Comprehensive Annual Financial Report

For the year ended June 30, 2012

Reno-Tahoe Airport Authority
Reno • NV

RENO-TAHOE AIRPORT AUTHORITY
Reno, Nevada

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

Prepared by
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RENO-TAHOE AIRPORT AUTHORITY
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November 30, 2012

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" or "Authority") for the fiscal year July 1, 2011 through June 30, 2012. 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.

Management assumes full responsibility for the accuracy, completeness and the reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. The internal accounting controls employed by the RTAA are designed to provide reasonable assurance that assets will be safeguarded against loss and that financial records will be reliable for use in preparing financial statements that are free of any material misstatements.

This CAFR contains financial statements and statistical data that fully disclose all the material financial operations of the RTAA. A narrative overview and analysis of the financial activities of the RTAA that occurred during the year ended June 30, 2012 is presented in the Management's Discussion and Analysis 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. It is our belief that the accompanying 2012 CAFR meets program standards, and it will be submitted to the GFOA for review.

REPORTING ENTITY

Reno Tahoe Airport Authority 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" or "RNO") and Reno-Stead Airport ("RTS"). According to the latest available Federal Aviation Administration ("FAA") statistics, RTIA is the 64th busiest airport in the nation in terms of Calendar Year 2011 passenger boardings. The Reno-Stead Airport is a general aviation facility of 5,000 acres that is home to approximately 200 based aircraft, as well as the famous Reno National Championship Air Races. Together, these Airports have a $2 billion annual economic impact on the local economy (Northern Nevada).

The geographical, or catchment, 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 catchment area for the Airport also includes the Lake Tahoe area and several communities in northeastern California.

RTIA is located four miles southeast of Reno's central business district. The Reno-Stead Airport is located 11 miles northwest of the central business district. Carson City is 30 miles south of Reno. Elected officials and state employees use RTIA to get back to their constituents or to fly to the many state agencies located 350 miles to the south in Las Vegas. The closest competing airport is 115 miles away in Sacramento, 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 continued presence of experienced members.

As defined by the FAA, RTIA is a medium hub airport, which served 3.56 million passengers last fiscal year ("FY"). RTIA is home to the following air passenger carriers: Alaska, American, Delta, Southwest, United, and US Airways.

In addition to its outstanding passenger air service, Reno-Tahoe International is proud to be part of a region focused on air cargo. Ideally located, the Reno-Tahoe region and Northern Nevada serve as home for numerous West Coast distribution centers, online fulfillment centers and the Tahoe-Reno Industrial Center, which at completion, will be the largest industrial park in the world.

Reno-Tahoe International's air cargo carriers include DHL, FedEx Express, and UPS, as well as numerous ad-hoc charters throughout the year. Reno-Tahoe International is capable of handling all cargo aircraft. Air cargo represented 14% of total RTIA landed weight for FY 2011–12, which is a significant factor in lowering overall landing fee costs for all carriers.

ECONOMIC CONDITION AND OUTLOOK

RTIA air traffic activity has been impacted by the economic slowdown and the modest recovery, as well as other local economic and aviation industry factors. During FY 2011-12, the RTIA's passenger traffic was down 6.2% as compared to the prior year.

The regional economy has seen only a modest recovery from the 2008-2009 economic slowdown. Recent high fuel costs, which are typically passed on to travelers, also contributed in the year-over-year passenger decline. According to the Bureau of Transportation Statistics, U.S. airlines paid 5.2% more for jet fuel during the first two quarters of 2012 versus last year, while the fuel consumption fell (2.1%) for the same period, reflecting a nationwide decrease in travel. In 2012, the largest airlines have already pushed through two fare increases of $10 to $20 per round trip. On a system wide basis, U.S. airlines are focused on reducing seat capacity and eliminating costly routes from their networks to offset higher fuel costs and softening travel demand.

In addition, the region faced a decline in the level of ski traffic caused by an unseasonably warm and dry winter season in Northern Nevada. Other factors also include a significant drop in January traffic, which resulted from the loss, for 2012, of the Safari Club International convention, as well as a smaller United States Bowling Congress ("USBC") tournament, which attracted about 15,000 fewer bowlers than last year.

Air cargo traffic also experienced a decline as RTIA handled over 111.3 million pounds of cargo for the fiscal year, a year-over-year decrease of 3.5%. In the second quarter of 2012, Reno-Tahoe International Airport handled 27.18 million pounds of cargo, an increase of 1.4% versus last year's second quarter. Representing the first quarterly increase in over nine months, the growth in cargo volume is primarily driven by a general increase in domestic air cargo demand. The U.S. Census Bureau reported that overall retail sales increased 3.7% in July 2012 versus July 2011. Non-store retailers (i.e. e-commerce) sales increased 11.8% for the same period, a large contributor to Northern Nevada air cargo. However, globally there are mixed results. Several cargo airlines have reduced capacity due to weak demand caused by instability and uncertainty in the world's major economies, as reported by airports and airlines across the globe.

Despite these challenges, RTIA remains fiscally secure. The Airport's "A" credit rating was confirmed on February 27, 2012 by Fitch Ratings, a nationally recognized credit rating agency. Fitch also continued to rank RTIA's economic outlook as "stable", which remains a very positive achievement in this difficult economic environment.

The factors listed by Fitch in support of this decision included the following:

- Low Historical Cost Profile and Stable Framework: The Airport's cost per enplaned passenger remains low relative to peers at $5.45 for FY 2010-11 with an increase to the $7.00 range for FY 2011-12. Reno-Tahoe Airport Authority has a new use and lease agreement that provides the Airport with a larger cost recovery base, providing more cushion to volume declines.

- Stable Debt Structure: All of RTAA's senior lien debt is fixed rate with debt service payments dropping substantially from $6.9 million in FY 2010-11 to approximately $2.5 million in FY 2011-12 and remains relatively flat through maturity in 2026.

  Senior lien debt represents borrowing that has a priority claim on Authority revenues after payment of operating expenses.

- Low Leverage and Strong Liquidity: In FY 2010-11, the Airport's senior lien debt service coverage ratio increased to 1.66 from 1.36 in FY 2009-10. Debt service coverage ratio is net revenues, excluding depreciation and other non-cash expenditures, divided by principal and interest requirements for the fiscal year. The Airport also maintains healthy liquidity with $41.3 million in unrestricted cash, equivalent to 451 days cash on hand, as well as $40.1 million in restricted cash.

  Days cash on hand represents the level of cash and investments available to fund daily operating expenses without incoming revenues.

- Moderate Infrastructure Plan: The two-year capital improvement plan is modest at $55 million and will be largely funded through the Series 2011 subordinate notes and Passenger Facility Charge ("PFC") monies, as well as minimal local proceeds.

The RTAA's day-to-day operating and maintenance expenses are funded almost exclusively from revenues generated through cost recovery from the airlines, rents and concession fees paid by airport tenants, and the RTAA operation of public parking facilities. Federal grants and passenger facility charges are designated to fund capital improvement projects that meet certain Federal Aviation Administration criteria. No local tax dollars are used to meet the RTAA's obligations. With the RTAA being "on its own" to ensure financial stability, a top priority over the volatile past decade has been to maintain RTAA's solid credit rating and provide the Authority with the flexibility to strategically respond to challenges and opportunities.

AIR SERVICE DEVELOPMENT

Despite rising fuel prices, RTIA average airfares remain attractive to passengers as compared to the nation's top 100 airports. According to the latest information available from the Bureau of Transportation Statistics (1st Quarter, 2012), RTIA ranked 19th overall and 8th among medium-hub airports for the lowest average domestic itinerary airfares. This finding is consistent with RTIA's continuing efforts to remain a low cost airport, given that keeping airline landing fees and terminal rents as reasonable as possible, correlates to lower passenger air fares. Comparing airline costs to operate at RTIA as compared to other major Northern California airports makes us an attractive West Coast travel option.

Southwest Airlines, the largest domestic passenger airline in the United States, and one of the nation's most financially healthy airlines, continues to serve RTIA as its largest air passenger carrier, holding approximately 54% of the total market share. Six major/national airlines serve RTIA, offering over 120 flights per day, including non-stop service to 12 large hub airports, meaning travelers can fly almost anywhere in the world in just one stop from Reno-Tahoe International Airport.

As of July 2012, RTIA's flight schedule provides 66 nonstop departures per day to 15 destinations with 226,920 monthly available seats. This compares with 71 daily departures to 17 destinations and 259,160 seats in July 2011, resulting in a 7.0% decrease in flights and a 12.4% decrease in seat capacity. These flight decreases are a result of the airline's conservative strategies and desire to increase passenger load factors on flights to certain cities from RTIA. The airlines appear to be achieving the desired results with load factors registering 79.3% and 85.4% for May and June, 2012, respectively. This is an increase from the 76.9% and 81.8% recorded for May and June, 2011.

Effective June 4, 2012, Alaska Airlines began two new non-stop daily flights to San Jose, CA. Flights will be timed by Alaska to meet all daily Hawaii flights, as well as having an early morning Reno departure to benefit business travelers. The new San Jose service also provides outstanding connections to the entire Alaska network each day, including flights to Boise, ID, Guadalajara, MX, Honolulu/Oahu, HI, Kona/Hawaii, HI, Los Angeles, CA, Lihue/Kauai, HI, Kahului/Maui, HI, Portland, OR, Palm Springs, CA, Seattle/Tacoma, WA and San Jose Cabo, MX.

Effective January 6, 2013, Southwest Airlines is adding a new non-stop seasonal flight between Reno and Ontario, CA, which will enhance Reno's connections to the Los Angeles basin and provide additional options for winter sports enthusiasts to travel to the region.

The RTAA staff continues to actively pursue new air service. The President/CEO, the Executive Vice President/COO, the Director of Airline Business Development and supporting staff continue to visit corporate executives of airlines currently serving RTIA, as well as airlines that do not. A business case is specifically tailored to the airline that includes an airline route analysis identifying the number of passengers flying between RTIA and target cities. It also forecasts profitability and how such a route would fit in an airline's current route and rate structures.

The process of gaining or maintaining air service takes great time and effort. Air service development is competitive, with over 400 airports in the U.S. calling on airlines to solicit new air service.

To make the addition of new air service more attractive for a current or new airline, and to compete with other airports seeking new air service, RTAA has adopted an airline incentive program for any airline establishing service to a market not currently served. This program allows up to 12 months of free terminal building rent and landing fees, or other negotiated items, depending on the size of the new market. RTAA also participates in the cost of cooperative advertising for new air service with the community's Regional Marketing Committee.

RTAA is committed to seeing that an airline is successful in new air service at RTIA. The airline's success is an RTAA success.

GOOD FOR BUSINESS

The local economy in the Reno, Sparks, and Lake Tahoe region has a significant impact on air service demand in this market. During the past year, local governments and businesses have taken proactive steps to improve the region's economic growth and invest in the long-term future.

Employment within the Reno – Sparks Metropolitan Statistical Area ("MSA") economy, comprised of Washoe and Storey Counties, largely mirrors the nation overall. The services producing category accounts, as compared to goods producing, for 89.8% of total nonfarm payrolls as compared to 86.2% nationally.

The largest major source of employment is the trade, transportation and utilities sector that represents 22.4% of the MSA's total employment compared to the national average of 19.0%.

The metro area of Reno/Sparks' strategic location and the available infrastructure, which includes a major transcontinental rail line, two major highways, and the Reno-Tahoe International Airport, have led to the growth of the region as a major warehousing and distribution center. Located within the community are distribution centers for major companies such as Amazon.com, Barnes & Noble, JC Penny, Starbucks Coffee, and Wal-Mart.

According to a 2011 study commissioned by the Governor's Office of Economic Development, logistics and distribution were identified as key industries that Nevada should focus on as part of its economic diversification efforts and a key to recovery from the recession and prolonged economic growth. (Findings are documented in a November 2011 report entitled *Nevada Industry and Competitive Analysis: Identification of Industry Opportunities*).

The report calls the logistics and operations industry cluster "a natural target industry for Nevada," and one which "has strong potential for job creation over both the short- and long-terms." Additionally, it identifies an opportunity for Nevada to "serve as a West Coast hub of operations" for warehousing and distribution; advanced logistics; air cargo; integrated manufacturing-distribution, assembly manufacturing and food-processing operations; and freight transportation (ground and rail). According to the report, key to the State's success is its location and geographic advantages, strong existing infrastructure and cost and regulatory advantages.

Nevada possesses strong infrastructure: existing north-south and east-west routes and strong rail connections (Union Pacific and Southern Pacific); excellent cargo facilities through the Reno-Tahoe International Airport; and existing technology infrastructure (fiber optics, etc.) all make Northern Nevada very appealing to companies seeking a distribution location.

Reno is a Network Access Point for internet traffic. Within the Interstate 80 (I-80) corridor and rail road Right-of-Ways is the primary east/west, state-of-the-art digital and fiber optic highway, with recent upgrades. The Reno and Northern Nevada region is served by six major interstate fiber-optic networks and all major long-distance carriers, including AT&T, Level3, Qwest, and Verizon. Recent fiber dense wave digital modulation infrastructure improvements by major network operators allow for superior, large corporate volume data through put. There is a lower latency, a synonym for the delay it takes for a packet of data to get from one designated point to another, from Reno to the Pacific Rim than the San Francisco Bay area. Reno has complete Sonnet Fiber Optic technology covering the valley and it is readily available to all businesses in the region.

Additionally, the region enjoys the Tahoe-Reno Industrial Center, a massive 107,000 acre industrial park that encompasses a developable 30,000 acre industrial complex, with pre-approved industrial and manufacturing uses. Located nine (9) miles east of Reno on Interstate 80, sites now available for development include:

- Rail serviced sites
- Municipal water and sewer utility companies
- High pressure gas to all sites
- Five (5) generating power plants on site with more than 900 megawatts of electrical power available to all park users

As evidence of Reno's strength in warehousing and distribution, Urban Outfitters Inc. recently opened a new 462,000 square-foot warehouse-distribution center at Reno-Stead and a 300,000 square foot distribution center for Toys"R"Us is expected at the Tahoe-Reno Industrial Center.

As a result of all these regional benefits, Apple Inc. recently announced plans to begin construction in August, 2012 on a data center to house its various online services, such as the iTunes store, the App Store, and its iCloud data storage and syncing services. This data center will be constructed on 350 acres at the Reno Technology Park located approximately 11 miles east of Sparks. It is estimated that the data center will result in 41 full-time jobs, 200 long-term contractor jobs and approximately 580 construction jobs on top of an expected $343 million of economic activity.

In addition, Apple will also construct a downtown Reno office where the equipment for the data center will be purchased. This business and purchasing office will be in the so-called Tėssarra District, a state and local government sanctioned "tourism improvement district" that allows for sales tax abatement.

The anticipated investment in Northern Nevada by Apple in these facilities over the next 10 years is estimated to be approximately $1 billion. The economic benefits of Apple's announcement will likely multiply because the company is so well-respected that other corporations may give Northern Nevada a closer look for new facilities. The arrival of Apple in the Reno Technology Park serves as a promising anchor for further development of that facility, and paves the way to attract other data warehousing operations. In turn, these developments provide additional opportunities for air cargo service at RTIA.

