistent with these types of investments.

RISK MANAGEMENT

RTAA uses insurance to limit the cost of personal injury or property damage claims. These claims are investigated by an adjuster hired by the liability insurance company.

REPORTING ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the RTAA for its 2005 Comprehensive Annual Financial Report. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. To be considered, the Comprehensive Annual Financial Report must be easily readable, efficiently organized and conform to the program standards. It must also satisfy generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The RTAA has received a Certificate of Achievement for each of the last eighteen years. This current report also conforms to the program standards and will be submitted to the GFOA to determine its eligibility for a Certificate of Achievement.

INDEPENDENT AUDIT

Nevada Revised Statutes 354.624 and the RTAA revenue bond resolutions require that the RTAA have its financial statements audited each year by an Independent Certified Public Accountant. Because the RTAA receives Federal funds for some capital construction and land acquisition projects, the audit must also meet the federal audit standards referred to collectively as the "Single Audit Act". The reports of the RTAA's auditors, Kafoury, Armstrong & Co., are included herein.

ACKNOWLEDGMENTS



RTAA and its executive staff are the recipients of several honors and accomplishments during the past year. RTIA is ranked by *USA Today* as one of the top-25 airports in the nation for its recovery from the events of 9/11/01. The Air Transport Research Society named RTIA as one of the top five most efficient airports in North America. In September RTIA hosted Airports Council International-North America (ACI-NA) annual conference. The conference, responsible for bringing more than 2,500 aviation leaders to the region included a wide variety of issues such as the future of passenger security screening, air cargo growth, improvements to the air traffic control system and reauthorization of the Federal Aviation Administration discussed in general sessions, roundtables and seminars.

Executive Director, Krys Bart was named Airport Revenue News (ARN) Best Director of the Year for 2006 in the small airports category. She was selected based on five categories consisting of leadership, innovative strategies, revenue increase, marketing strategies and customer service. She currently serves as First Vice Chair of the American Association of Airport Executives and will ascend to the chairmanship next year. Krys Bart is an Accredited Airport Executive. She has served as past member of the Board of Directors of the Airports Council International-North America (ACI-NA) and currently serves on the ACI-NA Goals and Programs Committee. Her strong commitment to professional development and training are evidenced throughout the organization. Minimum training goals are set and professional accreditation is rewarded.

Respectfully submitted,

Krys T. Bart, A. A. E.
Executive Director

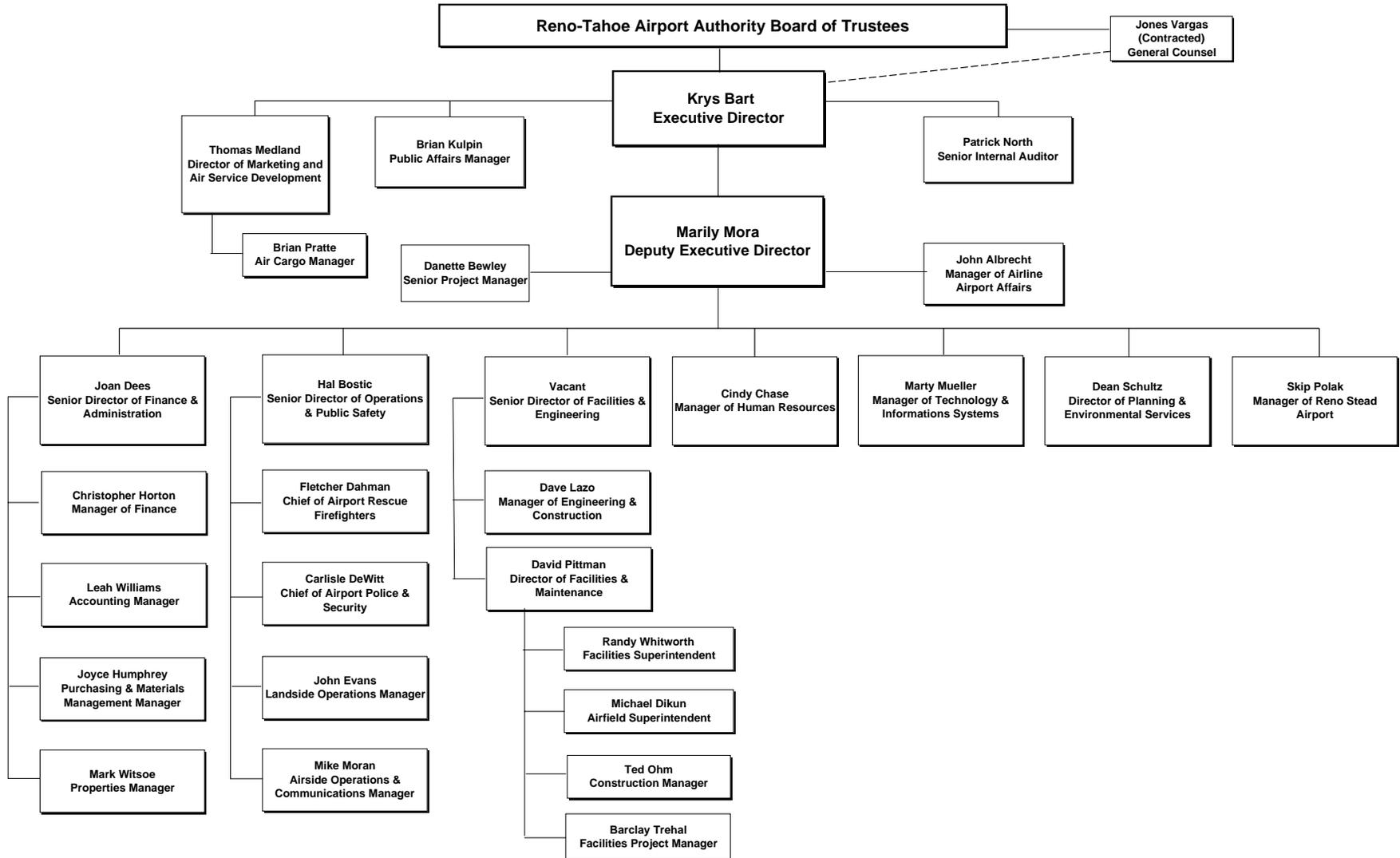
**RENO-TAHOE AIRPORT AUTHORITY
JUNE 30, 2006**



<u>Board of Trustees</u>	<u>Position</u>	<u>Term Expires</u>	<u>Represents</u>
Laurence Martin	Chairman	June 2007	Washoe County
Randi Thompson	Vice Chairman	June 2009	Washoe County
Larry V. Harvey	Treasurer	June 2009	City of Sparks
Bill Newberg	Secretary	June 2009	City of Reno
Lynn Atcheson	Trustee	June 2007	City of Reno
Thomas Gribbin	Trustee	June 2009	City of Reno
Peter R. Landis	Trustee	June 2007	City of Reno
Joseph W. Mayer	Trustee	June 2007	City of Sparks
John Wagon	Trustee	June 2009	Reno-Sparks Convention & Visitors Authority

<u>Staff</u>	<u>Title</u>
Krys T. Bart, A.A.E.	Executive Director
Marilyn Mora, C.M.	Deputy Executive Director
Joan Dees	Senior Director of Finance and Administration
Hal Bostic	Senior Director of Operations and Public Safety
Thomas Medland	Director of Marketing & Air Service Development
Dean Schultz, A.A.E.	Director of Planning and Environmental Services
Brian Kulpin	Public Affairs Manager
Cindy Chase	Manager of Human Resources
John Albrecht	Manager of Airline-Airport Affairs
Skip Polak	Manager of Reno-Stead Airport
David Pittman	Director of Facilities and Maintenance
Marty Mueller	Manager of Technology and Information Systems
Dave Lazo	Manager of Engineering

Reno-Tahoe Airport Authority Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Reno-Tahoe Airport Authority
Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

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.



President

Executive Director

Reno-Tahoe Airport Authority

Financial Section





KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees of the
Reno-Tahoe Airport Authority

We have audited the basic financial statements of the Reno-Tahoe Airport Authority, formerly the Airport Authority of Washoe County (the "Authority"), as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the net assets of the Reno-Tahoe Airport Authority at June 30, 2006 and 2005, and the changes in net assets and the cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 29, 2006 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The Introductory Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Supplementary Information is presented for purposes of additional analysis; the Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the Schedule of Passenger Facility Charges Collected and Expended is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies* issued by the Federal Aviation Administration and are also not required parts of the basic financial statements of the Authority. The Supplementary Information, Schedule of Expenditures of Federal Awards and the Schedule of Passenger Facility Charges Collected and Expended have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

Kafoury, Armstrong & Co.

Reno, Nevada
September 29, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) of the Reno-Tahoe Airport Authority ("RTAA") provides an introduction to the major activities affecting the operations of the Airport and an introduction and overview to the financial performance and statements of the RTAA for the fiscal years ended June 30, 2006 and 2005. The information contained in this MD&A should be considered in conjunction with the information contained in the RTAA's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The RTAA's financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The RTAA is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and are depreciated over their useful lives. See the notes to the financial statements for a summary of the RTAA's significant accounting policies.

Following this MD&A are the basic financial statements of the RTAA together with the notes, which are essential to a full understanding of the data contained in the financial statements. The RTAA's basic financial statements are designed to provide readers with a broad overview of the RTAA's finances.

Net Assets

The following represents the RTAA's financial position for the years ended June 30:

	2006	2005	% Change	2004	% Change
Assets:					
Current Assets	\$ 54,755,249	\$ 54,279,183	1%	\$ 55,783,956	-3%
Current Assets - Restricted	48,701,227	39,796,945	22%	33,882,449	17%
Total Capital Assets, Net	341,685,692	319,913,944	7%	314,570,775	2%
Other Assets	4,880,680	5,035,247	-3%	3,565,609	41%
Total Assets	<u>\$ 450,022,848</u>	<u>\$ 419,025,319</u>	<u>7%</u>	<u>\$ 407,802,789</u>	<u>3%</u>
Liabilities:					
Current Liabilities	\$ 10,351,420	\$ 6,162,654	68%	\$ 9,963,036	-38%
Liabilities Payable from Restricted Assets	10,089,544	6,437,557	57%	5,500,256	17%
Non-Current Liabilities	72,813,955	79,713,226	-9%	87,004,189	-8%
Total Liabilities	<u>93,254,919</u>	<u>92,313,437</u>	<u>1%</u>	<u>102,467,481</u>	<u>-10%</u>
Net Assets:					
Invested in Capital Assets, net of related Debt	260,647,695	241,394,417	8%	230,574,469	5%
Restricted Net Assets	42,831,382	36,564,162	17%	26,469,671	38%
Unrestricted Net Assets	53,288,852	48,753,303	9%	48,291,168	1%
Total Net Assets	<u>356,767,929</u>	<u>326,711,882</u>	<u>9%</u>	<u>305,335,308</u>	<u>7%</u>
Total Liabilities and Net Assets	<u>\$ 450,022,848</u>	<u>\$ 419,025,319</u>	<u>7%</u>	<u>\$ 407,802,789</u>	<u>3%</u>

The RTAA's assets exceeded liabilities by \$357 million, a \$30 million increase over June 30, 2005. The largest portion of the RTAA's net assets each year, \$261 million or 73% at June 30,

2006, represents its investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets. The RTAA uses these capital assets to provide services to the airlines, passengers, visitors and service providers at the Airport; consequently these assets are not available for future spending. Although the RTAA's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the RTAA's net assets of \$43 million, or 12% at June 30, 2006, represents resources that are subject to use restrictions. The restricted net assets are not available for spending because they have already been committed as follows:

Revenue Bond Operations and Maintenance	\$	5,058,339
Renewal and Replacement		780,762
Passenger Facility Charge Projects		25,756,419
Debt Service		6,226,349
Flood Grant		4,723,921
Other Reserve Purposes		285,592
	\$	42,831,382

The remaining unrestricted net assets of \$53 million, or 14% at June 30, 2006, may be used to meet any of the RTAA's ongoing obligations. The \$4,536,000 increase in the unrestricted funds results from operations.

Revenues

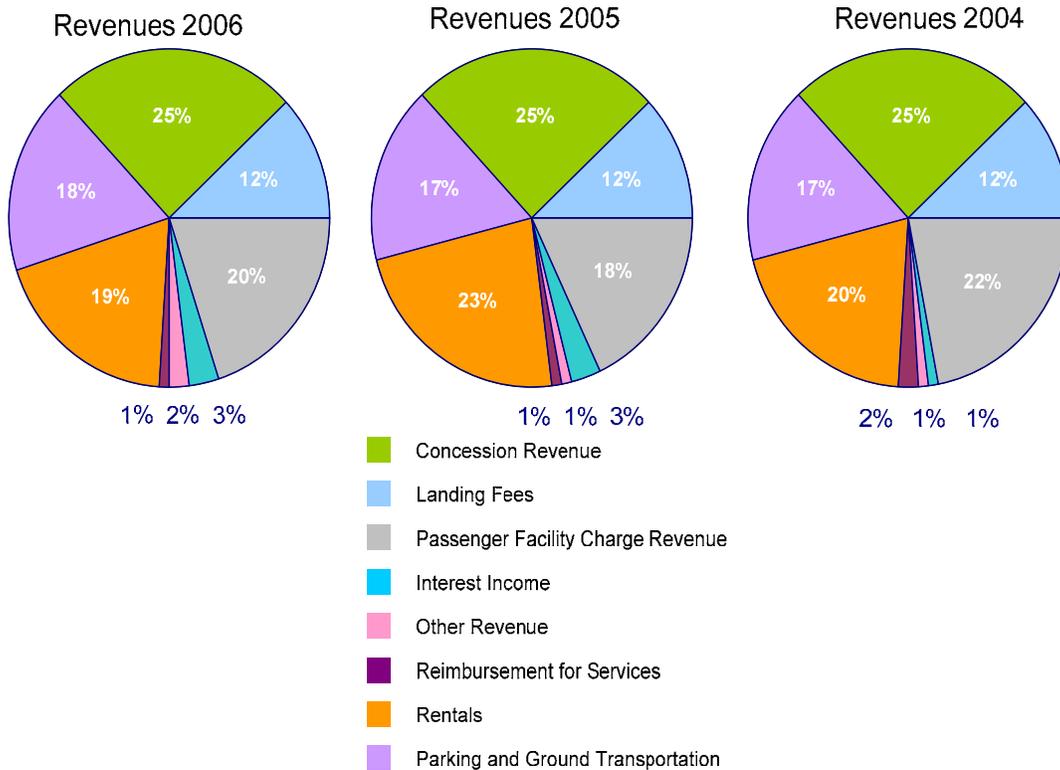
Operating revenues used to finance the RTAA's operations are derived solely from rents, fees and other charges for the use of Airport facilities. The following represents the RTAA's summary of operating revenues by source for the years ended June 30:

	2006	2005	% Change	2004	% Change
Landing Fees	\$ 7,545,675	\$ 5,801,560	30%	\$ 5,798,888	0%
Concession Revenue	14,385,592	12,618,012	14%	11,595,147	9%
Parking and Ground Transportation	10,253,964	9,082,135	13%	7,928,016	15%
Rentals	11,352,662	11,102,359	2%	9,552,561	16%
Reimbursements for Services	827,853	477,425	73%	940,509	-49%
Other Revenue	27,238	8,648	215%	193,519	-96%
Total Operating Revenues	\$ 44,392,984	\$ 39,090,139	14%	\$ 36,008,640	9%

Non-operating revenue consists of interest earnings on the funds the RTAA has on deposit and invested. Non-rate base revenue is revenue received that does not go into the calculation of the landing fees and rental rates. Passenger Facility Charges (PFC) are the main source of non-rate base revenues, but also included are the gain or loss on sale of capital assets, jet fuel revenue, and insurance settlement proceeds. The following represents the RTAA's summary of non-operating revenue and non-rate base revenues by source for the years ended June 30:

	2006	2005	% Change	2004	% Change
Interest Income	\$ 1,723,481	\$ 1,370,190	26%	\$ 345,940	296%
Passenger Facility Charge Revenue	11,029,218	8,771,723	26%	10,343,967	-15%
Jet Fuel Tax Revenue (Expense)	414,874	414,908	0%	(113,141)	-467%
Gain (Loss) on Sale of Capital Assets	496,591	1,311,777	-62%	40,043	3176%
Insurance Settlement Proceeds	-	30,000	-100%	16,264	84%
	<u>\$ 13,664,164</u>	<u>\$ 11,898,598</u>	<u>15%</u>	<u>\$ 10,633,073</u>	<u>12%</u>

The graphs below represent the percentage and source of the Airport's revenues for fiscal years ended 2006, 2005 and 2004.



