RENO-TAHOE AIRPORT AUTHORITY
Reno, Nevada

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010

Prepared by
Accounting Division

Richard G. Gorman
Chief Financial Officer

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Table of Contents

Reno-Tahoe International Airport
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December 1, 2010

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) for the fiscal year July 1, 2009 through June 30, 2010. 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, 2010 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 2010 CAFR meets program standards, and it will be submitted to the GFOA for review.

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 the Reno-Tahoe International Airport (RTIA) and Reno-Stead Airport (RTS). According to the latest available Federal Aviation Administration (FAA) statistics, RTIA is the 64th busiest airport in the nation. The Reno-Stead Airport is a general aviation facility of 5,000 acres that is home to approximately 100 based aircraft, and the famous Reno National Championship Air Races. Together, these airports have a $3.24 billion annual economic impact on the local economy.

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.

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.

Reno-Tahoe International Airport is a medium hub airport as defined by the FAA that served 3.78 million passengers last fiscal year. During fiscal year 2009-2010, RTIA was the home to the following air carriers: American, American Eagle, Delta, Horizon, SkyWest, Southwest, United, and US Airways.

Three major air cargo carriers, FedEx, United Parcel Service (UPS), and DHL serve RTIA. Air cargo at RTIA, as measured by cargo in pounds, was approximately 105.1 million pounds, a decrease of 3.6 percent in 2009-2010 as compared to the previous fiscal year.

ECONOMIC CONDITION AND OUTLOOK

At the RTAA, there is a brighter outlook on the horizon even though the past two years have been challenging with the global economy in recession. The Reno-Sparks-Tahoe market has been struggling with high unemployment, depressed housing prices, and uncertain consumer spending, which reflects concerns about jobs and income.

While the RTAA has not been immune from this unprecedented wave of activity, there are early indications of an economic turnaround with the Airport leading the way. In fiscal year 2009-2010, the Authority's total passenger traffic was down 5.1 percent as compared to the same period last year. On a positive note, the last six months of the fiscal year (January 1, 2010 to June 30, 2010) have shown an increase of almost 1.1% over the prior year for this period. This recovery coincides with RTAA receiving announcements of 17 new or resumed flights. In July 2010, RTIA provides 72 nonstop departures with 8,011 daily available seats to 15 destinations as compared to 67 nonstop departures and 7,276 seats per day to 16 destinations in July 2009.

According to the Air Transportation Association (ATA), the Reno-Tahoe International Airport (RTIA) also is the No. 1 airport in the nation in additional flights based on a comparison of the third quarter of 2010 to the third quarter of 2009. This ranking is based on an increase of 14.7 percent between the two periods. The second largest increase in the nation is Detroit Metro with a 13.4 percent increase, with Milwaukee Mitchell Field registered in third place with an increase of 12.3 percent.

Even in the face of these challenging economic conditions, RTIA is actively competing with airports across the country to maintain current air service and attract new flights. A key factor in that campaign is maintaining low airline landing fees and terminal building rents, which result in a low airline cost per enplaned passenger.

RTAA has also seen significant improvement over the last six months with cargo activity being up 5.9% for the period of January to June 2010 as compared to the same period last year. As more companies such as Amazon.com, Barnes & Noble, and Dell Computers established e-commerce centers in the Reno/Sparks area, RTAA staff is forecasting continued growth in the use of air cargo to distribute products from our region. Growth in areas such as the Tahoe/Reno Industrial Center has also continued to help spur cargo growth and economic diversity.

Air cargo represents eleven percent (11%) of total RTIA landed weight, which is a significant factor in lowering overall landing fee costs for all carriers.

RTAA PROACTIVE RESPONSE

With the support of the Board, RTAA management over the past two years has aggressively and proactively taken significant steps in response to the lower passenger and aircraft activity and its impact on our revenues. These steps include significant reductions in the following operating categories:

- Salaries and Benefits

    a) RTAA has taken steps to not fill existing vacant positions in the budget, leaving newly vacant positions unfilled if not "mission critical", reduced staff through layoffs, and increased the percentage of employee time charged to grant funded projects, if eligible and appropriate.

    b) Salaries were frozen for all employees through June 30, 2010.

    c) Retirement Buy-Out Packages were offered to employees who met certain age and years of service criteria of at least 60 years old with 20 years of service.

    d) The Authority restructured its health plan to reduce the size of the cost increase to the Authority by asking employees to carry higher deductibles.

- Capital improvement projects and fixed assets have been deferred or eliminated.

- Preventive and non-essential maintenance projects have been deferred.

- Outside consulting and professional services have been reduced and the Authority has focused its service efforts on mission critical functions.

- Offsite travel/training have been significantly downsized and all travel requires the approval of the President/CEO or the Executive Vice-President/COO.

These steps have placed tremendous stress on the organization. It is only through the dedication of the RTAA's employees that the RTIA and Reno-Stead Airport continue to meet their mission critical responsibilities and provide quality services to the community.

Outstanding fiscal performance has been a hallmark of the RTAA. In August 2008, the Air Transport Research Society ranked RTIA fifth behind Atlanta, Raleigh-Durham, Minneapolis-St. Paul and Tampa International as the top five most efficient airports in North America. Canadian-based researchers gathered and analyzed information from sources such as airport financial statements and the Federal Aviation Administration (FAA). They also measured revenue streams from airport restaurants, stores and landing fees.

Staff has worked diligently to reduce costs to maintain reasonable airline rates and fees while striving to maintain the levels of customer service that passengers have come to expect at RTIA. Results of these efforts are clearly shown in the operating expenses for fiscal year 2009-2010.

GOOD FOR BUSINESS

The Reno, Sparks, and Lake Tahoe area developments have a significant impact on air service demand in this market and each of these communities is taking proactive steps and a long-term view toward the future.

Although gaming and other recreational activities represent a significant portion of the growing economy and assessed valuation, the City of Reno is experiencing gradual diversification of its business base with the expansion of distribution, warehousing, and manufacturing facilities. Approximately 35% of the workforce is employed in the fields of construction, manufacturing, transportation, communications, public utilities, and finance related services.

Over $30 million dollars of investment has been made in downtown Reno to modernize and beautify infrastructure and facilities. A maintenance district was established to ensure that the downtown area will remain clean and beautiful. A police district was also established downtown to ensure a safer environment.

The City of Reno and the Redevelopment Agency, in partnership with Nevada Land, LLC, completed the $52 million Reno Aces Ballpark in downtown Reno on time for opening day in April, 2009. The ballpark is the first phase of a downtown entertainment/retail district. The $15 million Phase II of the district, directly adjacent to the ballpark, has started construction. Phase III is scheduled to begin work in 2012 and will add an additional 125,000 square feet of retail space to finish out the downtown entertainment-retail district directly in front of the stadium.

The City of Sparks completed a $1.2 million investment in the construction of Victorian Square. This project included the construction of two new one-way streets, installation of LED decorative lighting, and realignment of sewer, storm, electrical, water and phone utilities. This project continues to enhance the viability of the downtown redevelopment plan for the City of Sparks. The City also has identified development opportunities near the Sparks Marina, the local manmade lake that offers swimming, picnicking and even sailing. The Legends project is intended to be a destination retail center, drawing tourists as well as locals to the neighborhood. Plans include 1.3 to 1.4 million square feet of retail space. Recently opened restaurants include, Popeye's at Legends and BJ's Restaurant Brewhouse. The new Legends Movie Theater is set to open in November 2010.

South Lake Tahoe is also upgrading its recreational facilities as a $1 billion redevelopment project has been completed that includes new lodging and timeshare properties, retail shopping, and restaurants. The Ritz-Carlton Hotel Company opened Lake Tahoe's first five-star luxury hotel at the Northstar ski resort. This new $300-million resort project opened in December, 2009. On the California side at the south end of the lake, small old motels and shops are being razed to become parks and open areas to enhance Lake Tahoe's alpine setting.

The economic diversification effort continues in the RTIA area. Several "Silicon Valley" companies have relocated to the RTIA area. Dell Computers, Cisco Systems, Intuit, Oracle, and Microsoft have been attracted by the favorable business climate and the livability of northern Nevada. The Reno/Sparks area is repeatedly ranked as one of the best places to live and do business in the United States. The growth of the business community will ultimately increase the demand for higher yield business travel for the airlines and also an increase in cargo activities.

SPECIAL EVENTS

The Reno-Tahoe region is often described as "America's Adventure Place". The Greater Reno-Tahoe area attracts outdoor recreation enthusiasts from around the world. Beautiful Lake Tahoe and the surrounding Sierra Nevada mountains are home to 18 major resorts that boasts some of the most diverse and scenic skiing and snowboarding terrain in the world. On top of being a world-class winter sports destination, visitors and locals agree that Reno-Tahoe offers every bit as much to recreation enthusiasts during the spring, summer and autumn months. The temperate climate keeps the area's 50 golf courses busy and its varied ecology draws people outdoors for exceptional camping, hiking, biking, fishing and boating. In addition to the area's breath-taking beauty, Reno and Lake Tahoe offers an amazing mix of history, art, and culture.

Tourism and conventions continue to be big business in the Reno-Sparks area. The Reno-Sparks Convention & Visitors Authority (RSCVA) owns and operates several facilities designed to draw visitors. For example, the National Bowling Stadium is the only facility of its kind in the world dedicated to the classic sport of bowling. The National Bowling Stadium offers one of the longest video screens in the world, which is capable of projecting video images as well as state-of-the-art scoring graphics across its 440 foot length. The United States Bowling Congress (USBC) recently announced that Reno will host both the USBC Open Championship and the Women's Championship at the same time in 2013 and 2014. The dual events are expected to bring an estimated 125,000 visitors to town over a five month period, with an estimated economic impact of nearly $250 million. Before debuting together in 2013, the Open Championship will be in Reno in 2011 and the Women's Championship will be held here in 2012.

The Reno-Sparks-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 ten-day event in its 91st year, and a PRCA (Professional Rodeo Cowboys Association) sanctioned sporting event. The Reno Rodeo is the 4th largest PRCA tour rodeo. The event impacts the Reno-Sparks area economy by approximately $42 million. The Reno Rodeo was nationally televised on OLN, ESPN, ESPN2 and CBS. This event is held at the Reno-Sparks Livestock Events Center, a 35,000 square foot exhibit space with an indoor arena seating 6,200 and a lighted outdoor arena seating 9,000.

Recognized as a favorite stop on the PGA tour by its members, the Reno-Tahoe Open strives to create a first class tournament for spectators, local and national corporate business partners, PGA Tour players and volunteers. The Reno-Tahoe Open has a significant economic impact for the region and highlights the region as a world class golf destination through national and international media coverage.

Artown, noted by the National Endowment for the Arts as one of the most comprehensive festivals in the country, brings the arts to Reno each July with a packed calendar of events. Artown captures the imagination and brings with it a celebration of distinguished artists from around the world. To experience the best and the latest in visual and performing arts, Artown features more than 400 events, from over 100 presenters designed to inspire and impress the 350,000 people that experience the festival annually.

Hot August Nights is a nostalgic annual event featuring 800,000 attendees who revel in the excitement of the ever popular era of the 50's and 60's. The 24th edition of the this classic car show attracted 6,000 of the nation's finest classic cars and trucks. Visitors took in all the sites and sounds of Hot August Nights including the daily show-n-shines, nightly cruises, the swap meet, the classic car auction, poker run and outstanding free concerts.

There are many great events in the area in September, and starting things off is the Best of the West Rib Cook Off held in the City of Sparks and sponsored by John Ascuaga's Nugget. The nation's finest rib cookers vie for the coveted first place trophy, cash prizes and the People's Choice award, as a half-million hungry BBQ lovers consume 100 tons of ribs over six days.

Following the Rib Cook Off are the Reno Balloon Races. During three days in early September, you can look up into the Reno skies and see a rainbow of hot air balloons soaring about. From its humble beginnings in 1982 with just 20 balloons, The Great Reno Balloon Race has taken flight with more than 100 balloons each year and an average of 150,000 spectators from all over the world.

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 since 1964. The event features six different classes of racing planes, aerobatic performances, and performance demonstrations by military aircraft and demonstration teams. The average attendance for the races is more than 205,000; and race and air show participants include astronauts, airline pilots, and military and civilian aviators.

Street Vibrations Motorcycle Festival is a celebration of music, metal and motorcycles. Street Vibrations offers tours, live entertainment, parades, ride-in shows, stunt shows and more. The event attracts an estimated 40,000 people to the Reno/Tahoe/Carson City area and has a local economic impact of $72 million. Now ranked the 6th largest motorcycle event in the nation, Street Vibrations combines the best bikes the West has to offer with bands on multiple stages throughout the community.

MAJOR INITIATIVES AND DEVELOPMENT

RTAA actively plans for the future airport facility needs for both the Reno-Tahoe International and Reno-Stead Airports. The Authority has made significant economic contributions toward helping the economy within our service area by generating construction jobs during this difficult period. The following are projects either completed or substantially underway during the fiscal year:

<u>Airport Baggage Check-In / Integrated In-Line Explosive Detection System Project</u>

The Airport Baggage Check-In (ABC) Project, which improves passenger flow while modernizing baggage screening, was substantially completed in December 2009. After the events of September 11th, numerous baggage screening devices were installed by the Transportation Security Administration (TSA) in the ticketing lobby. These devices were in front of the ticket counters, and took up 35 percent of the ticketing lobby, severely limiting the passenger queuing area as well as passenger flow. Relocating the large bag screening devices eliminated the need for passengers to carry their checked bags from the airline ticket counter to the bag screening devices. Moving these devices also resulted in more passenger queuing and movement space in the ticketing lobby.

The improved baggage system design increases the baggage make-up area from 28,526 square-feet to 52,599 square feet. New baggage screening equipment that is capable of scanning luggage, including oversized items such as skis and golf clubs, is now located behind the ticket counters. Lift assist devices were added to the in-line system to aid TSA employees in lifting baggage from the belt and to reduce on-the-job injuries.

The updated ticketing lobby was designed to be reflective of the region, with interior finishes of stone and wood materials. The traditional ticket counter back wall consisting of airline-specific branding has been replaced by airport-controlled LCD screens that allow for dynamic updates and branding changes without the need for expensive change-outs. The traditional ticket counter has given way to smaller ticket kiosks that require only one agent per two passengers, allowing smaller footprints, greater density and a more technology-driven environment.

The financial results for fiscal year 2009-2010 reflect approximately seven months of reimbursed services revenue of $975,918 associated with recovery of operating costs from the new Baggage Handling System (BHS) constructed under the ABC Project. The revenue collected from the airlines and the TSA reflects 100% recovery of operating and maintenance costs associated with the new system.

Air Traffic Control Tower (ATCT)

In October 2010, the Federal Aviation Administration dedicated a new, modernized 195 foot-tall air traffic control tower at Reno-Tahoe International Airport. The new tower was built with federal funds that helped modernize the facility. Reno controllers now have state-of-the-art equipment that includes multicolor radar displays, touch-screen voice communications, and touch-screen work stations that provide instant information on everything from weather conditions to air traffic manuals. Additionally, the new tower will have two backup power systems to help ensure uninterrupted operations.

Hyatt Place Reno-Tahoe

Hyatt Place. which was built on RTAA property, opened in the fall of 2009. This hotel combines style and innovation to create a completely new lodging experience by offering an array of services and features designed to meet the evolving needs of today's travelers. Hyatt Place Reno-Tahoe has 126 rooms in a six-story tower, 1800 square feet of meeting space, on-site fitness center and indoor pool and spa.

Reno-Stead Airport

The second airport operated by the RTAA is the Reno-Stead Airport, a general aviation airport. The development of the Reno-Stead Airport is an ongoing process. In fiscal year 2009-2010, several projects registered significant progress including: (a) final design for the improvement of the runway safety areas and (b) a feasibility study for a new emergency operations center/terminal facility.

NOISE REDUCTION AND ENVIRONMENTAL INITIATIVES

To mitigate the impact of aircraft noise on the local community, RTAA, through use of FAA grants, implemented a sound insulation program for eligible residences near the RTIA. The goal of the residential sound insulation program is to improve the quality of life for residential RTIA neighbors by reducing the amount of noise entering each eligible residence from the outside. At a minimum, an interior noise level of not more than 45 DNL (Day-Night Sound Level), and an improvement of at least a 5 decibel average is achieved by the sound insulation improvements. A reduction of at least 5 decibels is equivalent to a 50% perceived audible reduction relative to preexisting conditions.

The primary improvements to participating residences include:

- Existing windows replaced with triple pane vinyl windows acoustically rated at STC (sound transmission class) 40 or higher.
- Existing exterior doors that lead into a habitable space (e.g. front door) replaced with tighter sealing metal-clad doors with an acoustical rating of at least STC 38.

Some of the secondary improvements include:

- Existing sliding glass doors replaced with vinyl sliding glass doors acoustically rated at STC 35 or higher.
- Additional thermal attic insulation blown-in to reach an R-30 level (approximately 9 inches) if not already existing.
- Chimney cap dampers installed in non-gas fireplaces.
- Gable vent baffles added to vents that open to the outside.
- Oven range hoods that vent to the outside replaced with re-circulating range hoods.

During fiscal year 2009-2010, the FAA committed $5,120,938 in grants to the RTAA for the inception of Phase 19 of the RTAA's sound insulation program. The FAA has also committed $6,000,000 for Phase 20 and an additional $6,000,000 for Phase 21. The RTAA's 6.25 percent financial share is $1,070,058.

Construction on eligible homes in neighborhoods located north and south of RTIA, in Sparks, Reno, and Washoe County, occurs typically between late April and early November of each calendar year. The colder months of late November through early April are not conducive to construction and are typically reserved for design, bid and materials manufacturing. To date, 3,547 residences have completed construction. An additional 548 are in various stages of design or construction.

Also during fiscal year 2009-2010, RTAA successfully completed the installation of an Airport Noise and Operations Monitoring System (ANOMS) at RTIA. Consisting of 14 permanent noise monitoring sites located in Reno, Sparks and Washoe County, the ANOMS collects and stores aircraft operational and noise data for use in monitoring noise contours for the sound insulation program, in providing accurate data for noise complaint response, and in tracking runway use, aircraft flight path and fleet mix data. ANOMS data is accessible to the public via the web-based Webtrak which provides community access to flight and noise data in near real-time while also providing the public an online portal to submit noise complaints.

RTAA staff are also actively involved with other immediate environmental concerns facing the aviation industry including Storm Water Pollution Prevention, the Environmental Protection Agency's Effluent Limitation Guidelines (ELGs), Spill Prevention Control and Countermeasures (SPCC) issues, and air quality issues.

In fiscal year 2009-2010, staff achieved each of the seven initiatives developed for the Environmental Management System (EMS). The EMS is a proactive management system that establishes a formal process, and RTAA Board Goal Objectives, for developing and communicating on environmental initiatives. The seven initiatives included recycling, office supply reduction and green purchasing, storm water pollution prevention, glycol recovery, energy conservation, asphalt/concrete deconstruction and reuse, and alternative fuel usage.

The initiative targets achieved included:

- Recycling – 198 tons recycled accounting for 10 percent of the waste stream and $11,000 in disposal costs saved.
- Office Supply Reduction and Green Purchasing – switched to 30% recycled content paper, decreased overall paper usage by 9 percent, and continued to purchase environmentally friendly cleaning products.
- Storm Water Pollution Prevention – no violations or off-airport discharges and increased awareness programs and training.
- Glycol Recovery – 6,400 gallons of deicing fluid recovered and methods for measuring and disposal established.
- Energy Conservation – 1,487,498 kilowatt hours (Kwh) annual energy savings and $178,500 annual savings as result of facility and airfield lighting fixture replacement projects.
- Asphalt/Concrete Deconstruction and Reuse – 100 percent of demolished pavement material recycled.
- Alternative Fuel Usage – Airport construction contractors encouraged to use biodiesel powered equipment.

In fiscal year 2009-2010, staff investigated solar photovoltaic (PV) generated electricity technology applications at both RTIA and Reno Stead Airport. Nevada's abundant sunshine combined with NV Energy's Solar Generations rebate incentives provided RTAA with an opportunity to significantly reduce the cost of purchasing and installing solar PV systems. Four sites have been identified at RTIA and RTS for the future installation of solar PV systems, and these projects are anticipated to occur over the next year.

Also in Fiscal Year 2009-2010, the RTAA was unanimously selected to receive the 2009 Airport Council International – North America (ACI-NA) Environmental Achievement Mitigation award for the Stead Solvent Site Remedial Program which began in March 2005. Remediation efforts at the site will continue for approximately 25-30 years.

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.

The Authority's financial policies are set to conform to generally accepted accounting principles and the accrual basis of accounting. Significant areas are presented below. There were no unusual financial policies or one time activities that have occurred in the current periods that would be affected by these established policies.