The second largest industry sector is leisure and hospitality, which represents a little over 19% of employment. This compares to 10.2% nationally and 28.7% for the State of Nevada. The local market area includes well-known casino resorts led by the Atlantis, Circus Circus, El Dorado, Grand Sierra, Harrah's, Peppermill, and Silver Legacy. Furthermore, Reno serves as a gateway to the Lake Tahoe region and resorts including Northstar-at-Tahoe, and Heavenly Lake Tahoe, which are part of the Vail Resort Management Company, and Squaw Valley USA.

The leisure and hospitality sector will also benefit from several events bearing positive economic impact to the Reno-Sparks-Tahoe market during the next year. These events include the following:

- Approximately 245,000 U.S Bowlers are anticipated to attend the United States Bowling Congress Tournament at the National Bowling Stadium in downtown Reno in both 2013 and 2014. In calendar year 2012, this facility is forecasting to attract 115,000 bowlers.

- Over 17,000 attendees will be returning to the Reno-Sparks Convention Center in January 2013 in association with the Safari Club International annual convention.

- The University of Nevada at Reno has joined the Mountain West Conference. This will help attract new visitors from the Denver, Colorado metropolitan area (Air Force Academy, Colorado State University), Casper, Wyoming (University of Wyoming) and Albuquerque, NM (University of New Mexico). In addition, this new conference affiliation should intensify the rivalry with Fresno State and the University of Nevada at Las Vegas.

- In November 2011, Squaw Valley and Alpine Meadows joined operations under one company called Squaw Valley Ski Holdings LLC to become the largest ski area in the country. The merger provides skiers access to over 6,000 acres of terrain, forty-four (44) lifts, and more than two hundred and seventy (270) trails in less than a ten minute drive as well as a connection by complimentary shuttles.

- Vail Resorts invested $30 Million in projects to enhance the guest experience at Northstar-at-Tahoe for the 2011-2012 Season with the installation of the following:

    - New high-speed chairlift
    - New trails
    - New 500-seat on-mountain restaurant
    - New national retail outlets
    - New signature restaurant in The Village

- Think snow. With last year's average annual snowfall (2010-11) of more than 800 inches, the current unseasonably warm and dry winter of 2011-12 will hopefully be a distant memory for the ski areas.

The next largest employment sectors in the regional economy are Professional/Business Services and Education/Health Services, which represents 13.0% and 11.9% of the non-farm employment in the Reno-Sparks MSA, respectively.

Modest recovery in the local Northern Nevada economy has taken place with housing prices stabilized and beginning to increase and the unemployment rate falling along with the generally positive trends in the national economy. The unemployment rate in the Reno-Sparks area has dropped from it peak of 13.8% in December 2010 to an estimated 11.7% in June 2012.

SPECIAL COMMUNITY EVENTS

The Reno-Tahoe region is 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 boast 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 beckons recreation enthusiasts during the spring, summer and autumn months. The temperate climate keeps the area’s 50 golf courses busy and its varied terrain draws people outdoors for exceptional camping, hiking, biking, fishing and boating. In addition to the area’s breath-taking beauty, Reno and Lake Tahoe offer 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 owns and operates several facilities designed to draw out of town visitors. For example, the National Bowling Stadium, the only facility of its kind in the world, is dedicated to the classic sport of bowling. The National Bowling Stadium boasts 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 and Reno’s National Bowling Stadium 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 245,000 visitors to town over a five month period with an estimated economic impact of nearly $360 million. The National Bowling Stadium will undergo a multi-million dollar renovation and upgrade as part of new agreement between the United States Bowling Congress (USBC), Reno-Sparks Convention and Visitors Authority (RSCVA) and the City of Reno. In consideration of this commitment, USBC will continue to bring the USBC Open and the Women’s Championships to the National Bowling Stadium in a regular rotation through the year 2030.

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 93rd year, and a Professional Rodeo Cowboys Association (“PRCA”) 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. 2012 marked the 14th year of the event that has a significant economic impact for the region and highlighted 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 throughout the entire month. Artown captures the imagination and brings with it a celebration of distinguished artists from throughout the region and around the world. Artown features nearly 500 events designed to inspire and impress the 300,000 people that experience the festival annually.

Hot August Nights has become the nostalgic event to attend in Reno where each year over 800,000 visitors literally watch the hands of time turn back to all of the excitement of the ever popular era of the 50's and 60's. Visitors attending this event take 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.

Once a year in August, participants gather in Nevada's Black Rock Desert to create Black Rock City, dedicated to community, art, self-expression, and self-reliance. They depart one week later, having left no trace whatsoever. The festival, called "Burning Man", brings over 50,000 participants to the area, of which 15,000 arrive through RTIA.

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.

Held every September just north of Reno, the National Championship Air Races have become an institution for Northern Nevada and aviation enthusiasts from around the world. For one week, the high desert north of Reno becomes home to hundreds of aircraft, their pilots and crews. In the past ten years, the event has attracted more than 200,000 spectators and generated more than $80 million a year for the region's economy. The event features six racing classes, a large display of static aircraft and several military and civil flight demonstrations

Street Vibrations is the place to be for those in search of a celebration of music, metal and motorcycles. An official Harley-Davidson Dealers Association event, Street Vibrations offers tours, entertainment, parades, ride-in shows, Chrome Alley retail vendors, Camel Roadhouse, the Harley-Davidson Factory Store, concerts and more. The event attracts an estimated 40,000 people to the Reno/Tahoe/Carson City area and has a local economic impact of $56 million. It is ranked as the 4th largest motorcycle event in the nation.

MAJOR INITIATIVES AND DEVELOPMENT

Airport Gateway Program/Airport Capital Improvements

With security screening requirements mandated by the Transportation Security Administration ("TSA") increasing beyond the capabilities of the existing checkpoints and the aging terminal building, several interim capital projects in the terminal are underway to address the security checkpoint deficiencies, as well as enhance customer service and the overall passenger experience.

These projects are collectively referred to as the "Airport Gateway Program" and project descriptions are provided as follows:

- Reno-Tahoe International Airport - Terminal Refurbishment Project

  This project was undertaken to create a "sense of place" and improve customer service of the Reno-Tahoe International Airport Terminal Building Baggage Claim and Main Lobby areas. The work, reflecting Lake Tahoe, the Truckee River and beautiful Northern Nevada, consisted of installation of architectural finishes to match the new Ticketing Lobby.

  With the 2009 completion of the Integrated Explosive Detections System, the ticketing area was remodeled with new tile, ceiling treatment, and ticket counters that provided a "Lake Tahoe" sense of place. This project, along with the Consolidated Security Checkpoint of the Future discussed below, will complete the updated image of the terminal facilities that welcome visitors to our community.

- Reno-Tahoe International Airport - Consolidated Security Checkpoint of the Future

  This project, which was necessitated by the need to install Advanced Imaging Technology, will design and construct an expanded and consolidated security checkpoint area to replace two overcrowded existing checkpoints. The two existing checkpoints are currently located on the second floor of the terminal. The new centralized checkpoint will be constructed on the first floor of the terminal through a combination of building expansion and relocation of an existing concession area. The displaced concessions will be relocated to the second floor as part of the project and will thereafter be located post security.

  Construction for the relocated concessions will consist of "shell" space including: (1) structural foundations; (2) exterior and interior walls and columns; (3) floor, roof, window and door systems; (4) electrical, plumbing, heating, ventilation and air conditioning systems.

  The construction of these projects has temporarily impacted the passenger experience at RTIA. This includes the closure of several retail outlets (Ponderosa Pines and Designs by Sue) along with the elimination of the pre-security food court. While a new pre-security food and beverage restaurant was made available prior to closing the food court, it is anticipated that the revenue generated by the remaining retail and the new food and beverage outlet will not fully offset the loss of revenue from the closures. However, upon completion of the new concession program, revenues are projected to increase by a minimum of 15% over pre-construction revenues.

In addition to the Airport Gateway program, the following capital improvements are proposed to be completed in FY 2012-13:

- Reno-Tahoe International Airport – Taxiway "C" Extension North

  This project will extend the north end of the existing Taxiway "C" into the northeast section of the airfield. The new extension will continue beyond Taxiway "North A" and provide airfield access to future aviation development.

  The Taxiway "C" Extension consists of new concrete pavement (approximately 9,200 square yards), asphalt shoulders, grading, drainage, utilities, pavement marking, lighting, and signage. The extension will provide immediate access to the primary runways and taxiing capability to all other parts of the airfield.

Reno-Stead Airport – Terminal Building/Emergency Operations Center

This project consists of construction of a new building at Reno-Stead that is comprised of two categories of function: Core Space and Primary Emergency Operations Center ("EOC"). The core space is dedicated to replace and upgrade the existing Airport manager's office and pilot lounge facility. The EOC space will be directly in support of emergency operations. During non-emergency periods, this space could also be used to support aviation-related activities and community functions.

Corporate and General Aviation Development

Atlantic Aviation has plans to strengthen their presence at RTIA, evidenced by their recent announcement regarding a multi-million dollar expansion of their current facilities. These plans include a new 11,500 square foot, two story Fixed Based Operator ("FBO") building, a new 27,500 square foot hangar, and a facility refurbishment program at their current location along Rock Boulevard on the east side of the Airport. Atlantic has been a long-established Fixed Based Operator at RTIA, which offers services such as fueling, aircraft storage, and de-icing services as well as catering and ground transportation for aircraft owners and pilots. Atlantic maintains a network of 66 FBO facilities throughout the United States and is a subsidiary of Macquarie Infrastructure Company.

NOISE REDUCTION AND ENVIRONMENTAL INITIATIVES

To mitigate the impact of aircraft noise on the local community, RTAA, through use of Federal Aviation Administration grants, implemented a sound insulation program for eligible residences near RNO. The goal of the residential sound insulation program is to improve the quality of life for residential RNO 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 and an improvement of at least a 5 decibel average is achieved by the sound insulation improvements. A reduction of at least 5 decibels can equate to an approximate 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 sound transmission class ("STC") 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 2011-2012, the FAA committed an additional $4,600,831 million grant for Part 2 of the RTAA's Phase 21 sound insulation program. In Fiscal Year 2012-2013, the FAA committed a $7,000,000 million grant for Phase 22 of this program. The RTAA's 6.25 percent financial share combined totals $725,052.

Construction on eligible homes in neighborhoods located north and south of RNO, 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, project bidders and materials manufacturing. To date, 4,604 residences have completed construction. This total includes 501 residences on which construction was completed or are in various stages of design with construction planned for summer/fall 2012.

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

In Fiscal Year 2011-2012, staff maintained each of the seven initiatives developed for the Environmental Management System ("EMS"). The EMS continues to serve as a proactive management system that is based on an environmental policy commitment to everyday processes and activities. The EMS effectively establishes a formal process which supports RTAA Board goal objectives for developing, communicating and acting 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 EMS initiative targets achieved during FY 2011-12 included:

- Recycling – Diverted approximately 78 tons of recyclable materials from the general trash collection, accounting for 9.8% of the total waste stream and a $7,000 savings in disposal costs. Recycled materials included cardboard, paper, plastic bottles and aluminum cans, and batteries. Metal recycling efforts resulted in the diversion of approximately 1.8 tons from the local landfill, while generating approximately $4,000 in revenue. Recycling efforts also diverted approximately 250 yards of green waste from the local landfill to a green waste recycling facility, saving approximately $3,000 in disposal costs.

- Office Supply Reduction and Green Purchasing – Purchased approximately 26% less office paper during the 2011-2012 Fiscal Year compared to the previous fiscal year. Continued to promote the purchase of products containing higher recycled-content.

- Storm Water Pollution Prevention – No violations or off-airport discharges and increased awareness programs and training.

- Glycol Recovery – Recovered 8,300 gallons of residual aircraft deicing fluid and implemented enhanced measuring and tracking methods for deicing fluid disposal.

- Renewable Energy – Maintained operation of 135-kilowatt ("kW") solar photovoltaic system at the Reno-Tahoe International Airport Rescue and Fire Fighting Facility, resulting in the reduction of the annual purchased electricity usage by approximately 156,000 kW hours and the annual electrical utility cost by approximately $39,300.

- Asphalt/Concrete Deconstruction and Reuse – Recycled 100% of demolished pavement material.

- Alternative Fuel Usage – The RTAA continued the use of a more advanced locally produced GDiesel® fuel for its diesel powered fleet vehicles, resulting in lower emissions and more efficient combustion. Additionally, RTAA continues to utilize a 10% blended ethanol unleaded gasoline for its gasoline powered fleet during the winter months, to support better regional air quality.

Other recent environmental initiatives include the replacement of approximately 167 indoor fluorescent and metal halide lights, with energy efficient light-emitting fixtures as part of the terminal improvement projects. These lighting improvements will result in a savings of approximately 272,000 kW hours and $18,000 annually.

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 period 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 governmental purpose type funds usually seen in governmental accounting, but 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 1st. 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 2012-2013 reflects three (3) significant factors impacting the operating environment in the upcoming year. In addition to the Airport Gateway Program and other Capital Improvements previously discussed, the following items will significantly impact the financial results in FY 2012-13:

Funding of Capital Improvement Program

The Reno-Tahoe Airport Authority on June 1, 2011 obtained financing for the Airport Gateway Program and the other capital projects funded partially using Subordinate Lien Airport Revenue Notes, with a maximum principal amount of $30,000,000 at any time for a term of 6 years. This relatively short repayment period is strategically proposed to quickly retire the note in anticipation of future capital improvement projects that may include replacement of the terminal concourses resulting in new debt.

The notes are classified as "subordinate lien" because the lender's claim on the Authority's revenues, after payment of operating expenses, is subject to and made only after the payment of debt service on the 2005 senior lien bonds is completed.

The negotiated fixed rate interest for the 2011A Note six year term is 2.75% payable semiannually starting on January 1, 2012. The rate for the 2011B Note is established at 1.581% over sixty-five percent (65%) of the six month London Interbank Offering Rate ("LIBOR") rate. The 65% factor is to adjust for the tax-exempt status of these notes versus the taxable LIBOR rate. As of June 30, 2012, the six month LIBOR rate was 2.06%. The interest rate on the 2011B Note will be capped at 12%.

The proceeds for the 2011 Subordinate Notes, along with Passenger Facility Charges, federal grants, and Authority internal funds, will be used to finance the Airport Gateway Program and the other projects as outlined below.

Uses of Funds	Estimated Costs
Terminal Refurbishment	$ 6,801,600
Consolidated Security Checkpoint of the Future	22,398,000
Total Airport Gateway Program	$ 29,199,600
Stead Emergency Operations Center/Terminal Building	6,563,100
Taxiway "C" – Extension North	3,673,000
Total Costs	$ 39,435,700

Sources of Funds	
Subordinate Notes – Series A	$ 10,627,700
Subordinate Notes – Series B	11,921,000
Passenger Facility Charges	10,729,400
Federal Aviation Administration (FAA) Grant	3,792,600
Transportation Security Administration (TSA) Grant	1,500,000
RTAA Internal Funds	865,000
	$ 39,435,700

The Notes, after application of PFC revenues to eligible projects, will be paid solely from and secured by a pledge of Net Revenues derived from the operations of the Airport System and certain funds and accounts. Net Revenue represents gross revenues of the Airport System less operating and maintenance expenses, on a basis subordinate and junior to the liens of any existing or future annual debt service due to senior Airport revenue bonds.

INTERNAL CONTROLS

Management of the RTAA is responsible for establishing and maintaining an internal control structure designed to ensure that the assets are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

REPORTING ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada 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, 2011. This was the 25th 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. The Authority believes this current report continues to meet the Certificate of Achievement Program's requirements and it will be submitted it to the GFOA to determine its eligibility for another certificate.