- Operating revenues of \$44 million for 2005-2006 increased 14% over last years \$39 million. Airline landing fees and terminal building rents comprise 32% of the RTAA's operating revenues. The landing fee and rental revenues are the result of calculations pursuant to provisions of airline operating and terminal building lease agreements. The landing fee or rental revenues, therefore, are not accurate indicators of the level of activity at the Airport.
- Parking and ground transportation accounts for 18% of total revenue. Parking revenue is up 13% from the prior year. Currently the parking rates are set at \$1.00 for the first 30 minutes, \$2.00 for the first hour, and an additional dollar per hour, with maximum amounts of \$20.00 per day for short-term, \$12.00 per day for the long-term and \$8.00 per day for long-term surface lot parking.

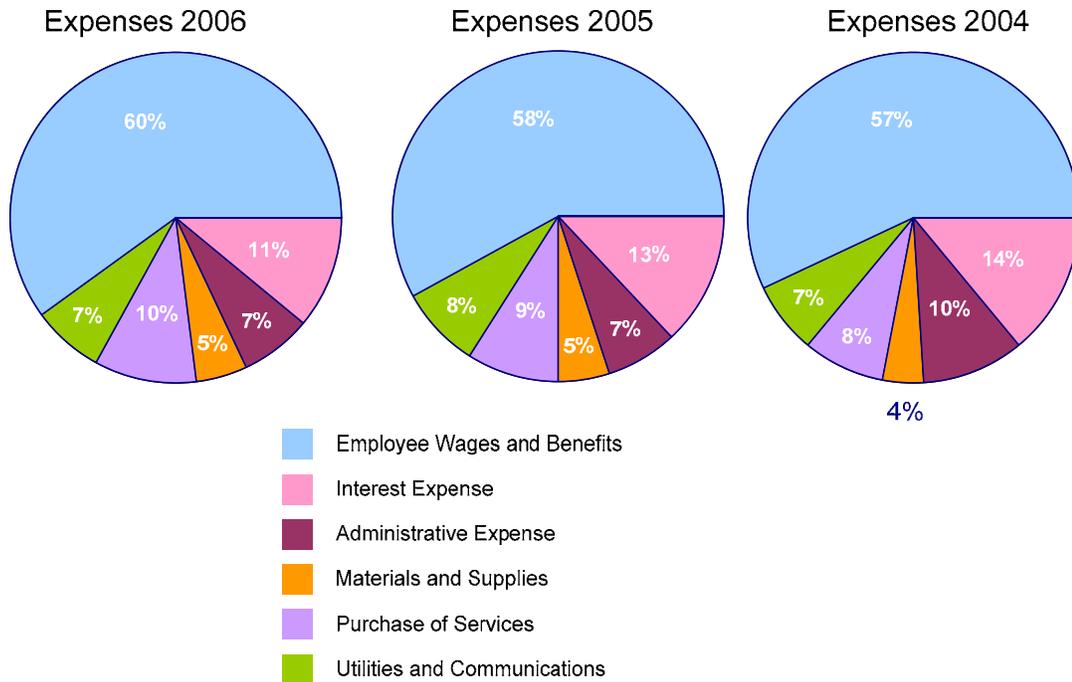
- As depicted in the above graph, concession revenue, which includes auto rental, gaming, food and beverage, merchandising, advertising, and other concessions, comprises 25% of the total RTAA's revenues for fiscal year 2006. Concession revenue increased 14% this year with a 22% increase in auto rental and a 37% increase in advertising revenue.
- Non-operating revenues of \$14 million increased 15% over last year's \$12 million. This increase reflects a 26% increase in interest income and a 26% increase in PFC revenues.
- Passenger Facility Charges comprises 20% of total revenue. These funds are collected by the airlines based on enplaned passengers and remitted to the RTAA monthly. The current collection rate is \$4.50.
- Interest income, reimbursements for services and other revenue make up the last three revenue sources with 3%, 1%, and 2%, respectively. Interest income represents the earnings on investments. Reimbursements for services include tenant payments for reimbursement of services such as utilities, disposal fees, administrative fees and security costs. Other revenue consists of insurance proceeds, late fees and discounts.

Expenses

The RTAA's operating expenses increased 8% in 2006 and total expenses increased 5%. The following represents the RTAA's summary of expenses (excluding depreciation) by source for the years ended June 30:

	2006	2005	% Change	2004	% Change
Employee Wages and Benefits	\$ 19,929,337	\$ 18,158,194	10%	\$ 17,267,109	5%
Utilities and Communications	2,457,764	2,425,659	1%	2,071,461	17%
Purchase of Services	3,232,102	3,115,090	4%	2,374,891	31%
Materials and Supplies	1,649,492	1,524,721	8%	1,057,637	44%
Administrative Expenses	2,261,031	2,167,021	4%	2,855,358	-24%
Total Operating Expenses	29,529,726	27,390,685	8%	25,626,456	7%
Interest Expense	3,608,057	4,126,651	-13%	4,227,792	-2%
Total Expenses	\$ 33,137,783	\$ 31,517,336	5%	\$ 29,854,248	6%

The graphs below represent the percentage and source of the Airport's expenses for fiscal years ended 2006, 2005 and 2004.



- Employee wages and benefits of \$19.9 million comprise 60% of total expenses. There was a 10% increase over last year's total of \$18.2 million. This increase was expected and budgeted to cover annual merit increases, increased cost of insurance and to provide for additional employees approved during the year.
- Utilities and communications expense of \$2.5 million displayed a small increase of 1.0%. This increase reflects the increase in utility charges for electricity, natural gas, and water fees and for these fees associated with the additional properties acquired this past year. Utilities and communications represent 7% of total expenses.
- Purchase of services expense, which includes professional and purchased services of \$3,232,102, increased by 4% over the prior year. Purchase of services expense represents 10% of expenses.
- Materials and supplies expense of \$1,649,492 increased 8% over the prior year of \$1,524,721. This increase is a reflection of increases in several different areas such as office supplies, paper and postage, ice control chemicals, diesel fuel, vehicle repairs, and asphalt and cement patch materials. Materials and supplies make up 5% of expenses.
- Administrative expenses comprise 7% of total costs. Costs of \$2.3 million increased 4% from the prior fiscal year of \$2.2 million. This increase is predominantly due to increased expenses for publications, air service development and conference sponsorships.

Summary of Changes in Net Assets

The following represents the RTAA's summary of changes in net assets for the years ended June 30:

	2006	2005	% Change	2004	% Change
Total Operating Revenues	\$ 44,392,984	\$ 39,090,139	14%	\$ 36,008,640	9%
Total Operating Expenses	29,529,726	27,390,685	8%	25,626,456	7%
Operating Income Before Depreciation and Amortization	14,863,258	11,699,454	27%	10,382,184	13%
Depreciation and Amortization	(18,564,621)	(17,374,021)	7%	(17,044,725)	2%
Operating Income (Loss)	(3,701,363)	(5,674,567)	34%	(6,662,541)	14%
Non-Operating Revenues (Expenses)	10,056,107	7,771,947	29%	6,405,281	21%
Capital Contributions	23,701,303	19,279,194	23%	21,076,563	-9%
Increase in Net Assets	30,056,047	21,376,574	41%	20,819,303	3%
Net Assets, Beginning of Year	326,711,882	305,335,308	7%	284,516,005	7%
Net Assets, End of Year	\$ 356,767,929	\$ 326,711,882	9%	\$ 305,335,308	7%

- Total operating revenues increased 14% while operating expenses increased 8%. Operating income before depreciation and amortization increased 27%.
- Depreciation and amortization expense increased slightly, from \$17,374,021 to \$18,564,621 in 2005-2006. Non-operating revenue increased 29%. This increase is primarily composed of the passenger facility charge revenue.
- Capital Contributions increased 23% in 2005-2006. Capital Contributions is comprised mainly of federal grants from the United States Department of Transportation.

CAPITAL ASSETS

The RTAA's investment in capital assets as of June 30, 2006 is \$341.7 million, net of depreciation. This investment in capital assets includes land, construction in progress, improvements, buildings and equipment. The total increase in the investment in capital assets for the year 2005-2006 was 7% or \$21.8 million.

Major capital asset events during fiscal year 2006 included the following:

- Completed projects at RTAA that were funded by federal grants amounted to \$24.4 million and include perimeter fencing, runway and taxiway replacement, and police and fire vehicles.
- Completed projects that were funded by PFC revenue include replacement of four jet bridges, terminal lobby and restroom improvements.
- \$6.7 million was expended on land acquisition and noise mitigation through the Part 150 noise program, which is funded by federal grants.
- Equipment purchases totaled \$2.6 million, which included the acquisition of a snow plow and broom, office furniture, vehicles and an interactive employee training system.

The RTAA's investment in capital assets as of June 30, 2005 was \$319.9 million, net of depreciation. This investment in capital assets included land, construction in progress,

improvements, buildings and equipment. The total increase in the investment in capital assets for year 2004-2005 was 2% or \$5.3 million.

Major capital asset events during fiscal year 2005 included the following:

- Completed projects at RTAA that were funded by federal grants amounted to \$1.7 million and included the terminal hardening plan, AARF vehicles and airfield signage.
- Completed projects that were funded by PFC revenue including the installation of eight jet bridges and airfield signage.
- \$8.5 million was expended on land acquisition and noise mitigation through the Part 150 noise program, which is funded by federal grants.
- Equipment purchases totaled \$1.5 million, which included the acquisition of rotating advertising cubes, office furniture, terminal seating, vehicles and speed monitoring trailers.

The following represents the RTAA's capital assets for the years ended June 30:

	2006	2005	2004
Land	\$ 125,973,983	\$ 119,230,049	\$ 113,732,537
Construction in Progress	30,515,489	35,719,122	24,928,188
Buildings, Improvements, and Equipment	185,196,220	164,964,773	175,910,050
Total	<u>\$ 341,685,692</u>	<u>\$ 319,913,944</u>	<u>\$ 314,570,775</u>

For additional information on capital asset activity, see Note 5.

DEBT ADMINISTRATION

As of June 30, 2006, the RTAA had approximately \$74 million (without regard to discounts or premiums) of outstanding revenue bonds. The payment of the RTAA's revenue bonds is insured by the Municipal Bond Investors Assurance Corporation. Since the bonds are insured, they are rated AAA by Moody's and AAA by Standard and Poor's, which is also the rating of the insurance company.

	2006	2005	2004
1996A	\$ -	\$ 29,460,000	29,460,000
1996B	2,860,000	3,605,000	4,300,000
2002	14,150,000	17,375,000	17,375,000
2003	27,535,000	27,535,000	29,215,000
2005	29,775,000	-	-
Total debt	<u>\$ 74,320,000</u>	<u>\$ 77,975,000</u>	<u>\$ 80,350,000</u>

The Airport Revenue (Tax Exempt) bonds, Series 1996A and the Airport Revenue (Taxable) Bonds, Series 1996B were issued in May 1996 in the amount of \$36 million for the purpose of funds to

finance the cost of the constructing a parking garage, the terminal access roadway system, and acquire land at the entrance to the Airport. The Series 1996A Revenue Bonds, defeased by the 2005 bonds, are no longer shown as a liability of the Authority.

The Series 2002 Airport Revenue Refunding Bonds of \$17 million were issued in May 2002 to provide funds together with other available moneys of the RTAA to refund \$13,385,000 aggregate principal of the then outstanding Series 1992A bonds maturing on July 1, 2003 and \$4,075,000 maturing on July 1, 2004. This financing was done to help stabilize airline rates during the next two years by deferring principal payments to future years.

The Series 2003 Airport Revenue Refunding bonds of \$29,215,000 were issued in March 2003 to provide sufficient funds, together with other available moneys of the RTAA, to redeem on July 1, 2003, \$29,840,000 aggregate principal amount of the outstanding Series 1993B bonds and pay certain costs of issuance including the bond premium of \$2,220,942. The difference between the net carrying amount of the old debt and the reacquisition price of \$1,543,442 has been deferred and will be amortized as a component of interest expense over the remaining life of the new debt per GASB 23.

The Series 2005 Airport Revenue Refunding bonds of \$29,775,000 were issued in August 2005, with an average net interest rate of 4.49%, to provide sufficient funds, together with other available moneys of the Authority, to refund on July 1, 2006, \$29,460,000 aggregate principal of the outstanding Series 1996A bonds with an average net interest rate of 5.91%, and pay certain costs of issuance including the bond premium of \$1,553,562. This financing reduced the amount of debt service in the Authority's budget and airline rates in the 2006 and 2007 fiscal years by \$298,808 and \$163,710, respectively, and by similar amounts through 2026.

The RTAA, unlike most local governments, has no debt limit or maximum debt per capita. The RTAA does have a rate maintenance covenant in its revenue bond resolutions requiring that net pledged revenues equal or exceed 125 percent of the senior revenue bond debt service or 100 percent of all debt service, whichever is greater. The RTAA has always met this requirement as is demonstrated in the Statistical Section of this report.