The RTAA has several funds that accumulate money for specific and discretionary purposes. These are not the typical funds usually seen in governmental accounting, but are rather bond trustee accounts. The funds and their payment priority were established by the RTAA's revenue bond resolutions. These funds are common in the airport industry's revenue bond resolutions. The revenue bond resolutions are the RTAA's contract with the purchasers of the revenue bonds. This contract specifies how the RTAA will manage its money so that it will have sufficient funds to operate the Airport system, and to pay the interest and principal due.

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 legislation, the RTAA must also adhere to the requirements of the Local Government Purchasing Act.

The Budget for fiscal year 2010-2011 reflects three (3) watershed events that will significantly impact the Authority's revenue forecast and debt structure in the upcoming year. These events include: (1) a new five year use and lease agreement with the airlines; (2) the approximately $4.2 million early defeasance of Airport system debt; and (3) the successful re-bidding of the rental car concession agreements.

<u>Airline Agreement</u>

Agreements with the airlines contain a formula for the calculation of the landing fee and rental rates charged by the RTAA. The current Airline Operating Agreement, used to calculate airline rents and charges in fiscal year 2009-2010, expired on June 30, 2010 and a new five year agreement has been executed. The airline revenues for fiscal year 2009-2010 reflect an airline agreement and business arrangement that was negotiated in 1996. This agreement was originally intended to support the Authority's goals and objectives for a five-year period. Due to various events and circumstances since 2001, the Authority and Signatory Airlines have amended the agreement several times and extended the term with the intent to negotiate a new business arrangement, potentially, when circumstances warranted.

For fiscal year 2009-2010, the Agreement is a revenue sharing agreement. Landing fees are 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 budgeted expenses is completed and a settlement made with the airlines depending on whether fees were over or under collected.

Starting on July 1, 2010, the Authority and the airlines executed a new, five-year airline agreement that acknowledges that several changes were needed to face the financial challenges of the airline industry resulting from the current economic slowdown. The business arrangement will, excluding inflation, establish relatively flat airline costs per enplaned passenger over the term. This continues the on-going historic trend of RTIA having reasonable costs in comparison to other medium-hub and west coast airports.

From the Authority's perspective, the new agreement also achieves several critical financial goals:

- Provides greater upfront recovery of terminal costs.
- Restores annual cash to historic levels realized prior to the economic slowdown and its impact on passenger traffic.
- Continues to provide internal cash to support needed Capital Improvements not eligible for funding under FAA Grant and PFC eligibility standards.
- Maintains a meaningful revenue sharing relationship with the airlines.

The business arrangement has a new terminal rental rate formula as one of the primary initiatives. The change is intended to recover upfront more of the operating, maintenance, and development costs of the Terminal Cost Center with greater revenue sharing provided to the airlines after the Authority meets its obligations.

Debt Defeasance

The debt service included in the fiscal year 2010-2011 Budget is based on the existing revenue bond debt outstanding of $44,865,000 less the proposed defeasance of the principal amount of $4,165,000. The defeasance was completed in late June 2010 and will impact annual debt service effective July 1, 2010. Total debt service, including interest, for fiscal year 2010-2011 is budgeted to be $6,893,650. Without this defeasance, the total annual debt service for fiscal year 2010-2011 would have been $11,266,900.

The defeasance of debt service in fiscal year 2009-2010, with significantly lower debt service in the following years, provides the following benefits:

- The airlines benefit immediately from lower landing fees and terminal rental rates.
- Increase of the Authority's debt service coverage ratio (net revenues available for debt and obligation payments in comparison to debt service requirements) to 158 percent from 128 percent in the fiscal year 2009-2010.
- This defeasance is a key provision that allowed the Authority to obtain greater upfront recovery of terminal costs and restoration of annual cash to the Authority to historic levels over the next five years as a result of the new airline agreement.

Rental Car Agreement

In regards to the rental car relationship, the current agreement, which expired on June 30, 2010, generated revenue of $8,729,117 in fiscal year 2009-2010. This revenue reflects the greater of a minimum annual guarantee (MAG), as bid in early 2005, or 10% of gross receipts. With the rebidding of the contract for the next five year period, the rental car companies adjusted their

MAG bids to reflect the current "new normal" level of passenger traffic and bid MAGs that reflect 10% of gross revenues at current traffic levels. Based on this reality, rental car revenue is forecasted to decrease by $2,940,717 to $5,788,400, a decrease of approximately 34%.

INTERNAL CONTROLS

This report consists of management's representations concerning the finances of the Reno-Tahoe Airport Authority. Management assumes full responsibility for the completeness and reliability of all the information presented in this report. RTAA has established a comprehensive internal control framework that is designed both to protect the Authority's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the RTAA's financial statements in conformity with generally accepted accounting principles (GAAP).

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 Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. This was the 23rd consecutive year that the RTAA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Comprehensive Annual Financial Report must be easily readable, efficiently organized and conform to the program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe this current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 and Passenger Facility Charges to assist in funding capital improvement projects, land acquisition, and security related costs, 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.

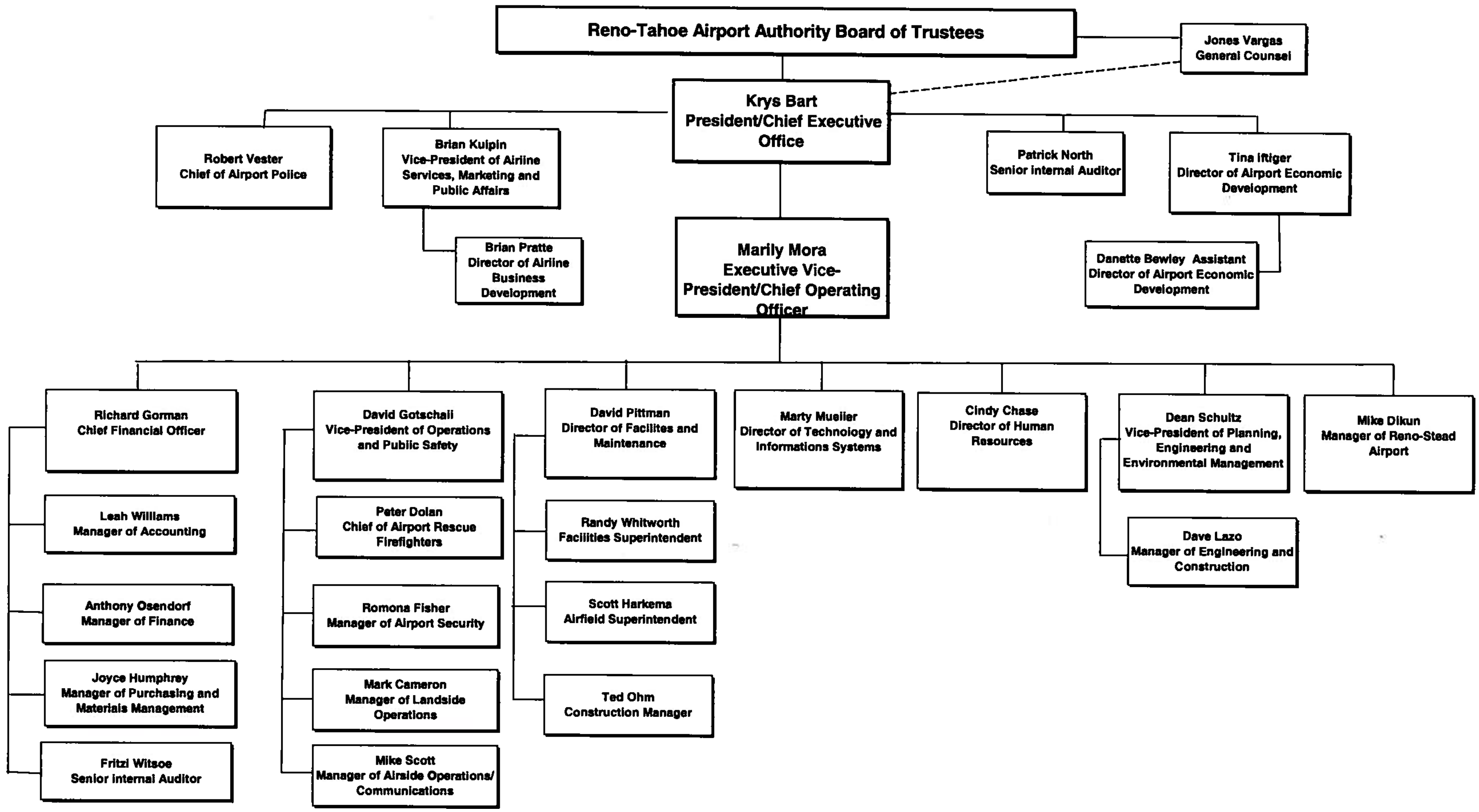
Respectfully submitted,

Krys T. Bart, A. A. E.
President/ CEO

RENO-TAHOE AIRPORT AUTHORITY
JUNE 30, 2010

Staff	Title
Krys T. Bart, A.A.E.	President/CEO
Marily Mora, A.A.E.	Executive Vice President/COO
Rick Gorman	Chief Financial Officer
David Gotschall	Vice-President of Operations and Public Safety
Brian Kulpin	Vice-President of Airline Services, Marketing and Public Affairs
Dean Schultz, A.A.E.	Vice-President of Planning, Engineering and Environmental Management
Cindy Chase	Director of Human Resources
Tina Iftiger	Director of Airport Economic Development
Marty Mueller	Director of Technology and Information Services
David Pittman	Director of Facilities and Maintenance
Mike Dikun	Manager of Reno-Stead Airport

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, 2009

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

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 (the "Authority"), as of and for the years ended June 30, 2010 and 2009, 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, 2010 and 2009, and the changes in its net assets and its 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 December 1, 2010 on our consideration of the Authority's internal control over financial reporting and on 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 on pages 3-16 and the Schedule of Funding Progress-Other Postemployment Benefits on page 41 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the Authority's basic financial statements. The Introductory Section and Statistical Section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Supplementary Information is presented for purposes of additional analysis; the Supplementary 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 Supplementary 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. This Supplementary Information and Supplementary Schedules are also not required parts of the basic financial statements of the Authority. The Supplementary Information, Supplementary Schedule of Expenditures of Federal Awards and the Supplementary 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
December 1, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) of the Reno-Tahoe Airport Authority (RTAA) provides an introduction and overview to the major activities affecting the operations of the Airport and the financial performance of the RTAA for the fiscal years ended June 30, 2010 and 2009. 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:

	2010	2009	% Change	2008	% Change
Assets:					
Current Assets	$ 54,884,353	$ 53,690,930	2%	$ 62,075,622	-14%
Current Assets – Restricted	22,752,190	30,483,034	-25%	52,647,982	-42%
Total Capital Assets, Net	429,425,568	415,977,909	3%	377,177,385	10%
Other Assets	1,959,807	2,174,153	-10%	2,314,965	-6%
Total Assets	$ 509,021,918	$ 502,326,026	1%	$ 494,215,954	2%
Liabilities:					
Current Liabilities	$ 12,840,855	$ 12,346,433	4%	$ 11,370,868	9%
Liabilities Payable from Restricted Assets	11,773,676	12,033,719	-2%	10,448,368	15%
Non-Current Liabilities	34,085,858	47,772,422	-29%	56,403,166	-15%
Total Liabilities	58,700,389	72,152,574	-19%	78,222,402	-8%
Net Assets:					
Invested in Capital Assets, Net of Related Debt	381,032,297	354,630,181	7%	310,515,372	14%
Restricted Net Assets	21,539,564	29,015,626	-26%	50,911,600	-43%
Unrestricted Net Assets	47,749,668	46,527,645	3%	54,566,580	-15%
Total Net Assets	450,321,529	430,173,452	5%	415,993,552	3%
Total Liabilities and Net Assets	$ 509,021,918	$ 502,326,026	1%	$ 494,215,954	2%

For the fiscal year ended 2010:

Net assets increased by 5% or $20.1 million. This net increase is comprised of an increase in invested in capital assets, net of related debt of $26 million, a decrease in restricted net assets of $7 million and an increase of $1 million in unrestricted net assets. The $7 million decrease in restricted net assets is attributed to payments of passenger facility charge funds for the Airport Baggage Check In Project.

Total assets increased 1% or $6.7 million over 2009. Increases in capital assets equaled $13 million. Current assets (unrestricted) increased by 2% or $1.2 million. Current assets (restricted) decreased mainly as the result of outlays for airport improvements programs ($7.7 million).

Total liabilities decreased 19% or $13.5 million for the year ended June 30, 2010. This decrease is due to normal retirement of long-term debt as bond maturities came due and a partial defeasance of $4.2 million of the Airport Revenue Refunding Bonds Series 2003.

The largest portion of the RTAA's net assets each year, $381 million, or 85% at June 30, 2010, 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.

An additional portion of the RTAA's net assets of $22 million, or 5% at June 30, 2010, 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	$	5,523,675
Renewal and Replacement		780,000
Passenger Facility Charge Projects		4,101,203
Debt Service		9,080,441
Flood Grant		1,960,216
Other Reserve Purposes		94,029
	$	21,539,564

The remaining unrestricted net assets of $48 million, or 11% at June 30, 2010, may be used to meet any of the RTAA's ongoing obligations.

For the fiscal year ended 2009:

Net assets increased by 3% or $14.2 million. The increase is primarily attributed to capital contributions from federal grants and agreements for various airport improvement projects.

Total assets increased 2% or $8.1 million over 2008. The majority of the increase is the result of increases in capital assets. Current assets (unrestricted) decreased as a result of a decrease in grants receivable of $6.9 million. Current assets (restricted) decreased mainly as the result of outlays for airport improvements programs ($22.1 million).

Total liabilities decreased 8% or $6.1 million for the year ended June 30, 2009. Current liabilities increased $2.6 million, while non-current liabilities decreased $8.6 million from normal retirement of long-term debt as bond maturities came due.

The largest portion of the RTAA's net assets each year, $355 million, or 83% at June 30, 2009, represents its investment in capital assets, less the related indebtedness outstanding used to acquire those capital assets.

An additional portion of the RTAA's net assets of $29 million, or 7% at June 30, 2009, 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	$	5,907,119
Renewal and Replacement		780,000
Passenger Facility Charge Projects		11,754,792
Debt Service		8,180,067
Flood Grant		1,951,326
Other Reserve Purposes		442,322
	$	29,015,626

The remaining unrestricted net assets of $46 million, or 11% at June 30, 2009, may be used to meet any of the RTAA's ongoing obligations.

Revenues

Operating revenues used to finance the RTAA's operations are derived from rents, fees and other charges for the use of Airport facilities.

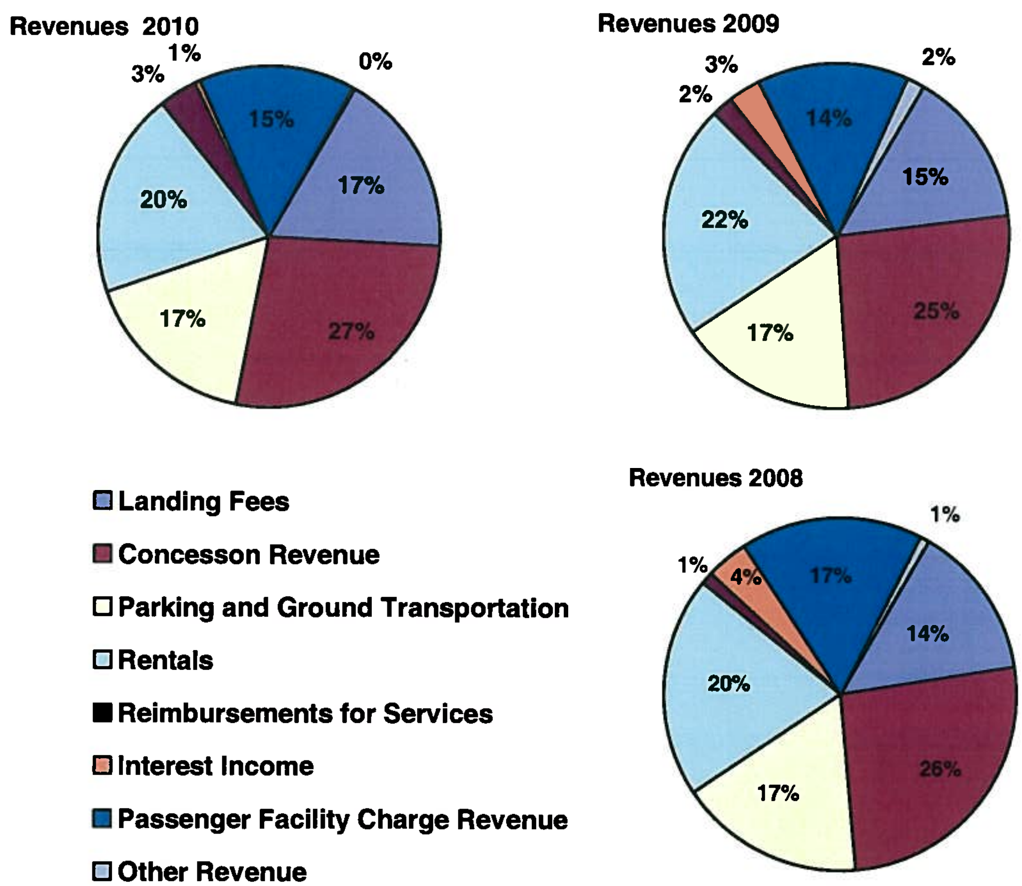
Below represents the summary of operating revenues by source for the years ended June 30:

	2010	2009	% Change	2008	% Change
Landing Fees	$ 9,157,170	$ 8,020,650	14%	$ 8,503,502	-6%
Concession Revenue	14,400,176	14,267,318	1%	15,610,371	-9%
Parking and Ground Transportation	8,738,391	9,102,015	-4%	10,285,079	-12%
Rentals	10,378,966	12,172,296	-15%	12,100,223	1%
Reimbursements for Services	1,838,355	957,499	92%	630,653	52%
Other Revenue	18,300	82,970	-78%	13,206	100+%
Total Operating Revenues	$ 44,531,358	$ 44,602,748	0%	$ 47,143,034	-5%

Non-operating revenue includes interest earnings on the funds the RTAA has on deposit and invested. Passenger Facility Charges (PFC) are the main source of non-rate base revenues, but also included are jet fuel tax revenue, the gain or loss on sale of capital assets, and the gain or loss on debt defeasance. The following represents the RTAA's summary of non-operating revenue and non-rate base revenues by source for the years ended June 30:

	2010	2009	% Change	2008	% Change
Interest Income	$ 347,571	$ 1,814,681	-81%	$ 2,440,071	-26%
Passenger Facility Charge Revenue	7,737,810	7,688,656	1%	9,931,917	-23%
Jet Fuel Tax Revenue	304,912	313,204	-3%	400,006	-22%
Gain (Loss) on Sale of Capital Assets	9,641	544,222	-98%	89,009	100+%
Gain (Loss) on Debt Defeasance	(207,881)	-	100%	-	0%
Total Non-Operating Revenues	$ 8,192,053	$10,360,763	-21%	$12,861,003	-19%

The graphs below represent the percentage and source of the Airport's revenues for fiscal years ended 2010, 2009 and 2008.



An analysis of significant changes in revenues for the year 2009-2010 is as follows:

Although passenger traffic was down 5.1% as compared to the same period last year, total operating revenues of $45 million for 2009-2010 remained relatively unchanged from the prior year.

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 cost recovery 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 20% of total operating revenue. Parking revenue of $8.7 million decreased slightly by $0.4 million or 4% 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 $1.00 per hour, with maximum amounts of $24.00 per day for short-term, $14.00 per day for the long-term garage and $10.00 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 32% of the RTAA's operating revenues for fiscal year 2010. Concession revenue increased 1% this year.

Non-operating revenues of $8 million decreased 21% over last year's $10 million. This decrease includes a significant reduction in interest income of $1.5 million and a slight decrease in jet fuel tax revenue of $8 thousand dollars. Interest income represents the earnings on investments and is 1% of total revenue. Interest income decreased significantly from prior year by 81%. There was a $9 thousand gain on sale of capital assets, which included two surplus sales. In June 2010, the RTAA defeased $4.2 million of the Series 2003 Airport Revenue Refunding Bonds. As a result there was a loss of $208 thousand due to this defeasance.

Passenger Facility Charges (PFC) comprises 15% of total revenue. These funds are collected by the airlines based on enplaned passengers and remitted to the RTAA monthly. PFC revenues are up 1% from prior year. The current collection rate is $4.50.

Reimbursements for services and other revenue make up the last two revenue sources. Reimbursements for services increased 92%. The new Baggage Handling System (BHS) Charge is the largest revenue source in this category and reflects a 100% cost recovery of the operating maintenance agreement, utilities, supplies, and other direct costs of operating the System less any reimbursement from the Transportation Security Administration (TSA) for direct costs associated with their screening equipment. Reimbursements accounted for 3% of total revenue.