INDEPENDENT AUDIT

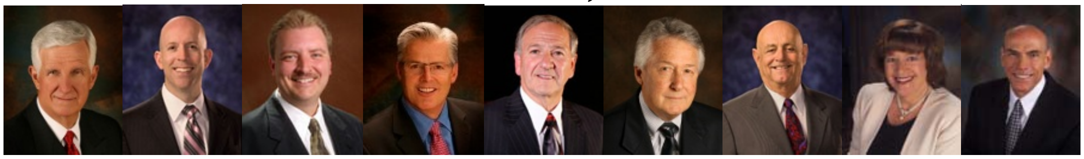
Nevada Revised Statutes 354.624 and the RTAA revenue bond resolutions require that the RTAA have its financial statements audited each year by an Independent Certified Public Accountant. Because the RTAA receives Federal funds and Passenger Facility Charges to assist in funding capital improvement projects, 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,

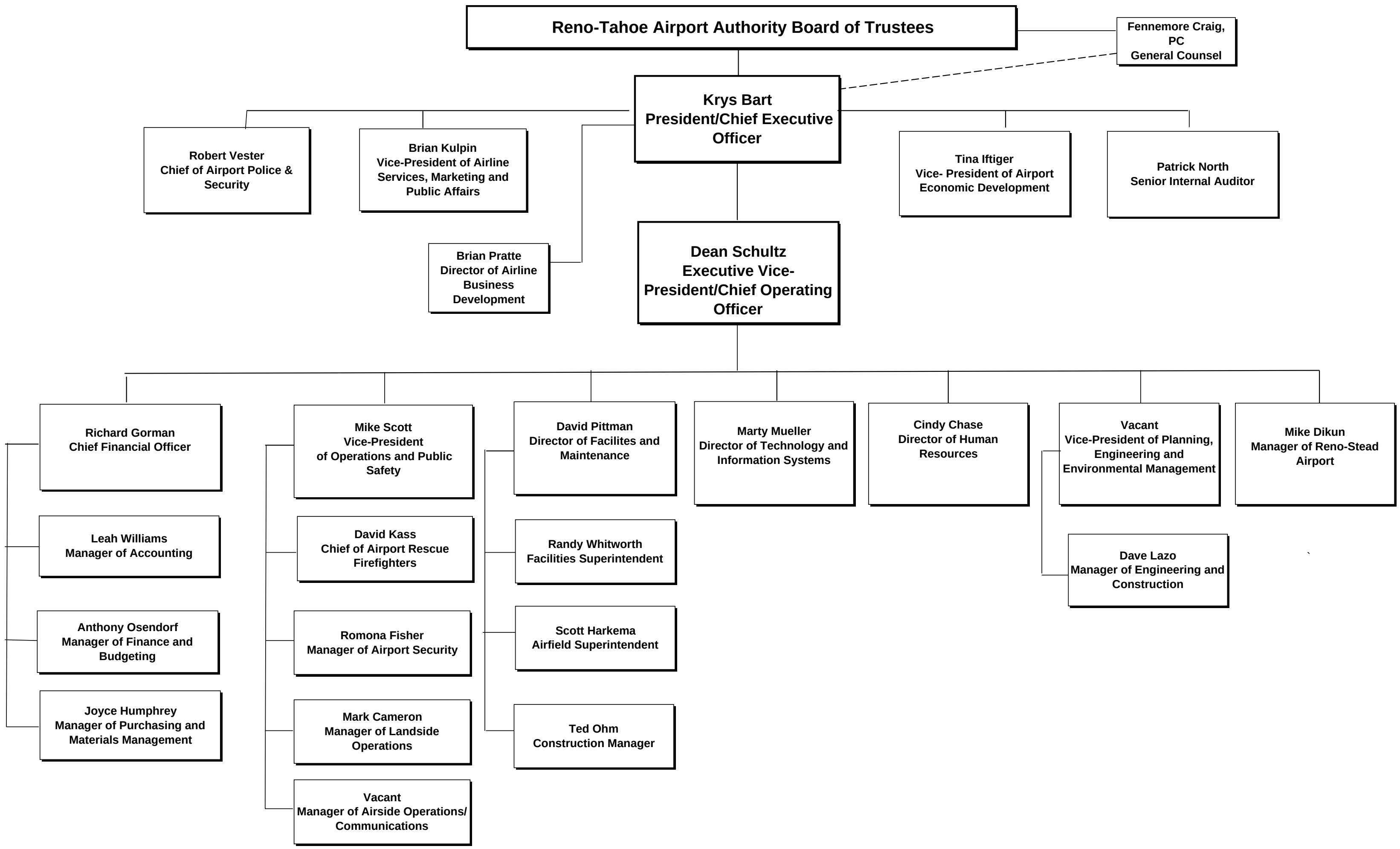
Krys T. Bart

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

RENO-TAHOE AIRPORT AUTHORITY
JUNE 30, 2012



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, 2011

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.

Linda C. Davison

President

Jeffrey R. Esser

Executive Director

Financial Section

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

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of the Reno-Tahoe Airport Authority (the "Authority"), as of and for the years ended June 30, 2012 and 2011, 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, 2012 and 2011, 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 our report dated November 30, 2012 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 audits.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-17 and the Schedule of Funding Progress-Other Postemployment Benefits on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the Authority's basic financial statements. The Introductory Section, Supplementary Information, and Statistical Section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying 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; and are not required parts of the basic financial statements. The Supplementary Information, the Supplementary Schedule of Expenditures of Federal Awards, and the Supplementary Schedule of Passenger Facility Charges Collected and Expended are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 audits of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

Kafoury, Armstrong & Co.

Reno, Nevada
November 30, 2012

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, 2012 and 2011. 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 Authority's financial statements for a summary of the 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 presents the RTAA's financial position for the years ended June 30:

	2012	2011	% Change	2010	% Change
Assets:					
Current Assets	$ 43,218,276	$ 46,407,286	-7%	$ 54,884,353	-15%
Current Assets – Restricted	30,865,484	40,175,105	-23%	22,752,190	77%
Capital Assets, Net	449,797,269	447,707,623	0%	429,425,568	4%
Other Assets	1,994,393	2,054,984	-3%	1,959,807	5%
Total Assets	$ 525,875,422	$ 536,344,998	-2%	$ 509,021,918	5%
Liabilities:					
Current Liabilities	$ 9,020,587	$ 9,044,174	0%	$ 12,840,855	-30%
Liabilities Payable from Restricted Assets	6,063,403	7,152,892	-15%	11,773,676	-39%
Non-Current Liabilities	40,005,306	43,331,529	-8%	34,085,858	27%
Total Liabilities	55,089,296	59,528,595	-7%	58,700,389	1%
Net Assets:					
Invested in Capital Assets, Net of Related Debt	415,582,335	413,692,789	0%	381,032,297	9%
Restricted Net Assets	19,148,691	24,195,980	-21%	21,539,564	12%
Unrestricted Net Assets	36,055,100	38,927,634	-7%	47,749,668	-18%
Total Net Assets	470,786,126	476,816,403	-1%	450,321,529	6%
Total Liabilities and Net Assets	$ 525,875,422	$ 536,344,998	-2%	$ 509,021,918	5%

For the fiscal year ended 2012:

Total assets of $525.9 million reflect a decrease of 2% or $10.5 million over 2011. Capital assets increased slightly by approximately $2.1 million. Current assets (unrestricted) decreased by 7% or

$3.2 million. Current assets (restricted) decreased 23% as the result of outlays funded by PFCs and 2011A Subordinate Lien Revenue Note – Fixed Rate proceeds for airport capital improvements.

Total liabilities decreased 7% or $4.4 million for the year ended June 30, 2012. This decrease is due to normal retirement of long-term debt as bond maturities came due and a slight decrease in deposits and unearned revenues. This decrease was partially offset by an increase of $439,754 in reclamation liability associated with environmental remediation at the Reno-Stead airport based on an updated study completed in FY 2011-12. This study established probable and measurable costs by RTAA over the next 23 years.

The largest portion of the RTAA's net assets each year, $415.6 million, or 88% at June 30, 2012, 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.

Total net assets decreased by 1% or $6.0 million. This net decrease is comprised of an increase invested in capital assets, net of related debt of $1.9 million, a decrease in restricted net assets of $5 million and a decrease of $2.9 million in unrestricted net assets.

An additional portion of the RTAA's net assets of $19.1 million, or 4% at June 30, 2012, represents resources that are subject to use restrictions. The $5 million decrease in restricted net assets is attributed to payments of passenger facility charge (PFC) funds for the Airport Consolidated Security Check Point Project and lower debt service upon the retirement of the Series 2003 Airport Revenue Refunding bonds. The restricted net assets are not available for spending because they have already been committed as follows:

Revenue Bond Operations and Maintenance	$	6,125,555
Renewal and Replacement		780,967
Passenger Facility Charge Projects		6,665,250
Debt Service-Senior Lien Bonds and Subordinate Lien Revenue Notes		3,597,222
Flood Grant		1,974,701
Other Reserve Purposes		4,996
	$	19,148,691

The remaining unrestricted net assets of $36.1 million, or 8% at June 30, 2012, may be used to meet any of the RTAA's ongoing obligations.

For the fiscal year ended 2011:

Total assets of $536.3 million increased 5% or $27.3 million over 2010. The majority of the increase is the result of increases in capital assets. Current assets (unrestricted) decreased as a result of decreases in both grants receivable and accounts receivable for a combined amount of $5.88 million. Current assets (restricted) increased $17.4 million due to the receipt of proceeds from the issuance of the 2011A Subordinate Lien Revenue Note – Fixed Rate and an increase in PFC cash and investment balances. See Note 6, Long-Term Debt, Notes to the Financial Statements.

Total liabilities increased just 1% for the year ended June 30, 2011. Current Liabilities and Liabilities Payable from Restricted Assets decreased $8.4 million, while non-current liabilities increased $9.2 million. This increase in non-current liabilities includes the additional $15 million from the 2011A Subordinate Lien Revenue Note–Fixed Rate less normal retirement of long-term debt as bond maturities came due.

Net assets increased by 6% or $26.5 million. The increase is primarily attributed to capital contributions from federal grants and other agreements to fund various airport improvement projects and the reversion of title of certain hangars and a rental car support building to the Authority upon expiration of tenant leases.

The largest portion of the RTAA's net assets each year, $413.7 million, or 87% at June 30, 2011, 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 $24.2 million, or 5% at June 30, 2011, 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	$	6,047,394
Renewal and Replacement		780,000
Passenger Facility Charge Projects		10,075,929
Debt Service-Senior Lien Bonds and Subordinate Lien Revenue Notes		5,315,764
Flood Grant		1,970,800
Other Reserve Purposes		6,093
	$	24,195,980

The remaining unrestricted net assets of $38.9 million, or 8% at June 30, 2011, 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:

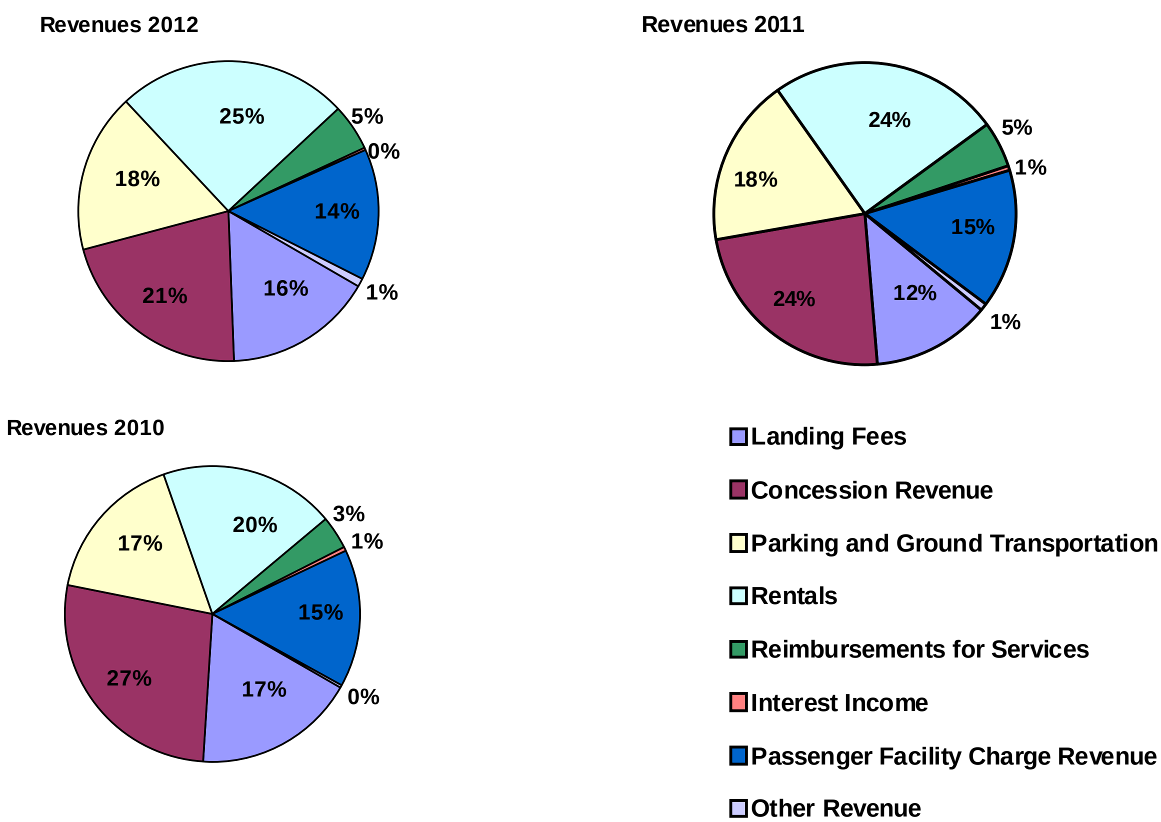
	2012	2011	% Change	2010	% Change
Landing Fees	$ 7,793,050	$ 6,134,543	27%	$ 9,157,170	-33%
Concession Revenue	10,649,435	11,727,995	-9%	14,400,176	-19%
Parking and Ground Transportation	8,742,195	8,927,778	-2%	8,738,391	2%
Rentals	12,499,901	12,235,790	2%	10,378,966	18%
Reimbursements for Services	2,407,854	2,368,283	2%	1,838,355	29%
Other Revenue	68,099	42,411	61%	18,300	132%
Total Operating Revenues	$ 42,160,534	$ 41,436,800	2%	$ 44,531,358	-7%

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:

	2012	2011	% Change	2010	% Change
Interest Income	$ 210,110	$ 286,887	-27%	$ 347,571	-17%
Passenger Facility Charge Revenue	6,806,898	7,346,775	-7%	7,737,810	-5%
Jet Fuel Tax Revenue	304,048	319,073	-5%	304,912	5%
Gain (Loss) on Sale of Capital Assets	8,014	3,226	148%	9,641	-67%
Gain (Loss) on Sale of Easements	70,637	-	100%	-	0%
Gain (Loss) on Debt Defeasance	-	-	0%	(207,881)	100%
Total Non-Operating Revenues	$ 7,399,707	$ 7,955,961	-7%	$ 8,192,053	-3%

The graphs below present the percentage and source of the Airport's revenues for fiscal years ended 2012, 2011 and 2010.



An analysis of significant changes in revenues for the year 2011-2012 is as follows:

Although passenger traffic was down 6% as compared to the same period last year, total operating revenues of $42.161 million for 2011-2012 increased 2% from the prior year.