For additional information on bonds, see Note 6.

PASSENGER FACILITY CHARGE (PFC)

In October 1993, the RTAA received approval from the Federal Aviation Administration (the FAA) to impose a PFC of \$3.00 per enplaned passenger. Collection began January 1, 1994. In May 2001, that amount increased to \$4.50 per enplaned passenger with collection beginning August 1, 2001. For the fiscal year ended June 30, 2006, the RTAA collected PFC's, including interest earnings thereon, totaling \$11 million. PFC's are collected by airlines on their passengers' tickets and remitted monthly to the RTAA. These funds are spent on a list of projects reviewed by the airlines in a process prescribed by the Federal Aviation Administration. This money must be segregated from all other Airport revenues. For further details, see the Summary Schedule of Passenger Facility Charges Collected and Expended in the Compliance Section of this report.

AIRLINE SIGNATORY RATES AND CHARGES

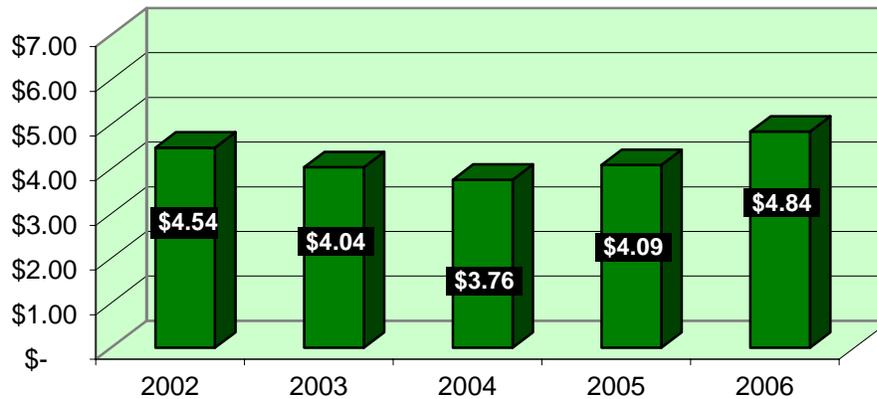
The RTAA and certain airlines negotiated an Airline Use and Lease Agreement effective July 1, 1996 for five years with two mutually agreed upon three-year extensions. The first extension expired June 30, 2004 and the second will expire June 30, 2007. Airlines that have signed this agreement are signatory airlines. For 2005-2006, signatories to the Agreement include ten commercial and three cargo airlines.

The current airline agreement's rate setting formula is a derivation of what is known as a compensatory rate setting formula. In this formula, the Airport is divided into cost centers. The RTAA's five cost centers are Airfield, Terminal Building, Parking and Ground Transportation, Other and Reno-Stead Airport. The airline cost centers of the Airfield and Terminal Building are used in the calculation of the landing fee and rental rate. The final rates and charges for the airlines are as follows:

Comparing the operating results of airports is difficult. The landing fee and rental rates of

	2006	2005	% Change	2004	% Change
Landing Fee Rate (per 1,000 pounds)					
Signatory Airlines	1.73	1.29	34%	1.16	11%
Non-Signatory Airlines	2.30	1.83	26%	1.80	2%
RON (Ramp Over Night) fee of current					
Signatory Landing Fee Rate	0.26	0.19	36%	0.17	12%
Non-Signatory RON fee of current					
Signatory Landing Fee Rate	0.36	0.27	33%	0.27	0%
Terminal Rental Rate (Average)	55.06	49.30	12%	41.18	20%

airports are not comparable because of the different airline operating agreements used to calculate those fees. As a result, an airport's economic impact per airline passenger is used to compare the financial performance of airports. This impact, the airline cost per enplanement, is the total fees paid by the airlines to the airport divided by the number of passengers boarding aircraft. The chart below presents the history of the cost per enplaned passenger.



REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the financial activity and condition of the RTAA to all having such an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Reno-Tahoe Airport Authority, Accounting Division, P.O. Box 12490, Reno, NV 89510-2490.

RENO-TAHOE AIRPORT AUTHORITY
STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2006 AND 2005

ASSETS	2006	2005
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	\$22,919,551	\$28,217,887
Investments	27,480,645	22,517,781
Accounts receivable, net	3,787,523	2,989,435
Interest receivable	218,945	172,052
Inventory	348,585	382,028
Total unrestricted assets	54,755,249	54,279,183
Restricted Assets:		
Cash and cash equivalents	28,979,986	23,432,390
Investments	16,442,463	15,610,122
Accounts receivable, net	3,130,769	620,556
Interest receivable	148,009	133,877
Total restricted assets	48,701,227	39,796,945
Total Current Assets	103,456,476	94,076,128
NON-CURRENT ASSETS		
Capital Assets:		
Land	125,973,983	119,230,049
Construction in progress	30,515,489	35,719,122
Buildings, improvements, and equipment, net of depreciation	185,196,220	164,964,773
Total Capital Assets	341,685,692	319,913,944
Other Assets:		
Development rights, net	1,797,066	1,870,167
Road credits	1,690,579	1,729,139
Bond issue costs and other deferred charges, net	1,286,402	1,311,358
Surety bond, net	106,633	124,583
Total Other Assets	4,880,680	5,035,247
Total Non-Current Assets	346,566,372	324,949,191
TOTAL ASSETS	\$450,022,848	\$419,025,319

LIABILITIES AND NET ASSETS	<u>2006</u>	<u>2005</u>
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts payable	\$2,294,122	\$2,723,158
Construction contracts payable	5,893,182	1,397,199
Rents received in advance	439,056	132,510
Accrued payroll	1,725,060	1,909,787
Total payable from unrestricted assets	<u>10,351,420</u>	<u>6,162,654</u>
Payable from Restricted Assets:		
Current portion of long-term debt	6,145,000	3,970,000
Accrued interest	1,835,609	2,073,119
Construction contracts payable	2,108,935	394,438
Total payable from restricted assets	<u>10,089,544</u>	<u>6,437,557</u>
Total Current Liabilities	<u>20,440,964</u>	<u>12,600,211</u>
NON-CURRENT LIABILITIES		
Revenue bonds, net	68,177,282	74,069,248
Deposits and unearned revenues	4,232,755	5,104,869
Reclamation liability	403,918	539,109
Total Non-Current Liabilities	<u>72,813,955</u>	<u>79,713,226</u>
Total Liabilities	<u>93,254,919</u>	<u>92,313,437</u>
NET ASSETS		
Invested in Capital Assets, net of Related Debt	<u>260,647,695</u>	<u>241,394,417</u>
Restricted for:		
Revenue bond operations and maintenance	5,058,339	4,713,700
Renewal and replacement	780,762	784,037
Passenger facility charge projects	25,756,419	21,908,717
Debt service	6,226,349	3,976,576
Flood grant	4,723,921	4,777,391
Other reserve purposes	285,592	403,741
Total Restricted	<u>42,831,382</u>	<u>36,564,162</u>
Unrestricted	<u>53,288,852</u>	<u>48,753,303</u>
Total Net Assets	<u>356,767,929</u>	<u>326,711,882</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$450,022,848</u></u>	<u><u>\$419,025,319</u></u>

See accompanying notes

RENO-TAHOE AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
OPERATING REVENUES		
Landing fees	\$7,545,675	\$5,801,560
Concession revenue	14,385,592	12,618,012
Parking and ground transportation	10,253,964	9,082,135
Rentals	11,352,662	11,102,359
Reimbursements for services	827,853	477,425
Other revenue	27,238	8,648
Total operating revenues	44,392,984	39,090,139
OPERATING EXPENSES		
Employee wages and benefits	19,929,337	18,158,194
Utilities and communications	2,457,764	2,425,659
Purchase of services	3,232,102	3,115,090
Materials and supplies	1,649,492	1,524,721
Administrative expenses	2,261,031	2,167,021
Total operating expenses	29,529,726	27,390,685
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	14,863,258	11,699,454
Depreciation and amortization:		
Depreciation	18,299,287	17,114,521
Amortization of development rights	73,101	73,101
Amortization of deferred charges	192,233	186,399
Total depreciation and amortization	18,564,621	17,374,021
OPERATING INCOME (LOSS)	(3,701,363)	(5,674,567)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	1,723,481	1,370,190
Passenger facility charge revenue	11,029,218	8,771,723
Jet fuel tax revenue	414,874	414,908
Gain (loss) on sale of capital assets	496,591	1,311,777
Insurance settlement proceeds	0	30,000
Interest expense	(3,608,057)	(4,126,651)
Total non-operating revenues (expenses)	10,056,107	7,771,947
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	6,354,744	2,097,380
CAPITAL CONTRIBUTIONS	23,701,303	19,279,194
Increase in net assets	30,056,047	21,376,574
TOTAL NET ASSETS, BEGINNING OF YEAR	326,711,882	305,335,308
TOTAL NET ASSETS, END OF YEAR	\$356,767,929	\$326,711,882

See accompanying notes

RENO-TAHOE AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 43,029,328	\$ 34,477,863
Cash paid to employees	(20,114,064)	(18,008,241)
Cash paid to suppliers	(10,131,173)	(10,497,709)
Net cash provided by operating activities	12,784,091	5,971,913
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Jet fuel tax revenue	414,874	414,908
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	21,191,090	23,147,423
Passenger facility charges	11,029,218	8,771,723
Acquisition and construction of capital assets	(34,157,209)	(28,556,938)
Proceeds from sale of capital assets	831,804	2,431,219
Principal paid on bonds	(3,970,000)	(2,375,000)
Payment to refunding escrow agent	(30,550,498)	0
Proceeds from sale of revenue bonds	29,775,000	0
Bond premium	1,553,562	0
Cash paid for bond issue costs	(656,297)	0
Insurance settlement proceeds	0	30,000
Interest paid on bonds	(3,863,626)	(4,196,780)
Net cash provided by (used in) capital and related financing activities	(8,816,956)	(748,353)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts of interest	1,662,456	1,220,678
Sale (purchase) of investments	(5,795,205)	(12,226,116)
Net cash provided by (used in) investing activities	(4,132,749)	(11,005,438)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	249,260	(5,366,970)
CURRENT AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	51,650,277	57,017,247
CURRENT AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 51,899,537	\$ 51,650,277

RENO-TAHOE AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	(\$3,701,363)	(\$5,674,567)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	18,299,287	17,114,521
Amortization of development rights	73,101	73,101
Amortization of deferred charges	192,233	186,400
(Increase) Decrease in Assets:		
Accounts receivable, net	(798,088)	(1,222,985)
Inventory	33,443	(46,309)
Increase (Decrease) in Liabilities:		
Accounts payable	(429,036)	(939,393)
Rents received in advance	306,546	(367,407)
Accrued payroll	(184,727)	149,953
Reclamation liability	(135,191)	(279,516)
Deposits and unearned revenues	(872,114)	(3,021,885)
Net cash provided by operating activities	\$12,784,091	\$5,971,913

Noncash investing activities:

The net decline in the fair value of investments was \$636,328 at June 30, 2006 and \$150,384 at June 30, 2005.

Capital asset activity:

Road credits received on land sale	\$	\$ 1,869,972
Road credits used for acquisition	44,270	140,833
	\$ 44,270	\$ 1,729,139
Capital assets received by trade	\$	\$ 277,324

See accompanying notes

**RENO-TAHOE AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

1. Organization and Reporting Entity

Organization:

The Reno-Tahoe Airport Authority (the "Authority") (formerly the Airport Authority of Washoe County) was created on July 1, 1977 by an act of the Nevada Legislature for the purpose of operating Reno-Tahoe International Airport and the Reno-Stead Airport.

Reporting Entity:

The Authority is an independent reporting entity and not a component unit of another government. This conclusion is based on the following criteria:

1. Composition of the Board.

The nine member Governing Board is appointed as follows: four members by the Reno City Council, two members by the Sparks City Council, two members by the Washoe County Commission, and one member by the Reno-Sparks Convention & Visitors Authority. The Board directs the Executive Director who is responsible for staffing of the Authority departments. The Authority is responsible for the day-to-day operations at the two airports.

2. Accounting for fiscal matters.

The Authority is responsible for reviewing, approving, and revising its budget. The Authority is solely responsible for financing the entity's deficits and has sole control of its surplus funds, restricted only by the Authority's Bond Resolutions and underlying Lease and Use Agreements.

The Authority collects revenues, controls disbursements and has title to all assets. The Authority establishes fees and charges and negotiates contracts with commercial enterprises.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, using the economic resources focus, whereby revenues and expenses are recognized in the period earned or incurred, regardless of when the related cash flows take place. All transactions are accounted for in a single enterprise fund.

Revenues from landing fees, rents, parking revenue and other miscellaneous sources are reported as operating revenues. Transactions, which are capital, financing or investing related, are reported as non-operating revenues. Passenger Facility Charges are reported as non-operating revenues. Expenses from employee wages and benefits, purchases of services, materials and supplies and other miscellaneous expenses are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

2. Summary of Significant Accounting Policies (continued)

Pursuant to GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that use Proprietary Fund Accounting", the Authority follows GASB guidance as applicable to enterprise funds and FASB Statements and 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.

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with maturities of three months or less when purchased to be cash equivalents.

Capitalization of Interest

The Authority capitalizes, as a part of the historical cost of constructing assets for its own use, a portion of the net interest cost incurred during the construction period. For the years ended June 30, 2006 and 2005 there was no interest cost incurred that was capitalized.

Development Rights

Development rights, which preclude residential development near the Reno-Tahoe International Airport, are recorded at cost and amortized on the straight-line method over forty (40) years.

Regional Road Impact Fee Credits

The regional road impact fee is a one time assessment to pay for new roads or improvements to existing roads needed to serve traffic from a new development. This fee is paid at the time a building permit is issued. The Authority owns credits for the fees and can use them as needed or sell them to others until they expire June 26, 2023.

Landing Fees and Terminal Building Rents

Landing fees and rents are set based on estimates of airline activity, revenues and expenses. The actual landing fees and rental rates that should have been collected are calculated at year-end. Over-collections and under-collections are netted and recorded on the Statement of Net Assets as accounts receivable or accounts payable.

Capital Contributions

Certain expenses for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA), with certain matching funds provided by the Authority. Capital funding provided under government grants is considered earned as the related allowable expenses are incurred.

Grants for the acquisition and construction of land, property and certain types of equipment are reported in the Statement of Revenues, Expenses and Changes in Net Assets, after non-operating revenue and expenses, as capital contributions.