An analysis of significant changes in revenues for the year 2008-2009 is as follows:

Operating revenues of $45 million for 2008-2009 decreased 5% over last years $47 million. With the national and regional economic slowdown, this lower revenue reflects the impact of a 17.8% decrease in passenger traffic activity as compared to the same period last year.

Airline landing fees and terminal building rents comprise 28% of the RTAA's operating revenues. The landing fee and rental revenues are the result of calculations pursuant to cost recovery 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 20% of total operating revenue. Parking revenue decreased $1.2 million or 11.5% from the prior year. At June 30, 2009 the parking rates were set at $1.00 for the first 30 minutes, $2.00 for the first hour, and an additional $1.00 per hour, with maximum amounts of $24.00 per day for short-term, $14.00 per day for the long-term garage and $10.00 per day for long-term surface lot parking. These rates represents an overall increase of $4.00 per day for short-term and $2.00 per day for long-term garage as compared to last year.

As depicted in the above graph, concession revenue, which includes auto rental, gaming, food and beverage, merchandising, advertising, and other concessions, comprises 26% of the total RTAA's revenues for fiscal year 2009. Concession revenue decreased 9% this year.

Non-operating revenues of $10 million decreased 19% over last year's $13 million. This decrease reflects a decrease in interest income, passenger facility charge revenue and jet fuel tax revenue. Gain on sale of capital assets increased due to the sale of easements at the Reno-Stead Airport.

Passenger Facility Charges comprises 14% of total revenue. These funds are collected by the airlines based on enplaned passengers and remitted to the RTAA monthly. For the fiscal year 2008-2009 revenues are down 23%. The current collection rate is $4.50.

Interest income, reimbursements for services and other revenue make up the last three revenue sources with 3%, 2%, and 2% of total revenues, respectively. Interest income represents the earnings on investments and is down 26% from prior year. Reimbursements for services include tenant payments for reimbursement of services such as utilities, disposal fees, administrative fees and security costs. Other revenue consists of jet fuel tax revenues, gain on sale of capital assets, late fees and discounts.

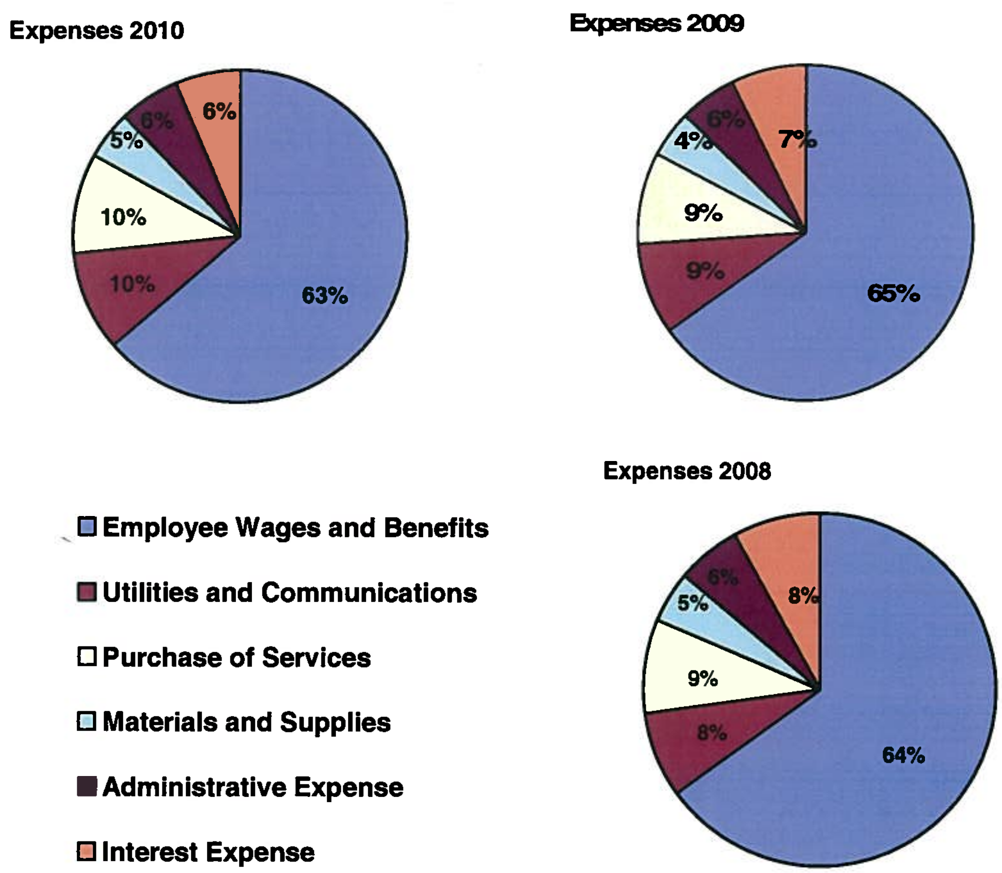
Expenses

Employee wages and benefits decreased by 3%, while utilities and communications, purchase of services, materials and supplies and administrative expenses all increased. Total operating expenses, however, decreased slightly by $85,416 in 2010 and total expenses also decreased 1%.

The following is the summary of expenses (excluding depreciation) by source for the years ended June 30:

	2010	2009	% Change	2008	% Change
Employee Wages and Benefits	$ 21,148,848	$ 21,868,506	-3%	$ 2,612,550	-3%
Utilities and Communications	3,234,216	2,978,879	9%	2,655,511	12%
Purchase of Services	3,218,502	3,037,358	6%	3,039,115	0%
Materials and Supplies	1,611,574	1,424,020	13%	1,651,664	-14%
Administrative Expenses	1,922,140	1,911,933	1%	1,976,701	-3%
Total Operating Expenses	31,135,280	31,220,696	0%	31,935,541	-2%
Interest Expense	2,146,371	2,417,329	-11%	2,834,064	-15%
Total Expenses	$ 33,281,651	$ 33,638,025	-1%	$ 34,769,605	-3%

The graphs below represent the percentage and source of the Airport's expenses for fiscal years ended 2010, 2009 and 2008.



An analysis of significant changes in expenses for the year 2009-2010 is as follows:

Employee wages and benefits of $21.1 million comprise 63.5% of total expenses. There was a 3% decrease over last year's total of $21.9 million.

Utilities and communications expense of $3.2 million displayed an increase of 9% from the prior year. This increase was expected and budgeted. Utilities and communications represent 9.7% of total expenses.

Purchase of services expense, which includes professional and other purchased services, of $3,218,502, increased 6% over the prior year. Purchase of services expense represents 9.7% of expenses.

Materials and supplies expense of $1,611,574 increased 13% over the prior year. This increase demonstrates a general increase in areas including small tools and minor equipment, ice control chemicals and auto fuel. Materials and supplies make up 4.8% of expenses.

Administrative expenses comprise 5.8% of total costs. Costs of $1.9 million had a slight increase of 1% from the prior fiscal year. The increase over the prior year was $10,207.

Interest expense decreased from $2,417,329 in 2009 to $2,146,371 in 2010, a decrease of $270,958 or 11%.

An analysis of significant changes in expenses for the year 2008-2009 is as follows:

Employee wages and benefits of $21.9 million comprise 65% of total expenses. There was a 3% decrease over last year's total of $22.6 million.

Utilities and communications expense of $3 million displayed an increase of 12% from the prior year. This increase was expected and budgeted. Utilities and communications represent 9% of total expenses.

Purchase of services expense, which includes professional and purchased services, of $3,037,358, decreased slightly over the prior year. Purchase of services expense represents 9% of expenses.

Materials and supplies expense of $1,424,020 decreased 14% over the prior year of $1,651,664. This decrease is a reflection of decreases in several different areas such as office supplies, janitorial supplies, fuel costs, ice control chemicals, and sign purchases and sign maintenance. Materials and supplies make up 4% of expenses.

Administrative expenses comprise 6% of total costs. Costs of $2.0 million decreased 3% from the prior fiscal year. This decrease is predominantly due to decreased expenses for travel and advertising and promotion.

Interest expense decreased from $2,834,064 in 2008 to $2,417,329 in 2009, a decrease of $416,735 or 15%.

Summary of Changes in Net Assets

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

	2010	2009	% Change	2008	% Change
Total Operating Revenues	$ 44,531,358	$ 44,602,748	0%	$47,143,034	-5%
Total Operating Expenses	31,135,280	31,220,696	0%	31,935,541	-2%
Operating Income Before Depreciation and Amortization	13,396,078	13,382,052	0%	15,207,493	-12%
Depreciation and Amortization	(23,624,026)	(21,904,868)	8%	(22,000,778)	0%
Operating Income (Loss)	(10,227,948)	(8,522,816)	20%	(6,793,285)	25%
Non-Operating Revenues (Expenses)	6,045,682	7,943,434	-24%	10,026,939	-21%
Capital Contributions	24,330,343	14,759,282	65%	31,014,332	-52%
Increase in Net Assets	20,148,077	14,179,900	42%	34,247,986	-59%
Net Assets, Beginning of Year	430,173,452	415,993,552	3%	381,745,566	9%
Net Assets, End of Year	$ 450,321,529	$ 430,173,452	5%	$415,993,552	3%

An analysis of significant changes in net assets for the year 2009-2010 is as follows:

Depreciation and amortization expense increased 8% from the prior year and represents depreciation on an increase of $6.1 million in capital assets. Non-operating revenue and expenses decreased 24%. This decrease is primarily due to decreases in interest income. Passenger facility charge revenue increased slightly by 1% and jet fuel tax revenue decreased by 3%. Gain on sale of capital assets was $9,641 and reflected the sale of fully depreciated assets no longer in use by the RTAA. Defeasance of debt contributed to a recorded loss of $207,881, which included funds used to pay for professional services and interest needed to defease the debt.

Capital contributions, which are comprised of federal grants from the United States Department of Transportation and an agreement between the RTAA and the Transportation Security Administration, increased 65% this year compared to the amounts received in 2008-2009.

An analysis of significant changes in net assets for the year 2008-2009 is as follows:

Depreciation and amortization expense decreased slightly from $22,000,778 to $21,904,868 in 2008-2009. Non-operating revenue decreased 21%. This decrease is primarily due to decreases in interest income, passenger facility charge revenue, and jet fuel tax revenue. Gain on sale of capital assets increased $455,213 due primarily to the sale of permanent utility easements at the Reno-Stead Airport for electric distribution purposes.

Capital contributions, which are comprised of federal grants from the United States Department of Transportation and an agreement between the RTAA and the Transportation Security Administration, decreased 52% this year compared to the amounts received in 2007-2008.

CAPITAL ASSETS

The RTAA's investment in capital assets as of June 30, 2010 is $429 million, net of depreciation. This investment in capital assets includes land, construction in progress, improvements, buildings, and equipment and development rights. The total increase in the investment in capital assets for the year 2009-2010 was 3% or $13.4 million.

Major capital asset events during fiscal year 2010 included the following:

Projects at RTAA that were funded by federal grants amounted to $24 million in capital contributions. Completed projects include ramp reconstruction and a runway safety study.

In December 2009, the Integrated In-Line Explosive Detection System Project, also referred to as the Airport Baggage Check-In (ABC) project, was substantially completed. This project provides for the construction of an advanced Explosive Detection and Security Screening System for checked baggage. This project was funded by PFC revenue and federal grants from the Transportation Security Administration.

Completed this year was the Financial System Implementation project. The new system has a Windows style interface, provides immediate access to information, enables custom and ad-hoc report writing, permits the electronic upload of information which eliminates significant manual data entry, and provides the ability to download information for improved financial analysis.

To maintain the structural integrity of the building at the Airport Terminal Mini Warehouse, a roof replacement and wall reconstruction was completed. Other improvements included pavement repairs.

An opportunity to expand acreage at the Reno-Stead Airport resulted in the purchase of 125 acres of undeveloped property.

Procurement and installation of an Airport Rotating Beacon was completed this year in preparation for the opening of the new Air Traffic Control Tower.

A new high-tech Airport Noise and Operations Monitoring System (ANOMS) that tracks and records aircraft noise data was put in operation this year. The system involves 14 noise monitors installed in neighborhoods in the vicinity of the Airport that track the level of noise produced by aircraft flying overhead.

Equipment purchases included the purchase of a centrifugal circulation pump and two condenser water pumps.

Major capital asset events during fiscal year 2009 included the following:

Projects at RTAA that were funded by federal grants amounted to $19 million. Completed projects include taxiway reconstruction and construction of a new airport rescue and fire fighting fire station at RTIA. Projects completed at Stead Airport include an airport access road and T hanger lane reconstruction.

Projects funded by PFC revenue include the continued construction of the new inline baggage screening system, purchase of jet bridge and snow removal equipment, and upgrades to the terminal fire alarm and paging systems.

An Elgin Whirlwind MV Dual Sweeper was purchased for $209,996. The RTAA executed a cooperative agreement with the State of Nevada, Department of Transportation for the acceptance of a Federal Congestion Mitigation Air Quality equipment purchase program grant for reimbursement of an air quality-certified street sweeper. This sweeper met the requirements and replaced a 1985 Johnston street sweeper.

$5.3 million was expended on land acquisition and noise mitigation through the Part 150 noise program, which is funded by federal grants.

RTAA purchased a commercial office building located at 1280 Terminal Way. The purchase of this building will assure that the long term ability to develop the Terminal Area is not constrained. During the interim period, the Authority will lease and operate the building as a source of non-airline revenue.

Building improvements included remodeling of current terminal space to accommodate additional office space, airfield maintenance facility relocation and replacement of various roofs.

Equipment purchases totaled $11.6 million, which included office furniture, a security camera, a water heater, a pull sprayer, a revenue control system for the parking garage and two segways for the security department.

The RTAA's investment in capital assets as of June 30, 2009 was $416 million, net of depreciation. This investment in capital assets includes land, construction in progress, improvements, buildings, and equipment and development rights. The total increase in the investment in capital assets for the year 2008-2009 was 10% or $38.8 million.

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

	2010	2009	2008
Land	$ 141,388,809	$ 140,569,044	$ 140,564,527
Construction in Progress	92,518,180	66,538,046	45,226,019
Improvements, Buildings, and Equipment, net	194,013,916	207,293,055	189,735,974
Development rights, net	1,504,663	1,577,764	1,650,865
Total	$ 429,425,568	$ 415,977,909	$ 377,177,385

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

DEBT ADMINISTRATION

As of June 30, 2010, the RTAA had approximately $41 million (without regard to discounts or premiums and losses on refundings) of outstanding revenue bonds. The bonds are rated based on the rating of the insurance companies. Previously, all of the Authority's revenue bonds were rated AAA by Moody's and Standard & Poor's. The fallout from the sub-prime mortagage loan crisis in 2008, and continuing economic slowdown through this year, has impacted nearly all the insurers of municipal bonds. The Series 1996B bonds were insured by MBIA and rated Ba3 by Moody's and BB+ by Standard & Poor's. The Series 2002 bonds were insured by FGIC and were not rated by either Moody's or Standard & Poor's. The Series 2003 and 2005 bonds are both insured by FSA with revised ratings of Aa+ by Moody's and AA+ by Standard & Poor's. Both Series 1996B and 2002 were paid in July 2009. Starting on July 1, 2010, the payment of all remaining Airport Revenue bonds will be insured solely by Financial Security Assurance Inc. (FSA).

	2010	2009	2008
1996B	$ -	$ 275,000	$ 1,200,000
2002	-	3,970,000	7,740,000
2003	12,100,000	19,375,000	22,340,000
2005	28,600,000	29,425,000	29,530,000
Total Debt	$ 40,700,000	$ 53,045,000	$ 60,810,000

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 constructing a parking garage, the terminal access roadway system, and acquire land at the entrance to the Airport. The Series 1996A Revenue Bonds, retired 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 and charges after the events of September 2001 and the negative impact on air passenger traffic.

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. In June 2010, $4,165,000 of the Series 2003 Airport Revenue Refunding bonds were defeased. Unrestricted cash and investments funds were used to pay off a portion of the last payment due under the Series 2003 bonds, which matures on June 30, 2012. The effect of this action is to remove the debt obligation from the Authority's Statement of Net Assets and eliminate $4.4 million of annual debt service from the coverage calculation.

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 2009 and 2010 fiscal years by $159,860 and $161,454, 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 met this requirement as is demonstrated in the Notes to Financial Statements and 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, 2010, the RTAA collected PFCs, including interest earnings thereon, totaling $7.7 million. PFCs 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 a five-year term. The airline agreement sets forth the rate setting formula by which airlines pay for the facilities and services they use. Airlines that have signed this agreement are signatory airlines. Due to various events and circumstances since 2001, the Authority and Signatory Airlines have amended the agreement several times and extended the term. The current one-year amendment to the Agreement ends on June 30, 2010. Effective July 1, 2010, a new five-year Airline Operating Agreement was implemented.

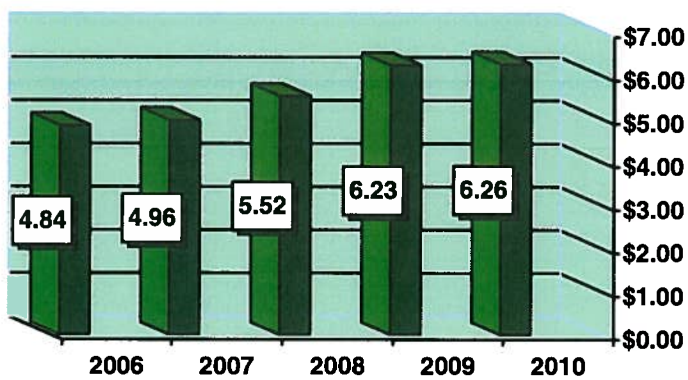
For 2009-2010, signatories to the Agreement include eight commercial and two cargo airlines.

	2010	2009	% Change	2008	% Change
Landing Fee Rate (per 1,000 pounds)					
Signatory Airlines	$ 3.02	$ 2.28	32%	$ 2.02	13%
Non-Signatory Airlines	3.87	2.82	37%	2.45	15%
RON (Ramp Over Night)					
Signatory Fee Rate	0.47	0.35	34%	0.30	17%
Non-Signatory Fee Rate	0.97	0.71	37%	0.61	16%
Terminal Rental Rate (Average)	46.38	55.39	-16%	58.43	-5%

The current airline agreement's rate setting formula is a derivation of what is known as a hybrid 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 shown above.