Landing fees and Rentals of $20.293 million represent 41% of the RTAA's total revenues. Airline landing fees and terminal rental revenues of $13.317 million represents 66% of the total revenues from these two categories, which result from 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. Airline derived revenue is 32% of total operating revenue.

The increase in landing fees of approximately $1.659 million as compared to the prior year is a result of changes in the rate methodology in the new airline agreement that carried over a profit sharing credit of approximately $1.498 million from the prior year into FY 2010-11 results. Starting in FY 2011-12, the airline profit sharing credit is allocated to the airlines during the current year and result in lower airline terminal rent.

Parking and ground transportation accounts for 21% of total revenue. Parking revenue in FY 2011-12 of $8.742 million decreased slightly by $185,583 or 2% 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. These rates have remained unchanged since December of 2009.

As depicted in the above graph, concession revenue, which includes auto rental, gaming, food and beverage, merchandising, advertising, and other concessions, comprises 21% of the RTAA's total revenues for fiscal year 2012. Concession revenue decreased 9% this year.

Reimbursements for services and other revenue make up 6% of RTAA's total revenues. Reimbursements for services of $2.408 million represent an increase of 2%. The Baggage Handling System (BHS) Charge is the largest revenue source in this category and reflects a 100% cost recovery of the direct maintenance 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 5% of total revenue.

Non-operating revenues of $7.400 million decreased 7% over last year's $7.956 million. This decrease includes slight decreases in interest income and jet fuel tax revenue. Interest income represents the earnings on investments and is 0.4% of total revenue. There was an $8 thousand gain on sale of capital assets, which included two surplus sales, and a $71 thousand gain on sale of easements for underground communications.

Passenger Facility Charges (PFC) comprises 14% of total revenue. These funds are collected by the airlines based on enplaned passengers and remitted to the RTAA monthly. PFC revenues are down 7% from prior year. The current collection rate is $4.50.

An analysis of significant changes in revenues for the year 2010-2011 is as follows:

Passenger traffic showed a slight increase of 1% as compared to last year, while total operating revenues of $41.4 million for 2010-2011 decreased 7%. This decrease is primarily due to a decrease in landing fees and concession revenues from rental car agreements.

Landing fees and Rentals of $18.370 million represent 37% of the RTAA's total revenues. Airline landing fees and terminal building rent of $11.256 million is 61% of the revenues from these two categories and comprises 27% 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.

The decrease in landing fees of approximately $3.023 million as compared to the prior year is a result of changes in the rate methodology in the new airline agreement and RTAA's defeasance of $4.4 million in annual debt service allocated to the Airfield Cost Center. See Debt Administration within this MD&A discussion for further information.

As a partial offset to lower landing fee revenue, rentals, comprised of airline terminal rents, gate use charges, other non-airline terminal rents and other building and land rents, increased by $1.857 million. This increase is due to higher airline terminal rents derived under the new airline agreement effective on July 1, 2010. Changes in the airline rates and charges methodology and the addition of new building square footage, associated with the improved baggage handling and makeup, increased the airline's share of terminal building cost recovery from 26% in FY 2009-10 to 37% in FY 2010-11. This higher percentage recovery will continue throughout the five-year term of the new agreement.

As depicted in the above graph, concession revenue, which includes auto rental, gaming, food and beverage, merchandising, advertising, and other concessions, comprises 24% of the RTAA's revenues for fiscal year 2011. Concession revenue registered $11.728 million, a decrease of $2.672 million or 19% as compared to last year.

This decrease is primarily due to the expiration on June 30, 2010 of the five-year Rental Car Concession Agreement. This agreement established Minimum Annual Guarantees (MAGs) at traffic levels forecasted by the rental car companies in 2005, prior to the economic slowdown that began in 2008. Starting on July 1, 2010, the MAGs for all companies were reestablished at levels less than ten (10) percent of current gross receipts based on current traffic levels.

Parking and ground transportation accounts for 18% of total revenue. Parking revenue in FY 2010-11 increased slightly by $189,387 or 2% from the prior year. 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.

Reimbursements for services and other revenue make up the last two operating revenue sources. Reimbursements for services increased 29% to approximately $2.368 million. The new Baggage Handling System (BHS) Charge is the largest revenue source in this category and reflects a 100% cost recovery of the direct maintenance costs of operating the system, less any reimbursement from the Transportation Security Administration (TSA) for direct costs associated with their screening equipment. Fiscal Year 2010-11 is the first full year of operation of the new BHS system and reimbursements account for 5% of total revenue.

Non-operating revenues of $7.956 million decreased 3% over last year's amount. The decrease of $236,092 includes a reduction in interest income and passenger facility charge revenue. There was a $3 thousand gain on sale of capital assets, which included two surplus sales.

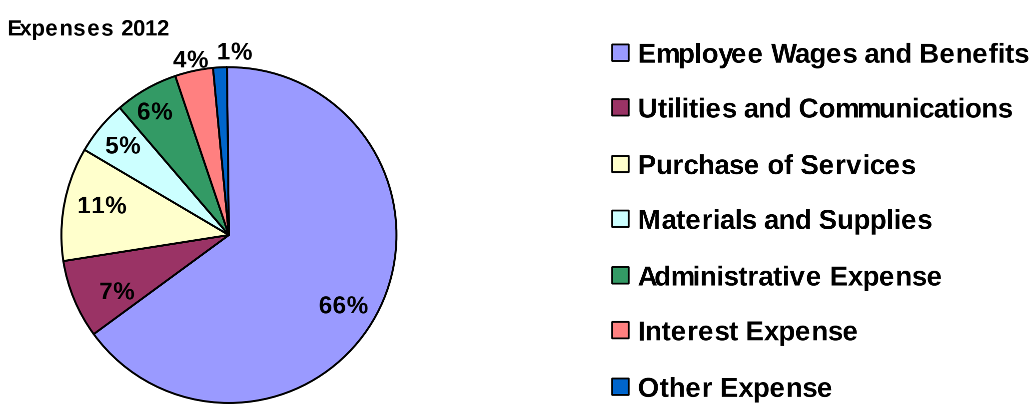
Passenger Facility Charges (PFC) of $7.347 million comprises 15% of total revenue. These funds are collected by the airlines based on enplaned passengers and remitted to the RTAA monthly. PFC revenues are down 5% from prior year. The current collection rate is $4.50.

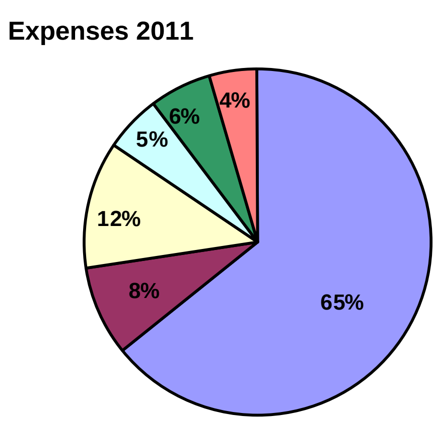
Expenses

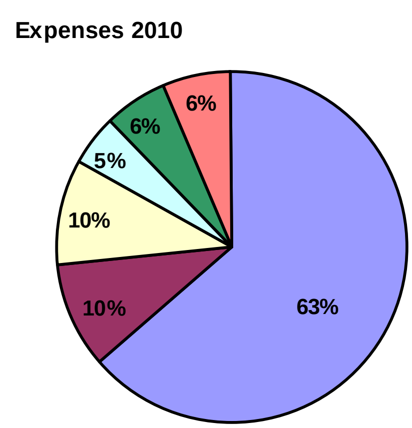
Total operating expenses of approximately $33.845 million, increased by $429,944 or 1% in FY 2011-12 and total expenses increased by 2%. The following is a summary of expenses (excluding depreciation) by source for the years ended June 30:

	2012	2011	% Change	2010	% Change
Employee Wages and Benefits	$ 23,094,222	$ 22,421,307	3%	$ 21,148,848	6%
Utilities and Communications	2,626,376	2,934,201	-10%	3,234,216	-9%
Purchase of Services	4,019,245	4,176,135	-4%	3,218,502	30%
Materials and Supplies	1,871,019	1,855,013	1%	1,611,574	15%
Administrative Expenses	2,234,156	2,028,418	10%	1,922,140	6%
Total Operating Expenses	33,845,018	33,415,074	1%	31,135,280	7%
Reclamation Expenses	474,912	-	100%	-	0%
Interest Expense	1,315,921	1,542,358	-15%	2,146,371	-28%
Total Expenses	$ 35,635,851	$ 34,957,432	2%	$ 33,281,651	5%

The graphs that follow present the percentage and source of the Airport's expenses for fiscal years ended 2012, 2011 and 2010.







An analysis of significant changes in expenses for the year 2011-2012 is as follows:

Employee wages and benefits of $23.094 million comprise 66% of total expenses. There was a 3% increase over the prior year's total of $22.4 million.

Utilities and communications expense of $2.626 million displayed a decrease of 10% from the prior year. This decrease reflects savings in both electricity and natural gas from the prior year. Utilities and communications represent 7% of total expenses.

Purchase of services expense, which includes professional and other purchased services, of $4,019,245, decreased 4% over the prior year. This decrease is primarily due to lower contractual legal services. Purchase of services expense represents 11% of expenses.

Materials and supplies expense of $1.871 million had a slight increase of 1% over the prior year. The increase over the prior year was $16,006.

Administrative expenses of $2.234 million comprise 6% of total costs, an increase of 10% from the prior fiscal year. This increase represents increases in conference sponsorship fees associated with RTAA hosting the American Association of Airport Executives (AAAE) national conference in May 2013.

Interest expense decreased from $1.542 million in 2011 to $1.316 million in 2012, a decrease of $226,438 or 15%. This decrease reflects the final payment of the Series 2003 Airport Revenue Refunding Bonds. See the Debt Administration discussion within the MD&A.

Other expense is comprised solely of reclamation expenses of $474,912. Based on estimates completed in 2000, the cost of the remediation of the contaminated site at the Reno-Stead airport was estimated to be $5,000,000, of which the Authority's share of 18.5% was $925,000. Based on an updated environmental study in August 2011, the current status of the remediation effort identified that an additional $5.48 million will be needed to complete the remediation over the next 23 years, with RTAA's estimated share being $474,912. Pursuant to Governmental Accounting Standards Board (GASB) Statement 49, additional liability and expense was recorded.

An analysis of significant changes in expenses for the year 2010-2011 is as follows:

Employee wages and benefits of $22.421 million comprise 65% of total expenses. There was a 6% increase over last year's total of $21.149 million. This increase is due to modest salary increases after freezing salaries in the year ended June 30, 2010. There was a slight decrease of 0.2% in health and benefit costs.

Utilities and communications expense of $2.934 million displayed a decrease of 9% from the prior year. This decrease is due to the rate reduction by NV Energy as well as lighting upgrades and solar power installations that allow the Authority to be more energy efficient. Utilities and communications represent 8% of total expenses.

Purchase of services expense of $4.176 million, which includes professional and other purchased services, increased 30% over the prior year. The increase is primarily due to the higher cost of services associated with the first full year of operation and maintenance of the Baggage Handling System (BHS). In addition, legal and property management costs associated with new development and reversion of general aviation hangars to RTAA ownership were higher than the prior year. Purchase of services expense represents 12% of expenses.

Materials and supplies expense of $1.855 million increased 15% over the prior year. This increase demonstrates an increase in supplies needed to repair a bag belt and replacement of ticket dispensers at the entrance to the parking plaza. In addition, higher costs were incurred in the costs of small tools and minor equipment, ice control chemicals and auto fuel. Materials and supplies make up 5% of expenses.

Administrative expenses comprise 6% of total costs. Costs of $2.028 million reflect an increase of 6% from the prior fiscal year. The increase comprises additional costs for training, conference registration and costs for air service development. The increase over the prior year was $106,278.

Interest expense decreased from $2.146 million in 2010 to $1.542 million in 2011, a decrease of $604,013 or 28%. This decrease reflects the defeasance of 50% of the Series 2003 Airport Revenue Refunding Bonds. See the Debt Administration discussion within the MD&A.

Summary of Changes in Net Assets

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

	2012	2011	% Change	2010	% Change
OPERATING REVENUES					
Landing fees	$ 7,793,050	$ 6,134,543	27%	$ 9,157,170	-33%
Concession revenue	10,649,435	11,727,995	-9%	14,400,176	-19%
Parking and ground transportation	8,742,195	8,927,778	-2%	8,738,391	2%
Rentals	12,499,901	12,235,790	2%	10,378,966	18%
Reimbursements for services	2,407,854	2,368,283	2%	1,838,355	29%
Other revenue	68,099	42,411	61%	18,300	132%
Total Operating Revenues	42,160,534	41,436,800	2%	44,531,358	-7%
OPERATING EXPENSES					
Employee wages and benefits	23,094,222	22,421,307	3%	21,148,848	6%
Utilities and communications	2,626,376	2,934,201	-10%	3,234,216	-9%
Purchase of services	4,019,245	4,176,135	-4%	3,218,502	30%
Materials and supplies	1,871,019	1,855,013	1%	1,611,574	15%
Administrative expenses	2,234,156	2,028,418	10%	1,922,140	6%
Total Operating Expenses	33,845,018	33,415,074	1%	31,135,280	7%
Operating Income Before Depreciation and Amortization	8,315,516	8,021,726	4%	13,396,078	-40%
Depreciation and Amortization	30,253,602	23,521,743	29%	23,624,026	0%
Operating Income (Loss)	(21,938,086)	(15,500,017)	42%	(10,227,948)	52%
NON-OPERATING REVENUE (EXPENSES)					
Interest income	210,110	286,887	-27%	347,571	-17%
Passenger facility charge revenue	6,806,898	7,346,775	-7%	7,737,810	-5%
Jet fuel tax revenue	304,048	319,073	-5%	304,912	5%
Gain (loss) on sale of capital assets	8,014	3,226	148%	9,641	-67%
Gain (loss) on sale of easements	70,637	-	100%	-	0%
Gain (loss) on defeasance	-	-	0%	(207,881)	100%
Reclamation expenses	(474,912)	-	100%	-	0%
Interest expense	(1,315,921)	(1,542,358)	-15%	(2,146,371)	-28%

Total non-operating revenues (expenses)	$ 5,608,874	$ 6,413,603	-13%	$ 6,045,682	6%
Income (loss) before Capital Contributions	(16,329,212)	(9,086,414)	80%	(4,182,266)	117%
Capital Contributions	10,298,935	35,581,288	-71%	24,330,343	46%
Increase (decrease) in Net Assets	(6,030,277)	26,494,874	-123%	20,148,077	32%
Net Assets, Beginning of Year	476,816,403	450,321,529	6%	430,173,452	5%
Net Assets, End of Year	$ 470,786,126	$ 476,816,403	-1%	$ 450,321,529	6%

An analysis of significant changes in net assets for the year 2011-2012 is as follows:

Total operating revenues increased 2% while total operating expenses increased by 1%. A view of these two categories has been provided earlier in the MD&A.

Depreciation and amortization expense increased 29% from the prior year and represents depreciation on an increase of $32.3 million in capital assets. Interest income decreased $76,777 or 27% and interest expense decreased $226,437 or 15% as compared to the prior year.