2. Summary of Significant Accounting Policies (continued)

Budgets

The Authority adheres to the Local Government Budget and Finance Act established by state statute. The filing deadlines and procedures during fiscal year 2006 and 2005 were as follows:

1. On or before April 15 the Board of Trustees must adopt and file a tentative operating budget with the State Department of Taxation.
2. Public hearings on the tentative budget are held the third week of May.
3. On or before June 1 the final budget is adopted by a majority vote of the Board of Trustees.
4. The budget is adopted on the accrual basis. Actual operating and non-operating expenses may not exceed budgeted appropriations. Budget augmentations that change the total revenues or expenses must be approved by a resolution of the Board of Trustees and filed with the Department of Taxation. Unexpended appropriations lapse at year-end.

The budget was amended from the original amounts during the years ended June 30, 2006 and 2005.

Compensated Absences

Employees accrue vacation in varying amounts based on classification and length of service. Additionally, certain employees are allowed compensated time off in lieu of overtime compensation and/or working on holidays. Vacation pay and compensatory time vests as earned and sick pay vests after five years of service at the rate of 12.5%, after 10 years at the rate of 25% and after 15 or 20 years at the rate of 50% for certain represented employees. Sick pay also vests for certain represented employees after 880 hours have been accumulated. For exempt management employees, sick leave is paid at \$4 per hour. The liability for compensated absences is a current liability included in accrued payroll.

Inventory

Inventory is valued at the lower of cost determined on the first in – first out method, or market. Inventory items are recorded as assets when purchased and expensed as consumed.

Passenger Facility Charge (PFC) Revenue

Currently the Authority has approval from the FAA to impose and use a PFC of \$4.50 per enplaned passenger. Several FAA approved projects are being funded by the PFC collections. The PFC revenues are collected by the airlines and remitted monthly to the Authority. They are recognized by the Authority as they are received, and are included in non-operating revenues.

Reclassifications

Certain amounts in the 2005 financial statements have been reclassified to conform to the 2006 presentation.

3. Cash, Cash Equivalents and Investments

The Authority accounts for its investments in accordance with GASB 31, which requires investments to be stated at fair value. The unrealized loss on investments held at June 30, 2006, was \$636,328. The unrealized loss on investments held at June 30, 2005, \$150,384.

Cash, Cash Equivalents and Investments consist of the following as of June 30:

	<u>2006</u>	<u>2005</u>
Cash	\$ 3,998,053	\$ 3,016,800
Cash Equivalents:		
Short-Term Investments and		
Money Market Fund Treasury	13,456,859	6,136,987
Commercial Paper maturing within		
one month	<u>34,444,625</u>	<u>42,496,490</u>
Total Cash and Cash Equivalents	<u>51,899,537</u>	<u>51,650,277</u>
Investments:		
Mortgage Backed Securities		
maturing within five years	<u>43,923,108</u>	<u>38,127,903</u>
Total Cash, Cash Equivalents		
and Investments	95,822,645	89,778,180
Less Unrestricted Cash, Cash Equivalents and		
Investments	<u>50,400,196</u>	<u>50,735,668</u>
Total Restricted Cash, Cash Equivalents		
and Investments	<u>\$ 45,422,449</u>	<u>\$ 39,042,512</u>

Interest Rate Risk. Interest rate risk is the risk of possible reduction in the value of a security resulting from a rise in interest rates. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond those specified in statute or resolutions.

Credit Risk. State statutes and the Authority's revenue bond resolutions authorize investments in direct obligations of, or obligations guaranteed by the United States of America. The Authority may also invest in commercial paper (rated A-1 or better by Standard & Poor's or P-1 by Moody's) or interests in short-term investment trust funds restricted to the investment obligations described above. The Authority places no limit on the amount the Authority may invest in any one issuer. At June 30, 2006 and 2005, Standard & Poor's had rated the mortgage backed securities as AAA. At June 30, 2006 and 2005, the following investments equaled or exceeded 5% of the Authority's total investments:

Mortgage backed securities:	<u>2006</u>	<u>2005</u>
Federal Home Loan Banks	75%	90%
Federal National Mortgage Association	11%	10%
Federal Home Loan Mortgage Corporation	11%	

3. Cash, Cash Equivalents and Investments (continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issue.

Restricted cash, cash equivalents and investments represent funds deposited with the trustee which are restricted as to use pursuant to the revenue bond resolutions as discussed in Note 6. The resolutions also impose limitations as to the disposition of related interest income.

4. Accounts Receivable

The following amounts represent receivables due to the Authority at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Current:		
Unrestricted:		
Accounts Receivable	\$ 3,974,128	\$ 3,126,583
Less allowance for uncollectibles	<u>186,605</u>	<u>137,148</u>
Total Current Unrestricted Receivables	<u><u>\$ 3,787,523</u></u>	<u><u>\$ 2,989,435</u></u>
Restricted:		
Accounts Receivable from Federal Aviation Administration	<u><u>\$ 3,130,769</u></u>	<u><u>\$ 620,556</u></u>

The restricted accounts receivable in the accompanying Statements of Net Assets represent reimbursements due for project costs under Federal Aviation Administration (FAA) grants. When received, these amounts are required to be deposited with the Authority's revenue bond trustee, pursuant to the revenue bond resolutions as discussed in Note 6. All amounts due under FAA grants are subject to final approval by the FAA and an annual compliance audit by an independent auditor. However, the Authority believes that the receivable amounts recorded result from qualified expenses and, accordingly, an allowance for doubtful accounts is not required.

5. Capital Assets

Capital Assets are stated at historical cost and include property, equipment, and expenses that substantially increase the useful lives of existing assets. The Authority's policy is to capitalize assets with an initial cost of \$2,000 or more and an estimated useful life of more than one year.

5. Capital Assets (continued)

Capital asset balances and changes for the year ended June 30, 2006 are as follows:

	Balance June 30, 2005	Additions and Transfers	Deletions and Transfers	Balance June 30, 2006
Capital Assets, not being depreciated:				
Land	\$ 119,230,049	\$ 7,078,747	\$ (334,813)	\$125,973,983
Construction in progress	35,719,122	39,307,115	(44,510,748)	30,515,489
Total Capital Assets, not being depreciated	154,949,171	46,385,862	(44,845,561)	156,489,472
Capital Assets, being depreciated:				
Improvements	225,868,081	27,027,762		252,895,843
Buildings	128,461,439	8,909,845		137,371,284
Equipment	18,052,050	2,599,238	(814,189)	19,837,099
Total Capital Assets, being depreciated	372,381,570	38,536,845	(814,189)	410,104,226
Less accumulated depreciation for:				
Improvements	112,870,857	9,358,762		122,229,619
Buildings	81,423,915	7,361,131		88,785,046
Equipment	13,122,025	1,579,394	(808,078)	13,893,341
Total Accumulated Depreciation	207,416,797	18,299,287	(808,078)	224,908,006
Total Capital Assets, being depreciated, net	164,964,773	20,237,558	(6,111)	185,196,220
Net Capital Assets	\$ 319,913,944	\$ 66,623,420	\$ (44,851,672)	\$ 341,685,692

Capital asset balances and changes for the year ended June 30, 2005 are as follows:

	Balance June 30, 2004	Additions and Transfers	Deletions and Transfers	Balance June 30, 2005
Capital Assets, not being depreciated:				
Land	\$ 113,732,537	\$ 8,773,628	\$ (3,276,116)	\$ 119,230,049
Construction in progress	24,928,188	26,593,500	(15,802,566)	35,719,122
Total Capital Assets, not being depreciated	138,660,725	35,367,128	(19,078,682)	154,949,171
Capital Assets, being depreciated:				
Improvements	225,020,986	847,095		225,868,081
Buildings	124,701,396	3,760,043		128,461,439
Equipment	17,083,684	1,562,106	(593,740)	18,052,050
Total Capital Assets, being depreciated	366,806,066	6,169,244	(593,740)	372,381,570
Less accumulated depreciation for:				
Improvements	103,635,641	9,235,216		112,870,857
Buildings	74,873,362	6,550,553		81,423,915
Equipment	12,387,013	1,328,752	(593,740)	13,122,025
Total Accumulated Depreciation	190,896,016	17,114,521	(593,740)	207,416,797
Total Capital Assets, being depreciated, net	175,910,050	(10,945,277)		164,964,773
Net Capital Assets	\$ 314,570,775	\$ 24,421,851	(19,078,682)	\$ 319,913,944

5. Capital Assets (continued)

Depreciation of property and equipment is based on the straight-line method at various rates considered adequate to allocate the cost over the estimated useful lives of such assets. The estimated lives by general classification are as follows:

	<u>Years</u>
Improvements	5-30
Buildings	3-30
Equipment	3-15

6. Long-Term Debt

The Series 1996A Airport Revenue (Tax-Exempt) Bonds and the Series 1996B Airport Revenue (Taxable) Bonds were issued in May 1996 to provide, together with other moneys of the Authority, sufficient funds to finance the construction of a three story, 2,400 space parking garage in the main parking lot, a new terminal access roadway system to accommodate the parking garage, a passenger skyway to connect the parking garage to the terminal and acquisition of certain real property located adjacent to the Airport entrance. The Series 1996 A Bonds were defeased during the year ended June 30, 2006.

The Series 2002 Airport Revenue Refunding bonds of \$17,375,000 were issued in May 2002, with an average net interest rate of 4.98% to provide sufficient funds, together with other available moneys of the Authority, to refund on July 1, 2002, \$13,385,000 aggregate principal of the outstanding Series 1992A bonds with an average net interest rate of 5.62%, advance redeem all of the Series 1993B bonds maturing on July 1, 2003 and \$4,075,000 maturing on July 1, 2004 with an average net interest rate of 6.00%, and pay certain costs of issuance including the bond premium of \$924,929.

The difference between the net carrying amount of the old debt and the reacquisition price of \$640,223 has been deferred and will be amortized as a component of interest expense over the remaining life of the new debt per GASB 23. The main purpose of the financing was to keep airline rates stable during a projected two-year September 11th economic recovery but lower interest rates were also realized.

The Series 2003 Airport Revenue Refunding bonds of \$29,215,000 were issued in March 2003, with an average net interest rate of 4.94% to provide sufficient funds, together with other available moneys of the Authority, to redeem on July 1, 2003, \$29,840,000 aggregate principal amount of the outstanding Series 1993B bonds with an average net interest rate of 6.00%, and pay certain costs of issuance including the bond premium of \$2,220,942. The difference between the net carrying amount of the old debt and the reacquisition price of \$1,543,442 has been deferred and will be amortized as a component of interest expense over the remaining life of the new debt per GASB 23.

The Series 2005 Airport Revenue Refunding bonds of \$29,775,000 were issued in August 2005, with an average net interest rate of 4.49%, to provide sufficient funds, together with other available moneys of the Authority, to refund on July 1, 2006, \$29,460,000 aggregate principal of the outstanding Series 1996A bonds with an average net interest rate of 5.91%, and pay certain costs of issuance including the bond premium of \$1,553,562. The bond proceeds were deposited in an escrow account and will be used to refund the Series 1996A Bonds. The advance refunding resulted in a decrease in total debt service payments of \$2,340,957 and an economic gain of \$2,298,499.

6. Long-Term Debt (continued)

The difference between the net carrying amount of the old debt and the reacquisition price of \$2,382,091 has been deferred and will be amortized as a component of interest expense over the remaining life of the new debt per GASB 23. The main purpose of the financing was to take advantage of lower interest rates. This financing will reduce the amount of debt service in the Authority's budget and airline rates in the 2006 and 2007 fiscal years by \$298,808 and \$163,710, respectively, and by similar amounts through 2026.

As noted, the Authority defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the Authority's financial statements. On June 30, 2006, \$29,460,000 of bonds considered defeased are still outstanding.

The Series 1996B bonds with an aggregate principal of \$2,860,000 are subject to redemption prior to maturity, at the option of the Authority, beginning in fiscal year 2007. The 2002, 2003, and 2005 bonds with an aggregate principal of \$71,460,000 are not subject to redemption prior to maturity.

The revenue bond resolutions established certain cash and investments sub-accounts (referred to as "Funds"), in order to provide accountability for bond proceeds and pledged revenues and to assure adherence to restrictions on expenses.

All revenues, other than income derived from certain unrestricted investments, are defined in the bond resolutions as "Gross Pledged Revenues" (see Note 7), and are required to be deposited with the revenue bond trustee in the Revenue Fund, which is established by the revenue bond resolutions. Amounts required to meet operation and maintenance expenses are then expended. The remaining funds are allocated to additional accounts also established by the revenue bond resolution and held by the revenue bond trustee in the following amounts and order of priority:

Bond Fund Interest and Principal Accounts - deposits in amounts sufficient to meet the next required debt service payment on the revenue bonds.

Bond Reserve Account - an amount equal to the Minimum Securities Reserve. The Minimum Securities Reserve is the lesser of (a) the "combined average annual principal and interest requirements," or (b) an amount determined by adding the amount of the Minimum Securities Reserve in effect immediately prior to the issuance of Additional Securities to an amount equal to 10% of the proceeds, within the meaning of the Tax Code, of the then proposed to be issued Additional Securities. The Authority has chosen to satisfy the Minimum Securities Reserve by a Qualified Surety Bond.

Operation and Maintenance Reserve Fund - from amounts remaining after the above allocations and the payment of debt service on any subordinate securities which may be issued by the Authority, this fund receives an allocation in the amount necessary to reinstate over a one-year period a minimum reserve of 17% of the Authority's currently budgeted operation and maintenance expenses.

Renewal and Replacement Fund - \$10,000 per month until a specified maximum amount (currently \$780,000 but not less than \$600,000) determined by the Authority is accumulated as an emergency capital account.

Remaining funds are transferred then to the Authority's Special Fund in an amount aggregating 35% of annual gaming concession revenues.

Any remaining funds are transferred to the General Purpose Fund, to be used for additional construction, maintenance or other airport obligations.

6. Long-Term Debt (continued)

The revenue bond resolutions require the Authority to meet a rate maintenance covenant whereby its annual revenues, after deducting operation and maintenance expenses and 35% of gaming concession revenues, must equal at least 125% of the revenue bond debt service requirement to be paid from such revenues. Agreements with airlines provide for this coverage and the rate maintenance covenant continues to be met for the years ended June 30, 2006 and 2005.