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

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, 2010 AND 2009

ASSETS	2010	2009
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	$12,430,148	$15,430,779
Investments	31,410,532	32,496,209
Accounts receivable, net	2,157,216	1,764,671
Grants receivable	8,065,015	3,395,991
Interest receivable	83,728	247,999
Inventory	737,714	355,281
Total unrestricted assets	54,884,353	53,690,930
Restricted Assets:		
Cash and cash equivalents	17,165,777	17,183,088
Investments	5,573,083	13,239,121
Interest receivable	13,330	60,825
Total restricted assets	22,752,190	30,483,034
Total Current Assets	77,636,543	84,173,964
NON-CURRENT ASSETS		
Capital Assets:		
Land	141,388,809	140,569,044
Construction in progress	92,518,180	66,538,046
Improvements, buildings and equipment, net of depreciation	194,013,916	207,293,055
Development rights, net of accumulated amortization	1,504,663	1,577,764
Total Capital Assets	429,425,568	415,977,909
Other Assets:		
Road credits	1,392,360	1,392,360
Assets held in lieu of revenue	-	59,454
Bond issue costs and other deferred charges, net	539,017	676,363
Surety bond, net	28,430	45,976
Total Other Assets	1,959,807	2,174,153
Total Non-Current Assets	431,385,375	418,152,062
TOTAL ASSETS	$509,021,918	$502,326,026

LIABILITIES AND NET ASSETS	2010	2009
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts payable	$3,110,375	$3,647,525
Construction contracts payable	6,689,208	6,255,161
Rents received in advance	988,264	562,441
Accrued payroll	2,053,008	1,881,306
Total payable from unrestricted assets	12,840,855	12,346,433
Payable from Restricted Assets:		
Current portion of long-term debt	9,080,000	8,180,000
Accrued interest	1,094,363	1,294,315
Construction contracts payable	1,599,313	2,559,404
Total payable from restricted assets	11,773,676	12,033,719
Total Current Liabilities	24,614,531	24,380,152
NON-CURRENT LIABILITIES		
Revenue bonds, net	31,024,750	44,353,163
Net other postemployment benefits obligation	278,274	127,070
Deposits and unearned revenues	2,664,571	3,119,097
Reclamation liability	118,263	173,092
Total Non-Current Liabilities	34,085,858	47,772,422
Total Liabilities	58,700,389	72,152,574
NET ASSETS		
Invested in Capital Assets, net of Related Debt	381,032,297	354,630,181
Restricted for:		
Revenue bond operations and maintenance	5,523,675	5,907,119
Renewal and replacement	780,000	780,000
Passenger facility charge projects	4,101,203	11,754,792
Debt service	9,080,441	8,180,067
Flood grant	1,960,216	1,951,326
Other reserve purposes	94,029	442,322
Total Restricted	21,539,564	29,015,626
Unrestricted	47,749,668	46,527,645
Total Net Assets	450,321,529	430,173,452
TOTAL LIABILITIES AND NET ASSETS	$509,021,918	$502,326,026

See accompanying notes

RENO-TAHOE AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Landing fees	$9,157,170	$8,020,650
Concession revenue	14,400,176	14,267,318
Parking and ground transportation	8,738,391	9,102,015
Rentals	10,378,966	12,172,296
Reimbursements for services	1,838,355	957,499
Other revenue	18,300	82,970
Total operating revenues	44,531,358	44,602,748
OPERATING EXPENSES		
Employee wages and benefits	21,148,848	21,868,506
Utilities and communications	3,234,216	2,978,879
Purchase of services	3,218,502	3,037,358
Materials and supplies	1,611,574	1,424,020
Administrative expenses	1,922,140	1,911,933
Total operating expenses	31,135,280	31,220,696
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	13,396,078	13,382,052
Depreciation and amortization:		
Depreciation	23,431,315	21,631,501
Amortization of development rights	73,101	73,101
Amortization of deferred charges	119,610	200,266
Total depreciation and amortization	23,624,026	21,904,868
OPERATING INCOME (LOSS)	(10,227,948)	(8,522,816)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	347,571	1,814,681
Passenger facility charge revenue	7,737,810	7,688,656
Jet fuel tax revenue	304,912	313,204
Gain (loss) on sale of capital assets	9,641	544,222
Gain (loss) on debt defeasance	(207,881)	-
Interest expense	(2,146,371)	(2,417,329)
Total non-operating revenues (expenses)	6,045,682	7,943,434
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(4,182,266)	(579,382)
CAPITAL CONTRIBUTIONS	24,330,343	14,759,282
Increase in net assets	20,148,077	14,179,900
TOTAL NET ASSETS, BEGINNING OF YEAR	430,173,452	415,993,552
TOTAL NET ASSETS, END OF YEAR	$450,321,529	$430,173,452

See accompanying notes

RENO-TAHOE AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 44,169,564	$ 44,383,391
Cash paid to employees	(20,825,942)	(22,007,671)
Cash paid to suppliers	(10,960,844)	(8,639,601)
Net cash provided by operating activities	12,382,778	13,736,119
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Jet fuel tax revenue	304,912	313,204
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	19,661,319	19,044,279
Passenger facility charge revenue	7,737,810	7,688,656
Acquisition and construction of capital assets	(37,478,119)	(55,285,109)
Proceeds from sale of capital assets	9,641	563,079
Principal paid on bonds	(8,180,000)	(7,765,000)
Payment to escrow agent for debt defeasance	(4,165,000)	-
Cash paid for debt defeasance	(213,660)	-
Interest paid on bonds	(2,388,675)	(2,797,049)
Net cash provided by (used in) capital and related financing activities	(25,016,684)	(38,551,144)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts of interest	521,451	1,811,735
Sale (purchase) of investments	8,789,601	14,672,397
Net cash provided by (used in) investing activities	9,311,052	16,484,132
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,017,942)	(8,017,689)
CURRENT AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	32,613,867	40,631,556
CURRENT AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 29,595,925	$ 32,613,867

RENO-TAHOE AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	($10,227,948)	($8,522,816)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	23,431,315	21,631,501
Amortization of development rights	73,101	73,101
Amortization of deferred charges	119,610	200,266
Assets received in lieu of revenue	59,454	(59,454)
(Increase) Decrease in Assets:		
Accounts receivable, net	(392,545)	991,250
Inventory	(382,433)	(30,610)
Increase (Decrease) in Liabilities:		
Accounts payable	(537,150)	803,750
Rents received in advance	425,823	(805,186)
Accrued payroll	171,702	(266,235)
Deposits and unearned revenues	(454,526)	(345,967)
Net OPEB obligation	151,204	127,070
Reclamation liability	(54,829)	(60,551)
Net cash provided by operating activities	$12,382,778	$13,736,119

Noncash investing activities:

The unrealized gain on investments was $33,196 at June 30, 2010. The unrealized loss on investments was $162,463 at June 30, 2009.

See accompanying notes

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 Governing Board directs the President/CEO 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.

Pursuant to Government Accounting Standards Board ("GASB") Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that use Proprietary Fund Accounting", the

3. Summary of Significant Accounting Policies (continued)

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 (but not subsequent to that date) 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 one month or less 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, 2010 and 2009 there was no interest cost incurred that was capitalized.

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, Terminal Building Rents, and Baggage Handling System ("BHS") Charges:

Landing fees, terminal building rents, and BHS charges are set based on estimates of airline activity, revenues and expenses. The actual landing fees, terminal rental rates and BHS charges 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 improvements are also funded by an agreement between the RTAA and the Transportation Security Administration. Capital funding provided under government grants and agreements are considered earned as the related allowable expenses are incurred.

Grants and related agreements 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.

Budgets:

The Authority adheres to the Local Government Budget and Finance Act established by state statute. The filing deadlines and procedures during fiscal year 2010 and 2009 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.

2. Summary of Significant Accounting Policies (continued)

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 (excluding depreciation) 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. There were no budget augmentations during the year ended June 30, 2010 and 2009.

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. 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. The liability for compensated absences is a current liability included in accrued payroll.

Inventory:

Inventory is valued by the weighted average method. Weighted average measures the total cost of items in inventory divided by the total number of units available for issuance. 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.

Comparability:

Amounts in the June 30, 2009 column have been reclassified where necessary and practical to afford better comparability between the years.

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.

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

	2010	2009
Cash	$ 16,175,979	$ 16,533,285
Cash Equivalents:		
Short-Term Investments and Money Market Mutual Funds	13,419,946	16,080,582
Total Cash and Cash Equivalents	29,595,925	32,613,867
Investments:		
State of Nevada Local Government Investment Pool	4,003,229	-
First Independent Bank – Certificate of Deposit Account Registry Service (CDARS)	1,205,481	-

3. Cash, Cash Equivalents and Investments (continued)

	2010	2009
Commercial Paper	$ 4,996,530	$ -
Mortgage Backed Securities maturing within five years	26,778,375	45,735,330
Total Investments	36,983,615	45,735,330
Total Cash, Cash Equivalents and Investments	66,579,540	78,349,197
Less Unrestricted Cash, Cash Equivalents and Investments	43,840,680	47,926,988
Total Restricted Cash, Cash Equivalents and Investments	$ 22,738,860	$ 30,422,209

In accordance with its investment policy, the Authority manages its exposure to interest rate risk by regular evaluation of the Authority's cash position to determine the amount of short and long-term funds available for investment within the context of the entire portfolio and its cash flow and liquidity needs. This is achieved by purchasing a combination of shorter-term and longer-term investments and timing their maturities so that cash flow and liquidity needs are met for operations. The Authority uses specific identification for calculating unrealized gains or losses for investment valuation.

Included in the Authority's investment portfolio as of June 30, 2010 and 2009 are the following:

U.S. Government Agency Securities. These securities are issued by a U.S. government-sponsored agency. The offerings of these agencies are backed by the government, but not guaranteed by the government since the agencies are private entities. Such agencies have been set up in order to allow certain groups of people to access low cost financing e.g. home buyers, farmers, and students. The RTAA's investments include the Federal National Mortgage Association, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, and Federal Farm Credit Banks.

Commercial Paper. Commercial paper is a money-market security issued by large banks and corporations to obtain funds to meet short-term debt obligations, and is backed by the issuing bank or corporation's promise to pay the face amount on the maturity date specified on the note. Commercial paper is usually sold at a discount from face value, and carries higher interest repayment rates than bonds.

Money Market Mutual Funds. These funds invest in short-term (one day to one year) debt obligations such as Treasury bills, certificates of deposit, and commercial paper. The main goal is the preservation of principal, accompanied by modest dividends. Money market funds are very liquid investments, and therefore are often used by financial institutions for balances that are not currently invested.

Certificate of Deposit (CD). A Certificate of Deposit or CD is a time deposit offered by a financial institution. CDs are similar to savings accounts in that they are insured by the Federal Deposit Insurance Corporation (FDIC). They are different from savings accounts in that the CD has a specific, fixed-term (often three months, six months, or one to five years), and, usually, a fixed interest rate. The FDIC provides deposit insurance, which guarantees the safety of deposits in member banks, currently up to $250,000 per depositor per bank.

Certificate of Deposit Account Registry Service (CDARS). A private, patented, for-profit service that breaks up large deposits and places them in CDs across a network of banks and savings associations around the United States. This allows depositors to deal with a single bank that participates in CDARS and avoid having funds above the FDIC deposit insurance limits in any one bank.

State of Nevada Local Government Investment Pool (LGIP). The LGIP is administered by the State Treasurer with oversight by the Board of Finance of the State of Nevada. Investment in the LGIP is carried at fair value, which is the same as the value of pool shares. By pooling funds, participating governments benefit from economies of scale, full-time portfolio management, diversification, and liquidity.

3. Cash, Cash Equivalents and Investments (continued)

As of June 30, 2010, the Authority had the following investments, including short-term investments and money market mutual funds.

		Maturity Date
Money Market Mutual Funds	$ 11,394,354	Currently available
Heritage Bank (CDARS)	2,025,592	July 1, 2010
First Independent Bank (CDARS)	1,205,481	September 17, 2010
State of Nevada Local Government Investment Pool	4,003,229	80 days (average weighted maturity)
CITIBANK Commercial Paper	4,996,530	December 23, 2010
Federal Home Loan Mortgage Corporation	2,051,660	May 5, 2011
Federal Farm Credit Banks	2,500,000	May 17, 2011
Federal Home Loan Banks	3,067,500	June 10, 2011
Federal Home Loan Banks	2,596,100	September 16, 2011
Federal Home Loan Banks	5,032,800	February 24, 2012
Federal Home Loan Banks	1,004,690	December 17, 2012
Federal National Mortgage Association	2,500,000	March 22, 2013
Federal Home Loan Banks	2,503,900	March 25, 2013
Federal Home Loan Banks	3,022,500	September 30, 2013
Federal Home Loan Banks	2,499,225	December 30, 2013
Total	$ 50,403,561	

Credit Risk. State statutes, the Authority's revenue bond resolutions and the Authority's investment policy 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's investment policy was amended in May 2009 to also permit investment in the State of Nevada LGIP and deposit accounts with financial institutions collateralized under the State of Nevada Pool Collateral Program. This State sponsored program provides 102% of collateral for any deposit in a participating financial institution above FDIC insurance protection. The collateral is composed of U.S. Treasury Obligations, U.S. Agency Securities, and bonds of governments within the State of Nevada.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. The Authority places no limit on the amount the Authority may invest in any one issuer. At June 30, 2010 and 2009, Standard & Poor's had rated the mortgage backed securities as AAA. The LGIP is an unrated external investment pool. At June 30, 2010 and 2009, the following investments equaled or exceeded 5% of the Authority's total investments:

	2010	2009
Federal Home Loan Banks	53%	49%
CITIBANK Commercial Paper	14%	0%
Federal Farm Credit Banks	7%	0%
Federal National Mortgage Association	7%	30%
Federal Home Loan Mortgage Corporation	6%	20%

Restricted cash, cash equivalents and investments represent funds deposited with the third party custodian, which is 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 and Grants Receivable

The following amounts represent receivables due to the Authority at June 30, 2010 and 2009:

	2010	2009
Current:		
Unrestricted:		
Accounts Receivable	$ 2,330,402	$ 1,888,174
Less allowance for uncollectible	173,186	123,503
Net Accounts Receivable	2,157,216	1,764,671
Grants Receivable	8,065,015	3,395,991
Total Current Accounts and Grants Receivable	$ 10,222,231	$ 5,160,662

The grants receivable in the accompanying Statements of Net Assets represent reimbursements due for project costs under Federal Aviation Administration (FAA) grants and an agreement between the RTAA and the Transportation Security Administration (TSA). 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 TSA 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 $5,000 or more and an estimated useful life of more than one year.

Capital asset balances and changes for the year ended June 30, 2010 are as follows:

	Balance June 30, 2009	Additions and Transfers	Deletions and Transfers	Balance June 30, 2010
Capital Assets, not being depreciated/amortized:				
Land	$ 140,569,044	$ 819,765	$ -	$ 141,388,809
Construction in progress	66,538,046	36,930,854	(10,950,720)	92,518,180
Total Capital Assets, not being depreciated/amortized	207,107,090	37,750,619	(10,950,720)	233,906,989
Capital Assets, being depreciated/amortized:				
Improvements	294,112,829	7,070,709	-	301,183,538
Buildings	162,306,713	301,406	-	162,608,119
Equipment	39,264,123	2,780,061	(4,078,922)	37,965,262
Development rights	2,924,038	-	-	2,924,038
Total Capital Assets, being depreciated/amortized	498,607,703	10,152,176	(4,078,922)	504,680,957
Less accumulated depreciation/amortization for:				
Improvements	155,473,530	12,565,515	-	168,039,045
Buildings	111,859,328	7,718,673	-	119,578,001
Equipment	21,057,752	3,147,127	(4,078,922)	20,125,957
Development rights	1,346,274	73,101	-	1,419,375
Total Accumulated Depreciation/Amortization	289,736,884	23,504,416	(4,078,922)	309,162,378
Total Capital Assets, being depreciated/amortized, net	208,870,819	(13,352,240)	-	195,518,579
Net Capital Assets	$ 415,977,909	$ 24,398,379	$ (10,950,720)	$ 429,425,568

5. Capital Assets (continued)

Capital asset balances and changes for the year ended June 30, 2009 are as follows:

	Balance June 30, 2008	Additions and Transfers	Deletions and Transfers	Balance June 30, 2009
Capital Assets, not being depreciated/amortized:				
Land	$ 140,564,527	$ 221,027	$ (216,510)	$ 140,569,044
Construction in progress	45,226,019	58,888,094	(37,576,067)	66,538,046
Total Capital Assets, not being depreciated/amortized	185,790,546	59,109,121	(37,792,577)	207,107,090
Capital Assets, being depreciated/amortized:				
Improvements	283,903,076	10,209,753	-	294,112,829
Buildings	144,993,106	17,313,607	-	162,306,713
Equipment	27,650,222	11,666,004	(52,103)	39,264,123
Development rights	2,924,038	-	-	2,924,038
Total Capital Assets, being depreciated/amortized	459,470,442	39,189,364	(52,103)	498,607,703
Less accumulated depreciation/amortization for:				
Improvements	143,918,910	11,554,620	-	155,473,530
Buildings	104,256,181	7,603,147	-	111,859,328
Equipment	18,635,339	2,473,734	(51,321)	21,057,752
Development rights	1,273,173	73,101	-	1,346,274
Total Accumulated Depreciation/Amortization	268,083,603	21,704,602	(51,321)	289,736,884
Total Capital Assets, being depreciated/amortized, net	191,386,839	17,484,762	(782)	208,870,819
Net Capital Assets	$ 377,177,385	$ 76,593,883	$ (37,793,359)	$ 415,977,909

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:

	Years
Improvements	5-30
Buildings	3-30
Equipment	3-15

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.

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

6. Long-Term Debt (continued)

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 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 is 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 were used to refund the Series 1996A Bonds.

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 reduced the amount of debt service in the Authority's budget and airline rates in the 2010 and 2009 fiscal years by $161,454 and, $159,860, respectively, and by similar amounts through 2026.

In June 2010, the Authority defeased $4,165,000 of the Series 2003 bonds by placing funds in an irrevocable trust to provide for future debt service payments on a portion of the last payment due on June 30, 2012. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the Authority's financial statements. On June 30, 2010, $4,165,000 of bonds considered defeased are still outstanding.

The 2003 and 2005 bonds with an aggregate principal of $40,700,000 are not subject to redemption prior to maturity.

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

Gross revenues are defined as all income and revenues received or accrued under generally accepted accounting principles, derived directly or indirectly by the Authority from the operation and use of and otherwise pertaining to the Airport System, or for any service rendered by the Authority in the operation thereof. Gross revenues are to be deposited at least weekly in the Revenue Fund. 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 resolutions to be applied monthly 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

5. Long-Term Debt (continued)

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 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.

Pursuant to the bond resolutions, the Revenue Fund, the Operation and Maintenance Fund, the Operation and Maintenance Reserve Fund, the Renewal and Replacement Fund, the Special Fund and the General Purpose Fund may be held by the Authority. The Bond Fund and all accounts therein are held by the Trustee.

The revenue bond resolutions require the Authority to meet a rate maintenance covenant (see Note 7), 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, 2010 and 2009.

Long-term debt activity for the year ended June 30, 2010 is summarized as follows:

	Balance June 30, 2009	New Debt	Principal Repayment	Discount/ Premium Amortization	Balance June 30, 2010
Revenue Bonds:					
Series 1996B	$ 275,000	$ -	$ 275,000	$ -	$ -
Series 2002	3,970,000	-	3,970,000	-	-
Series 2003	19,375,000	-	7,275,000	-	12,100,000
Unamortized premium	538,410	-	-	(403,808)	134,602
Deferred loss on refunding	(374,167)	-	-	280,626	(93,541)
Series 2005	29,425,000	-	825,000	-	28,600,000
Unamortized premium	1,267,707	-	-	(74,571)	1,193,136
Deferred loss on refunding	(1,943,787)	-	-	114,340	(1,829,447)
Total Revenue Bond Debt	52,533,163	$ -	$ 12,345,000	$ (83,413)	40,104,750
Less current portion	(8,180,000)				(9,080,000)
Total revenue bonds	$ 44,353,163				$ 31,024,750
Net Other Postemployment Benefits Obligation	$ 127,070	$ 369,265	$ (218,061)	$ -	$ 278,274

6. Long-Term Debt (continued)

Long-term debt activity for the year ended June 30, 2009 is summarized as follows:

	Balance June 30, 2008	New Debt	Principal Repayment	Discount/ Premium Amortization	Balance June 30, 2009
Revenue Bonds:					
Series 1996B	$ 1,200,000	$ -	$ 925,000	$ -	$ 275,000
Series 2002	7,740,000	-	3,770,000	-	3,970,000
Unamortized premium	128,944	-	-	(128,944)	-
Series 2003	22,340,000	-	2,965,000	-	19,375,000
Unamortized premium	807,616	-	-	(269,206)	538,410
Deferred loss on refunding	(561,251)	-	-	187,084	(374,167)
Series 2005	29,530,000	-	105,000	-	29,425,000
Unamortized premium	1,342,277	-	-	(74,570)	1,267,707
Deferred loss on refunding	(2,058,127)	-	-	114,340	(1,943,787)
Total Revenue Bond Debt	60,469,459	$ -	$ 7,765,000	$ (171,296)	52,533,163
Less current portion	(7,765,000)				(8,180,000)
Total revenue bonds	$ 52,704,459				$ 44,353,163
Net Other Postemployment Benefits Obligation	$ -	$ 361,586	$ 234,516	$ -	$ 127,070

Maturities of revenue bonds will require the following principal and interest payments (based on amounts outstanding at June 30, 2010):

Bond year ended July 1,	Amount Principal	Interest
2010	$ 9,080,000	$ 2,188,725
2011	5,350,000	1,543,650
2012	1,245,000	1,276,150
2013	1,310,000	1,213,900
2014	1,355,000	1,161,500
2015-2019	7,775,000	4,826,800
2020-2024	9,895,000	2,705,000
2025-2026	4,690,000	354,750
	$ 40,700,000	$ 15,270,475

7. Rate Maintenance Covenant

The RTAA's debt is limited by the outstanding bond resolution requirement that net revenues (operating revenues less operating expenses) pledged to pay debt service exceed 125% of annual debt service.