Passenger facility charge revenue decreased by 7% and jet fuel tax revenue decreased by 5%. Gain on sale of capital assets was $8,014 and reflected the sale of fully depreciated assets no longer in use by the RTAA. A gain on sale of easements of $70,637 was recorded for the sale of easements for underground communications.

Capital contributions, which are primarily comprised of federal grants from the Federal Aviation Administration, decreased 71% this year compared to the amounts received in 2010-2011. This decrease is primarily due to the one-time reversion of capital assets of $17.70 million in FY 2010-11 of certain hangars and a rental car support building to the Authority upon expiration of tenant leases.

An analysis of significant changes in net assets for the year 2010-2011 is as follows:

Total operating revenues decreased by 7% while total operating expenses increased by 7%. A review of these two categories has been provided earlier in the MD&A.

Depreciation and amortization expense remained relatively unchanged from the prior year. The $23.5 million result reflects a one-time recapture of $1.4 million due to the amortization of development rights. Development rights, which preclude residential development near the Reno-Tahoe International Airport, are recorded at cost. For the year ending June 30, 2010 and prior, these rights were being amortized on the straight-line method over forty (40) years). In fiscal year 2011, in accordance with Governmental Accounting Standards Board, Statement No. 51, “Accounting and Financial Reporting for Intangible Assets”, development rights, which prevent the construction of residential homes on property adjacent to the Airport, are a condition of land ownership that goes on into perpetuity.

Non-operating revenue and expenses increased 6%. This increase is primarily due to decreases in interest expense for the year. Passenger facility charge revenue decreased slightly by 5% while jet fuel tax revenue increased by 5%. Gain on sale of capital assets was $3,226 and reflected the sale of fully depreciated assets no longer in use by the RTAA. Interest income also decreased 17%.

Capital contributions, which are comprised of federal grants from the Federal Aviation Administration and capital assets received from other sources, increased 46% this year compared to the amounts received in 2009-2010.

CAPITAL ASSETS

The RTAA's investment in capital assets as of June 30, 2012 is $450 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 2011-2012 was 0.5% or $2.090 million. The following presents the RTAA's capital assets for the years ended June 30:

	2012	2011	2010
Land	$ 154,549,165	$ 141,388,809	$ 141,388,809
Construction in Progress	38,751,248	52,861,302	92,518,180
Improvements, Buildings, and Equipment, net	253,572,818	250,533,474	194,013,916
Development rights, net	2,924,038	2,924,038	1,504,663
Total	$ 449,797,269	$ 447,707,623	$ 429,425,568

Major capital asset events during fiscal year 2011-12 included the following:

Projects at RTAA that were funded by federal grants amounted to $10.299 million in capital contributions. Completed projects include airfield lighting upgrade, apron rehabilitation projects, sound insulation programs and a runway safety study for the Reno-Stead Airport.

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. The primary improvements to participating residences include replacing existing windows with triple pane vinyl windows, replacing existing exterior doors that lead into a habitable space (e.g. front door) with tighter sealing metal-clad doors.

In addition, several roof replacement projects were completed, which includes portions of the terminal roof and the Airfield Maintenance roof.

Also on-going this year was the airfield and landside pavement maintenance programs. Repairs typically include seal coating, asphalt patching, overlays, reconstruction, concrete panel replacement, crack repair, and joint sealing.

Equipment purchases included the purchase of a penetration aircraft skin trainer to help train fire and safety personal, an energy management control system that will update the status of heating, ventilation and air conditioning for the terminal building to reduce utility costs and a new digital audio system to allow better audio quality in the Board room.

Vehicles purchased this year include three short bed trucks for the canine explosive detection program.

Major capital asset events during fiscal year 2010-11 included the following:

Projects at RTAA that were funded by federal grants amounted to $16.817 million in capital contributions. Construction in progress include ramp reconstruction, an access control system, and noise insulation projects.

In July 2010, the Authority received ownership, pursuant to the expiration of lease agreements, of a quick turnaround rental car facility and various corporate and T-hangars. The Authority also received two wildlife displays through donation this year. One display consists of Bighorn Sheep and the other is of a mountain lion and deer. These displays were funded by Nevada Bighorns Unlimited and Nevada Wildlife Record Book Foundations.

A purchase agreement with Dell Computer, Incorporated for replacement of desktop computer workstations was executed. This project will be completed in two phases. The computer hardware (equipment) was replaced this fiscal year and the software will be completed over the next few fiscal years.

Procurement and installation of Light Emitting Diode (LED) lights was completed this year to replace over 6,000 florescent tubes and other miscellaneous fixtures in the parking structure, baggage claim lobby areas, ticket lobby areas, and selected areas on the concourses. LED technology presents many advantages over incandescent light sources including lower energy consumption, longer lifetime, improved robustness, and greater durability and reliability.

In an effort to reduce electrical utility costs and stabilize long-term energy expenses, RTAA installed a 135 kilowatt solar photovoltaic system at the Aircraft Rescue and Fire Fighting Facility (ARFF). The ARFF solar system will significantly reduce the annual purchased electricity. Through the NV Energy's Solar Generations rebate incentives, the Airport Authority received $670,890 for the installation of these solar panels.

Equipment and vehicle purchases for the Reno-Tahoe International Airport included the purchase of a Kawasaki Mule, three snow plows, a John Deere Loader, a 2011 Ford truck with snow plow and a pavement crack sealer. Equipment and vehicle purchases for the Stead airport included the purchase of a Kawasaki Mule, a Toyota Highlander, a line striper, and a weed sprayer.

For additional information on capital assets, see Note 5, Capital Assets.

DEBT ADMINISTRATION

As of June 30, 2012, the RTAA had approximately $41.3 million in debt (without regard to discounts or premiums and losses on refundings) comprised of $26.3 million of senior lien revenue bonds (Series 2005 Airport Refunding Bonds) and $15.0 million of a subordinate lien revenue note (Series 2011A, Subordinate Lien Revenue Note - Fixed Rate portion).

The Subordinate Lien Revenue Notes are special limited obligations of the Authority payable solely from and secured by a pledge of Subordinate Net Revenues (as defined in the 2011 Subordinate Airport Revenue Notes Resolution) and certain funds and accounts. Subordinate Net Revenue represents gross revenues of the Airport System less operating and maintenance expenses, less the debt service requirement on any existing or future senior Airport Revenue Bonds outstanding.

	2012	2011	2010
2003	$ -	$ 4,165,000	$ 12,100,000
2005	26,270,000	27,455,000	28,600,000
2011 A	15,000,000	15,000,000	-
Total Debt	$ 41,270,000	$ 46,620,000	$ 40,700,000

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 $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 was deferred and 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 was defeased. Unrestricted cash and investments funds were used to pay off a portion of the last payment due under the Series 2003 bonds, which matured on July 1, 2011. 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 FY 2010-11 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.

The Authority's senior lien revenue bond issues, at the original issue date, carried the "AAA" by Moody's Investor Services and Standard & Poors. Assured Guaranty, previously known as Financial Security Assurance or FSA, currently provides insurance for the repayment of the Series 2005 Airport Revenue Refunding Bonds. This insurance serves as a "credit enhancement' as an additional guarantor of payment above and beyond the Authority's financial commitment.

During FY 2008-09, the national economic problems associated with the "subprime" mortgage market affected the current bond insurer. This insurance company's previous AAA ratings was downgraded to AA- by Standard and Poors and Aa3 by Moody's Investor Services. Fitch Ratings withdrew its rating of Assured Guaranty on February 24, 2010 and does not consider bond insurance in its credit rating of issuers. Since Fitch Ratings is the sole provider of credit ratings associated with the Authority's senior lien debt, the Authority's underlying credit rating of "A" with a stable outlook by Fitch Ratings is assigned to the Series 2005 Airport Refunding Bonds.

This downgrading of the bond insurer does not affect the amount of debt service paid by the RTAA or the financial condition of the Authority to make these payments.

On June 1, 2011, the Reno-Tahoe Airport Authority obtained funding for various capital improvement projects from Banc of America Public Capital Corporation (BAPCC) through the issuance of Subordinate Lien Airport Revenue Notes ("Subordinate Notes"). With a maximum principal amount of $30 million, the Subordinate Notes have a final maturity of July 1, 2017 and were issued in two separate series: (1) Series "2011A" Subordinate Lien Revenue Note - Fixed Rate and (2) Series "2011B" Subordinate Lien Revenue Note - Variable Rate.

- Series "2011A" Subordinate Lien Revenue Note - Fixed Rate portion. The Authority has obtained and deposited $15.0 million of notes, as a fixed rate obligation with a final maturity of July 1, 2017. Interest on the 2011A Note over the six year term has been locked-in at 2.75% with payment semiannually starting on January 1, 2012. Principal payments will be made annually on July 1, commencing on July 1, 2012, with the final payment on July 1, 2017. Principal payments will be structured so that the total annual payments of principal and interest on the 2011A Note will be approximately level from FY 2012 through FY 2017.

- Series "2011B" Subordinate Lien Revenue Note - Variable Rate portion. The Authority has structured $15.0 million of the loan as a variable rate loan, which would also have a final maturity of July 1, 2017. The 2011B Note is designed to serve as a flexible borrowing instrument such that the Authority can borrow under the Note for a two year period through May 31, 2013 in increments of $1,000,000 or greater. After any draw under the 2011B Note has been outstanding for a period greater than one year, the Authority can make repayment at any time. As of June 30, 2012, the Authority has no draws outstanding on the 2011B Note.

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, Long-Term Debt.

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, 2012, the RTAA collected PFCs, including interest earnings thereon, totaling $6.807 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, 2010 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. 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 six cost centers are Airfield, Terminal Building, Baggage Handlings System (BHS), Landside (Parking and Ground Transportation), Other and Reno-Stead Airport. The airline cost center of the Airfield and Terminal Building are used in the calculation of the landing fee and rental rate.

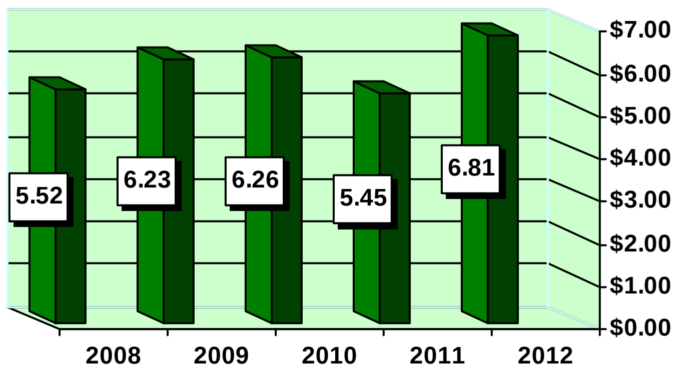
For 2011-2012, signatories to the Agreement include eight commercial and two cargo airlines.

The final rates and charges for the airlines are shown below:

	2012	2011	% Change	2010	% Change
Landing Fee Rate (per 1,000 pounds)	$ 2.59	$ 1.83	42%	$ 3.02	-39%
Terminal Rental Rate (Average) (annually per square foot)	$48.93	$46.57	5%	$46.38	0%

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, 2012 AND 2011

ASSETS	2012	2011
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	$13,328,612	$16,499,881
Investments	25,648,478	24,773,485
Accounts receivable, net	3,009,443	1,981,801
Grants receivable	444,916	2,358,811
Interest receivable	22,823	50,745
Inventory	764,004	742,563
Total unrestricted assets	43,218,276	46,407,286
Restricted Assets:		
Cash and cash equivalents	8,719,162	14,482,206
Investments	22,135,985	25,661,526
Interest receivable	10,337	31,373
Total restricted assets	30,865,484	40,175,105
Total Current Assets	74,083,760	86,582,391
NON-CURRENT ASSETS		
Capital Assets:		
Land	154,549,165	141,388,809
Development rights	2,924,038	2,924,038
Construction in progress	38,751,248	52,861,302
Improvements, buildings and equipment, net of depreciation	253,572,818	250,533,474
Total Capital Assets	449,797,269	447,707,623
Other Assets:		
Road credits	1,392,360	1,392,360
Bond issue costs and other deferred charges, net	577,194	635,989
Surety bond, net	24,839	26,635
Total Other Assets	1,994,393	2,054,984
Total Non-Current Assets	451,791,662	449,762,607
TOTAL ASSETS	$525,875,422	$536,344,998

LIABILITIES AND NET ASSETS	2012	2011
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts payable	$3,254,042	$3,803,936
Construction contracts payable	2,735,096	2,096,549
Rents received in advance	519,206	810,119
Accrued payroll	2,512,243	2,333,570
Total payable from unrestricted assets	9,020,587	9,044,174
Payable from Restricted Assets:		
Current portion of long-term debt	3,580,000	5,350,000
Accrued interest	844,327	806,200
Construction contracts payable	1,639,076	996,692
Total payable from restricted assets	6,063,403	7,152,892
Total Current Liabilities	15,083,990	16,197,066
NON-CURRENT LIABILITIES		
Revenue bonds and subordinate notes, net	37,133,228	40,673,459
Net other postemployment benefits obligation	498,421	367,820
Deposits and unearned revenues	1,862,844	2,219,191
Reclamation liability	510,813	71,059
Total Non-Current Liabilities	40,005,306	43,331,529
Total Liabilities	55,089,296	59,528,595
NET ASSETS		
Invested in Capital Assets, net of Related Debt	415,582,335	413,692,789
Restricted for:		
Revenue bond operations and maintenance	6,125,555	6,047,394
Renewal and replacement	780,967	780,000
Passenger facility charge projects	6,665,250	10,075,929
Debt service	3,597,222	5,315,764
Flood grant	1,974,701	1,970,800
Other reserve purposes	4,996	6,093
Total Restricted	19,148,691	24,195,980
Unrestricted	36,055,100	38,927,634
Total Net Assets	470,786,126	476,816,403
TOTAL LIABILITIES AND NET ASSETS	$525,875,422	$536,344,998

See accompanying notes

RENO-TAHOE AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
Landing fees	$7,793,050	$6,134,543
Concession revenue	10,649,435	11,727,995
Parking and ground transportation	8,742,195	8,927,778
Rentals	12,499,901	12,235,790
Reimbursements for services	2,407,854	2,368,283
Other revenue	68,099	42,411
Total operating revenues	42,160,534	41,436,800
OPERATING EXPENSES		
Employee wages and benefits	23,094,222	22,421,307
Utilities and communications	2,626,376	2,934,201
Purchase of services	4,019,245	4,176,135
Materials and supplies	1,871,019	1,855,013
Administrative expenses	2,234,156	2,028,418
Total operating expenses	33,845,018	33,415,074
OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION	8,315,516	8,021,726
Depreciation and amortization:		
Depreciation	30,193,011	23,450,889
Amortization of deferred charges	60,591	70,854
Total depreciation and amortization	30,253,602	23,521,743
OPERATING INCOME (LOSS)	(21,938,086)	(15,500,017)
NON-OPERATING REVENUES (EXPENSES)		
Interest income	210,110	286,887
Passenger facility charge revenue	6,806,898	7,346,775
Jet fuel tax revenue	304,048	319,073
Gain (loss) on sale of capital assets	8,014	3,226
Gain (loss) on sale of easements	70,637	-
Reclamation expenses	(474,912)	-
Interest expense	(1,315,921)	(1,542,358)
Total non-operating revenues (expenses)	5,608,874	6,413,603
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(16,329,212)	(9,086,414)
CAPITAL CONTRIBUTIONS	10,298,935	35,581,288
Increase (decrease) in net assets	(6,030,277)	26,494,874
TOTAL NET ASSETS, BEGINNING OF YEAR	476,816,403	450,321,529
TOTAL NET ASSETS, END OF YEAR	$470,786,126	$476,816,403