Long-term debt activity for the year ended June 30, 2006 is summarized as follows:

	Balance June 30, 2005	New Debt	Principal Repayment	Discount/ Premium Amortization	Balance June 30, 2006
Revenue Bonds:					
Series 1996A	\$ 29,460,000	\$	\$ 29,460,000	\$	\$
Unamortized discount	(790,951)			790,951	
Series 1996B	3,605,000		745,000		2,860,000
Series 2002	17,375,000		3,225,000		14,150,000
Unamortized premium	516,123			(129,059)	387,064
Deferred loss on refunding	(153,653)			153,653	
Series 2003	27,535,000				27,535,000
Unamortized premium	1,615,231			(269,205)	1,346,026
Deferred loss on refunding	(1,122,502)			187,083	(935,419)
Series 2005		29,775,000			29,775,000
Unamortized premium		1,553,562		(62,143)	1,491,419
Deferred loss on refunding		(2,382,091)		95,283	(2,286,808)
Total Revenue Bond Debt	78,039,248	\$ 28,946,471	\$ 33,430,000	\$ 766,563	74,322,282
Less current portion	(3,970,000)				(6,145,000)
Total long term debt	\$ 74,069,248				\$ 68,177,282

Long-term debt activity for the year ended June 30, 2005 is summarized as follows:

	Balance June 30, 2004	New Debt	Principal Repayment	Discount/ Premium Amortization	Balance June 30, 2005
Revenue Bonds:					
Series 1996A	\$ 29,460,000	\$	\$	\$	\$ 29,460,000
Unamortized discount	(828,916)			37,965	(790,951)
Series 1996B	4,300,000		695,000		3,605,000
Series 2002	17,375,000				17,375,000
Unamortized premium	645,183			(129,060)	516,123
Deferred loss on refunding	(307,307)			153,654	(153,653)
Series 2003	29,215,000		1,680,000		27,535,000
Unamortized premium	1,884,436			(269,205)	1,615,231
Deferred loss on refunding	(1,309,586)			187,084	(1,122,502)
Total Revenue Bond Debt	80,433,810	\$ -	\$ 2,375,000	\$ (19,562)	78,039,248
Less current portion	(2,375,000)				(3,970,000)
Total long term debt	\$78,058,810				\$74,069,248

6. Long-Term Debt (continued)

Maturities of long-term debt will require the following principal and interest payments (based on amounts outstanding at June 30, 2006):

<u>Bond year ended July 1,</u>	<u>Amount</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$6,145,000	\$3,486,770
2007	7,365,000	3,400,468
2008	7,765,000	3,005,476
2009	8,180,000	2,588,625
2010	9,080,000	2,188,725
2011-2015	14,845,000	6,504,750
2016-2020	8,145,000	4,454,750
2021-2025	10,390,000	2,210,250
2026	<u>2,405,000</u>	<u>120,250</u>
	<u>\$ 74,320,000</u>	<u>\$ 27,960,064</u>

7. Pledged Revenues

Pledged revenues consist of the following at June 30:

	<u>2006</u>	<u>2005</u>
Airport system revenues:		
Scheduled airline fees and rentals:		
Landing fees	\$ 5,794,919	\$ 4,105,862
Terminal building space rental	<u>6,762,695</u>	<u>6,566,099</u>
Total scheduled airline fees and rentals	12,557,614	10,671,961
Concession fees	14,385,592	12,618,012
Other operating revenue	17,449,778	15,800,166
Non-operating revenues	<u>1,220,400</u>	<u>728,223</u>
Gross pledged revenues	45,613,384	39,818,362
Transfers – General Purpose Fund for		
Letter of Intent (“LOI”) Bond debt service	649,427	647,661
Airline revenue share from prior year	1,537,929	1,653,595
Airport system operation and maintenance expenses	(29,328,473)	(27,077,027)
35% of gaming revenue	<u>(1,199,079)</u>	<u>(1,079,961)</u>
Net pledged revenues	<u>\$ 17,273,188</u>	<u>\$ 13,962,630</u>
Debt Service Coverage Required	<u>\$ 12,039,713</u>	<u>\$ 10,145,266</u>
Debt Service Coverage Requirement is the greater of the following:		
125% of Senior Revenue Bond Debt Service	<u>\$ 12,039,713</u>	<u>\$10,145,266</u>
100% of All Debt Service	<u>\$ 9,631,770</u>	<u>\$ 8,116,213</u>

8. Leases

Substantially all of the property owned by the Authority is subject to non-cancelable leases and concession agreements. Of the rental and concession revenue amounts shown in the accompanying Statements of Revenues, Expenses and Changes in Net Assets for the years ended June 30, 2006 and 2005, \$14,385,592 and \$12,618,012, respectively, result from rentals or concessions calculated as a percentage of the gross receipts of the lessee or concessionaire or are attributable to specified minimum payments. Future minimum payments due to the Authority under such non-cancelable agreements are as follows for the years ended June 30:

2007	\$ 20,175,860
2008	15,474,709
2009	12,231,996
2010	12,520,401
2011	3,332,016
2012-2017	<u>9,096,752</u>
Total	<u>\$72,831,734</u>

9. Pension Plan

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

Benefits for plan members are funded under one of two methods; the employer pay contribution plan or the employer/employee paid contribution plan. All of the employees of the Authority are under the employer pay contribution plan where the Authority is required to contribute all amounts due under the plan. The contribution requirements of the Authority are established by Chapter 286 of the Nevada Revised Statutes. The funding mechanism may only be amended through legislation. The Authority's contributions to PERS for the years ended June 30, 2006, 2005 and 2004 were \$2,839,235, \$2,646,981, and \$2,345,361, respectively, equal to the required contributions for the year. The contribution rate for the year ended June 30, 2006 was 19.75% for regular members and 32.00% for fire and police members on all covered payroll. The contribution rate for the two years ended June 30, 2005 and 2004 was 20.25% for regular members and 28.50% for fire and police members on all covered payroll.

10. Capital Contributions

The Authority has received capital contributions as follows:

	Inception to date	Year Ended 2006	Year Ended 2005
Federal	\$284,156,138	\$23,701,303	\$19,273,344
State	250,331		
Other Sources	4,271,904		5,850
Total	<u>\$288,678,373</u>	<u>\$23,701,303</u>	<u>\$19,279,194</u>

11. Commitments and Contingencies

The Authority has outstanding commitments for various construction projects. The following is a summary of the more significant of these commitments at June 30, 2006:

Taxiway and Runway Improvements	\$ 6,519,439
Airside Improvements	911,017
Landside Improvements	2,120,277
Terminal Building Improvements	1,505,473

Financial resources for these projects will come from Federal Aviation Administration grants and the General Purpose Fund, Special Fund, and Passenger Facility Charge revenue.

The Authority has entered into a Consent Decree in the case captioned “Nevada Division of Environmental Protection v. United States of America et al”. The Consent Decree, which relates to certain land located near the Reno-Stead Airport that is currently owned by the Authority but not used in its operations, requires those parties who are identified to perform environmental investigation, monitoring, and remediation for any contamination found at the Reno-Stead Airport. Other parties to this Consent Decree are the City of Reno, U.S. Department of Defense by and through the U.S. Army Corps of Engineers and various Lear entities. These parties are utilizing an interim allocation for costs to address contamination as follows: United States of America 51%, City of Reno 12%, Lear entities 18.5% and the Authority 18.5%. During the year ended June 30, 2005, the Lear entities paid a settlement amount to end the Lear entities’ participation. Pollution insurance was used to value this risk. “Project cost cap” and “pollution legal liability” insurance quotes were obtained and premium amounts allocated based on the Lear Entities’ contribution rate. The current estimate to complete work is approximately \$2,183,341 of which the Authority’s share is \$403,198. These costs are anticipated to be incurred over the next 23 years.

The Authority is a defendant in certain litigation arising out of the normal operation and ownership of the Airports. Authority management and legal counsel estimate that the potential claims against the Authority will not materially affect the financial condition of the Authority.

12. Risk Management

The Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets, police and public official liability, injuries to employees and customers, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Authority also provides employees with health, dental, vision and prescription benefits. These benefits (except prescription which is self funded) are covered by commercial insurance purchased from independent third parties.

Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

13. Post Employment Benefits

Post employment benefits are available as established by Nevada Revised Statutes, based on date of retirement and years of service. A portion of the cost of coverage under the Public Employees’ Benefits Program is paid by the Authority for those employees joining the Public Employees’ Benefits Program.

As of June 30, 2006 and 2005, eighteen and thirteen retirees, respectively, were participating in the Public Employees’ Benefits Program. The Authority funded approximately \$72,000 in 2006 and \$48,000 in 2005. Premium payments are funded by operating resources as incurred and no provision has been made to permanently fund future liabilities.

RENO-TAHOE AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
COMPARISON OF BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance To Final Budget
Operating revenues:				
Landing fees	\$ 7,316,187	\$ 7,316,187	\$ 7,545,675	\$ 229,488
Concession revenue	12,064,144	12,064,144	14,385,592	2,321,448
Parking and ground transportation	9,343,700	9,743,700	10,253,964	510,264
Rentals	10,864,935	10,864,935	11,352,662	487,727
Reimbursements for services			827,853	827,853
Other revenue	2,218,525	2,218,525	27,238	(2,191,287)
Total Operating Revenues	<u>41,807,491</u>	<u>42,207,491</u>	<u>44,392,984</u>	<u>2,185,493</u>
Operating expenses:				
Employee wages and benefits	20,306,400	20,306,400	19,929,337	377,063
Utilities and communications	2,249,462	2,649,462	2,457,764	191,698
Purchase of services	3,378,135	3,378,135	3,232,102	146,033
Materials and supplies	1,412,095	1,412,095	1,649,492	(237,397)
Administrative expenses	2,563,825	2,563,825	2,261,031	302,794
Total Operating Expenses before depreciation and amortization	<u>29,909,917</u>	<u>30,309,917</u>	<u>29,529,726</u>	<u>780,191</u>
Depreciation and amortization	<u>17,500,000</u>	<u>17,500,000</u>	<u>18,564,621</u>	<u>(1,064,621)</u>
Total Operating Expenses	<u>47,409,917</u>	<u>47,809,917</u>	<u>48,094,347</u>	<u>(284,430)</u>
Operating income (loss)	<u>(5,602,426)</u>	<u>(5,602,426)</u>	<u>(3,701,363)</u>	<u>1,901,063</u>
Non-operating revenues (expenses):				
Interest income	1,212,000	1,212,000	1,723,481	511,481
Passenger facility charge revenue	10,615,000	10,615,000	11,029,218	414,218
Jet fuel tax income	425,000	425,000	414,874	(10,126)
Gain (loss) on sale of capital assets			496,591	496,591
Interest expense	(3,930,578)	(3,930,578)	(3,608,057)	322,521
Total Non-Operating Revenues (expenses)	<u>8,321,422</u>	<u>8,321,422</u>	<u>10,056,107</u>	<u>1,734,685</u>
Income (Loss) Before Capital Contributions	<u>\$ 2,718,996</u>	<u>\$ 2,718,996</u>	<u>\$ 6,354,744</u>	<u>\$ 3,635,748</u>

RENO-TAHOE AIRPORT AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS ON BONDS
JUNE 30, 2006

Bond Year Ended July 1	Airport Revenue (Taxable) Bonds Series 1996B		Airport Revenue Refunding Bonds Series 2002		Airport Revenue Refunding Bonds Series 2003		Airport Revenue Refunding Bonds Series 2005		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2006	\$ 800,000	\$ 208,780	\$ 2,825,000	\$ 696,650	\$ 2,375,000	\$ 1,353,000	\$ 145,000	\$ 1,228,340	\$ 9,631,770
2007	860,000	150,380	3,585,000	583,650	2,820,000	1,258,000	100,000	1,408,438	10,765,468
2008	925,000	87,600	3,770,000	395,438	2,965,000	1,117,000	105,000	1,405,438	10,770,476
2009	275,000	20,075	3,970,000	197,512	3,110,000	968,750	825,000	1,402,288	10,768,625
2010					7,935,000	813,250	1,145,000	1,375,475	11,268,725
2011					8,330,000	416,500	1,185,000	1,335,400	11,266,900
2012							1,245,000	1,276,150	2,521,150
2013							1,310,000	1,213,900	2,523,900
2014							1,355,000	1,161,500	2,516,500
2015							1,420,000	1,101,300	2,521,300
2016							1,475,000	1,044,500	2,519,500
2017							1,550,000	970,750	2,520,750
2018							1,625,000	895,750	2,520,750
2019							1,705,000	814,500	2,519,500
2020							1,790,000	729,250	2,519,250
2021							1,880,000	639,750	2,519,750
2022							1,975,000	545,750	2,520,750
2023							2,075,000	447,000	2,522,000
2024							2,175,000	343,250	2,518,250
2025							2,285,000	234,500	2,519,500
2026							2,405,000	120,250	2,525,250
	<u>\$ 2,860,000</u>	<u>\$ 466,835</u>	<u>\$ 14,150,000</u>	<u>\$ 1,873,250</u>	<u>\$ 27,535,000</u>	<u>\$ 5,926,500</u>	<u>\$ 29,775,000</u>	<u>\$ 19,693,479</u>	<u>\$ 102,280,064</u>

RENO-TAHOE AIRPORT AUTHORITY
RECAPITULATION OF CASH AND INVESTMENT ACCOUNTS AND SUB-ACCOUNTS
ESTABLISHED BY REVENUE BOND RESOLUTIONS
FOR THE YEAR ENDED JUNE 30, 2006

	Issuer Cash and Investment Accounts		Bond Fund					Trustee's Cash and Investment Accounts					
	Special Fund	Operation & Maintenance Fund	Interest Fund 1996	Principal Fund 1996	Bond Fund 2002	Bond Fund 2003	Bond Fund 2005	Operations & Maintenance Reserve Fund	Renewal & Replacement Fund	General Purpose Fund	Revenue Fund	Construction Fund Parking Garage	Total Bond & Trustee Accounts
Beginning Balance July 1, 2005	\$ 4,588,035	\$ 2,067,031	\$ 966,709	\$ 745,011	\$ 3,653,946	\$ 676,500	\$ -	\$ 4,676,054	\$ 783,232	\$ 20,729,889	\$ (216,183)	\$ 2,539	\$ 32,017,697
Receipts:													
Gross pledged revenues received:													
Deposits from Airport revenues	146,328										46,308,377		46,308,377
Income received from investments pledged portion	187,015	66,299	4,799	18,632	76,391	66,155	19,908	157,070	31,186	668,203	51,859		1,094,203
Transfer among funds	448,791	(66,299)	344,265	781,357	4,232,205	3,661,325	1,353,271	233,979	(34,418)	2,006,043	(11,269,148)		1,308,879
Disbursements:													
Operation and maintenance expenses											(30,734,838)		(30,734,838)
Equipment and capital outlay											(2,627,775)		(2,627,775)
Payment of revenue bond interest and principal			(1,211,392)	(745,000)	(4,707,180)	(1,353,000)	(521,947)						(8,538,519)
Other capital improvement expenses										(3,959,877)		(2,539)	(3,962,416)
Change in investments transactions	(53,601)	(2,269)						(51,929)		(140,297)	-		(192,226)
Total at June 30, 2005	\$5,316,568	\$2,064,762	\$104,381	\$800,000	\$3,255,362	\$3,050,980	\$851,232	\$5,015,174	\$780,000	\$19,303,961	\$1,512,292	\$0	\$34,673,382
Components of ending balance:													
Cash	\$54,885	\$95,104	\$104,381	\$800,000	\$3,255,362	\$3,050,980	\$851,232	\$830	\$525	2,524,241	\$1,512,292	\$0	\$12,099,843
Investments and Cash Equivalents	5,261,683	1,969,658	-	-	-	-	-	5,014,344	779,475	16,779,720	-	-	22,573,539
	\$5,316,568	\$2,064,762	\$104,381	\$800,000	\$3,255,362	\$3,050,980	\$851,232	\$5,015,174	\$780,000	\$19,303,961	\$1,512,292	\$0	\$34,673,382

Reno-Tahoe Airport Authority

Statistical Section



STATISTICAL SECTION EXPLANATIONS

This part of the RTAA's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Authority's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Authority's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to assist the reader in understanding and assessing the factors affecting the Authority's ability to generate revenues.