Pledged revenues consist of the following at June 30:

	2010	2009
Airport system revenues:		
Scheduled airline fees and rentals:		
Landing fees	$ 7,279,820	$ 6,231,678
Terminal building space rental	4,796,366	6,307,997
Total scheduled airline fees and rentals	12,076,186	12,539,675
Concession fees	14,400,176	14,267,318
Baggage System charges	931,220	-
Other operating revenue	17,123,776	17,795,755
Non-operating revenues	555,172	1,450,653
Gross pledged revenues	45,086,530	46,053,401
Transfers – General Purpose Fund for		
Letter of Intent ("LOI") Bond debt service	650,117	644,911
Airline revenue sharing	1,516,737	1,892,768
Airport system operation and maintenance expenses	(31,135,280)	(31,220,696)
35% of gaming revenue	(780,474)	(946,661)
Net pledged revenues	$ 15,337,630	$ 16,423,723
Debt Service Coverage Required	$ 14,085,906	$ 13,460,781

Debt Service Coverage Requirement is the greater of the following:

125% of Senior Revenue Bond Debt Service	$ 14,085,906	$ 13,460,781
100% of All Debt Service	$ 11,268,725	$ 10,768,625

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, 2010 and June 30, 2009, $14,400,176 and $14,267,318, respectively, result from 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:

2011	$ 20,054,702
2012	18,505,055
2013	17,502,363
2014	16,998,692
2015	16,275,620
2016-2021	12,287,850
Total	$ 101,624,282

9. Pension Plan

The Authority contributes to the Public Employees Retirement System of the State of Nevada (PERS), a cost sharing, multiple employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada. PERS provides retirement 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 contribution rates based on employee members covered payroll and amounts contributed (equal to the required contributions) for the last three years are as follows:

	Contribution Rates		
Fiscal Year	Regular	Police/Fire	Total Contribution
2009-2010	21.50%	37.00%	$3,197,000
2008-2009	20.50%	33.50%	3,118,772
2007-2008	20.50%	33.50%	3,297,085

10. Capital Contributions

The Authority has received capital contributions as follows:

	Inception to date	Year Ended 2010	Year Ended 2009
Federal	$370,532,163	$24,330,343	$12,121,184
State	250,331	-	-
Other Sources	6,910,002	-	2,638,098
Total	$377,692,496	$24,330,343	$14,759,282

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, 2010:

Taxiway and Runway Improvements	$ 4,785,246
Airside Improvements	517,605
Landside Improvements	4,018,692
Terminal Building Improvements	3,881,321

Financial resources for these projects will come from Federal Aviation Administration and Transportation Security 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, 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: U. S. Army Corps of Engineers 51%, City of Reno 12%, Lear entities 18.5% and the Authority 18.5%. Previously, U.S. Army Corps of Engineers and the Lear entities paid settlement amounts to end participation. The current estimate to complete work is based upon projected costs of the remediation and is approximately $639,257 of which the Authority's share is $118,263. These costs are anticipated to be incurred over the next 20 years and may fluctuate due to inflation, changes in technology, or changes in laws or regulations.

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, vision and dental which are 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. Other Postemployment Benefits

In adopting, prospectively, Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", during the fiscal year ended June 30, 2009, the Authority recognizes the cost of postemployment healthcare in the year when the employee services are received, reports the accumulated liability for other postemployment benefits, and provides information useful in assessing potential demands on the Authority's future cash flows. At June 30, 2010 and 2009 respectively, the net other postemployment benefit liability was $278,274 and $127,070. Currently, the Authority finances their liability on the pay-as-you go basis.

The Authority provides other postemployment benefits (OPEB) for eligible retirees through two plans – (A) RTAA Group Health Plan; and (B) if retired prior to September 1, 2008, coverage under the State of Nevada's

13. Other Postemployment Benefits (continued)

Public Employee Benefit Plan (PEBP). Each plan provides medical benefits to eligible retired Authority employees and beneficiaries.

A. RTAA Group Health Plan

Plan Description and Eligibility: Benefit provisions for the RTAA Group Health Plan are established pursuant to Nevada Revised Statutes 287.010 and RTAA Retiree Health Insurance Policy 350-02. The plan is a single employer defined benefit plan. The plan is not accounted for as a trust fund, as an irrevocable trust fund has not been established to account for the plan. All required disclosures are included in the financial statements. The RTAA plan offers qualified retirees medical, prescription, vision, and dental insurance for themselves and their dependents.

A qualified retiree (excluding fire employees) may continue medical and other health insurance benefits upon retirement if all the following requirements are met:

1. At the date of retirement, the employee occupies a full-time or a part-time position with the RTAA and is currently enrolled in RTAA Group Health Insurance coverage;
2. At the date of retirement, the employee has completed a minimum of five (5) consecutive years of employment with the RTAA;
3. The employee retires directly into the Nevada Public Employees Retirement System (PERS) with no gap between RTAA separation and PERS retirement date; and
4. The employee is not eligible for Medicare.

Eligibility requirements, benefit levels, and contributions are governed by the Authority and can be amended by the Authority.

Funding Policy: The full premium cost of the RTAA Retiree Insurance Coverage is paid by the retiree, with no contribution made by the RTAA. Qualified retirees are eligible to participate in the plan with blended rates that reflect the RTAA participants, thereby benefitting from an implicit subsidy. As of June 30, 2010 and June 30, 2009, there were three retirees participating in the plan.

Annual OPEB Cost and Net OPEB Obligation: The Authority had an actuarial valuation performed for the plan as of January 1, 2009. The valuation was done to determine the funded status of the plan as well as the Authority's annual required contribution (ARC) for the fiscal year ended June 30, 2009. A roll forward of that valuation was performed as of January 1, 2010. For fiscal year 2010, the Authority's employer contribution, which is the value of the plan's implicit rate subsidy, for retirees' benefits was $25,932. For fiscal year 2009, the Authority's employer contribution, which is the value of the plan's implicit rate subsidy, for retirees' benefits was $13,640. As of June 30, 2010 and 2009, the plan was funded on a "pay-as-you-go" basis and no contribution was made to fund the actuarial determined liability.

Fiscal Year Ended June 30	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 97,590	$ 13,640	19.98%	$ 83,950
2010	$ 103,302	$ 25,932	25.10%	$ 161,320

13. Other Postemployment Benefits (continued)

The net OPEB obligation as of June 30, 2010 and 2009 was calculated as follows:

	2010	2009
Determination of Annual Required Contribution:		
Normal cost	$ 78,689	$ 76,397
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	22,612	21,193
Interest	1,978	-
Annual Required Contribution (ARC)	$ 103,279	$ 97,590
Determination of Net OPEB Obligation:		
Annual Required Contribution	$ 103,279	$ 97,590
Interest on Net OPEB Obligation	3,359	-
Adjustment to ARC	(3,336)	-
Annual OPEB Cost	103,302	97,590
Retiree Benefit Payments Paid by the Authority	(25,932)	(13,640)
Increase (Decrease) in Net OPEB Obligation	77,370	83,950
Net OPEB Obligation, Beginning of Year	83,950	-
Net OPEB Obligation, End of Year	$ 161,320	$ 83,950
Funded Status and Funding Progress:		
Actuarial Accrued Liability (AAL)	$ 591,736	$ 505,695
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 591,736	$ 505,695
Funded Ratio (Actual Value of Plan Assets/AAL)	0.00%	0.00%
Covered Payroll (Active Plan Members as of June 30)	$ 13,171,880	$ 13,978,756
UAAL as Percentage of Covered Payroll	4.49%	3.62%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information as it becomes available.

Actuarial Methods and Assumption: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009 actuarial valuation (and the January 1, 2010 roll forward), the entry age normal actuarial cost method was used. The actuarial assumptions include a 4% valuation interest rate on investments and an annual healthcare trend rate beginning at 10% for fiscal year 2009, declining by 1% per year to an ultimate trend of 5% for the 2014-2017 fiscal years. These rates include a 3% inflation assumption.

13. Other Postemployment Benefits (continued)

The actuarial value of plan assets was not determined as the Authority has not advance-funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of payrolls over 30 years on an open basis. It was assumed the Authority's payroll would increase 6.5% per year for regular employees and 8% for law enforcement employees for the purpose of amortization.

B. State of Nevada's Public Employee Benefit Plan (PEBP)

Plan Description and Eligibility: For employees who retired prior to September 1, 2008, Nevada Revised Statutes 287.023 allows retired employees of governmental entities within the State of Nevada to join the State's Public Employee Benefit Program (PEBP), an agent multiple-employer defined benefit OPEB plan administered by a nine member governing board. PEBP provides medical, prescription, vision, life and accident insurance, and dental for retirees. Retirees can choose between a self-funded preferred provider organization (PPO) and a health maintenance organization (HMO) plan. RTAA makes contributions as outlined below under the section titled "Funding Policy" and retirees are responsible for payment of unsubsidized premiums. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan and no financial reports are issued.

Eligibility and subsidy requirements are governed by statutes of the State of Nevada and can only be amended through legislation. The statutes were revised with an effective date of November 30, 2008, to create new participation limitations so that only active members of PEBP can elect coverage after retirement. As a result, no employees retiring from the Authority on or after September 1, 2008 are eligible to participate in this plan as a retiree at the Authority's expense.

Funding Policy: The Authority is required to provide a subsidy to retirees that have elected to join the PEBP. Contribution requirements for plan members and the participating employers are assessed by the PEPB Board annually. The contributions required for PEBP subsidies depends on the date of retirement, prior years of Public Employees Retirement System (PERS) service former employees earned while working for the Authority, and number of qualifying employers. The subsidies are determined by years of service and range from a minimum of $4 to a maximum of $436 per month. Subsidies for retiree premiums are paid directly to the State PEBP when due. The Authority's obligation for subsidies is limited to payment of the statutorily required contribution. The current year contribution to PEBP was $192,129 for 50 retirees, which equaled the required contribution. The prior year's contribution to PEBP was $220,876 for 55 retirees, which equaled the required contribution.

Annual OPEB Cost and Net OPEB Obligation: The Authority had an actuarial valuation performed for the plan as of January 1, 2009. The valuation was done to determine the funded status of the plan as well as the Authority's annual required contribution (ARC) for the fiscal year ended June 30, 2009. A roll forward of that valuation was performed as of January 1, 2010. As of June 30, 2010 and 2009, the plan was funded on a "pay-as-you-go" basis and no contribution was made to fund the actuarial determined liability.

Fiscal Year Ended June 30	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 263,996	$ 220,876	83.67%	$ 43,120
2010	$ 265,953	$ 192,129	72.24%	$ 116,954

13. Other Postemployment Benefits (continued)

The net OPEB obligation as of June 30, 2010 and 2009 was calculated as follows:

		2010		2009
Determination of Annual Required Contribution:				
Normal cost	$	-	$	-
Amortization of Unfunded Actuarial Accrued Liability (UAAL)		260,857		263,996
Interest		5,095		-
Annual Required Contribution (ARC)	$	265,952	$	263,996
Determination of Net OPEB Obligation:				
Annual Required Contribution	$	265,952	$	263,996
Interest on Net OPEB Obligation		1,725		-
Adjustment to ARC		(1,714)		-
Annual OPEB Cost		265,963		263,996
Retiree Benefit Payments Paid by the Authority		(192,129)		(220,876)
Increase (Decrease) in Net OPEB Obligation		73,834		43,120
Net OPEB Obligation, Beginning of Year		43,120		-
Net OPEB Obligation, End of Year	$	116,954	$	43,120
Funded Status and Funding Progress:				
Actuarial Accrued Liability (AAL)	$	6,776,313	$	6,776,313
Actuarial Value of Plan Assets		-		-
Unfunded Actuarial Accrued Liability (UAAL)	$	6,776,313	$	6,776,313
Funded Ratio (Actual Value of Plan Assets/AAL)		0.00%		0.00%
Covered Payroll (Active Plan Members as of June 30)		N/A		N/A
UAAL as a Percentage of Covered Payroll		N/A		N/A

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information as it becomes available.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009 actuarial valuation (and the January 1, 2010 roll forward), the entry age normal actuarial cost method was used. The actuarial assumptions include a 4% valuation interest rate on investments and an annual healthcare trend rate beginning at 10% for fiscal year 2009, declining by 1% per year to an ultimate trend of 5% for the 2014-2017 fiscal years. These rates include a 3% inflation assumption. The actuarial value of plan assets was not determined as the Authority has not advance-funded its obligation. The plan's unfunded actuarial accrued liability is amortized as a level dollar amount over 30 years on an open basis.

14. Post Employment Health Plan – Defined Contribution Plan

Plan Description and Eligibility: The RTAA established a Post Employment Health Plan (PEHP), pursuant to Section 501(C) (9) of the Internal Revenue Code permitting such plans. The purpose of the plan is to provide for reimbursement of qualified postemployment expenses for medical care, including expenses for medical insurance, which are incurred by employees covered with the RTAA and who have separated from service.

Funding Policy: The plan provides each member with an individual account to provide for postemployment health benefits through the following funding formulas:

Employees covered by Management Guidelines and exclusively by the Civil Service Plan have the following plan provisions:

1) Effective July 1, 2009 and each July 1st thereafter, for those employees with accrued sick leave balances in the amounts indicated below as of the last pay period in June, RTAA shall contribute the amount of accrued sick leave indicated below into the employee's individual PEHP plan account at 100% of the employee's base rate of pay on June 30th. All contributions will be made on a pre-tax basis.

Sick Leave Balance	Amount of Sick Leave Contributed to Employee's PEHP Account
100-199 hours	5 hours
200-299 hours	10 hours
300-399 hours	25 hours
400-499 hours	35 hours
500-599 hours	50 hours
600-699 hours	65 hours
700-799 hours	80 hours
800-899 hours	95 hours
900-999 hours	110 hours
1000 or more hours	150 hours

2) Effective July 1, 2009 and each July 1st thereafter, for those employees with accrued vacation leave balances greater than two-hundred (200) hours as of the last pay period in June, the RTAA shall contribute twenty (20) hours from each employee's accrued vacation account into the employee's individual PEHP plan account at 100% of the employee's base rate of pay on June 30th. All contributions will be made on a pre-tax basis.

3) Effective July 1, 2009, and each July 1st thereafter, for those employees that have not used the Floating Holiday as of the last pay period in June, the RTAA will convert the Floating Holiday hours at the employee's base rate of pay on June 30th and contribute those funds to the employee's individual PEHP plan account. All contributions will be made on a pre-tax basis.

For the year ended June 30, 2010, $ 177,275 was contributed to the PEHP plan. For the year ended, June 30, 2009, $348,980 was contributed to the PEHP plan.

Employees covered by Airport Authority Police Officers Association have the following plan provisions:

1) Upon the plan's inception, RTAA contributed a one time lump sum payment in the amount of $900 into the plan for each officer.

15. Post Employment Health Plan – Defined Contribution Plan

2) Each pay period, $31.00 of each member's salary will be put into their plan account.

3) Once a member has accumulated eighty (80) hours of compensatory time, RTAA shall contribute 100% of that member's compensatory time in excess of eighty (80) hours into their plan account at 100% of their base pay.

4) Once a member has accumulated 880 of sick accrual, RTAA shall contribute annually in December 100% of that member's sick accrual in excess of 880 hours into their plan account at 100% of their base pay.

5) On the first pay period each December, RTAA shall contribute forty (40) hours of each member's accrued vacation time into their plan account at 100% of their base pay, provided such contribution does not reduce the member's vacation accrual balance to less than two hundred (200) hours.

For the year ended June 30, 2010, $18,251 was contributed to the Airport Authority Police Officers Association plan. For the year ended June 30, 2009 $15,729 was contributed to the Airport Authority Police Officers Association plan.

RENO-TAHOE AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

Schedule of Funding Progress - Other Postemployment Benefits

Reno-Tahoe Airport Authority Group Health Plan

Actuarial Valuation Date		(a) Actuarial Value of Assets		(b) Actuarial Accrued Liability (AAL)	(a/b) Funded Ratio		(b-a) Unfunded Accrued Actuarial Liability (UAAL)		(c) Covered Payroll	[(b-a) / c] UAAL as a Percent of Covered Payroll
January 1, 2009	$	-	$	505,695	0%	$	505,695	$	12,205,469	4.14%

State of Nevada's Public Employee Benefit Plan (PEBP)

Actuarial Valuation Date		(a) Actuarial Value of Assets		(b) Actuarial Accrued Liability (AAL)	(a/b) Funded Ratio		(b-a) Unfunded Accrued Actuarial Liability (UAAL)	(c) Covered Payroll	[(b-a) / c] UAAL as a Percent of Covered Payroll
January 1, 2009	$	-	$	6,776,313	0%	$	6,776,313	N/A	N/A

Note 1 - SCHEDULE OF FUNDING PROGRESS

The Authority implemented GASB Statement No. 45 prospectively for the fiscal year ended June 30, 2009. Information in the Schedule of Funding Progress for prior years is not available.

RENO-TAHOE AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
COMPARISON OF BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2010

	Original Budget	Final Amended Budget	Actual	Variance To Final Budget
Operating revenues:				
Landing fees	$ 10,533,173	$ 10,533,173	$ 9,157,170	$ (1,376,003)
Concession revenue	14,263,833	14,263,833	14,400,176	136,343
Parking and ground transportation	8,300,900	8,300,900	8,738,391	437,491
Rentals	13,033,217	13,033,217	10,378,966	(2,654,251)
Reimbursements for services	723,400	723,400	1,838,355	1,114,955
Other revenue	-	-	18,300	18,300
Total Operating Revenues	46,854,523	46,854,523	44,531,358	(2,323,165)
Operating expenses:				
Employee wages and benefits	21,426,639	21,426,639	21,148,848	277,791
Utilities and communications	4,400,026	4,400,026	3,234,216	1,165,810
Purchase of services	4,154,735	4,154,735	3,218,502	936,233
Materials and supplies	1,727,296	1,727,296	1,611,574	115,722
Administrative expenses	1,855,162	1,855,162	1,922,140	(66,978)
Total Operating Expenses before Depreciation and Amortization	33,563,858	33,563,858	31,135,280	2,428,578
Depreciation and amortization	24,000,000	24,000,000	23,624,026	375,974
Total Operating Expenses	57,563,858	57,563,858	54,759,306	2,804,552
Operating Income (Loss)	(10,709,335)	(10,709,335)	(10,227,948)	481,387
Non-operating revenues (expenses):				
Interest income	648,100	648,100	347,571	(300,529)
Passenger facility charge revenue	6,963,600	6,963,600	7,737,810	774,210
Jet fuel tax revenue	400,000	400,000	304,912	(95,088)
Gain (loss) on sale of capital assets	-	-	9,641	9,641
Gain (loss) on debt defeasance	-	-	(207,881)	(207,881)
Interest expense	(2,188,725)	(2,188,725)	(2,146,371)	42,354
Total Non-Operating Revenues (Expenses)	5,822,975	5,822,975	6,045,682	222,707
Income (Loss) Before Capital Contributions	$ (4,886,360)	$ (4,886,360)	$ (4,182,266)	$ 704,094

RENO-TAHOE AIRPORT AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS ON BONDS
JUNE 30, 2010

Bond Year Ended July 1	Airport Revenue Refunding Bonds Series 2003		Airport Revenue Refunding Bonds Series 2005		
	Principal	Interest	Principal	Interest	Total
2010	$ 7,935,000	$ 813,250	$ 1,145,000	$ 1,375,475	$ 11,268,725
2011	4,165,000	208,250	1,185,000	1,335,400	6,893,650
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
	$ 12,100,000	$ 1,021,500	$28,600,000	$ 14,248,975	$ 55,970,475

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.