See accompanying notes

RENO-TAHOE AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 40,485,632	$ 40,988,690
Cash paid to employees	(22,784,948)	(22,051,199)
Cash paid to suppliers	(11,357,289)	(10,352,259)
Net cash provided by operating activities	6,343,395	8,585,232
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Jet fuel tax revenue	304,048	319,073
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	12,212,830	23,541,716
Passenger facility charge revenue	6,806,898	7,346,775
Acquisition and construction of capital assets	(30,605,902)	(29,157,092)
Proceeds from sale of capital assets	8,014	12,245
Proceeds from sale of easments	70,637	-
Principal paid on bonds	(5,350,000)	(9,080,000)
Proceeds from sale of note	-	15,000,000
Cash paid for note issue costs	-	(166,031)
Interest paid on bonds	(1,649,417)	(1,866,187)
Net cash provided by (used in) capital and related financing activities	(18,506,940)	5,631,426
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts of interest	274,636	301,827
Sale (purchase) of investments	2,650,548	(13,451,396)
Net cash provided by (used in) investing activities	2,925,184	(13,149,569)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,934,313)	1,386,162
CURRENT AND RESTRICTED CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	30,982,087	29,595,925
CURRENT AND RESTRICTED CASH AND CASH EQUIVALENTS, END OF YEAR	$ 22,047,774	$ 30,982,087

RENO-TAHOE AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS (continued)
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	$ (21,938,086)	$ (15,500,017)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	30,193,011	23,450,889
Amortization of deferred charges	60,591	70,854
(Increase) Decrease in Assets:		
Accounts receivable, net	(1,027,642)	175,415
Inventory	(21,441)	(4,849)
Increase (Decrease) in Liabilities:		
Accounts payable	(549,894)	693,561
Rents received in advance	(290,913)	(178,145)
Accrued payroll	178,673	280,562
Deposits and unearned revenues	(356,347)	(445,380)
Net OPEB obligation	130,601	89,546
Reclamation liability	(35,158)	(47,204)
Net cash provided by operating activities	$ 6,343,395	$ 8,585,232

Noncash activities:

The unrealized gain (loss) on investments was ($1,868) at June 30, 2012 and $34,308 at June 30, 2011.

	2012	2011
Change in estimated reclamation liability	$ 474,942	$ -

	2012	2011
Capital Contributions		
Total Capital Contributions	$ 10,298,935	$ 35,581,288
Grants Receivable (June 30, 2012 and 2011)	(444,916)	(2,358,811)
Grants Receivable (June 30, 2011 and 2010)	2,358,811	8,065,015
Buildings and equipment received by contribution	-	(17,745,776)
	$ 12,212,830	$ 23,541,716

See accompanying notes

RENO-TAHOE AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

1. Organization and Reporting Entity

<u>Organization:</u>

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.

<u>Reporting Entity:</u>

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

A. Composition of the Board.

The nine member Governing Board is appointed as follows: four members by the Reno City Council, two members by the Sparks City Council, two members by the Washoe County Commission, and one member by the Reno-Sparks Convention & Visitors Authority. The Board directs the 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.

B. 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

<u>Basis of Accounting</u>

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 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, but not subsequent to, November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with an original maturity of three months 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. On June 1, 2011, the Reno-Tahoe Airport Authority obtained funding for various capital improvement projects from Banc of America Public Capital Corporation (BAPCC) through the issuance of Subordinate Lien Airport Revenue Notes ("Subordinate Notes"). See Note 6 for additional detail. For the years ended June 30, 2012 and 2011, the amounts recorded as capitalized costs associated with this funding were $395,824 and $34,375, respectively.

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 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. For the years ended June 30, 2012 and 2011, the payables as were outstanding associated with the airline year-end settlement were $1,494,124 and $1,524,596, respectively.

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

2. Summary of Significant Accounting Policies (continued)

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 Nevada state statute. The filing deadlines and procedures during fiscal years 2012 and 2011 were as follows:

1. On or before April 15, the Board of Trustees must adopt and file a tentative operating budget with the State Department of Taxation.
2. Public hearings on the tentative budget are held the third week of May.
3. On or before June 1, the final budget is adopted by a majority vote of the Board of Trustees.
4. The budget is adopted on the accrual basis. Actual operating and non-operating expenses (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.

The budget was not amended from that originally filed for the years ended June 30, 2012 and June 30, 2011.

Compensated Absences

Employees accrue vacation in varying amounts based on classification and length of service. Additionally, certain employees are allowed compensated time off in lieu of overtime compensation and/or working on holidays. Vacation pay and compensatory time vests as earned and sick pay vests after five years of service at the rate of 12.5%, after 10 years at the rate of 25% and after 15 or 20 years at the rate of 50% for certain represented employees. Sick pay also vests for certain represented employees after 880 hours have been accumulated. 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.

2. Summary of Significant Accounting Policies (continued)

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.

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:

	2012	2011
Cash	$ 10,141,383	$ 13,301,424
Cash Equivalents:		
Short-Term Investments and Money Market Mutual Funds	11,906,391	17,680,663
Total Cash and Cash Equivalents	22,047,774	30,982,087
Investments:		
State of Nevada Local Government Investment Pool	8,019,426	4,011,951
First Independent Bank – Certificates of Deposit	709,938	500,000
Heritage Bank – Certificate of Deposit Account Registry Service (CDARS)	3,050,183	2,041,817
Commercial Paper	7,985,265	9,500,784
Mortgage Backed Securities maturing within five years	28,019,651	34,380,459
Total Investments	47,784,463	50,435,011
Total Cash, Cash Equivalents and Investments	69,832,237	81,417,098
Less Unrestricted Cash, Cash Equivalents and Investments	(38,977,090)	(41,273,366)
Total Restricted Cash, Cash Equivalents and Investments	$ 30,855,147	$ 40,143,732

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, 2012 and 2011 are the following statutorily approved investments:

3. Cash, Cash Equivalents and Investments (continued)

US Government Agency Securities (Mortgage Backed 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 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 get money to meet short term debt obligations, and is only backed by an 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 to store money that is 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). This investment is a private, patented, for-profit service that breaks up large deposits and places them 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, but 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.

As of June 30, 2012, the Authority had the following investments, including short-term investments and money market funds.

	Amount	Maturity Date
Federal National Mortgage Discount Note	$ 999,990	July 16, 2012
Fidelity Money Market Mutual Funds – Governmental Fund 57	11,906,391	53 days (avg. weighted maturity) August 22, 2012
US Bank N.A. Commercial Paper	3,000,000	September 10, 2012
Federal Home Loan Banks Discount Note	2,002,640	September 21, 2012

3. Cash, Cash Equivalents and Investments (continued)

State of Nevada Local Government Investment Pool	$ 8,019,426	October 22, 2012 114 days (avg. weighted maturity)
First Independent Bank (CD)	209,938	December 5, 2012
First Independent Bank (CD)	500,000	December 5, 2012
General Electric Commercial Paper	1,996,625	December 21, 2012
Heritage Bank (CDARS)	3,050,183	December 27, 2012
US Bank N.A. Commercial Paper	995,100	January 28, 2013
General Electric Commercial Paper	1,993,540	January 29, 2013
Federal Home Loan Banks	1,499,670	September 12, 2013
Federal Home Loan Banks	1,498,965	November 22, 2013
Federal Home Loan Mortgage Corporation	2,003,220	January 9, 2014
Federal Farm Credit Banks	1,999,060	April 23, 2014
Federal Home Loan Banks	1,999,040	May 15, 2014
Federal Home Loan Banks	999,080	May 30, 2014
Federal Home Loan Mortgage Corporation	2,503,225	September 22, 2014
Federal National Mortgage Association	2,500,326	October 17, 2014
Federal National Mortgage Association	2,504,700	March 27, 2015
Federal National Mortgage Association	1,498,995	August 24, 2015
Federal National Mortgage Association	999,720	November 23, 2015
Federal Farm Credit Banks	1,000,450	February 1, 2016
Federal Farm Credit Banks	1,001,060	May 9, 2016
Federal National Mortgage Association	999,730	May 24, 2016
Federal Home Loan Mortgage Corporation	2,009,780	August 24, 2016
Total	$ 59,690,854	

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 Pooled 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 US Treasury Obligations, US Agency Securities, and bonds of governments within the State of Nevada. The LGIP is an unrated external investment pool.

At June 30, 2012 and 2011, Standard & Poor's had rated the mortgage backed securities as AAA and the Fidelity Governmental Fund 57 (money market funds) is rated AAA.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issue. The Authority places no limit on the amount the Authority may invest in any one issuer. At June 30, 2012 and 2011, the following investments equaled or exceeded 5% of the Authority's total investments:

3. Cash, Cash Equivalents and Investments (continued)

	2012	2011
Federal Home Loan Banks	13%	36%
Fidelity Governmental Fund 57 (money market)	20%	25%
Federal National Mortgage Association	16%	14%
CitiBank Commercial Paper	0%	10%
State of Nevada Local Government Investment Pool	13%	6%
Federal Farm Credit Banks	7%	0%
Federal Home Loan Mortgage Corporation	11%	0%
General Electric Commercial Paper	7%	0%
US Bank N.A. Commercial Paper	7%	0%
Heritage Bank (CDARS)	5%	0%

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

4. Accounts and Grants Receivable

The following amounts represent receivables due to the Authority at June 30, 2012 and 2011:

	2012	2011
Current:		
Unrestricted:		
Accounts Receivable	$ 3,082,425	$ 2,154,987
Less allowance for uncollectible	(72,982)	(173,186)
Net Accounts Receivable	3,009,443	1,981,801
Grants Receivable	444,916	2,358,811
Total Current Accounts and Grants Receivable	$ 3,454,359	$ 4,340,612

The grants receivable in the accompanying Statements of Net Assets represent reimbursements due for project costs under Federal Aviation Administration (FAA) and Transportation Security Administration (TSA) grants. When received, these amounts are deposited to the Authority's Revenue Account, pursuant to the bond resolutions as discussed in Note 6. All amounts due under FAA grants are subject to final approval by the FAA or TSA and are subject to 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.

4. Capital Assets (continued)

Capital asset balances and changes for the year ended June 30, 2012 are as follows:

	Balance June 30, 2011	Additions and Transfers	Deletions and Transfers	Balance June 30, 2012
Capital Assets, not being depreciated/amortized				
Land	$141,388,809	$ 13,160,356	$ -	$ 154,549,165
Construction in progress	52,861,302	31,901,901	(46,011,955)	38,751,248
Development rights	2,924,038	-	-	2,924,038
Total Capital Assets, not being depreciated/amortized	197,174,149	45,062,257	(46,011,955)	196,224,451
Capital Assets, being depreciated/amortized				
Improvements	301,192,233	30,060,588	-	331,252,821
Buildings	221,641,481	793,360	-	222,434,841
Equipment	60,285,969	2,378,407	(542,273)	62,122,103
Total Capital Assets, being depreciated/amortized	583,119,683	33,232,355	(542,273)	615,809,765
Less accumulated depreciation/amortization for:				
Improvements	180,413,916	13,346,439	-	193,760,355
Buildings	128,745,153	11,505,896	-	140,251,049
Equipment	23,427,140	5,340,676	(542,273)	28,225,543
Total Accumulated Depreciation/Amortization	332,586,209	30,193,011	(542,273)	362,236,947
Total Capital Assets, being depreciated/amortized, net	250,533,474	3,039,344	-	253,572,818
Net Capital Assets	$ 447,707,623	$48,101,601	$ (46,011,955)	$ 449,797,269

Capital asset balances and changes for the year ended June 30, 2011 are as follows:

	Balance June 30, 2010	Additions and Transfers	Deletions and Transfers	Balance June 30, 2011
Capital Assets, not being depreciated/amortized				
Land	$ 141,388,809	$ -	$ -	$ 141,388,809
Construction in progress	92,518,180	23,245,216	(62,902,094)	52,861,302
Development rights	-	2,924,038	-	2,924,038
Total Capital Assets, not being depreciated/amortized	233,906,989	26,169,254	(62,902,094)	197,174,149
Capital Assets, being depreciated/amortized				
Improvements	301,183,538	8,695	-	301,192,233
Buildings	162,608,119	59,033,362	-	221,641,481
Equipment	37,965,262	22,356,784	(36,077)	60,285,969
Development rights	2,924,038	-	(2,924,038)	-
Total Capital Assets, being depreciated/amortized	504,680,957	81,398,841	(2,960,115)	583,119,683
Less accumulated depreciation/amortization for:				
Improvements	168,039,045	12,374,871	-	180,413,916
Buildings	119,578,001	9,167,152	-	128,745,153
Equipment	20,125,957	3,328,241	(27,058)	23,427,140
Development rights	1,419,375	-	(1,419,375)	-
Total Accumulated Depreciation/Amortization	309,162,378	24,870,264	(1,446,433)	332,586,209
Total Capital Assets, being depreciated/amortized, net	195,518,579	56,528,577	(1,513,682)	250,533,474
Net Capital Assets	$ 429,425,568	$ 82,697,831	$ (64,415,776)	$ 447,707,623

5. Capital Assets (continued)

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

	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. In accordance with Governmental Accounting Standards Board, Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", development rights, which prevent the construction of residential homes on property adjacent to the Airport are a condition of land ownership that goes on into perpetuity.

6. Long-Term Debt

As of June 30, 2012, the RTAA had $41.27 million in debt (without regard to discounts or premiums and deferred losses on refundings) comprised of $26.27 million of senior lien revenue bonds (Series 2005 Airport Refunding bonds) and $15.00 million of a subordinate lien revenue note (Series 2011A, Subordinate Lien Revenue Note - Fixed Rate portion). During FY 2011-12, the final payment on the Series 2003 was made and this revenue bond issue has been retired.