Debt Capacity

These schedules present information to help the reader assess the affordability of the Authority's current levels of outstanding debt and the Authority's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

Operation Information

These schedules contain service data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

RENO-TAHOE AIRPORT AUTHORITY
NET ASSETS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 1997-2006
(unaudited)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Operating revenues										
Landing fees	\$10,124,965	\$8,686,748	\$8,008,724	\$7,933,169	\$6,807,434	\$6,706,519	\$6,102,736	\$5,798,888	\$5,801,560	\$7,545,675
Concession revenue	11,315,412	12,511,209	13,190,985	13,490,057	12,999,632	11,271,356	11,686,716	11,595,147	12,618,012	14,385,592
Parking and ground transportation	4,634,063	5,565,650	6,140,754	6,567,413	7,584,162	6,679,876	7,020,300	7,928,016	9,082,135	10,253,964
Rentals	7,350,159	7,522,002	7,983,522	7,839,775	8,485,295	8,774,487	8,438,313	9,552,561	11,102,359	11,352,662
Reimbursements for services	295,867	636,440	353,540	334,543	370,292	389,279	771,079	940,509	477,425	827,853
Other revenue	51,780	111,483	153,640	120,480	196,419	505,434	533,140	193,519	8,648	27,238
Total operating revenues	33,772,246	35,033,532	35,831,165	36,285,437	36,443,234	34,326,951	34,552,284	36,008,640	39,090,139	44,392,984
Nonoperating revenues										
Interest income	2,756,510	1,562,122	1,451,169	1,484,549	2,173,880	1,360,986	1,310,023	345,940	1,370,190	1,723,481
Passenger facility charge revenue	10,072,415	9,929,169	8,387,291	8,260,993	5,844,082	6,847,754	8,348,271	10,343,967	8,771,723	11,029,218
Insurance proceeds						750,000	18,245,962	16,264	30,000	
Jet fuel tax income								375,000	414,908	414,874
Gain on sale of capital assets					418,004			40,043	1,311,777	496,591
Total nonoperating revenues	12,828,925	11,491,291	9,838,460	9,745,542	8,435,966	8,958,740	27,904,256	11,121,214	11,898,598	13,664,164
Total revenues	46,601,171	46,524,823	45,669,625	46,030,979	44,879,200	43,285,691	62,456,540	47,129,854	50,988,737	58,057,148
Operating expense:										
Employee wages and benefits	11,651,184	12,711,741	13,709,659	13,718,705	14,153,568	14,382,329	16,194,694	17,267,109	18,158,194	19,929,337
Utilities and communications	1,400,230	1,601,393	1,601,423	1,612,878	1,813,407	1,855,231	1,918,689	2,071,461	2,425,659	2,457,764
Purchase of services	2,657,157	3,219,814	2,735,268	2,357,105	1,677,786	1,915,702	2,795,490	2,863,032	3,115,090	3,232,102
Materials and supplies	1,208,536	1,369,303	1,194,605	1,189,564	1,119,972	942,423	1,034,323	1,057,637	1,524,721	1,649,492
Administrative expenses	1,774,259	1,538,013	1,517,480	1,358,269	1,325,087	1,796,018	2,397,453	2,855,358	2,167,021	2,261,031
	18,691,366	20,440,264	20,758,436	20,236,521	20,089,820	20,891,703	24,340,649	26,114,597	27,390,685	29,529,726
Depreciation and amortization	11,541,061	13,703,937	14,316,472	14,763,908	15,013,369	15,260,870	15,516,102	17,044,725	17,374,021	18,564,621
Total operating expenses	30,232,427	34,144,201	35,074,908	35,000,429	35,103,189	36,152,573	39,856,751	43,159,322	44,764,706	48,094,347
Nonoperating expenses										
Reclamation expenses					925,000					
Loss on sale of capital assets						80,587	47,882			
Interest expense	8,599,804	8,323,092	8,035,201	7,617,091	7,792,177	6,903,972	5,729,405	4,227,792	4,126,651	3,608,057
Total nonoperating expenses	8,599,804	8,323,092	8,035,201	7,617,091	8,717,177	6,984,559	5,777,287	4,227,792	4,126,651	3,608,057
Total expenses	38,832,231	42,467,293	43,110,109	42,617,520	43,820,366	43,137,132	45,634,038	47,387,114	48,891,357	51,702,404
Capital contributions	16,219,438	3,583,543	12,436,166	21,279,630	24,039,375	20,278,604	16,764,255	21,076,563	19,279,194	23,701,303
Increase in Net Assets	\$23,988,378	\$7,641,073	\$14,995,682	\$24,693,089	\$25,098,209	\$20,427,163	\$33,586,757	\$20,819,303	\$21,376,574	\$30,056,047
Net Assets at Year-End										
Invested in capital assets, net of related debt	N/A	N/A	N/A	N/A	N/A	\$187,574,017	\$212,779,814	\$230,574,469	\$241,394,417	\$260,647,695
Restricted	N/A	N/A	N/A	N/A	N/A	44,749,148	29,473,577	26,469,671	36,564,162	42,831,382
Unrestricted	N/A	N/A	N/A	N/A	N/A	18,606,083	42,262,614	48,291,168	48,753,303	53,288,852
Total Net Assets	\$158,074,030	\$165,715,103	\$180,710,787	\$205,403,876	\$230,502,085	\$250,929,248	\$284,516,005	\$305,335,308	\$326,711,882	\$356,767,929

RENO-TAHOE AIRPORT AUTHORITY
SUMMARY OF OPERATING RESULTS
FOR THE YEARS ENDED JUNE 30, 1997-2006
(unaudited)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Operating Revenues	\$33,772,246	\$35,033,532	\$35,831,166	\$36,287,629	\$36,443,234	\$34,326,951	\$34,552,284	\$36,008,640	\$39,090,139	\$44,392,984
Operating Expenses	(18,691,366)	(20,440,264)	(20,758,435)	(20,236,521)	(20,089,820)	(20,891,703)	(24,340,649)	(25,626,456)	(27,390,685)	(29,529,726)
Operating Income before Depreciation and Amortization	15,080,880	14,593,268	15,072,731	16,051,108	16,353,414	13,435,248	10,211,635	10,382,184	11,699,454	14,863,258
Depreciation and Amortization	(11,541,061)	(13,703,937)	(14,316,472)	(14,763,908)	(15,013,369)	(15,260,870)	(15,516,102)	(17,044,725)	(17,374,021)	(18,564,621)
Operating Income (loss)	3,539,819	889,331	756,259	1,287,200	1,340,045	(1,825,622)	(5,304,467)	(6,662,541)	(5,674,567)	(3,701,363)
Nonoperating Revenues and (Expenses):										
Interest Income	2,756,510	1,562,122	1,451,169	1,484,549	2,173,880	1,360,986	1,310,023	345,940	1,370,190	1,723,481
PFC Revenue	10,072,415	9,929,169	8,387,291	8,260,993	5,844,082	6,847,754	8,348,271	10,343,967	8,771,723	11,029,218
Insurance Proceeds						750,000	18,245,962	16,264	30,000	
Jet Fuel Tax Revenue (Expense)								(113,141)	414,908	414,874
Reclamation Expense					(925,000)					
Interest Expense	(8,599,804)	(8,323,092)	(8,035,201)	(7,617,091)	(7,792,177)	(6,903,972)	(5,729,405)	(4,227,792)	(4,126,651)	(3,608,057)
Gain (Loss) on Sale of Assets				(2,192)	418,004	(80,587)	(47,882)	40,043	1,311,777	496,591
	4,229,121	3,168,199	1,803,259	2,126,259	(281,211)	1,974,181	22,126,969	6,405,281	7,771,947	10,056,107
Income (Loss) Before Capital Contributions	\$7,768,940	\$4,057,530	\$2,559,518	\$3,413,459	\$1,058,834	\$148,559	\$16,822,502	(\$257,260)	\$2,097,380	\$6,354,744

RENO-TAHOE AIRPORT AUTHORITY
REVENUE RATES
FOR THE YEARS ENDED JUNE 30, 1997-2006
(unaudited)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Landing fee (per 1,000 lbs. MGLW)										
Signatory Airlines	\$1.20	\$1.32	\$1.32	\$1.38	\$1.35	\$1.55	\$1.41	\$1.16	\$1.29	\$1.73
Non-Signatory Airlines	1.78	1.65	1.72	1.96	2.21	2.39	1.86	1.80	1.83	2.30
RON (Ramp Over Night) fee	0.18	0.20	0.20	0.21	0.20	0.23	0.21	0.17	0.19	0.26
RON Non-Signatory fee	0.27	0.25	0.26	0.29	0.33	0.36	0.28	0.27	0.27	0.36
Terminal Rental Rate Average		37.80	40.01	38.00	38.81	40.94	37.70	41.18	49.30	55.06
Cost per enplanements	3.50	3.52	3.54	3.90	3.85	4.54	4.04	3.76	4.09	4.84

Notes: The RTAA and certain airlines negotiated an Airline Use and Lease Agreement effective July, 1 1996 for five years with two mutually agreed upon three-year extensions. The first extension expired June 30, 2004 and the second will expire June 30, 2007.

RENO-TAHOE AIRPORT AUTHORITY
RATE MAINTENANCE COVENANT PERFORMANCE
FOR THE YEARS ENDED JUNE 30, 1997 - 2006
(unaudited)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Operating Revenues	\$33,772,246	\$35,033,532	\$35,831,166	\$36,287,629	\$36,443,234	\$34,326,951	\$34,552,284	\$36,008,640	\$39,090,139	\$44,392,984
Trust Fund Investment Interest Income	<u>1,844,155</u>	<u>1,248,737</u>	<u>1,392,638</u>	<u>1,377,257</u>	<u>1,785,895</u>	<u>1,268,375</u>	<u>1,200,102</u>	<u>244,461</u>	<u>728,223</u>	<u>1,220,400</u>
Gross Pledged Revenues	35,616,401	36,282,269	37,223,804	37,664,886	38,229,129	35,595,326	35,752,386	36,253,101	39,818,362	45,613,384
Transfers - General Purpose Fund for LOI Bond Debt Service					672,753	679,517	656,730	654,578	647,661	649,427
Airline revenue share prior year					2,727,766	2,550,000	1,421,946	2,246,836	1,653,595	1,537,929
Operating Expenses	(18,691,366)	(20,440,264)	(20,758,435)	(20,236,521)	(20,089,820)	(20,891,703)	(24,340,649)	(25,626,456)	(27,077,027)	(29,328,473)
35% of Gaming Revenues	<u>(1,119,357)</u>	<u>(1,183,779)</u>	<u>(1,142,939)</u>	<u>(971,819)</u>	<u>(969,523)</u>	<u>(933,202)</u>	<u>(882,000)</u>	<u>(882,000)</u>	<u>(1,079,961)</u>	<u>(1,199,079)</u>
Net Pledged Revenues	<u>\$15,805,678</u>	<u>\$14,658,226</u>	<u>\$15,322,430</u>	<u>\$16,456,546</u>	<u>\$20,570,305</u>	<u>\$16,999,938</u>	<u>\$12,608,413</u>	<u>\$12,646,059</u>	<u>\$13,962,630</u>	<u>\$17,273,188</u>
125% of Revenue Bond Debt Service	<u>\$13,881,720</u>	<u>\$13,880,708</u>	<u>\$13,882,613</u>	<u>\$12,412,351</u>	<u>\$14,533,705</u>	<u>\$14,530,776</u>	<u>\$7,030,344</u>	<u>\$8,277,935</u>	<u>\$10,145,266</u>	<u>\$12,039,713</u>
Rate Maintenance Minimum Revenues	<u>\$13,881,720</u>	<u>\$13,880,708</u>	<u>\$13,882,613</u>	<u>\$12,412,351</u>	<u>\$14,533,705</u>	<u>\$14,530,776</u>	<u>\$7,030,344</u>	<u>\$8,277,935</u>	<u>\$10,145,266</u>	<u>\$12,039,713</u>

RENO-TAHOE AIRPORT AUTHORITY
RATIOS OF OUTSTANDING DEBT AND DEBT SERVICE
FOR THE YEARS ENDED JUNE 30, 1997-2006
(unaudited)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Outstanding Debt										
Revenue bonds	\$156,655,000	\$147,735,000	\$138,395,000	\$128,585,000	\$117,780,000	\$104,300,000	\$89,545,000	\$80,350,000	\$77,975,000	\$74,320,000
Notes Payable	1,460,000	1,240,000	1,020,000	800,000	325,849					
Tax-exempt PFC backed note			3,351,000	3,351,000						
Subordinate revenue taxable note				10,000,000	10,000,000	10,000,000				
Total outstanding debt	\$158,115,000	\$148,975,000	\$142,766,000	\$142,736,000	\$128,105,849	\$114,300,000	\$89,545,000	\$80,350,000	\$77,975,000	\$74,320,000
Outstanding debt per enplaned passenger	\$46	\$44	\$46	\$48	\$48	\$51	\$40	\$33	\$31	\$29
Debt Service										
Principal	\$8,695,000	\$9,140,000	\$9,560,000	\$10,020,000	\$11,035,000	\$13,720,849	\$14,130,000	\$9,195,000	\$2,375,000	\$3,970,000
Interest	7,444,965	8,685,377	8,264,567	7,964,976	7,477,175	7,567,964	6,838,464	3,837,211	4,247,348	4,146,213
Total debt service	\$16,139,965	\$17,825,377	\$17,824,567	\$17,984,976	\$18,512,175	\$21,288,813	\$20,968,464	\$13,032,211	\$6,622,348	\$8,116,213
Ratio of debt service to total expenses	41.56%	41.97%	41.35%	42.20%	42.25%	49.35%	45.95%	27.50%	13.55%	15.70%

Notes: No debt-to-personal-income ratio is shown because personal income information is not available for the Airport trade area.