<u>Contents</u>

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, 2001 - 2010
(unaudited)

	2001	2002	2003	2004	2005
Operating revenues					
Landing fees	$6,807,434	$6,706,519	$6,102,736	$5,798,888	$5,801,560
Concession revenue	12,999,632	11,271,356	11,686,716	11,595,147	12,618,012
Parking and ground transportation	7,584,162	6,679,876	7,020,300	7,928,016	9,082,135
Rentals	8,485,295	8,774,487	8,438,313	9,552,561	11,102,359
Reimbursements for services	370,292	389,279	771,079	940,509	477,425
Other revenue	196,419	505,434	533,140	193,519	8,648
Total operating revenues	36,443,234	34,326,951	34,552,284	36,008,640	39,090,139
Nonoperating revenues					
Interest income	2,173,880	1,360,986	1,310,023	345,940	1,370,190
Passenger facility charge revenue	5,844,082	6,847,754	8,348,271	10,343,967	8,771,723
Insurance proceeds	-	750,000	18,245,962	16,264	30,000
Jet fuel tax income	-	-	-	375,000	414,908
Gain on sale of capital assets	418,004	-	-	40,043	1,311,777
Total nonoperating revenues	8,435,966	8,958,740	27,904,256	11,121,214	11,898,598
Total revenues	44,879,200	43,285,691	62,456,540	47,129,854	50,988,737
Operating expense					
Employee wages and benefits	14,153,568	14,382,329	16,194,694	17,267,109	18,158,194
Utilities and communications	1,813,407	1,855,231	1,918,689	2,071,461	2,425,659
Purchase of services	1,677,786	1,915,702	2,795,490	2,863,032	3,115,090
Materials and supplies	1,119,972	942,423	1,034,323	1,057,637	1,524,721
Administrative expenses	1,325,087	1,796,018	2,397,453	2,855,358	2,167,021
	20,089,820	20,891,703	24,340,649	26,114,597	27,390,685
Depreciation and amortization	15,013,369	15,260,870	15,516,102	17,044,725	17,374,021
Total operating expenses	35,103,189	36,152,573	39,856,751	43,159,322	44,764,706
Nonoperating expenses					
Reclamation expenses	925,000	-	-	-	-
Loss on sale of capital assets	-	80,587	47,882	-	-
Loss on debt defeasance	-	-	-	-	-
Interest expense	7,792,177	6,903,972	5,729,405	4,227,792	4,126,651
Total nonoperating expenses	8,717,177	6,984,559	5,777,287	4,227,792	4,126,651
Total expenses	43,820,366	43,137,132	45,634,038	47,387,114	48,891,357
Capital contributions	24,039,375	20,278,604	16,764,255	21,076,563	19,279,194
Increase in Net Assets	$25,098,209	$20,427,163	$33,586,757	$20,819,303	$21,376,574
Net Assets at Year-End					
Invested in capital assets, net of related debt	N/A	$185,785,505	$211,122,019	$229,094,661	$240,083,059
Restricted	N/A	44,749,148	29,473,577	26,469,671	36,564,162
Unrestricted	N/A	20,394,595	43,920,409	49,770,976	50,064,661
Total Net Assets	$230,502,085	$250,929,248	$284,516,005	$305,335,308	$326,711,882

RENO-TAHOE AIRPORT AUTHORITY
NET ASSETS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2001 - 2010
(unaudited)

	2006	2007	2008	2009	2010
Operating revenues					
Landing fees	$7,545,675	$7,142,939	$8,503,502	$8,020,650	$9,157,170
Concession revenue	14,385,592	15,095,247	15,610,371	14,267,318	14,400,176
Parking and ground transportation	10,253,964	10,136,245	10,285,079	9,102,015	8,738,391
Rentals	11,352,662	12,225,827	12,100,223	12,172,296	10,378,966
Reimbursements for services	827,853	959,434	630,653	957,499	1,838,355
Other revenue	27,238	37,005	13,206	82,970	18,300
Total operating revenues	44,392,984	45,596,697	47,143,034	44,602,748	44,531,358
Nonoperating revenues					
Interest income	1,723,481	3,382,557	2,440,071	1,814,681	347,571
Passenger facility charge revenue	11,029,218	10,992,217	9,931,917	7,688,656	7,737,810
Insurance proceeds	-	13,853	-	-	-
Jet fuel tax income	414,874	338,810	400,006	313,204	304,912
Gain on sale of capital assets	496,591	112,337	89,009	544,222	9,641
Total nonoperating revenues	13,664,164	14,839,774	12,861,003	10,360,763	8,399,934
Total revenues	58,057,148	60,436,471	60,004,037	54,963,511	52,931,292
Operating expense					
Employee wages and benefits	19,929,337	20,877,676	22,612,550	21,868,506	21,148,848
Utilities and communications	2,457,764	2,797,048	2,655,511	2,978,879	3,234,216
Purchase of services	3,232,102	3,131,901	3,039,115	3,037,358	3,218,502
Materials and supplies	1,649,492	1,546,951	1,651,664	1,424,020	1,611,574
Administrative expenses	2,261,031	2,100,296	1,976,701	1,911,933	1,922,140
	29,529,726	30,453,872	31,935,541	31,220,696	31,135,280
Depreciation and amortization	18,564,621	20,686,072	22,000,778	21,904,868	23,624,026
Total operating expenses	48,094,347	51,139,944	53,936,319	53,125,564	54,759,306
Nonoperating expenses					
Reclamation expenses	-	-	-	-	-
Loss on sale of capital assets	-	-	-	-	-
Loss on debt defeasance	-	-	-	-	207,881
Interest expense	3,608,057	3,229,056	2,834,064	2,417,329	2,146,371
Total nonoperating expenses	3,608,057	3,229,056	2,834,064	2,417,329	2,354,252
Total expenses	51,702,404	54,369,000	56,770,383	55,542,893	57,113,558
Capital contributions	23,701,303	18,910,166	31,014,332	14,759,282	24,330,343
Increase in Net Assets	$30,056,047	$24,977,637	$34,247,986	$14,179,900	$20,148,077
Net Assets at Year-End					
Invested in capital assets, net of related debt	$261,158,359	$280,057,920	$310,515,372	$354,630,181	$381,032,297
Restricted	42,831,382	53,606,914	50,911,600	29,015,626	21,539,564
Unrestricted	52,778,188	48,080,732	54,566,580	46,527,645	47,749,668
Total Net Assets	$356,767,929	$381,745,566	$415,993,552	$430,173,452	$450,321,529

RENO-TAHOE AIRPORT AUTHORITY
SUMMARY OF OPERATING RESULTS
FOR THE YEARS ENDED JUNE 30, 2001 - 2010
(unaudited)

	2001	2002	2003	2004	2005
Operating Revenues	$36,443,234	$34,326,951	$34,552,284	$36,008,640	$39,090,139
Operating Expenses	(20,089,820)	(20,891,703)	(24,340,649)	(25,626,456)	(27,390,685)
Operating Income before Depreciation and Amortization	16,353,414	13,435,248	10,211,635	10,382,184	11,699,454
Depreciation and Amortization	(15,013,369)	(15,260,870)	(15,516,102)	(17,044,725)	(17,374,021)
Operating Income (Loss)	1,340,045	(1,825,622)	(5,304,467)	(6,662,541)	(5,674,567)
Nonoperating Revenues and (Expenses):					
Interest Income	2,173,880	1,360,986	1,310,023	345,940	1,370,190
PFC Revenue	5,844,082	6,847,754	8,348,271	10,343,967	8,771,723
Insurance Proceeds	-	750,000	18,245,962	16,264	30,000
Jet Fuel Tax Revenue (Expense)	-	-	-	(113,141)	414,908
Reclamation Expense	(925,000)	-	-	-	-
Interest Expense	(7,792,177)	(6,903,972)	(5,729,405)	(4,227,792)	(4,126,651)
Gain (Loss) on Sale of Capital Assets	418,004	(80,587)	(47,882)	40,043	1,311,777
Gain (Loss) on Debt Defeasance	-	-	-	-	-
	(281,211)	1,974,181	22,126,969	6,405,281	7,771,947
Income (Loss) Before Capital Contributions	$1,058,834	$148,559	$16,822,502	($257,260)	$2,097,380

RENO-TAHOE AIRPORT AUTHORITY
SUMMARY OF OPERATING RESULTS
FOR THE YEARS ENDED JUNE 30, 2001 - 2010
(unaudited)

	2006	2007	2008	2009	2010
Operating Revenues	$44,392,984	$45,596,697	$47,143,034	$44,602,748	$44,531,358
Operating Expenses	(29,529,726)	(30,453,872)	(31,935,541)	(31,220,696)	(31,135,280)
Operating Income before Depreciation and Amortization	14,863,258	15,142,825	15,207,493	13,382,052	13,396,078
Depreciation and Amortization	(18,564,621)	(20,686,072)	(22,000,778)	(21,904,868)	(23,624,026)
Operating Income (Loss)	(3,701,363)	(5,543,247)	(6,793,285)	(8,522,816)	(10,227,948)
Nonoperating Revenues and (Expenses):					
Interest Income	1,723,481	3,382,557	2,440,071	1,814,681	347,571
PFC Revenue	11,029,218	10,992,217	9,931,917	7,688,656	7,737,810
Insurance Proceeds	-	13,853	-	-	-
Jet Fuel Tax Revenue (Expense)	414,874	338,810	400,006	313,204	304,912
Reclamation Expense	-	-	-	-	-
Interest Expense	(3,608,057)	(3,229,056)	(2,834,064)	(2,417,329)	(2,146,371)
Gain (Loss) on Sale of Capital Assets	496,591	112,337	89,009	544,222	9,641
Gain (Loss) on Debt Defeasance	-	-	-	-	(207,881)
	10,056,107	11,610,718	10,026,939	7,943,434	6,045,682
Income (Loss) Before Capital Contributions	$6,354,744	$6,067,471	$3,233,654	($579,382)	($4,182,266)

RENO-TAHOE AIRPORT AUTHORITY
REVENUE RATES
FOR THE YEARS ENDED JUNE 30, 2001-2010
(unaudited)

	Landing Fee		RON (Ramp Over Night)			
Year	Signatory	Non-Signatory	Signatory	Non-Signatory	Terminal Rental Rate Average	Cost per Enplanements
2010	$3.02	$3.87	$0.47	$0.97	$46.38	$6.26
2009	2.28	2.82	0.35	0.71	55.39	6.23
2008	2.02	2.45	0.30	0.61	58.43	5.52
2007	1.52	2.60	0.29	0.65	59.52	4.96
2006	1.73	2.30	0.23	0.58	55.06	4.84
2005	1.29	1.98	0.22	0.50	49.30	4.09
2004	1.16	1.80	0.17	0.27	41.18	3.76
2003	1.41	1.86	0.21	0.28	37.70	4.04
2002	1.55	2.39	0.23	0.36	40.94	4.54
2001	1.35	2.21	0.20	0.33	38.81	3.85

Ramp Over Night Fees are charged at the budgeted amount.

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 expired June 30, 2007. An additional two year extension was added in 2007 and an additonal year was added in 2009.

RENO-TAHOE AIRPORT AUTHORITY
SCHEDULE OF DEBT AND OBLIGATION COVERAGES
FOR THE YEARS ENDED JUNE 30, 2001-2010
(unaudited)

YEAR	Gross Revenue (1)	Direct Operating Expense (2)	Net Revenue Available for Debt and Obligation Payments	PRINCIPAL	INTEREST	TOTAL	COVERAGE
2010	$44,888,570	($31,135,280)	$13,753,290	$8,180,000	$2,588,625	$10,768,625	1.28
2009	46,961,651	(31,220,696)	15,740,955	7,765,000	3,005,476	10,770,476	1.46
2008	49,672,114	(31,935,541)	17,736,573	7,365,000	3,400,468	10,765,468	1.65
2007	49,105,444	(30,453,872)	18,651,572	6,145,000	3,486,770	9,631,770	1.94
2006	46,613,056	(29,529,726)	17,083,330	3,970,000	4,146,213	8,116,213	2.10
2005	41,802,106	(27,390,685)	14,411,421	2,375,000	4,247,348	6,622,348	2.18
2004	36,410,887	(26,114,597)	10,296,290	9,195,000	3,837,211	13,032,211	0.79
2003	54,060,387	(24,340,649)	29,719,738	14,130,000	6,838,464	20,968,464	1.42
2002	36,357,350	(20,891,703)	15,465,647	13,720,849	7,567,964	21,288,813	0.73
2001	39,035,118	(20,089,820)	18,945,298	11,035,000	7,477,175	18,512,175	1.02

1) Gross Revenue includes operating revenue, investment income, insurance reimbursements and gain (loss) on sale of capital assets.
2) Direct operating expense excludes depreciation.

RENO-TAHOE AIRPORT AUTHORITY
RATE MAINTENANCE COVENANT PERFORMANCE
FOR THE YEARS ENDED JUNE 30, 2001 - 2010
(unaudited)

	2001	2002	2003	2004	2005
Operating Revenues	$36,443,234	$34,326,951	$34,552,284	$36,008,640	$39,090,139
Trust Fund Investment Interest Income	1,785,895	1,268,375	1,200,102	244,461	728,223
Gross Pledged Revenues	38,229,129	35,595,326	35,752,386	36,253,101	39,818,362
Transfers - General Purpose Fund for LOI Bond Debt Service	672,753	679,517	656,730	654,578	647,661
Airline revenue share prior year	2,727,766	2,550,000	1,421,946	2,246,836	1,653,595
Operating Expenses	(20,089,820)	(20,891,703)	(24,340,649)	(25,626,456)	(27,077,027)
35% of Gaming Revenues	(969,523)	(933,202)	(882,000)	(882,000)	(1,079,961)
Net Pledged Revenues	$20,570,305	$16,999,938	$12,608,413	$12,646,059	$13,962,630
125% of Revenue Bond Debt Service	$14,533,705	$14,530,776	$7,030,344	$8,277,935	$10,145,266
Rate Maintenance Minimum Revenues	$14,533,705	$14,530,776	$7,030,344	$8,277,935	$10,145,266

RENO-TAHOE AIRPORT AUTHORITY
RATE MAINTENANCE COVENANT PERFORMANCE
FOR THE YEARS ENDED JUNE 30, 2001- 2010
(unaudited)

	2006	2007	2008	2009	2010
Operating Revenues	$44,392,984	$45,596,697	$47,143,034	$44,602,748	$44,531,358
Trust Fund Investment Interest Income	1,220,400	2,475,203	1,794,812	1,450,653	555,172
Gross Pledged Revenues	45,613,384	48,071,900	48,937,846	46,053,401	45,086,530
Transfers - General Purpose Fund for LOI Bond Debt Service	649,427	639,373	641,856	644,911	650,117
Airline revenue share prior year	1,537,929	2,111,696	1,867,149	1,892,768	1,516,737
Operating Expenses	(29,328,473)	(30,453,872)	(31,935,541)	(31,220,696)	(31,135,280)
35% of Gaming Revenues	(1,199,079)	(1,294,816)	(1,221,986)	(946,661)	(780,474)
Net Pledged Revenues	$17,273,188	$19,074,281	$18,289,324	$16,423,723	$15,337,630
125% of Revenue Bond Debt Service	$12,039,713	$13,456,835	$13,463,095	$13,460,781	$14,085,906
Rate Maintenance Minimum Revenues	$12,039,713	$13,456,835	$13,463,095	$13,460,781	$14,085,906

RENO-TAHOE AIRPORT AUTHORITY
RATIOS OF OUTSTANDING DEBT AND DEBT SERVICE
FOR THE YEARS ENDED JUNE 30, 2001 - 2010
(unaudited)

	2001	2002	2003	2004	2005
Outstanding Debt					
Revenue bonds	$117,780,000	$104,300,000	$89,545,000	$80,350,000	$77,975,000
Notes payable	325,849	-	-	-	-
Subordinate revenue taxable note	10,000,000	10,000,000	-	-	-
Total outstanding debt	$128,105,849	$114,300,000	$89,545,000	$80,350,000	$77,975,000
Outstanding debt per enplaned passenger	$48	$51	$38	$33	$31
Debt Service					
Principal	$11,035,000	$13,720,849	$14,130,000	$9,195,000	$2,375,000
Interest	7,477,175	7,567,964	6,838,464	3,837,211	4,247,348
Total debt service	$18,512,175	$21,288,813	$20,968,464	$13,032,211	$6,622,348
Ratio of debt service to total expenses	42.25%	49.35%	45.95%	27.50%	13.55%

Notes: No debt-to-personal-income ratio is shown because personal income information is not available for the Airport trade area. See schedule of Operational Statistical Summary for enplanements.

RENO-TAHOE AIRPORT AUTHORITY
RATIOS OF OUTSTANDING DEBT AND DEBT SERVICE
FOR THE YEARS ENDED JUNE 30, 2001 - 2010
(unaudited)

	2006	2007	2008	2009	2010
Outstanding Debt					
Revenue bonds	$74,320,000	$68,175,000	$60,810,000	$53,045,000	$40,700,000
Notes payable	-	-	-	-	-
Subordinate revenue taxable note	-	-	-	-	-
Total outstanding debt	$74,320,000	$68,175,000	$60,810,000	$53,045,000	$40,700,000
Outstanding debt per enplaned passenger	$29	$27	$25	$27	$22
Debt Service					
Principal	$3,970,000	$6,145,000	$7,365,000	$7,765,000	$8,180,000
Interest	4,146,213	3,486,770	3,400,468	3,005,476	2,588,625
Total debt service	$8,116,213	$9,631,770	$10,765,468	$10,770,476	$10,768,625
Ratio of debt service to total expenses	15.70%	17.72%	18.96%	19.39%	18.92%

RENO-TAHOE AIRPORT AUTHORITY
POPULATION IN AIR TRADE AREA
FOR THE CALENDAR YEARS 2000-2009
(unaudited)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nevada										
County										
Churchill	24,025	24,469	24,248	24,241	24,289	24,556	25,036	24,891	24,896	24,897
Douglas	41,465	42,227	43,230	44,170	45,933	47,017	45,909	45,406	45,180	45,464
Humboldt	15,919	15,969	16,143	16,562	16,863	17,129	17,446	17,523	17,763	18,260
Lyon	34,893	36,254	38,019	40,290	43,336	47,515	51,231	52,479	53,022	52,641
Pershing	6,665	6,588	6,566	6,446	6,396	6,360	6,414	6,376	6,291	6,286
Storey	3,393	3,424	3,421	3,541	3,731	4,074	4,132	4,193	4,341	4,441
Washoe	341,348	351,584	361,640	371,062	380,612	389,872	396,428	406,079	410,443	414,820
Carson City	52,548	53,446	54,547	55,269	55,926	56,062	55,289	54,939	54,867	55,176
Subtotal	520,256	533,961	547,814	561,581	577,086	592,585	601,885	611,886	616,803	621,985
California										
County										
Alpine	1,207	1,204	1,217	1,188	1,197	1,159	1,180	1,145	1,061	1,041
El Dorado	157,198	161,363	165,711	169,119	172,723	176,841	178,066	175,689	176,075	178,447
Lassen	33,767	33,652	33,569	34,114	34,606	34,751	34,715	35,031	34,574	34,473
Mono	12,866	12,895	12,993	12,832	12,687	12,509	12,754	12,801	12,774	12,927
Nevada	92,537	93,868	95,071	96,235	97,447	98,394	98,764	97,027	97,118	97,751
Placer	251,327	264,818	278,911	293,457	306,305	317,028	326,242	332,920	341,945	348,552
Plumas	20,781	20,899	21,006	21,185	21,328	21,477	21,263	20,615	20,275	20,122
Sierra	3,576	3,528	3,497	3,542	3,486	3,434	3,455	3,328	3,263	3,174
Subtotal	573,259	592,227	611,975	631,672	649,779	665,593	676,439	678,556	687,085	696,487
Total	1,093,515	1,126,188	1,159,789	1,193,253	1,226,865	1,258,178	1,278,324	1,290,442	1,303,888	1,318,472
Percentage increase	4.22%	2.99%	2.98%	2.89%	2.82%	2.55%	1.60%	0.95%	1.04%	1.12%
Unemployment rate Washoe Coun	3.6%	4.4%	5.1%	4.7%	4.2%	3.9%	4.0%	4.4%	11.8%	13.6%

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

RENO-TAHOE AIRPORT AUTHORITY
FORTUNE 100 COMPANIES WITHIN AIR TRADE AREA
FISCAL YEAR ENDED 2010
(unaudited)

Ranking	Company
2	Wal-Mart Stores
5	General Electric
6	General Motors
8	AT&T
11	Bank of America
12	Citigroup
17	Verizon Communications
18	Cardinal Health
24	Costco
25	Home Depot
26	AmerisourceBergen
28	Target
30	Morgan Stanley
31	State Farm
34	Microsoft
36	Walgreen
41	Wells Fargo
43	United Parcel Service
44	Caterpillar

Ranking	Company
46	Pfizer
47	Lowe's
50	Safeway
52	Pepsico
54	Lockheed Martin
56	Best Buy
57	Cisco Systems
58	Johnsons Control
59	FedEx
62	Sysco
63	Honeywell
64	Sprint Nextel
73	Coca-Cola
74	American Express
76	New York Life Insurance
86	Liberty Mutual
87	Deere
90	Alcoa
96	Macys

Thirty-eight Fortune 100 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
PRINCIPAL EMPLOYERS WITHIN AIR TRADE AREA
FISCAL YEAR ENDED 2010 AND 2000
(unaudited)

	2010		2000	
Employer	Rank	Employees	Rank	Employees
Washoe County School District	1	8,500-8,999	1	6,500-6,999
University of Nevada-Reno	2	4,000-4,499	2	2,500-2,999
Washoe County	3	2,500-2,999	4	2,500-2,999
Renown Regional Medical Center	4	2,000-2,499	6	2,000-2,499
Peppermill Hotel Casino-Reno	5	2,000-2,499	-	-
International Game Technology	6	2,000-2,499	-	-
Silver Legacy Resort Casino	7	1,500-1,999	5	2,500-2,999
CHW/St. Mary's Hospital	8	1,500-1,999	-	-
Atlantis Casino Resort	9	1,500-1,999	-	-
City of Reno	10	1,500-1,999	-	-
Reno Hilton	-	-	3	2,500-2,999
Eldorado Hotel & Casino	-	-	7	2,000-2,499
Sparks Nugget Inc.	-	-	8	2,000-2,499
Circus Circus Casino	-	-	9	2,000-2,499
Harrah's Reno	-	-	10	2,000-2,499

Each of the years reflect respective 4th quarter (December) information. Nevada Revised Statute Chapter 612 stipulates that actual employment for individual employers may not be published.