Long-term debt activity for the year ended June 30, 2012 is summarized as follows:

	Balance June 30, 2011	New Debt	Principal Repayment	Discount/ Premium Amortization	Balance June 30, 2012
Revenue Bonds:					
Series 2003	$ 4,165,000	$ -	$ 4,165,000	$ -	$ -
Series 2005	27,455,000	-	1,185,000	-	26,270,000
Unamortized Premium	1,118,564	-	-	(74,571)	1,043,993
Deferred loss on refunding	(1,715,105)	-	-	114,340	(1,600,765)
Total Revenue Bond Debt	31,023,459	-	5,350,000	39,769	25,713,228
Less Current Portion	(5,350,000)				(1,245,000)
Noncurrent Revenue Bonds	25,673,459				24,468,228
Subordinate Notes:					
Series 2011 A – Fixed Rate	15,000,000	-	-	-	15,000,000
Series 2011 B – Variable Rate	-	-	-	-	-
Total Subordinate Notes	15,000,000	-	-	-	15,000,000
Less Current Portion	-				(2,335,000)
Noncurrent Subordinate Notes	15,000,000				12,665,000
Noncurrent Portion Debt Outstanding	$ 40,673,459				$ 37,133,228

6. Long-Term Debt (continued)

Long-term debt activity for the year ended June 30, 2011 is summarized as follows:

	Balance June 30, 2010	New Debt	Principal Repayment	Discount/ Premium Amortization	Balance June 30, 2011
Revenue Bonds:					
Series 2003	$ 12,100,000	$ -	$ 7,935,000	$ -	$ 4,165,000
Unamortized Premium	134,602	-	-	(134,602)	-
Deferred loss on refunding	(93,541)	-	-	93,541	-
Series 2005	28,600,000	-	1,145,000	-	27,455,000
Unamortized Premium	1,193,136	-	-	(74,572)	1,118,564
Deferred loss on refunding	(1,829,447)	-	-	114,342	(1,715,105)
Total Revenue Bond Debt	40,104,750	-	9,080,000	(1,291)	31,023,459
Less Current Portion	(9,080,000)				(5,350,000)
Noncurrent Revenue Bonds	31,024,750				25,673,459
Subordinate Notes:					
Series 2011 A – Fixed Rate	-	15,000,000	-	-	15,000,000
Series 2011 B – Variable Rate	-	-	-	-	-
Total Subordinate Notes	-	15,000,000	-	-	15,000,000
Less Current Portion	-				-
Noncurrent Subordinate Notes	-				15,000,000
Noncurrent Portion Debt Outstanding	$ 31,024,750				$ 40,673,459

Revenue Bonds (long-term)

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:

6. Long-Term Debt (continued)

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

Bond Reserve Account - an amount equal to the Minimum Securities Reserve. The Minimum Securities Reserve is the lesser of (a) the "combined average annual principal and interest requirements," or (b) an amount determined by adding the amount of the Minimum Securities Reserve in effect immediately prior to the issuance of Additional Securities to an amount equal to 10% of the proceeds, within the meaning of the Tax Code, of the then proposed to be issued Additional Securities. The Authority has chosen to satisfy the Minimum Securities Reserve by 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% or two months 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, 2012 and 2011.

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

6. Long-Term Debt (continued)

new debt per GASB Statement No. 23, “Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities” (GASB 23).

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 July 1, 2011.

On June 30, 2011, $4,165,000 of bonds considered defeased was still outstanding. In July 2011, the 2003 bonds were retired.

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.

The 2005 bonds with an aggregate principal of $26,270,000 are not subject to redemption prior to maturity.

Maturities of revenue bonds will require the following principal and interest payments (based on amounts outstanding at June 30, 2012):

Series 2005	Amount	
Bond year ended July 1,	Principal	Interest
2012	$ 1,245,000	$ 1,276,150
2013	1,310,000	1,213,900
2014	1,355,000	1,161,500
2015	1,420,000	1,101,300
2016	1,475,000	1,044,500
2017-2021	8,550,000	4,050,000
2022-2026	10,915,000	1,690,750
	$ 26,270,000	$ 11,538,100

Subordinate Notes (Medium Term)

On June 1, 2011, the Reno-Tahoe Airport Authority obtained funding for various capital improvement projects from Banc of America Public Capital Corporation (BAPCC) through the issuance of Subordinate Lien Airport Revenue Notes (“Subordinate Notes”). With a maximum principal amount of $30 million, the Subordinate Notes have a final maturity of July 1, 2017 and were issued in two separate series: (1) Series "2011A" Subordinate Lien Revenue Note - Fixed Rate and (2) Series "2011B" Subordinate Lien Revenue Note - Variable Rate.

The Subordinate Notes are special limited obligations of the Authority payable solely from and secured by a pledge of Subordinate Net Revenues from the operations of the Airport System (as defined in the 2011 Subordinate Airport Revenue Note Resolution) and certain funds and accounts. Subordinate Net Revenue represents gross revenues of the Airport System less operating and maintenance expenses less debt service requirement on any existing or future senior Airport Revenue Bonds outstanding.

The proceeds of the Notes will be used to finance the costs of capital improvement projects at the Reno-Tahoe International Airport (RTIA) and Reno-Stead Airport (RTS), which include the following:

1. Reno-Tahoe International Airport - Terminal Refurbishment Project
2. Reno-Tahoe International Airport - Consolidated Security Checkpoint of the Future
3. Reno-Tahoe International Airport - Snow Removal Equipment (SRE) Building
4. Reno-Stead Airport - Emergency Operations Command Center/ Terminal Building
5. Reno-Tahoe International Airport - Equipment and Miscellaneous Capital Improvement Projects

The interest on the 2011 Subordinate Lien Revenue Notes is excluded from gross income under federal income tax laws; however, the notes are subject to the alternative minimum tax ("AMT").

The Authority has divided the borrowing into two parts as follows:

- Series "2011A" Subordinate Lien Revenue Note - Fixed Rate portion. The Authority has obtained and deposited $15 million of notes, as a fixed rate obligation with a final maturity of July 1, 2017. Interest on the 2011A Note over the six year term has been locked-in at 2.75% with payment semiannually starting on January 1, 2012. Principal payments will be made annually on July 1, commencing on July 1, 2012, with the final payment on July 1, 2017. Principal payments will be structured so that the total annual payments of principal and interest on the 2011A Note will be approximately level from FY 2012 through FY 2017.

- Series "2011B" Subordinate Lien Revenue Note - Variable Rate portion. The Authority has structured $15 million of the loan as a variable rate loan, which would also have a final maturity of July 1, 2017. The 2011B Note is designed to serve as a flexible borrowing instrument such that the Authority can borrow under the Note for a two year period through May 31, 2013 in increments of $1,000,000 or greater. After any draw under the 2011B Note has been outstanding for a period greater than one year, the Authority can make repayment at any time. As of June 30, 2012 and 2011, the Authority has no draws outstanding on the 2011 B Note.

6. Long-Term Debt (continued)

The rate for the 2011B Note is established at 1.581% over the six month London Interbank Offering Rate (LIBOR) rate multiplied by 65%. The borrowing rate as of June 30, 2012, if a draw was instituted, would have been at 2.06%. The interest rate on the 2011B Note is capped at 12%.

The Consolidated Security Checkpoint and the Snow Removal Equipment Building, funded from the proceeds of the Notes, are eligible for the associated debt service to be repaid from future Passenger Facility Charge ("PFC") revenue. The Authority submitted an application to the Federal Aviation Administration ("FAA") for approval on March 9, 2011 and obtained approval on August 29, 2011 to apply PFC revenue toward project costs and any associated debt service for these projects.

The Authority has also covenanted in the 2011 Subordinate Note Resolution that the Authority will apply Passenger Facility Charges (PFCs) to the repayment of PFC eligible debt service under the Notes, provided that the amount of PFCs applied toward debt service will not exceed a cumulative total of $18 million in fiscal year 2011-12 through fiscal year 2016-17. The Authority collected $6.807 million and $7.347 million of PFC revenue during the years ended June 30, 2012 and 2011, respectively.

To the extent that the PFC-eligible debt service on the 2011 Subordinate Notes may exceed a total of $18 million and, a portion of such debt service is thus not paid from PFCs, the Authority will be obligated to pay such debt service from Net Revenues, under a basis subordinate to any existing or future annual debt service of the senior lien Airport Revenue Bonds.

Maturities of subordinate notes will require the following principal and interest payments (based on amounts outstanding at June 30, 2012):

Subordinate Note – Series 2011A	Amount	
Note year ended July 1,	Principal	Interest
2012	$ 2,335,000	$ 446,875
2013	2,400,000	348,287
2014	2,465,000	282,288
2015	2,530,000	214,500
2016	2,600,000	144,925
2017	2,670,000	73,425
	$ 15,000,000	$ 1,510,300

7. Rate Maintenance Covenant

The RTAA's senior lien 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 senior lien debt service. Pledged revenues consist of the following at June 30:

	2012	2011
Airport System Revenues:		
Airline Fees and Rentals:		
Landing fees	$ 6,959,299	$ 5,223,368
Terminal building space rental	6,357,591	6,031,191
Total Airline Fees and Rentals	13,316,890	11,254,559
Non-Airline Revenues:		
Other aircraft fees	833,751	911,175
Concession fees	10,649,435	11,727,995
Parking and ground transportation	8,742,195	8,927,778
Other rentals	6,142,310	6,204,599
Reimbursement for services	2,407,854	2,368,283
Other operating revenues	68,099	42,411
Non-operating revenues	608,334	584,802
	29,451,978	30,767,043
Gross pledged revenues	42,768,868	42,021,602
Airport system operation and maintenance expenses	(33,845,018)	(33,415,074)
Airline revenue sharing	1,926,162	3,594,787
35% of gaming revenue	(626,665)	(789,832)
Net Pledged Revenues	$ 10,223,347	$ 11,411,483
Debt Service Coverage Required	$ 3,151,438	$ 8,617,063
Debt Service Coverage Requirement is the greater of the following:		
125% of Senior Lien Revenue Bond Debt Service	$ 3,151,438	$ 8,617,063
100% of Senior Lien Debt Service	$ 2,521,150	$ 6,893,650

The RTAA's subordinate lien debt is limited by Subordinate Net Revenues from the operations of the Airport System (as defined in the 2011 Subordinate Airport Revenue Note Resolution) and certain funds and accounts. Subordinate Net Revenue represents gross revenues of the Airport System less operating and maintenance expenses less the debt service requirement on any existing or future senior lien debt outstanding. Subordinate Net Revenues must exceed 110% of any existing or future subordinate lien debt.

7. Rate Maintenance Covenant (continued)

In fiscal year ending June 30, 2011, no Subordinate Lien Debt Service was due and payable.

	2012	2011
Net Pledged Revenues	$ 10,223,347	$ 11,411,483
100% Senior Lien Debt Service	(2,521,150)	(6,893,650)
Pledged Passenger Facility Charge Revenue	1,383,833	-
Subordinate Net Revenues	$ 9,086,030	$ 4,517,833
Debt Service Coverage Required	$ 3,060,063	$ 3,060,063
Debt Service Coverage Requirement is the greater of the following:		
110% of Subordinate Lien Debt Service	$ 3,060,063	$ -
100% of Subordinate Lien Debt Service	$ 2,781,875	$ -

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, 2012 and June 30, 2011, $10,649,435 and $11,727,995, 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:

2013	$ 20,808,749
2014	20,558,948
2015	20,026,620
2016	4,719,833
2017	4,676,315
2018-2023	26,242,190
Total	$ 97,032,655

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

9. Pension Plan (continued)

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
2011-2012	23.75%	39.75%	$3,684,541
2010-2011	21.50%	37.00%	$3,356,022
2009-2010	21.50%	37.00%	$3,197,000

10. Capital Contributions

The Authority has received capital contributions as follows:

	Inception to date	Year Ended 2012	Year Ended 2011
Federal	$397,945,720	$10,248,935	$17,164,622
State	250,331	-	-
Other Sources	25,376,668	50,000	18,416,666
Total	$423,572,719	$10,298,935	$35,581,288

Total Capital Contributions for the year ended June 30, 2012 and 2011 are $10,298,935 and $35,581,288 respectively. Federal awards are received through the Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA) and the Transportation Security Administration (TSA). Contributions from other sources for the year ended June 30, 2012 included the payment from the RTAA's advertising concessioner for improvements to the terminal refurbishment project.

Contributions from other sources for the year ended June 30, 2011 included a rebate from NV Energy for the installation and use of solar panels on Airport property, donation of art for display in the terminal building, and revision of ownership of hanger buildings to the Authority at the expiration of lease agreements.

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, 2012:

Airfield	$ 8,052,966
Terminal	18,703,082
Reno-Stead Airport	162,562
Other	358,235
Total Outstanding Commitments	$ 27,276,845

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

In 2000, the Authority 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 paid amounts to prefund these costs and the Lear entities paid settlement amounts to end participation. During the current fiscal year, an updated study was completed, which identified additional remediation costs of $5.48 million that would be required over the next 23 years. Based on the 18.5% share allocated to the RTAA, additional expense and a related liability of $474,912 was recorded in accordance with the Governmental Accounting Standard Board Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligation*." The reclamation liability at June 30, 2012 and 2011 is $510,813 and $71,059, respectively.

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, 2012 and 2011 respectively, the net other postemployment benefit liability was $498,421 and $367,820. 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 Public Employees Benefits Program (PEBP). Each plan provides medical benefits to eligible Authority retirees and beneficiaries.

A. RTAA Group Health Plan

<u>Plan Description and Eligibility</u>: Benefit provisions for the RTAA Group Health Plan are established pursuant to Nevada Revised Statute ("NRS") 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 these financial statements. The RTAA plan offers qualified retirees medical, prescription, vision, and dental insurance for themselves and their dependents.

The plan was modified during the year ended June 30, 2012 for those employees retiring after June 30, 2012; participation is no longer available for retirees retiring after June 30, 2012.

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. Retiree has retired prior to June 30, 2012.
4. The employee retires directly into the Nevada Public Employees Retirement System (PERS) with no gap between RTAA separation and PERS retirement date; and
5. 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.

<u>Funding Policy:</u> 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 workforce, thereby benefitting from an implicit subsidy. As of June 30, 2012, there were five participating in the plan and, as of June 30, 2011, there were three retirees participating in the plan.

13. Other Postemployment Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation: The Authority had an actuarial valuation performed for the plan as of January 1, 2011 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, 2011. A roll forward of that valuation was also performed for fiscal year 2012. For fiscal year 2012, the Authority's employer contribution, which is the value of the plan's implicit rate subsidy, for retirees' benefits was $11,395. For fiscal year 2011, the Authority's employer contribution, which is the value of the plan's implicit rate subsidy, for retirees' benefits was $11,871. As of June 30, 2012 and 2011, 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
2010	$ 103,302	$ 25,932	25.10%	$ 161,320
2011	$ 47,310	$ 11,871	25.09%	$ 196,759
2012	$ 50,191	$ 11,395	22.70%	$ 235,554

The net OPEB obligation as of June 30, 2012 and 2011 was calculated as follows:

	2012	2011
Determination of Annual Required Contribution:		
Normal cost	$ 37,073	$ 35,647
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	12,107	10,716
Interest to June 30	960	905
Annual Required Contribution (ARC)	$ 50,140	$ 47,268
Determination of Net OPEB Obligation:		
Annual Required Contribution	$ 50,140	$ 47,268
Interest on Net OPEB Obligation	7,870	6,453
Adjustment to ARC	(7,820)	(6,411)
Annual OPEB Cost	50,190	47,310
Retiree Benefit Payments Paid by the Authority	(11,395)	(11,871)
Increase (Decrease) in Net OPEB Obligation	38,795	35,439
Net OPEB Obligation, Beginning of Year	196,759	161,320
Net OPEB Obligation, End of Year	$ 235,554	$ 196,759
Funded Status and Funding Progress:		
Actuarial Accrued Liability (AAL)	$ 316,839	$ 280,420
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 319,839	$ 280,420
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.00%	0.00%
Covered Payroll (Active Plan Members as of June 30)	$ 14,473,649	$ 14,242,488
UAAL as Percentage of Covered Payroll	2.21%	1.97%

13. Other Postemployment Benefits (continued)

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.

<u>Actuarial Methods and Assumption:</u> 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, 2012 actuarial roll forward valuation and the January 1, 2011 valuation, 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 8.5% for fiscal year 2011 through 2012 and declining to an ultimate trend of 5% for the 2016 fiscal year. These rates include a 3.0% 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 being amortized as a level percentage of payroll over 30 years on an open basis. It was assumed the Authority's payroll would increase 4% per year for all employees for the purpose of amortization.

B. State of Nevada's Public Employees Benefits Program (PEBP)

Plan Description and Eligibility: For employees who retired prior to September 1, 2008, Nevada Revised Statute ("NRS") 287.023 allows retired employees of governmental entities within the State of Nevada to join the State's Public Employees Benefits 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.