RENO-TAHOE AIRPORT AUTHORITY
POPULATION IN AIR TRADE AREA
FOR THE CALENDAR YEARS 1998-2005
(unaudited)

	1998	1999	2000	2001	2002	2003	2004	2005
Nevada								
<u>County</u>								
Churchill	23,147	23,405	24,025	24,469	24,248	24,241	24,289	24,556
Douglas	36,815	37,602	41,465	42,227	43,230	44,170	45,933	47,017
Humboldt	18,083	17,876	15,919	15,969	16,143	16,562	16,863	17,129
Lyon	30,131	31,459	34,893	36,254	38,019	40,290	43,336	47,515
Pershing	4,834	4,803	6,665	6,588	6,566	6,446	6,396	6,360
Storey	2,951	2,988	3,393	3,424	3,421	3,541	3,731	4,074
Washoe	313,008	319,816	341,348	351,584	361,640	371,062	380,612	389,872
Carson City	49,163	50,046	52,548	53,446	54,547	55,269	55,926	56,062
Sub total	478,132	487,995	520,256	533,961	547,814	561,581	577,086	592,585
California								
<u>County</u>								
Alpine	1,192	1,161	1,207	1,204	1,217	1,188	1,197	1,159
El Dorado	158,322	161,358	157,198	161,363	165,711	169,119	172,723	176,841
Lassen	33,281	33,028	33,767	33,652	33,569	34,114	34,606	34,751
Mono	10,307	10,512	12,866	12,895	12,993	12,832	12,687	12,509
Nevada	91,114	92,014	92,537	93,868	95,071	96,235	97,447	98,394
Placer	229,216	239,485	251,327	264,818	278,911	293,457	306,305	317,028
Plumas	20,362	20,370	20,781	20,899	21,006	21,185	21,328	21,477
Sierra	3,376	3,334	3,576	3,528	3,497	3,542	3,486	3,434
Sub total	547,170	561,262	573,259	592,227	611,975	631,672	649,779	665,593
Total	1,025,302	1,049,257	1,093,515	1,126,188	1,159,789	1,193,253	1,226,865	1,258,178
Percentage increase		2.34%	4.22%	2.99%	2.98%	2.89%	2.82%	2.55%
Unemployment rate								
Washoe County	3.9%	3.5%	3.6%	4.4%	5.1%	4.7%	4.2%	3.9%

Source: U.S. Department of Commerce, Bureau of the Census and Economagic.com.

RENO-TAHOE AIRPORT AUTHORITY
 FORTUNE 500 COMPANIES WITHIN AIR TRADE AREA
 FISCAL YEAR ENDED 2006
 (unaudited)

Ranking	Company	Ranking	Company	Ranking	Company
2	Wal-Mart Stores	79	Alcoa	311	Sherwin-Williams
3	General Motors	83	Cisco Systems	338	Starbucks
7	General Electric	89	Coca-Cola	379	C.H. Robinson Worldwide
25	Dell	90	Weyerhaeuser	380	Harley-Davidson
27	AmerisourceBergen	96	Deere	413	Charter Communications
31	Pfizer	118	J.C. Penney	418	Charles Schwab
39	AT&T	159	Apple Computer	422	Barnes & Noble
44	United Parcel Service	196	Oracle	424	US Airways Group
48	Microsoft	209	Arrow Electronics	445	Henry Schein
61	PepsiCo	215	Aramark	460	Clorox
68	Sysco	265	R.R. Donnelley & Sons	461	Newmont Mining
70	FedEx	272	Amazon.com	476	Graybar Electric

Thirty-six Fortune 500 companies have a significant presence in northern Nevada. These companies represent a range of top multi-national brands that have chosen Reno/Sparks/Lake Tahoe to do business in northern Nevada.

Source: Economic Development Authority of Western Nevada.

RENO-TAHOE AIRPORT AUTHORITY
EMPLOYEES
FOR THE YEARS ENDED JUNE 30, 1997-2006
(unaudited)

Full-time Equivalent Budgeted Employees
as of Fiscal Year-End

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Board of Trustees	8	8	8	8	8	9	9	9	9	9
Airfield Operations	50	51	52	53	48	48	48	48	48.5	51
Terminal Building Maintenance	56	59	62.5	62	62.5	62	63	65	66	68
Police	20	23	23	23	23	23	53	38	38	38
Parking	14.5	16	16	16	15	15	15	15	15	15
Aircraft rescue and firefighting	24	24	24	24	21	21	19	19	19	20
Administration	44	49	63	62	57	56.5	55.5	59	57.5	59
Total Employees	216.5	230	248.5	248	234.5	234.5	262.5	253	253	260

Notes: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080. The amounts above show the budgeted personnel complement for each fiscal year.

RENO-TAHOE AIRPORT AUTHORITY
 OPERATIONAL STATISTICAL SUMMARY
 FOR THE YEARS ENDED JUNE 30, 1997 - 2006
 (unaudited)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Enplanements (Scheduled and Non-Scheduled)	3,447,307	3,383,435	3,076,665	2,951,413	2,669,399	2,249,012	2,264,185	2,461,694	2,550,273	2,577,546
Airport Growth	12.9%	-1.9%	-9.1%	-4.1%	-9.6%	-15.7%	0.7%	8.7%	3.6%	1.1%
Annual Compounded Growth										-0.5%
Landed Weight (000 LBS.) (Scheduled and Non-Scheduled)	5,436,802	5,621,820	5,024,513	4,751,642	3,902,071	3,518,942	3,474,736	3,780,605	3,877,924	3,724,533
Airport Growth	16.1%	3.4%	-10.6%	-5.4%	-17.9%	-9.8%	-1.3%	8.8%	2.6%	-4.0%
Air Carrier Operations	87,841	86,746	78,527	74,747	60,061	52,882	52,366	55,394	55,482	51,666
Airport Growth	19.1%	-1.2%	-9.5%	-4.8%	-19.6%	-12.0%	-1.0%	5.8%	0.2%	-6.9%

Prior year numbers may change due to updated reports received after year end.

RENO-TAHOE AIRPORT AUTHORITY
RENO-TAHOE INTERNATIONAL AIRPORT
ENPLANEMENTS AND MARKET SHARE BY SCHEDULED AIRLINE
FOR THE YEARS ENDED JUNE 30, 1997 - 2006
(unaudited)

Scheduled Airline	1997			1998			1999			2000			2001		
	Enplanements	Share	Percent Change												
Alaska	193,907	6%	42%	193,277	6%	0%	178,022	6%	-8%	128,043	4%	-28%	113,411	4%	-11%
Aloha Airlines	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
America West	174,447	5%	-20%	159,521	5%	-9%	161,068	5%	1%	165,655	6%	3%	194,417	7%	17%
American	97,864	3%	-4%	78,503	2%	-20%	80,078	3%	2%	650,232	22%	712%	381,984	14%	-41%
Atlantic Southeast	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Continental	0	0%	0%	0	0%	0%	13,540	0%	0%	34,423	1%	154%	41,283	2%	20%
Frontier	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Horizon Air	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Mesa	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Northwest	106,771	3%	34%	163,222	5%	53%	136,567	4%	-16%	123,221	4%	-10%	95,394	4%	-23%
Scenic	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Skywest	28,643	1%	18%	25,471	1%	-11%	22,582	1%	-11%	29,844	1%	32%	65,481	2%	119%
Southwest	932,996	28%	-2%	907,703	27%	-3%	944,487	31%	4%	1,066,053	36%	13%	1,248,606	47%	17%
United	309,445	9%	46%	327,438	10%	6%	323,801	11%	-1%	326,781	11%	1%	325,870	12%	0%
Allegiant Air	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	19,094	1%	100%
Casino Express	0	0%	0%	0	0%	0%	0	0%	0%	10,684	0%	100%	5,835	0%	-45%
American Transair	0	0%	0%	0	0%	0%	0	0%	0%	1,580	0%	100%	0	0%	-100%
Canadian Air Int'l	0	0%	0%	0	0%	0%	0	0%	0%	1,594	0%	100%	0	0%	-100%
Champion Air	0	0%	0%	0	0%	0%	0	0%	0%	10,163	0%	100%	3,693	0%	-64%
Delta	208,479	6%	13%	221,700	7%	6%	228,025	7%	3%	225,247	8%	-1%	169,805	6%	-25%
National	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Reno Air	1,169,630	35%	27%	1,222,032	36%	4%	908,968	30%	-26%	125,260	4%	-86%	0	0%	-100%
Sierra Pacific/Sunwest	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	2,527	0%	100%
Sunworld	0	0%	0%	0	0%	0%	162	0%	100%	1,268	0%	683%	0	0%	-100%
TWA	72,926	2%	51%	84,568	2%	16%	75,131	2%	-11%	47,574	2%	-37%	0	0%	-100%
Other	9,135	0%	0%	0	0%	-100%	735	0%	100%	0	0%	0%	1,999	0%	100%
	<u>3,304,243</u>	<u>100%</u>	<u>15%</u>	<u>3,383,435</u>	<u>100%</u>	<u>2%</u>	<u>3,073,166</u>	<u>100%</u>	<u>-9%</u>	<u>2,947,622</u>	<u>100%</u>	<u>-4%</u>	<u>2,669,399</u>	<u>100%</u>	<u>-9%</u>

Rounding errors may occur.

continued

RENO-TAHOE AIRPORT AUTHORITY
RENO-TAHOE INTERNATIONAL AIRPORT
ENPLANEMENTS AND MARKET SHARE BY SCHEDULED AIRLINE
FOR THE YEARS ENDED JUNE 30, 1997 - 2006

(unaudited)

(continued)

Scheduled Airline	2002			2003			2004			2005			2006		
	Enplanements	Share	Percent Change												
Alaska	103,740	5%	-9%	114,267	5%	10%	181,866	7%	59%	173,865	7%	-4%	111,961	4%	-36%
Aloha Airlines	0	0%	0%	113,223	5%	0%	32,133	1%	100%	43,378	2%	100%	31,502	1%	100%
America West	177,250	8%	-9%	198,392	8%	12%	206,307	8%	4%	228,743	9%	11%	202,610	8%	-11%
American	293,393	13%	-23%	233,442	10%	-20%	239,167	10%	2%	250,509	10%	5%	240,675	9%	-4%
Atlantic Southeast	0	0%	0%	0	0%	0%	0	0%	0%	23,149	1%	0%	26,254	1%	13%
Continental	48,846	2%	18%	58,502	2%	20%	77,461	3%	32%	66,663	3%	-14%	59,379	2%	-11%
Frontier	31,342	1%	100%	40,331	2%	29%	54,709	2%	36%	31,441	1%	-43%	39,036	2%	24%
Horizon Air	0	0%	0%	0	0%	0%	0	0%	0%	26,984	1%	0%	90,366	4%	235%
Mesa	0	0%	0%	1,265	0%	0%	0	0%	-100%	3,674	0%	0%	38,238	1%	941%
Northwest	81,894	4%	-14%	87,121	4%	6%	91,230	4%	5%	82,998	3%	-9%	35,758	1%	-57%
Scenic	0	0%	0%	0	0%	0%	0	0%	0%	1,586	0%	0%	4,122	0%	160%
Skywest	113,418	5%	73%	117,884	5%	4%	183,632	7%	56%	188,436	7%	3%	151,168	6%	-20%
Southwest	1,112,648	50%	-11%	1,134,256	48%	2%	1,160,906	47%	2%	1,182,838	46%	2%	1,251,809	49%	6%
United	251,034	11%	-23%	256,635	11%	2%	204,840	8%	-20%	182,893	7%	-11%	185,751	7%	2%
Allegiant Air	183	0%	-99%	413	0%	126%	29,015	1%	6925%	28,731	1%	-1%	32,307	1%	12%
Casino Express	88	0%	-98%	0	0%	-100%	35	0%	0%	88	0%	151%	0	0%	-100%
American Transair	1,050	0%	100%	0	0%	-100%	0	0%	0%	132	0%	0%	0	0%	-100%
Canadian Air Int'l	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Champion Air	0	0%	-100%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Delta	27,819	1%	-84%	0	0%	-100%	0	0%	0%	34,165	1%	0%	67,838	3%	99%
National	0	0%	0%	6,712	0%	100%	0	0%	-100%	0	0%	0%	0	0%	0%
Reno Air	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Sierra Pacific/Sunwest	0	0%	-100%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Sunworld	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
TWA	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Other	1,675	0%	-16%	0	0%	-100%	393	0%	0%	0	0%	100%	8,772	0%	0%
	<u>2,244,380</u>	<u>100%</u>	<u>-16%</u>	<u>2,362,443</u>	<u>100%</u>	<u>5%</u>	<u>2,461,694</u>	<u>100%</u>	<u>4%</u>	<u>2,550,273</u>	<u>100%</u>	<u>4%</u>	<u>2,577,546</u>	<u>100%</u>	<u>1%</u>

Rounding errors may occur

RENO-TAHOE AIRPORT AUTHORITY
RENO-TAHOE INTERNATIONAL AIRPORT
LANDED WEIGHTS AND MARKET SHARE BY SCHEDULED AIRLINE
FOR THE YEARS ENDED JUNE 30, 1997 - 2006
(unaudited)

Scheduled Airline	1997			1998			1999			2000			2001		
	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change
Alaska	256,528	5%	42%	253,050	5%	-1%	197,462	4%	-22%	143,705	3%	-27%	136,172	4%	-5%
Aloha Airlines	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
America West	213,107	4%	-29%	221,364	4%	4%	225,187	5%	2%	249,521	6%	11%	235,655	7%	-6%
American	128,998	3%	-4%	106,256	2%	-18%	103,570	2%	-3%	1,099,902	25%	962%	538,236	16%	-51%
Atlantic Southeast	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Continental	0	0%	0%	0	0%	0%	22,432	0%	0%	40,624	1%	81%	45,434	1%	12%
Frontier	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Horizon	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Mesa	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Northwest	155,922	3%	38%	232,582	4%	49%	203,000	4%	-13%	182,092	4%	-10%	114,607	3%	-37%
Scenic	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Skywest	50,784	1%	12%	46,745	1%	-8%	44,196	1%	-5%	48,937	1%	11%	94,889	3%	94%
Southwest	1,569,433	30%	6%	1,566,715	30%	0%	1,539,102	33%	-2%	1,587,667	37%	3%	1,623,092	47%	2%
United	426,465	8%	59%	421,416	8%	-1%	412,936	9%	-2%	397,453	9%	-4%	385,756	11%	-3%
Allegiant Air	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	45,449	1%	0%
Airborne Express	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Federal Express	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
United Parcel Service	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Delta	382,281	7%	10%	405,335	8%	6%	358,963	8%	-11%	323,853	7%	-10%	239,067	7%	-26%
National	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Reno Air	1,851,760	36%	34%	1,920,124	36%	4%	1,505,840	32%	-22%	204,680	5%	-86%	0	0%	-100%
TWA	93,990	2%	33%	106,230	2%	13%	93,340	2%	-12%	56,234	1%	-40%	0	0%	-100%
Tristar	5,832	0%	-63%	0	0%	-100%	0	0%	0%	0	0%	0%	0	0%	0%
Other	22,286	0%	368%	0	0%	-100%	0	0%	0%	0	0%	0%	0	0%	0%
	5,157,386	99%	17%	5,279,817	100%	2%	4,706,028	100%	-11%	4,334,668	100%	-8%	3,458,357	100%	-20%