Source: Nevada Department of Employment, Training and Rehabilitation, Division of Labor Marketing. nevadaworkforce.com

RENO-TAHOE AIRPORT AUTHORITY
EMPLOYEES
FOR THE YEARS ENDED JUNE 30, 2001-2010
(unaudited)

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

Year	Board of Trustees*	Airfield Operations	Terminal Building Maintenance	Police	Parking	Aircraft Rescue and Firefighting	Administration	Total
2010	9	51	69	43	15	20	56.5	263.5
2009	9	51	69	43	15	20	68.5	275.5
2008	9	51	67	43	15	20	64.5	269.5
2007	9	51	68	38	16	20	59.5	261.5
2006	9	51	68	38	15	20	59	260
2005	9	48.5	66	38	15	19	57.5	253
2004	9	48	65	38	15	19	59	253
2003	9	48	63	53	15	19	55.5	262.5
2002	9	48	62	23	15	21	56.5	234.5
2001	8	48	62.5	23	15	21	57	234.5

* Board of Trustees Department comprises a nine-member Board of Trustees appointed by the City of Reno, City of Sparks, Washoe County and the Reno-Sparks Convention & Visitors Authority.

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, 2001 - 2010
(unaudited)

Year	Enplanements	Airport Growth	Landed Weights	Airport Growth	Air Carrier Operations	Airport Growth
2010	1,886,677	-5.4%	2,762,670	-10.8%	43,140	-13.4%
2009	1,995,412	-16.6%	3,097,929	-17.1%	49,811	-15.8%
2008	2,391,514	-3.7%	3,736,173	-2.7%	59,153	9.8%
2007	2,482,168	-3.7%	3,841,531	3.1%	53,853	4.2%
2006	2,577,546	1.1%	3,724,533	-4.0%	51,666	-6.9%
2005	2,550,273	3.6%	3,877,924	2.6%	55,482	0.2%
2004	2,461,694	4.2%	3,780,605	8.8%	55,394	5.8%
2003	2,362,443	5.3%	3,474,736	10.9%	52,366	-1.0%
2002	2,244,380	-15.9%	3,133,977	-9.4%	52,882	-12.0%
2001	2,669,399	-9.4%	3,458,357	-20.2%	60,061	-19.6%

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, 2001 - 2010
(unaudited)

	2001			2002			2003		
Scheduled Airline	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change
Alaska	113,411	4%	-11%	103,740	5%	-9%	114,267	5%	10%
Allegiant Air	19,094	1%	100%	183	0%	-99%	413	0%	126%
Aloha Airlines	-	0%	0%	-	0%	0%	113,223	5%	0%
American	381,984	14%	-41%	293,393	13%	-23%	233,442	10%	-20%
Atlantic Southeast	-	0%	0%	-	0%	0%	-	0%	0%
Continental	41,283	2%	20%	48,846	2%	18%	58,502	2%	20%
Delta	169,805	6%	-25%	27,819	1%	-84%	-	0%	-100%
Frontier	-	0%	0%	31,342	1%	100%	40,331	2%	29%
Horizon Air	-	0%	0%	-	0%	0%	-	0%	0%
Mesa	-	0%	0%	-	0%	0%	1,265	0%	0%
Northwest	95,394	4%	-23%	81,894	4%	-14%	87,121	4%	6%
Skywest	65,481	2%	119%	113,418	5%	73%	117,884	5%	4%
Southwest	1,248,606	47%	17%	1,112,648	50%	-11%	1,134,256	48%	2%
United	325,870	12%	0%	251,034	11%	-23%	256,635	11%	2%
US Airways (America West)	194,417	7%	17%	177,250	8%	-9%	198,392	8%	12%
Other	14,054	1%	100%	2,813	0%	-80%	6,712	0%	139%
	2,669,399	100%	-4%	2,244,380	100%	-16%	2,362,443	100%	5%

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, 2001 - 2010

(unaudited)

	2004			2005			2006		
Scheduled Airline	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change
Alaska	181,866	7%	59%	173,865	7%	-4%	111,961	4%	-36%
Allegiant Air	29,015	1%	6925%	28,731	1%	-1%	32,307	1%	12%
Aloha Airlines	32,133	1%	100%	43,378	2%	100%	31,502	1%	-27%
American	239,167	10%	2%	250,509	10%	5%	240,675	9%	-4%
Atlantic Southeast	-	0%	0%	23,149	1%	0%	26,254	1%	13%
Continental	77,461	3%	32%	66,663	3%	-14%	59,379	2%	-11%
Delta	-	0%	0%	34,165	1%	0%	67,838	3%	99%
Frontier	54,709	2%	36%	31,441	1%	-43%	39,036	2%	24%
Horizon Air	-	0%	0%	26,984	1%	0%	90,366	4%	235%
Mesa	-	0%	-100%	3,674	0%	0%	38,238	1%	941%
Northwest	91,230	4%	5%	82,998	3%	-9%	35,758	1%	-57%
Skywest	183,632	7%	56%	188,436	7%	3%	151,168	6%	-20%
Southwest	1,160,906	47%	2%	1,182,838	46%	2%	1,251,809	49%	6%
United	204,840	8%	-20%	182,893	7%	-11%	185,751	7%	2%
US Airways (America West)	206,307	8%	4%	228,743	9%	11%	202,610	8%	-11%
Other	428	0%	0%	1,806	0%	0%	12,894	1%	0%
	2,461,694	100%	4%	2,550,273	100%	4%	2,577,546	100%	1%

2007			2008			2009			2010		
Enplanements	Share	Percent Change	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change
105,437	4%	-6%	34,135	1%	-68%	-	0%	0%	297	0%	0%
1,194	0%	-96%	12,748	1%	968%	36,148	2%	184%	13,948	1%	-61%
26,639	1%	-15%	22,091	1%	-17%	-	0%	0%	-	0%	0%
202,654	8%	-16%	191,839	8%	-5%	173,989	9%	-9%	163,971	9%	-6%
15,481	1%	-41%	-	0%	-100%		0%	0%	-	0%	0%
71,216	3%	20%	70,108	3%	-2%	15,046	1%	-79%	-	0%	-100%
105,718	4%	56%	100,467	4%	-5%	50,249	3%	-50%	93,341	5%	86%
33,280	1%	-15%	7,759	0%	-77%	-	0%	0%	253	0%	0%
113,315	5%	25%	183,955	8%	62%	177,743	9%	-3%	141,106	7%	-21%
41,512	2%	9%	43,503	2%	5%	49,461	2%	0%	7,197	0%	0%
-	0%	-100%	-	0%	0%	-	0%	0%	-	0%	0%
117,820	5%	-22%	111,688	5%	-5%	120,743	6%	8%	139,577	7%	16%
1,222,526	49%	-2%	1,177,434	49%	-4%	1,052,348	53%	-11%	1,022,318	54%	-3%
238,640	10%	28%	220,543	9%	-8%	208,228	10%	-6%	161,396	9%	-22%
183,965	7%	-9%	155,643	7%	-15%	95,466	5%	-39%	140,501	7%	47%
2,771	0%	-79%	59,601	2%	2051%	15,991	1%	-73%	2,772	0%	-83%
2,482,168	100%	-4%	2,391,514	100%	-4%	1,995,412	100%	-17%	1,886,677	100%	-5%

RENO-TAHOE AIRPORT AUTHORITY
RENO-TAHOE INTERNATIONAL AIRPORT
LANDED WEIGHTS AND MARKET SHARE BY SCHEDULED AIRLINE
FOR THE YEARS ENDED JUNE 30, 2001 - 2010
(unaudited)

	2001			2002			2003		
Scheduled Airline	Landed Weights (000) lbs	Share	Percent Change	Landed Weights (000) lbs	Share	Percent Change	Landed Weights (000) lbs	Share	Percent Change
Alaska	136,172	4%	-5%	128,950	4%	-5%	145,453	4%	13%
Allegiant Air	45,449	1%	0%	-	0%	-100%	26,996	1%	0%
Aloha Airlines	-	0%	0%	-	0%	0%	-	0%	0%
American	538,236	16%	-51%	405,332	13%	-25%	290,583	8%	-28%
Atlantic Southeast	-	0%	0%	-	0%	0%	-	0%	0%
Continental	45,434	1%	12%	52,588	2%	16%	63,004	2%	20%
Delta	239,067	7%	-26%	38,004	1%	-84%	-	0%	-100%
Frontier	-	0%	0%	65,200	2%	0%	61,296	2%	-6%
Horizon Air	-	0%	0%	-	0%	0%	-	0%	0%
Mesa	-	0%	0%	-	0%	0%	2,679	0%	0%
Northwest	114,607	3%	-37%	100,013	3%	-13%	99,675	3%	0%
Skywest	94,889	3%	94%	134,930	4%	42%	138,994	4%	3%
Southwest	1,623,092	47%	2%	1,631,799	52%	1%	1,644,432	47%	1%
United	385,756	11%	-3%	321,466	10%	-17%	310,702	9%	-3%
US Airways (America West)	235,655	7%	-6%	255,695	8%	9%	275,247	8%	8%
Airborne Express	-	0%	0%	-	0%	0%	25,908	1%	0%
Federal Express	-	0%	0%	-	0%	0%	219,322	6%	0%
United Parcel Service	-	0%	0%	-	0%	0%	113,002	3%	0%
Other	-	0%	0%	-	0%	0%	57,443	2%	0%
	3,458,357	100%	-20%	3,133,977	100%	-9%	3,474,736	100%	11%

Rounding errors may occur.

2004			2005			2006			2007		
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
272,567	7%	87%	225,303	6%	-17%	142,111	4%	-37%	136,127	4%	-4%
38,710	1%	43%	42,323	1%	9%	41,573	1%	-2%	44,782	1%	8%
46,899	1%	0%	73,125	2%	0%	47,802	1%	0%	47,028	1%	0%
296,588	8%	2%	318,810	8%	7%	270,454	7%	-15%	234,199	6%	-13%
-	0%	0%	31,021	1%	0%	33,031	1%	6%	19,329	1%	-41%
91,532	2%	45%	79,589	2%	-13%	63,076	2%	-21%	79,075	2%	25%
-	0%	0%	44,142	1%	0%	81,464	2%	85%	125,790	3%	54%
87,471	2%	43%	49,713	1%	-43%	54,646	1%	10%	47,964	1%	-12%
-	0%	0%	30,017	1%	0%	93,135	3%	210%	116,770	3%	25%
-	0%	0%	8,748	0%	0%	43,610	1%	399%	48,490	1%	11%
104,254	3%	5%	93,582	2%	-10%	41,726	1%	-55%	-	0%	-100%
215,743	6%	55%	230,224	6%	7%	167,176	4%	-27%	131,325	3%	-21%
1,682,256	44%	2%	1,694,986	44%	1%	1,726,284	46%	2%	1,773,750	46%	3%
262,964	7%	-15%	241,294	6%	-8%	221,035	6%	-8%	291,748	8%	32%
301,178	8%	9%	323,416	8%	7%	258,369	7%	-20%	237,084	6%	-8%
26,112	1%	1%	26,010	1%	0%	25,990	1%	0%	60,472	2%	133%
209,816	6%	-4%	213,469	6%	2%	239,288	6%	12%	247,103	6%	3%
116,029	3%	3%	122,350	3%	5%	131,104	4%	7%	176,952	5%	35%
28,486	1%	-50%	29,802	1%	5%	42,659	1%	43%	23,543	1%	-45%
3,780,605	100%	9%	3,877,924	100%	3%	3,724,533	100%	-4%	3,841,531	100%	3%

Continued

RENO-TAHOE AIRPORT AUTHORITY
RENO-TAHOE INTERNATIONAL AIRPORT
LANDED WEIGHTS AND MARKET SHARE BY SCHEDULED AIRLINE
FOR THE YEARS ENDED JUNE 30, 2001 - 2010
(unaudited)

	2008			2009			2010		
Scheduled Airline	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change	Landed Weights (000)lbs	Share	Percent Change
Alaska	41,376	1%	-70%	-	0%	-100%	705	0%	0%
Allegiant Air	60,634	2%	35%	48,064	2%	-21%	30,692	1%	-36%
Aloha Airlines	35,271	1%	0%	-	0%	0%	-	0%	0%
American	224,056	6%	-4%	208,428	7%	-7%	173,591	6%	-17%
Atlantic Southeast	-	0%	-100%	-	0%	0%	-	0%	0%
Continental	77,562	2%	-2%	17,374	1%	-78%	-	0%	-100%
Delta	117,684	3%	-6%	60,804	2%	-48%	103,373	4%	70%
Frontier	8,978	0%	-81%	-	0%	-100%	537	0%	0%
Horizon Air	199,390	5%	71%	184,624	6%	-7%	142,047	5%	-23%
Mesa	46,188	1%	-5%	50,673	2%	10%	7,497	0%	-85%
Northwest	-	0%	0%	-	0%	0%	-	0%	0%
Skywest	132,837	4%	1%	132,534	4%	0%	158,717	6%	20%
Southwest	1,722,580	46%	-3%	1,567,666	51%	-9%	1,408,964	51%	-10%
United	279,625	7%	-4%	274,015	9%	-2%	218,469	8%	-20%
US Airways (America West)	215,025	6%	-9%	126,737	4%	-41%	191,455	7%	51%
Airborne Express	71,094	2%	18%	35,632	1%	-50%	-	0%	-100%
Federal Express	238,814	6%	-3%	207,306	7%	-13%	180,343	7%	-13%
United Parcel Service	160,481	4%	-9%	144,795	5%	-10%	127,978	5%	-12%
Other	104,578	3%	344%	39,277	1%	-62%	18,302	1%	-53%
	3,736,173	100%	-3%	3,097,929	100%	-17%	2,762,670	100%	-11%

RENO-TAHOE AIRPORT AUTHORITY
CAPITAL ASSET INFORMATION
AS OF JUNE 30, 2010
(unaudited)

Reno-Tahoe International Airport

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	11,002 x 150 ft
	Runway 16L/34R	9,000 x 150 ft
	Runway 7/25	6,102 x 150 ft

FAA staffs and operates one 24-hour Air Traffic Control Tower

Reno Stead Airport

Location:	Approximately 15 miles north of Reno	
Elevation:	5,045 ft	
Area:	5,000 acres	
Runways and Facilities:		
	Runway 08/26	76,000 x 150 ft
	Runway 14/32	9,080 x 150 ft

Created in 1977 by State Legislature
Nine-member Board

RENO-TAHOE AIRPORT AUTHORITY
CAPITAL ASSET INFORMATION
AS OF JUNE 30, 2001 - 2010
(unaudited)

	2010 (a)	2009	2008	2007	2006	2005	2004	2003	2002	2001
Terminal Space - square feet										
Airlines	160,622	154,875	154,875	154,875	154,875	154,875	154,630	154,482	154,482	154,482
Ground Transportation	3,103	3,103	3,103	3,103	3,103	3,326	3,326	3,326	3,723	3,723
Concession Space	34,952	18,825	18,825	18,825	18,825	18,602	18,602	18,750	18,353	18,353
Public Areas	194,406	157,081	157,081	157,081	157,081	157,081	157,081	157,081	157,081	157,081
RTAA	45,795	36,271	36,271	36,271	36,271	36,271	34,109	34,109	34,109	34,109
Unfinished Areas	-	5,426	5,426	5,426	5,426	5,426	7,833	7,833	7,833	7,833
	438,878	375,581	375,581	375,581	375,581	375,581	375,581	375,581	375,581	375,581
Passenger Boarding Gates	23	23	23	23	23	23	23	23	23	23
Parking - Number of Spaces										
Short -Term	450	450	450	450	450	450	450	450	450	450
Long-Term	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650	1,650
Surface Lot	1,532	1,532	1,565	1,565	1,565	1,565	1,565	1,565	1,565	1,565
	3,632	3,632	3,665	3,665	3,665	3,665	3,665	3,665	3,665	3,665
Cargo - square feet										
Building	67,500	67,500	67,500	67,500	67,500	67,500	67,500	67,500	67,500	67,500
Landside	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Airside	591,250	591,250	591,250	591,250	591,250	591,250	591,250	591,250	591,250	591,250
	808,750	808,750	808,750	808,750	808,750	808,750	808,750	808,750	808,750	808,750

(a) Terminal Space adjustments in 2010 reflects the building expansion associated with the Integrated Explosive Detections System (ABC Project) and remeasurement of concession, public areas, and RTAA dedicated space.

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

Independent Auditor's 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, 2010, and have issued our report thereon dated December 1, 2010. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as Finding 10-1, that we consider to be a significant deficiency in internal control over financial reporting.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.*

The Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, management, others within the entity, federal awarding agencies, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
December 1, 2010

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and the Passenger Facility Charge Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the Passenger Facility Charge Audit Guide for Public Agencies

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

Compliance

We have audited Reno-Tahoe Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major programs and in the *Passenger Facility Charge Audit Guide for Public Agencies* (Guide), issued by the Federal Aviation Administration for its passenger facility charge program for the year ended June 30, 2010. The Authority's major federal programs are 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 each of its major federal programs and the 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; 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 or 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and its passenger facility charge program for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and the 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 a major federal program and the passenger facility charge program in order to determine the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or the passenger facility charge program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as Findings 10-2 through 10-5. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Authority's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Trustees, management, others within the entity, federal awarding agencies, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

Kafoury, Armstrong & Co.

Reno, Nevada
December 1, 2010

RENO-TAHOE AIRPORT AUTHORITY
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

DATE		PERCENT OF PARTICIPATION	DESCRIPTION OF PROJECT	CFDA NUMBER*	FEDERAL PROJECT NUMBER	GRANT AMOUNT	REIMBURSEMENTS RECEIVED IN FY 2010	REIMBURSABLE EXPENSES
	Granting Agency: United States Department of Transportation							
	Property Acquisition and Relocation Assistance and Sound Insulation							
08/31/04	Airport Improvement Program	93.75%	Noise Compatibility	20.106	3-32-0017-61	$ 1,875,000	$ 828,093	$ 827,537
07/20/06	Airport Improvement Program	93.75%	Noise Compatibility	20.106	3-32-0017-69	2,000,000	144,732	143,420
08/31/07	Airport Improvement Program	93.75%	Noise Compatibility	20.106	3-32-0017-76	2,000,000	1,340	-
05/15/08	Airport Improvement Program	93.75%	Noise Compatibility	20.106	3-32-0017-78	5,000,000	2,054,588	1,214,612
08/19/08	Airport Improvement Program	93.75%	Noise Compatibility	20.106	3-32-0017-79	2,000,000	591,477	839,112
02/12/09	Airport Improvement Program	93.75%	Noise Compatibility	20.106	3-32-0017-81	6,000,000	1,635,198	1,881,546
09/21/09	Airport Improvement Program	93.75%	Noise Compatibility	20.106	3-32-0017-86	5,120,938	1,019,308	2,053,150
03/31/10	Airport Improvement Program	93.75%	Noise Compatibility	20.106	3-32-0017-88	6,000,000	-	174,893
	Security							
08/10/06	Airport Improvement Program	93.75%	SIDA Access Control System Design	20.106	3-32-0017-73	1,200,000	77,595	149,996
	Construction							
05/24/07	Airport Improvement Program	93.75%	Various Construction Projects	20.106	3-32-0017-75	10,530,401	2,266,456	2,770,152
05/15/08	Airport Improvement Program	93.75%	Various Construction Projects	20.106	3-32-0017-77	10,204,555	20,397	886,311
09/18/08	Airport Improvement Program	93.75%	Rehabilitate Terminal Apron and Install Runway Lighting	20.106	3-32-0017-80	1,286,185	411,138	278,518
02/25/09	Airport Improvement Program	93.75%	Various Construction Projects	20.106	3-32-0017-82	5,583,115	1,364,427	3,042,310
06/23/09	Airport Improvement Program	93.75%	Various Construction Projects	20.106	3-32-0017-84	3,991,986	3,545,356	3,682,019
03/15/10	Airport Improvement Program	93.75%	Rehabilitate Terminal Apron	20.106	3-32-0017-87	5,838,585	244,622	410,663
06/11/08	Airport Improvement Program	95.00%	Reconstruction of Taxilanes	20.106	3-32-0018-26	908,900	6,644	-
02/19/09	Airport Improvement Program	95.00%	Design for Runway Safety Area	20.106	3-32-0018-27	68,073	68,073	68,073
08/19/09	Airport Improvement Program	95.00%	Design for Runway Safety Area	20.106	3-32-0018-28	331,927	88,041	237,312
07/06/09	ARRA-Airport Improvement Program	100.00%	Rehabilitate Terminal Apron	20.106	3-32-0017-83	2,817,843	2,391,843	2,633,123 **
09/10/09	ARRA-Airport Improvement Program	100.00%	Rehabilitate Terminal Apron	20.106	3-32-0017-85	3,056,693	1,845,573	2,747,799 **
	Planning							
07/20/06	Airport Improvement Program	95.00%	Update Airport Master Plan	20.106	3-32-0018-24	300,000	56,418	37,280
						76,114,201	18,661,319	24,077,826
	Granting Agency: United States Department of Homeland Security							
	Security							
10/01/09	Aviation and Transportation Security Act	Fixed	National Explosives Detection Canine Team Program	97.072	HSTS02-10-H-CAN623	752,500	245,000	150,500
09/18/07	Aviation and Transportation Security Act	Fixed	Law Enforcement Officer Reimbursement Agreement Program	97.090	HSTS02-08-H-SLR249	660,260	240,402	200,526
08/28/06	Aviation and Transportation Security Act	Fixed	Airport Checked Baggage Screening Program	97.100	HSTS04-06-A-DEP393	12,607,000	1,000,000	132,459
						14,019,760	1,485,402	483,485
						$ 90,133,961	$ 20,146,721	$ 24,561,311

* Catalog of Federal Domestic Assistance
** Includes expenditures incurred and paid for with local funds in fiscal year end 2009. These expenditures were re-characterized as Federal expenditures when the ARRA award was recieived in fiscal year end 2010.