Rounding errors may occur

continued

RENO-TAHOE AIRPORT AUTHORITY
RENO-TAHOE INTERNATIONAL AIRPORT
LANDED WEIGHTS AND MARKET SHARE BY SCHEDULED AIRLINE
FOR THE YEARS ENDED JUNE 30, 1997 - 2006

(unaudited)

(continued)

Scheduled Airline	2002			2003			2004			2005			2006		
	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change
Alaska	128,950	4%	-5%	145,453	4%	13%	272,567	7%	87%	225,303	6%	-17%	142,111	4%	-37%
Aloha Airlines	0	0%	0%	0	0%	0%	46,899	1%	0%	73,125	2%	0%	47,802	1%	0%
America West	255,695	8%	9%	275,247	8%	8%	301,178	8%	9%	323,416	8%	7%	258,369	7%	-20%
American	405,332	13%	-25%	290,583	8%	-28%	296,588	8%	2%	318,810	8%	7%	270,454	7%	-15%
Atlantic Southeast	0	0%	0%	0	0%	0%	0	0%	0%	31,021	1%	0%	33,031	1%	6%
Continental	52,588	2%	16%	63,004	2%	20%	91,532	2%	45%	79,589	2%	-13%	63,076	2%	-21%
Frontier	65,200	2%	0%	61,296	2%	-6%	87,471	2%	43%	49,713	1%	-43%	54,646	1%	10%
Horizon	0	0%	0%	0	0%	0%	0	0%	0%	30,017	1%	0%	93,135	3%	210%
Mesa	0	0%	0%	2,679	0%	0%	0	0%	0%	8,748	0%	0%	43,610	1%	399%
Northwest	100,013	3%	-13%	99,675	3%	0%	104,254	3%	5%	93,582	2%	-10%	41,726	1%	-55%
Scenic	0	0%	0%	0	0%	0%	0	0%	0%	3,600	0%	0%	7,728	0%	115%
Skywest	134,930	4%	42%	138,994	4%	3%	215,743	6%	55%	230,224	6%	7%	167,176	4%	-27%
Southwest	1,631,799	52%	1%	1,644,432	47%	1%	1,682,256	44%	2%	1,694,986	44%	1%	1,726,284	46%	2%
United	321,466	10%	-17%	310,702	9%	-3%	262,964	7%	-15%	241,294	6%	-8%	221,035	6%	-8%
Allegiant Air	0	0%	-100%	26,996	1%	0%	38,710	1%	43%	42,323	1%	9%	41,573	1%	-2%
Airborne Express	0	0%	0%	25,908	1%	0%	26,112	1%	1%	26,010	1%	0%	25,990	1%	0%
Federal Express	0	0%	0%	219,322	6%	0%	209,816	6%	-4%	213,469	6%	2%	239,288	6%	12%
United Parcel Service	0	0%	0%	113,002	3%	0%	116,029	3%	3%	122,350	3%	5%	131,104	4%	7%
Delta	38,004	1%	-84%	0	0%	-100%	0	0%	0%	44,142	1%	0%	81,464	2%	85%
National	0	0%	0%	25,344	1%	0%	0	0%	-100%	0	0%	0%	0	0%	0%
Reno Air	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
TWA	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Tristar	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%	0	0%	0%
Other	0	0%	0%	32,099	1%	0%	28,486	1%	-11%	26,202	1%	-8%	34,931	1%	33%
	3,133,977	100%	-9%	3,474,736	100%	11%	3,780,605	100%	9%	3,877,924	100%	3%	3,724,533	100%	-4%

Rounding errors may occur

RENO-TAHOE AIRPORT AUTHORITY
 CAPITAL ASSET INFORMATION
 AS OF JUNE 30, 2006
 (unaudited)

Location 2001 East Plumb Lane
 3 miles southeast of Downtown Reno

Airport Code RNO
 Elevation 4,415 ft
 Area 1,450 acres

Runways and Facilities

Runway 16R/34L	Western parallel runway running North-South
Dimensions:	11002 x 150ft / 3353 x 46 m
Runway 16L/34R	Eastern parallel runway running North-South
Dimensions:	9000 x 150 ft / 2743 x 46 m
Runway 7/25	East-West
Dimensions:	6102 x 150 ft / 1860 x 46 m
Passenger Boarding Gates	23
FAA staffs and operates 24-hour Air Traffic Control Tower	

Parking

Short -Term Parking	450 spaces
Long-Term Parking	1,650 spaces
Long-Term Parking (Surface Lot)	1,565 spaces

Created in 1977 by State Legislature
 Operates two airports in Washoe County
 Nine-member Board

Reno-Tahoe Airport Authority

Compliance Section





KAFOURY, ARMSTRONG & CO.
A PROFESSIONAL CORPORATION
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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees of the
Reno-Tahoe Airport Authority

We have audited the basic financial statements of the Reno-Tahoe Airport Authority (the "Authority") as of and for the year ended June 30, 2006, and have issued our report thereon dated September 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
September 29, 2006



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Report on Compliance with Requirements
Applicable to the Major Program and the Passenger Facility Charge Program
and on Internal Control over Compliance

To the Board of Trustees of the
Reno-Tahoe Airport Authority

Compliance

We have audited the compliance of the Reno-Tahoe Airport Authority (the "Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program and in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide) for its passenger facility charge program for the year ended June 30, 2006. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program and passenger facility charge program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the Guide. Those standards, OMB Circular A-133, and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program and the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program and passenger facility charge program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to the federal program and passenger facility charge program. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on the major federal program and the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the Guide.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program and the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, and the federal awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
September 29, 2006

RENO-TAHOE AIRPORT AUTHORITY
 SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006

DATE	PERCENT OF PARTICIPATION	DESCRIPTION OF PROJECT	CFDA NUMBER*	FEDERAL PROJECT NUMBER	GRANT AMOUNT	REIMBURSEMENTS RECEIVED IN FY 2006	REIMBURSABLE EXPENSES
Granting Agency: United States Department of Transportation							
Property Acquisition and Relocation Assistance							
09/20/01	93.75%	Noise Compatibility	20.106	3-32-0017-45	\$ 2,024,871	\$ 124,871	\$ -
09/20/01	93.75%	Noise Compatibility	20.106	3-32-0017-49	6,000,000	113,317	119,076
09/26/02	93.75%	Noise Compatibility	20.106	3-32-0017-51	5,000,000	2,466	2,466
09/26/02	93.75%	Noise Compatibility	20.106	3-32-0017-53	5,000,000	185,152	187,247
08/14/03	93.75%	Noise Compatibility	20.106	3-32-0017-56	4,000,000	109,030	103,697
08/14/03	93.75%	Noise Compatibility	20.106	3-32-0017-58	3,000,000	83,204	90,967
08/31/04	93.75%	Noise Compatibility	20.106	3-32-0017-60	4,000,000	3,122,235	3,110,852
08/31/04	93.75%	Noise Compatibility	20.106	3-32-0017-61	1,875,000	121,733	109,206
08/31/04	93.75%	Noise Compatibility	20.106	3-32-0017-62	2,000,000	954,853	975,015
08/18/05	93.75%	Noise Compatibility	20.106	3-32-0017-65	2,000,000	1,284,176	1,240,441
08/18/05	93.75%	Noise Compatibility	20.106	3-32-0017-66	2,000,000	10,165	25,926
06/13/06	93.75%	Noise Compatibility	20.106	3-32-0017-68	5,000,000	-	446,024
Security							
09/26/02	93.75%	Various Security Projects	20.106	3-32-0017-54	6,201,726	3,175,623	3,005,028
Construction							
09/25/01	93.75%	Airfield Signage Phase I	20.106	3-32-0017-44	3,835,888	415,391	1,012,511
08/31/04	93.75%	Rehabilitate Terminal Apron Phase I	20.106	3-32-0017-63	9,996,605	8,908,247	8,840,449
08/02/05	93.75%	Rehabilitate Terminal Apron Phase II	20.106	3-32-0017-64	8,249,106	124,275	1,944,496
08/18/05	93.75%	Upgrade Airfield Lighting Control System	20.106	3-32-0017-67	413,641	53,214	57,690
09/26/02	93.75%	Rehabilitate Runway 14/32 Phase II	20.106	3-32-0018-19	4,611,009	770,939	743,798
09/02/03	93.75%	Rehabilitate Runway 14/32 Phase III	20.106	3-32-0018-20	6,085,798	1,442,654	1,411,940
05/20/04	95.00%	Construct Taxilanes	20.106	3-32-0018-21	3,201,563	149,056	166,905
08/23/05	95.00%	Design Rehabilitate Ramp Access Road	20.106	3-32-0018-22	70,000	40,489	67,674
Granting Agency: Department of Homeland Security							
Security							
06/16/05	Fixed	National Explosives Detection Canine Team Program	97.092	HSTS04-05-H-CAN101	602,500	270,500	270,500
Pass Through Agency: State of Nevada							
Disaster Assistance							
06/28/06	75.00%	Nevada Storm and Flooding Declaration	97.036	FEMA-1629-DR-NV	11,276	-	10,842
					\$ 85,178,983	\$ 21,461,590	\$ 23,942,750

* Catalog of Federal Domestic Assistance

RENO-TAHOE AIRPORT AUTHORITY
NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

1. REPORTING PARTY

The accompanying Supplementary Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Reno-Tahoe Airport Authority (“RTAA”). The RTAA’s reporting entity is defined in Note 1 to its basic financial statements.

2. BASIS OF ACCOUNTING

The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

RENO-TAHOE AIRPORT AUTHORITY
SUPPLEMENTARY SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED
FOR THE YEAR ENDED JUNE 30, 2006

Balance July 1, 2005	\$ 21,872,042
Collection of Passenger Facility Charges, July 1, 2005 through June 30, 2006	10,203,647
Interest earnings	811,238
Proceeds expended for Passenger Facility Charge Projects July 1, 2005 through June 30, 2006	(6,582,229)
Balance June 30, 2006	<u>\$ 26,304,698</u>

RENO-TAHOE AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Reno-Tahoe Airport Authority for the year ended June 30, 2006.
2. No reportable conditions or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award program.
5. The auditor's report on compliance with the major Federal award program for the Authority expresses an unqualified opinion.
6. There were no audit findings relative to the major Federal award program for the Authority, which are required to be reported under Section .510(a) of the OMB Circular A-133.
7. The program tested as a major program included:

U.S. Department of Transportation:

Airport Improvement Program, CFDA 20.106

8. The threshold for determining a Type A program was \$718,283.
9. The Authority qualified as a low-risk auditee for the year ended June 30, 2006 under the criteria set forth in section .530 of OMB Circular A-133.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

There were no findings relating to the financial statement audit.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings reported for the year ended June 30, 2006.

RENO-TAHOE AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED June 30, 2006

U.S. Department of Transportation:

Finding 04-1

Airport Improvement Program, CFDA 20.106

Criteria and Condition: As noted in OMB Circular A-133, Appendix B, reports submitted to the Federal awarding agency should include all activity of the reporting period, should be supported by underlying accounting records, and should be fairly presented in accordance with program requirements.

Program quarterly reports, SF-272, *Federal Cash Transactions Report*, and SF-271s, *Outlay Report and Request for Reimbursement for Construction Programs*, did not reconcile to the Authority's accounting system.

Certain amounts reported on FAA Form 5100-125, *Operating and Financial Summary (OMB No. 2120-0557)* for the year ended June 30, 2003, which was required to be submitted after the close of the fiscal year, did not agree to the audited financial statements or the accounting records for the same period.

Recommendation: We recommended that the Authority implement procedures to ensure amounts reported to the Federal awarding agency include all activity for the period and are supported by the Authority's underlying accounting records.

Current Year Status: Corrective action has been fully implemented. The Authority has established a review process of Form 5100-125 to ensure all amounts reported are supported by the audited financial statements. Procedures are now in place to reconcile the program quarterly reports, SF-272, *Federal Cash Transactions Report*, and SF-271s, *Outlay Report and Request for Reimbursement for Construction Programs* to the Authority's accounting system before they are submitted.

RENO-TAHOE AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED June 30, 2006

Finding 04-2

Airport Improvement Program, CFDA 20.106

Criteria and Condition: The OMB Circular A-133 Compliance Supplement requires that non-federal entities include in their construction contracts, subject to the Davis-Bacon Act, a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act, and the DOL regulations (29 CFR Part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6).

Our tests disclosed that some subcontractors did not submit the certified payrolls weekly.

Recommendation: We recommended the Authority consider revising construction contracts to be consistent with the Federal requirement. We also recommended the Authority implement procedures to ensure that subcontractors submit certified payrolls weekly.

Current Year Status: Corrective action has been fully implemented. The Authority has implemented controls to ensure that subcontractors submit certified payrolls weekly. Contract documents for construction contracts subject to Davis-Bacon requirements now incorporate the following revision: Special Provision No. 7 Certified Payrolls SP7-01 Notification "Certified payrolls shall be submitted weekly to the Construction Manager..."



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Independent Accountant's Report
on Nevada Revised Statute 354.6241

To the Board of Trustees of the
Reno-Tahoe Airport Authority

We have reviewed the assertion provided by management in accordance with Nevada Revised Statute 354.624 (5) (a):

- The identified fund is being used expressly for the purposes for which it was created,
- The fund is administered in accordance with accounting principles generally accepted in the United States of America,
- The restricted net assets in the fund were reasonable and necessary to carry out the purposes of the fund at June 30, 2006 (based on the interpretation of reasonable and necessary provided by the Legislative Counsel Bureau),
- The sources of revenues available for the fund are as noted in the financial statements,
- The fund conformed to significant statutory and regulatory constraints on its financial administration during the year ended June 30, 2006,
- The net assets of the fund are as noted in the financial statements.

This assertion is the responsibility of the management of the Reno-Tahoe Airport Authority.

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

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

Kafoury, Armstrong & Co.

Reno, Nevada
September 29, 2006

RENO-TAHOE AIRPORT AUTHORITY
AUDITOR'S COMMENTS
June 30, 2006

STATUTE COMPLIANCE

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

CURRENT YEAR RECOMMENDATIONS

We did not find any financial weaknesses of a magnitude to justify inclusion within our audit report.

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

The Authority conformed to all significant statutory constraints on its financial administration during the year ended June 30, 2005.

PRIOR YEAR RECOMMENDATIONS

There were no specific recommendations made in the audit report for the year ended June 30, 2005.



Reno-Tahoe Airport Authority

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