	ARRA-Airport Improvement Program CDFA Number 20.106 Federal Project No 3-32-0017-83	ARRA-Airport Improvement Program CDFA Number 20.106 Federal Project No 3-32-0017-85
FYE 2009	2,364	187,300
FYE 2010	2,630,759	2,560,499
	2,633,123	2,747,799

See accompanying notes to Supplementary Schedule of Expenditures of Federal Awards

RENO-TAHOE AIRPORT AUTHORITY
NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

1. REPORTING ENTITY

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, 2010

Balance July 1, 2009	$ 11,802,857
Collection of Passenger Facility Charges, July 1, 2009 through June 30, 2010	7,670,672
Interest earnings	19,064
Proceeds expended for Passenger Facility Charge Projects July 1, 2009 through June 30, 2010	(15,307,514)
Balance June 30, 2010	$ 4,185,079

RENO-TAHOE AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY OF AUDITOR'S 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, 2010.

2. A significant deficiency was identified during the audit of the financial statements as reported in the Independent Auditor's 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.*

3. The audit disclosed no instances of noncompliance which were material to the financial statements of the Reno-Tahoe Airport Authority.

4. Significant deficiencies, not identified as material weaknesses, in the internal control over a major federal award program and the passenger facility charge program were disclosed during the audit.

5. Kafoury, Armstrong & Co. issued an unqualified opinion on compliance for the major federal award program and the passenger facility charge program for the Reno-Tahoe Airport Authority.

6. Audit findings relative to the major federal award program, which are required to be reported under Section .510(a) of the OMB Circular A-133, and the passenger facility charge program, which are required to be reported under the Guide, are reported in Section III of this Schedule.

7. The program tested as a major program included:

   United States Department of Transportation:
   Airport Improvement Program, CFDA 20.106

8. The dollar threshold used to distinguish between Type A and Type B programs for the year ended June 30, 2010 was $736,839.

9. The Authority qualified as a low-risk auditee for the year ended June 30, 2010 under the criteria set forth in section .530 of OMB Circular A-133.

SECTION II – FINANCIAL STATEMENT FINDINGS

Recording of Accrued Payroll:

Finding 10-1:

Criteria and Condition:	Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. During our audit testing, we noted several instances where the general ledger required audit adjustments.
Effect:	Accrued payroll was understated at June 30, 2010, which resulted in net assets being overstated. Adjustments were made to the records of the Authority during the audit process to correct the understatement.
Cause:	Adequate control procedures were not in place to ensure that accrued payroll was correctly stated.
Recommendation:	We recommend that the Reno-Tahoe Airport Authority review the recording of accrued payroll at year-end to ensure that balances are correctly recorded.
Management's Response:	See management's response on page 82.

SECTION III - FEDERAL AWARD AND PASSENGER FACILITY CHARGE PROGRAM FINDINGS AND QUESTIONED COSTS

United States Department of Transportation:

Finding 10-2:

Airport Improvement Program, CFDA 20.106

Grant Award Number:	Potentially affects all grant awards included under CFDA 20.106 on the Supplementary Schedule of Expenditures of Federal Awards.
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).

Two construction contracts were selected for testing. Our tests included reviewing the bid documents and contracts for the Davis-Bacon provisions, and reviewing the certified payrolls received and monitored by third party entities contracted with for project oversight. Although the certified payrolls were submitted, for one of the two contracts tested, we noted several instances where multiple weeks were submitted together, rather than each week being submitted weekly. For the other contract tested, we noted an instance of three weekly payrolls submitted together rather than weekly.

Questioned Costs: None.

Context: To test adherence with the Davis-Bacon Act provisions, we examined two construction contracts, one from each outside entity responsible for monitoring Davis-Bacon provisions.

We found that under one of the contracts, weekly payrolls were not routinely submitted in a timely manner. Under the other contract, we noted one instance where payrolls were not submitted weekly.

We could not find evidence that either of the two monitoring entities took action relative to the late filings.

Effect: Noncompliance with the Davis-Bacon Act by a contractor could occur and not be detected or followed up on by the Reno-Tahoe Airport Authority in a timely manner.

Cause:	Adequate control procedures were not in place to ensure that all required payrolls were received timely or that documentation of collection efforts is maintained.
Recommendation:	We recommend that the Reno-Tahoe Airport Authority implement procedures to ensure that certified payrolls are received weekly as prescribed by the Davis-Bacon Act, and retain documentation of collection efforts with the contractors.
Management's Response:	See management's response on pages 82 and 83.

Finding 10-3:

Airport Improvement Program, CFDA 20.106

Grant Award Number:	Affects both American Recovery and Reinvestment Act grant awards included under CFDA 20.106 on the Supplementary Schedule of Expenditures of Federal Awards.
Criteria and Condition:	Section 1512 of the American Recovery and Reinvestment Act (ARRA) includes reporting requirements for awards received directly from the federal government. Under the Section 1512 requirements, entities are required to report the cumulative draws/funds requested, and the cumulative expenditure amounts. During testing of the Section 1512 reports for ARRA federal project numbers 3-32-0017-83 and 3-32-0017-85, we noted that the "Expenditure Amount" and "Infrastructure Expenditure Amounts" improperly excluded the current quarter's expenditures.
Questioned Costs:	None.
Context:	The two Section 1512 reports for the quarter ended March 31, 2010 were required to be examined during the audit. The audit tests revealed that reported amounts had not been updated on either report to include the current quarter's expenditures.

Effect:	The federal granting agency received inaccurate information related to cumulative grant expenditures.
Cause:	The Reno-Tahoe Airport Authority did not have adequate controls in place to ensure the Section 1512 reports were filed accurately. The expenditure amounts reported were not reconciled to the accounting system.
Recommendation:	We recommend the Reno-Tahoe Airport Authority implement controls to ensure that the Section 1512 reports are filed accurately, and that the amounts reported as expenditures are reconciled to the accounting system.
Management's Response:	See management's response on page 83.

Finding 10-4:

Airport Improvement Program, CFDA 20.106

Grant Award Number:	Potentially affects both American Recovery and Reinvestment Act grant awards included under CFDA 20.106 on the Supplementary Schedule of Expenditures of Federal Awards.
Criteria and Condition:	The OMB Circular A-133 Compliance Supplement refers to Buy American provisions in Section 1605 of the American Recovery and Reinvestment Act (ARRA) of 2009, which prohibits the use of ARRA funds for a project for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States (unless a waiver is obtained). Our testing of construction contract procurement included reviewing bid documents and contracts for the Buy American provision. We tested one contract that included ARRA funding, and noted that it did not include a Buy American provision that covered iron. Although a Buy American provision is included as standard language for all construction contract documents, the language had not been updated for Section 1605 of the American Recovery

	and Reinvestment Act of 2009 to include iron as a covered material.
Questioned Costs:	Undetermined.
Context:	We tested three of 18 contracts and ensured that one of the three was funded with ARRA funds. Audit procedures revealed that the Buy American language set forth in the contract did not reflect the changes made applicable by Section 1605 of the American Recovery and Reinvestment Act of 2009.
Effect:	Noncompliance with Section 1605 of the American Recovery and Reinvestment Act of 2009 could occur and result in questioned costs.
Cause:	The Buy American provision included in the bid documents and contracts of ARRA funded projects has not been updated to state that iron is also a covered material.
Recommendation:	We recommend that the Reno-Tahoe Airport Authority modify the Buy American provision in the standard bid documents and contracts for ARRA funded projects to include iron as a covered material.
Management's Response:	See management's response on page 83.

Federal Aviation Administration:

Finding 10-5:

Title 49 U.S.C Section 40177 - Passenger Facility Charges

Affects Application Number 07-10-C-00-RNO

Criteria and Condition:	Per Title 14 Code of Federal Regulations (CFR) section 158.63, the public agency (in this case, the Reno-Tahoe Airport Authority) must provide quarterly reports to air carriers collecting Passenger Facility Charges (PFC) for the public agency with a copy to the appropriate FAA Airports Office. The quarterly report must include actual

PFC revenue from collecting air carriers, interest earned, and project expenditures for the quarter.

During testing of the PFC Quarterly Status Reports, we determined that revenues reported for the quarter ended June 30, 2010 did not reconcile to the accounting system. Upon further review, it was determined that $1,048,249 of PFC revenues received by the Reno-Tahoe Airport Authority had not been transferred from the general cash account to the PFC cash account, and the PFC Quarterly Status Report reflected only the activity in the PFC cash account.

Questioned Costs: Undetermined.

Context: Audit testing revealed that the amount of PFC revenue reported did not agree to the underlying accounting records. Cash transferred from the General Purpose cash account to the PFC account did not include an amount to offset a large cash outlay to a contractor for work performed on the ABC project.

Effect: The air carriers and FAA Airports Office received inaccurate information of PFC revenue and interest revenue for the quarter.

Cause: The Reno-Tahoe Airport Authority did not have adequate procedures in place to ensure that amounts reported on the PFC Quarterly Status Reports reconciled to the accounting system.

Recommendation: We recommend that the Authority implement procedures to ensure that reported amounts on the PFC Quarterly Status Reports are supported by the underlying accounting records on a quarterly basis.

Management's Response: See management's response on page 84.

Reno-Tahoe International Airport

P.O. Box 12490 Reno, NV 89510-2490 (775) 238-6400 Fax (775) 328-6510

Management's Response to Schedule of Findings and Questioned Costs

Ms Connie Thornton
Contracting Officer
Transportation Security Administration
4275 Airport Road, Suite C
Rapid City, SD 57703

Dear Ms Thornton:

On the Schedule of Findings and Questioned Costs for the year ended June 30, 2010, the Authority's external auditors, Kafoury Armstrong & Co., noted the following findings.

Finding 10-1:

Accrued Payroll was initially understated by $277,192 at June 30, 2010. Without this amount recorded, accrued payroll would be understated.

Upon notification, the Authority researched the accrual and made adjustment to the records during the audit process to reflect the correct payroll accrual for the financial statements. All accrual amounts will be reviewed and reconciled to the general ledger periodically throughout the year to ensure accuracy and completeness.

Finding 10-2:

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).

Tests included reviewing the bid documents and contract for the Davis-Bacon provisions, and reviewing the payroll files received and monitored by a third party contracted with for project oversight. It was noted that multiple weeks of certified payrolls were submitted together at once, rather than each week being submitted weekly.

The third party entities providing these oversight services to the RTAA have been given written notification of their deficiencies and direction to immediately implement proper monitoring and documentation procedures. To ensure greater compliance going forward, the RTAA is transitioning to a more automated system for collecting and monitoring weekly payroll submissions. The RTAA will be utilizing a web-based certified payroll tracking system (LCP Tracker) that will, among other functions, automatically send contractors a written notification of their deficiency in meeting the reporting deadline. Although the RTAA can not guarantee the contractors will submit the required certified payroll forms in a timely fashion, this new computerized tracking system will address the auditors concerns regarding timely documentation of the RTAA's efforts to collect this information.

Finding 10-3:

Section 1512 of the American Recovery and Reinvestment Act (ARRA) includes reporting requirements, for awards received directly from the federal government. Under Section 1512 requirements, entities are required to report amounts for funds requested and expenditures.

On one occasion, the quarterly report on project expenditures accidently omitted the expenses incurred during that period. This was a simple accumulation error associated with the formulas contained in the project tracking spreadsheet. This was an isolated administrative oversight that was fully corrected in the subsequent and all following quarterly submittals. The Airport Authority investigated the possibility of submitting a revised report for that particular quarter and was advised by the FAA that revised documents are not accepted and the corrected information should just be incorporated into the next report as was done. As a result, no modifications to the RTAA's grant administration procedures are warranted.

Finding 10-4:

The OMB Circular A-133 Compliance Supplement refers to Buy American provisions in Section 1605 of the American Recovery and Reinvestment Act (ARRA) of 2009, which prohibits the use of ARRA funds for a project for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States.

In reviewing bid documents and contracts for the Buy American provision it was noted that the contract did not include a Buy American provision that covered iron.

Under the Airport Improvement Program (AIP) administered by the FAA, the same Buy American contract provision language has been used for the past several years. Since the FAA also administered the ARRA grants distribution, it was mistakenly presumed that the "standard" FAA language was to be used with the ARRA grants. There was no special mention or highlighting of the single-word language addition ("iron") during the grant execution process with the FAA or during their review of the actual construction contract. Although the word "iron" was not included in the contract Buy American provision as required, there was also no violation of that provision because there was no foreign iron utilized on the project. Going forward, the Airport Authority will always verify that the most current language is being used before executing a contract funded under AIP or ARRA.

Finding 10-5:

Per Title 14 Code of Federal Regulations (CFR) section 158.63, the public agency must provide quarterly reports to air carriers collecting Passenger Facility Charges (PFC) for the public agency with a copy to the appropriate FAA Airports Office. The report must include actual PFC revenue, interest earned, and project expenditures for the quarter.

During testing it was determined that revenues reported for the quarter ended June 30, 2010 did not reconcile to the accounting system. It was also determined that PFC revenues received had not been transferred from the General Purpose cash account to the PFC cash account.

The source of information historically used to produce this report is activity posted to PFC cash account. While Authority staff properly recorded PFC receipts to the appropriate revenue accounts, the failure to transfer the funds to the separate bank account and the failure to reconcile this bank activity to the related general ledger account is responsible for the oversight. The Authority has taken the following steps to address this finding: (1) all PFC activity will be required to be transferred to the separate bank account for proper tracking; (2) the quarterly report to the air carrier will not be submitted until a reconciliation with all revenue and expenditure reports is completed; and (3) the Chief Financial Officer will be responsible to review staff's work product and approve distribution of the report effective with the 4th quarter of 2010. In addition, staff has revised the June 30, 2010 Quarterly Status Report and distributed the revised copy to both the air carrier and the Federal Aviation Administration.

Sincerely,

Krys T. Bart, A.A.E.
President/CEO

KTB:lw

RENO-TAHOE AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

United States Department of Transportation:

Finding 09-1:

Airport Improvement Program, CFDA 20.106

Finding Summary: 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).

Two major construction contracts were selected for testing. Our tests included reviewing the bid documents and contracts for the Davis-Bacon provisions, and reviewing the payroll files received and monitored by a third party contracted with for project oversight. Although the certified weekly payrolls were submitted, for one of the two contracts tested we noted several instances where multiple weeks were submitted at once, rather than each week being submitted weekly. Additionally, we noted that a payroll submission for a subcontractor for that same contract was not available. Certified payrolls were submitted by that subcontractor for the weeks prior to and after the missing week. No documentation to support that work was or was not performed the week questioned.

Auditor's Recommendation: We recommended that the Reno-Tahoe Airport Authority implement procedures to ensure that certified payrolls are received weekly as prescribed by the Davis-Bacon Act.

Current Status: Corrective action has been partially implemented. It is anticipated to be complete in the current year. To ensure greater compliance going forward, the RTAA is transitioning to a more automated system for collecting and monitoring weekly payroll submissions. The RTAA will be utilizing a web-based certified payroll tracking system (LCP tracker) that will, among other functions, automatically send contractors a written notification of their deficiency in meeting the reporting deadline.

Finding 09-2:

Highway and Planning Construction, CFDA 20.205

Finding Summary: OMB Circular A-133 requires the Authority to prepare a Supplementary Schedule of Expenditures of Federal Awards (Schedule) showing total federal expenditures for the year. That Schedule should include the name of the federal agency, pass-through agency, and identifying number assigned by the agency. Internal control over federal programs should be maintained to provide reasonable assurance that the Authority is identifying and, therefore, managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

During our testing of the Schedule, it was noted that the pass-through award, referred to above, was not included on the Schedule. The award had been deemed a state grant rather than a state pass-through award of federal funds.

Auditor's Recommendation: We recommended the Authority reinforce the existing policy to carefully review any non-direct awards to determine possible pass-through funding.

Current Status: Corrective action was implemented.

United States Department of Homeland Security:

Finding 08-3

Airport Checked Baggage Screening Program, CFDA 97.100

Finding Summary: Article VI of the grant award states that the Transportation Security Administration (TSA) has adopted Federal Aviation Administration (FAA) Cost Principles. Article XVI of the grant award states that the FAA Procurement Guidance for Contract Cost Principles establishes standards for determining allowability of costs.

The FAA guidance states that Title 49 CFR Part 18, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, should be followed for procurement and contract requirements. Title 49 CFR Part 18.36 states that the cost-plus-a-percentage-of-cost method of contracting shall not be used.

While reviewing the contract for the construction of the In-Line Explosive Detection System, it was noted that the contract was structured as a cost-plus-a-percentage-of-cost agreement with a guaranteed maximum price provision.

Auditor's Recommendation: We recommended the Authority use their routine and allowable contract terms when entering into all construction contracts.

Current Status: The Authority feels the finding takes a narrow interpretation of the contracting allowed by the FAA Cost Principles and Title 49 CFR Part 18, Uniform Administrative Requirements for Grants and Cooperative Agreements. The contract for the In-Line Explosive Detection System establishes a guaranteed maximum price ("GMP"). While progress payments reflect actual costs plus a percentage, the contractor is at risk on a GMP contract because it assumes all risk of loss in excess of the GMP, just as with a fixed price contract. For this reason, the contractor has a very real incentive to minimize costs. The intent of the prohibition against cost-plus-a-percentage contract ("CPPC") is that the contractor does not have this incentive to reduce costs. This is not the case for this contract.

In addition, the FAA Airport Improvement Program Handbook (FAA Order 5100.38C) ("FAA Handbook") recognizes other forms of project delivery methods to carry out airport construction projects because such methods cause delivery time to be reduced and change orders to be minimized, resulting in overall lower costs and higher quality. In Section 930-31 of the FAA Handbook, alternative delivery methods such as Construction Manager at Risk and Design Build recognize that the negotiation of the ceiling amounts and a guaranteed maximum price is an important part of these construction processes. If GMP contracts were CPPC contracts, the GMP contracts would not be available under the alternative delivery forms of contracting permitted by the FAA.

The delivery method selected for this contract was driven by sensitive security information ("SSI") requirements and the need to install the in-line baggage systems as soon as possible to protect the traveling public. Therefore, the Authority's use of routine and conventional contracting terms was not an option to meet the unique needs of this project.

No changes were made to the existing contract for the construction of the In-Line Explosive Detection System; however, all contracts entered into during fiscal year 2009 and 2010 were made under routine and conventional contracting terms.

Finding 08-4

Airport Checked Baggage Screening Program, CFDA 97.100

Finding Summary:

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 Department of Labor regulations (Title 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).

The primary construction contract for the In-Line Explosive Detection System was selected for testing. Our tests included reviewing the contract for the Davis-Bacon provisions and reviewing the payroll files collected and maintained by a contracted project manager. Although the body of the contract included disclosure that the project includes federal funding and is subject to the requirements of the Davis-Bacon Act, a special provision was added to the contract stating that weekly certified payrolls shall be submitted no later than 15 days after the end of the month in which that week occurred. During our review of the certified payrolls, we noted that the payroll submissions were made on a monthly basis rather than weekly.

Auditor's Recommendation: We recommended the Authority ensure that all construction contracts that include federal funding include the appropriate Davis-Bacon Act requirements without exception.

Current Status: Corrective action was implemented.

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

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, 2010 (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, 2010,
- 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
December 1, 2010

STATUTE COMPLIANCE

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

PROGRESS ON PRIOR YEAR STATUTE COMPLIANCE

The Authority conformed to all significant statutory constraints on its financial administration during the year ended June 30, 2009.

PRIOR YEAR RECOMMENDATIONS

The Summary Schedule of Prior Audit Findings, which is presented in the current year audit report, includes the status of the prior year audit findings.

CURRENT YEAR RECOMMENDATIONS

The recommendations made for the current year are included in the Schedule of Findings and Questioned Costs as part of the June 30, 2010 audit.