13. Other Postemployment Benefits (continued)

Funding Policy: The Authority is required to provide a subsidy to retiree's plan 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 $13 to a maximum of $575 per month for the year ended June 30, 2012; subsidies ranged from a minimum of $8 to a maximum of $473 per month for the year ended June 30, 2011. 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 $157,813 for 41 retirees, which equaled the required contribution. The prior year's contribution to PEBP was $197,488 for 49 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, 2011. For the plan year 2012, the Authority had a roll forward of the actuarial valuation performed for the plan as of January 1, 2011. The valuations were 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, 2012 and 2011. As of June 30, 2012 and 2011, 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
2010	$ 265,963	$ 192,129	72.24%	$ 116,954
2011	$ 251,596	$ 197,488	78.49%	$ 171,062
2012	$ 249,618	$ 157,813	63.22%	$ 262,867

The net OPEB obligation as of June 30, 2012 and 2011 was calculated as follows:

	2012	2011
Determination of Annual Required Contribution:		
Normal cost	$ -	$ -
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	247,844	248,822
Interest to June 30	4,840	4,859
Annual Required Contribution (ARC)	$ 252,684	$ 253,681
Determination of Net OPEB Obligation:		
Annual Required Contribution	$ 252,684	$ 253,681
Interest on Net OPEB Obligation	6,879	4,678
Adjustment to ARC	(9,945)	(6,763)
Annual OPEB Cost	249,618	251,596
Retiree Benefit Payments Paid by the Authority	(157,813)	(197,488)
Increase (Decrease) in Net OPEB Obligation	91,805	54,108
Net OPEB Obligation, Beginning of Year	171,062	116,954
Net OPEB Obligation, End of Year	$ 262,867	$ 171,062

13. Other Postemployment Benefits (continued)

	2012	2011
Funded Status and Funding Progress:		
Actuarial Accrued Liability (AAL)	$ 4,457,163	$ 4,474,745
Actuarial Value of Plan Assets	-	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 4,457,163	$ 4,474,745
Funded Ratio (Actuarial 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, 2012 actuarial roll forward valuation and the January 1, 2011 valuation, 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 8.5% for fiscal year 2011 through 2012 and declining to an ultimate trend of 5% for the 2016 fiscal year. These rates include a 3.0% 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 the Post Employment Health Plan (PEHP), pursuant to Section 501(C) (9) of the Internal Revenue Code permitting such plans. The plan is administrated by Nationwide Retirement Solutions. The purpose of the plan is to provide for reimbursement of qualified post employment 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 post employment health benefits through the following funding formulas:

14. Post Employment Health Plan – Defined Contribution Plan (continued)

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

1) Each July 1st 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) Each July 1st 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) Each July 1st 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, 2012, $190,517 was contributed to the PEHP plan. For the year ended, June 30, 2011, $179,430 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.

2) Each pay period, $31 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.

14. Post Employment Health Plan – Defined Contribution Plan (continued)

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, 2012, $16,637 was contributed to the Airport Authority Police Officers Association plan. For the year ended June 30, 2011, $16,269 was contributed to the Airport Authority Police Officers Association plan.

Employees covered by Airport Authority Operations Professional Association have the following plan provisions:

1) Upon the plan's inception, RTAA contributed $30 from each regular employee's salary per pay period into the plan.

2) Once an employee has accumulated twenty (20) hours of compensatory time, RTAA shall contribute 100% of that member's compensatory time in excess of twenty (20) hours into their plan account at 100% of their base pay.

3) For those employees with greater than 800 hours of accrued sick leave as of the last pay period in October, on the first pay period each December, the RTAA shall contribute fifty (50) hours of each employee's accrued sick time into their plan account at 100% of their base pay.

4) For those employees with greater than 320 hours, but less than 800 hours of accrued sick leave as of the last pay period in October, on the first pay period each December, the RTAA shall contribute twenty-five (25) hours of each member's accrued sick time into their plan account at 100% of their base pay, provided such contribution does not reduce the employee's sick accrual balance to less than 320 hours.

5) For those employees who 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 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, 2012, $540 was contributed to the Airport Authority Operations Professional Association Plan. For the year ended June 30, 2011 $1,458 was contributed to the Airport Authority Operations Professional Association Plan.

RENO-TAHOE AIRPORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012

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, 2011	$ -	$ 280,420	0%	$ 280,420	$ 14,242,488	1.97%
January 1, 2009	-	505,695	0%	505,695	13,978,756	3.62%

State of Nevada's Public Employees' Benefits Program (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, 2011	$ -	$ 4,474,745	0%	$ 4,474,745	N/A	N/A
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.

Note 2 - TREND DATA

The primary reasons for the decrease in the Acturial Accrued Liability (AAL) of the Reno-Tahoe Airport Authority Group Health Plan and the State of Nevada's Public Employees' Benefits Program (PEBP), respectively, are: (1) the elimination of the implicit liability for dental and vision benefits and (2) slight reduction in assumption regarding the percentage of employees who will elect to continue medical coverage through the Authority and (3) the 2009 reduction in PEBP subsidies required to be paid for retirees covered under that program and a small decrease in retirees covered by that program.

Note 3 - PEBP

PEBP was closed to Authority employees retired after September 1, 2008.

RENO-TAHOE AIRPORT AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES
COMPARISON OF BUDGET TO ACTUAL
YEAR ENDED JUNE 30, 2012

	Original Budget	Final Amended Budget	Actual	Variance To Final Budget
Operating revenues:				
Landing fees	$ 8,165,254	$ 8,165,254	$ 7,793,050	$ (372,204)
Concession revenue	11,780,700	11,780,700	10,649,435	(1,131,265)
Parking and ground transportation	8,980,800	8,980,800	8,742,195	(238,605)
Rentals	13,925,100	13,925,100	12,499,901	(1,425,199)
Reimbursements for services	2,733,659	2,733,659	2,407,854	(325,805)
Other revenue	12,000	12,000	68,099	56,099
Total Operating Revenues	45,597,513	45,597,513	42,160,534	(3,436,979)
Operating expenses:				
Employee wages and benefits	24,085,700	24,085,700	23,094,222	991,478
Utilities and communications	3,443,255	3,443,255	2,626,376	816,879
Purchase of services	5,013,547	5,013,547	4,019,245	994,302
Materials and supplies	1,851,220	1,851,220	1,871,019	(19,799)
Administrative expenses	2,313,982	2,313,982	2,234,156	79,826
Total Operating Expenses before Depreciation and Amortization	36,707,704	36,707,704	33,845,018	2,862,686
Depreciation and amortization	27,500,000	27,500,000	30,253,602	(2,753,602)
Total Operating Expenses	64,207,704	64,207,704	64,098,620	109,084
Operating Income (Loss)	(18,610,191)	(18,610,191)	(21,938,086)	(3,327,895)
Non-operating revenues (expenses):				
Interest income	273,000	273,000	210,110	(62,890)
Passenger facility charge revenue	7,412,100	7,412,100	6,806,898	(605,202)
Jet fuel tax revenue	329,000	329,000	304,048	(24,952)
Gain (loss) on sale of capital assets	-	-	8,014	8,014
Gain (loss) on sale of easements	-	-	70,637	70,637
Reclamation expenses	-	-	(474,912)	(474,912)
Interest expense	(1,530,056)	(1,530,056)	(1,315,921)	214,135
Total Non-Operating Revenues (Expenses)	6,484,044	6,484,044	5,608,874	(875,170)
Income (Loss) Before Capital Contributions	$(12,126,147)	$(12,126,147)	$(16,329,212)	$ (4,203,065)

RENO-TAHOE AIRPORT AUTHORITY
SCHEDULE OF DEBT SERVICE REQUIREMENTS ON BONDS
JUNE 30, 2012

Bond Year Ended July 1	Airport Revenue Refunding Bonds Series 2005		Airport Revenue Subordinate Lein Revenue Notes Series 2011A		
	Principal	Interest	Principal	Interest	Total
2012	$ 1,245,000	$ 1,276,150	$ 2,335,000	$ 446,875	$ 5,303,025
2013	1,310,000	1,213,900	2,400,000	348,287	5,272,187
2014	1,355,000	1,161,500	2,465,000	282,288	5,263,788
2015	1,420,000	1,101,300	2,530,000	214,500	5,265,800
2016	1,475,000	1,044,500	2,600,000	144,925	5,264,425
2017	1,550,000	970,750	2,670,000	73,425	5,264,175
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
	$ 26,270,000	$ 11,538,100	$ 15,000,000	$ 1,510,300	$ 54,318,400

Statistical Section

STATISTICAL SECTION EXPLANATIONS

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operation Information

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

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

RENO-TAHOE AIRPORT AUTHORITY
NET ASSETS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2003 - 2012
(unaudited)

	2003	2004	2005	2006	2007
Operating revenues					
Landing fees	$6,102,736	$5,798,888	$5,801,560	$7,545,675	$7,142,939
Concession revenue	11,686,716	11,595,147	12,618,012	14,385,592	15,095,247
Parking and ground transportation	7,020,300	7,928,016	9,082,135	10,253,964	10,136,245
Rentals	8,438,313	9,552,561	11,102,359	11,352,662	12,225,827
Reimbursements for services	771,079	940,509	477,425	827,853	959,434
Other revenue	533,140	193,519	8,648	27,238	37,005
Total operating revenues	34,552,284	36,008,640	39,090,139	44,392,984	45,596,697
Nonoperating revenues					
Interest income	1,310,023	345,940	1,370,190	1,723,481	3,382,557
Passenger facility charge revenue	8,348,271	10,343,967	8,771,723	11,029,218	10,992,217
Insurance proceeds	18,245,962	16,264	30,000	-	13,853
Jet fuel tax income	-	375,000	414,908	414,874	338,810
Gain on sale of capital assets	-	40,043	1,311,777	496,591	112,337
Gain on sale of easements	-	-	-	-	-
Total nonoperating revenues	27,904,256	11,121,214	11,898,598	13,664,164	14,839,774
Total revenues	62,456,540	47,129,854	50,988,737	58,057,148	60,436,471
Operating expense					
Employee wages and benefits	16,194,694	17,267,109	18,158,194	19,929,337	20,877,676
Utilities and communications	1,918,689	2,071,461	2,425,659	2,457,764	2,797,048
Purchase of services	2,795,490	2,863,032	3,115,090	3,232,102	3,131,901
Materials and supplies	1,034,323	1,057,637	1,524,721	1,649,492	1,546,951
Administrative expenses	2,397,453	2,855,358	2,167,021	2,261,031	2,100,296
	24,340,649	26,114,597	27,390,685	29,529,726	30,453,872
Depreciation and amortization	15,516,102	17,044,725	17,374,021	18,564,621	20,686,072
Total operating expenses	39,856,751	43,159,322	44,764,706	48,094,347	51,139,944
Nonoperating expenses					
Loss on sale of capital assets	47,882	-	-	-	-
Loss on debt defeasance	-	-	-	-	-
Reclamation expenses	-	-	-	-	-
Interest expense	5,729,405	4,227,792	4,126,651	3,608,057	3,229,056
Total nonoperating expenses	5,777,287	4,227,792	4,126,651	3,608,057	3,229,056
Total expenses	45,634,038	47,387,114	48,891,357	51,702,404	54,369,000
Capital contributions	16,764,255	21,076,563	19,279,194	23,701,303	18,910,166
Increase in Net Assets	$33,586,757	$20,819,303	$21,376,574	$30,056,047	$24,977,637
Net Assets at Year-End					
Invested in capital assets, net of related debt	$211,122,019	$229,094,661	$240,083,059	$259,361,293	$280,057,920
Restricted	29,473,577	26,469,671	36,564,162	42,831,382	53,606,914
Unrestricted	43,920,409	49,770,976	50,064,661	54,575,254	48,080,732
Total Net Assets	$284,516,005	$305,335,308	$326,711,882	$356,767,929	$381,745,566

RENO-TAHOE AIRPORT AUTHORITY
NET ASSETS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2003 - 2012
(unaudited)

	2008	2009	2010	2011	2012
Operating revenues					
Landing fees	$8,503,502	$8,020,650	$9,157,170	$6,134,543	$7,793,050
Concession revenue	15,610,371	14,267,318	14,400,176	11,727,995	10,649,435
Parking and ground transportation	10,285,079	9,102,015	8,738,391	8,927,778	8,742,195
Rentals	12,100,223	12,172,296	10,378,966	12,235,790	12,499,901
Reimbursements for services	630,653	957,499	1,838,355	2,368,283	2,407,854
Other revenue	13,206	82,970	18,300	42,411	68,099
Total operating revenues	47,143,034	44,602,748	44,531,358	41,436,800	42,160,534
Nonoperating revenues					
Interest income	2,440,071	1,814,681	347,571	286,887	210,110
Passenger facility charge revenue	9,931,917	7,688,656	7,737,810	7,346,775	6,806,898
Insurance proceeds	-	-	-	-	-
Jet fuel tax income	400,006	313,204	304,912	319,073	304,048
Gain on sale of capital assets	89,009	544,222	9,641	3,226	8,014
Gain on sale of easements	-	-	-	-	70,637
Total nonoperating revenues	12,861,003	10,360,763	8,399,934	7,955,961	7,399,707
Total revenues	60,004,037	54,963,511	52,931,292	49,392,761	49,560,241
Operating expense					
Employee wages and benefits	22,612,550	21,868,506	21,148,848	22,421,307	23,094,222
Utilities and communications	2,655,511	2,978,879	3,234,216	2,934,201	2,626,376
Purchase of services	3,039,115	3,037,358	3,218,502	4,176,135	4,019,245
Materials and supplies	1,651,664	1,424,020	1,611,574	1,855,013	1,871,019
Administrative expenses	1,976,701	1,911,933	1,922,140	2,028,418	2,234,156
	31,935,541	31,220,696	31,135,280	33,415,074	33,845,018
Depreciation and amortization	22,000,778	21,904,868	23,624,026	23,521,743	30,253,602
Total operating expenses	53,936,319	53,125,564	54,759,306	56,936,817	64,098,620
Nonoperating expenses					
Loss on sale of capital assets	-	-	-	-	-
Loss on debt defeasance	-	-	207,881	-	-
Reclamation expenses	-	-	-	-	474,912
Interest expense	2,834,064	2,417,329	2,146,371	1,542,358	1,315,921
Total nonoperating expenses	2,834,064	2,417,329	2,354,252	1,542,358	1,790,833
Total expenses	56,770,383	55,542,893	57,113,558	58,479,175	65,889,453
Capital contributions	31,014,332	14,759,282	24,330,343	35,581,288	10,298,935
Increase in Net Assets	$34,247,986	$14,179,900	$20,148,077	$26,494,874	($6,030,277)
Net Assets at Year-End					
Invested in capital assets, net of related debt	$310,515,372	$354,630,181	$381,032,297	$413,692,789	$415,582,335
Restricted	50,911,600	29,015,626	21,539,564	24,195,980	19,148,691
Unrestricted	54,566,580	46,527,645	47,749,668	38,927,634	36,055,100
Total Net Assets	$415,993,552	$430,173,452	$450,321,529	$476,816,403	$470,786,126

RENO-TAHOE AIRPORT AUTHORITY
SUMMARY OF OPERATING RESULTS
FOR THE YEARS ENDED JUNE 30, 2003 - 2012
(unaudited)

	2003	2004	2005	2006	2007
Operating Revenues	$34,552,284	$36,008,640	$39,090,139	$44,392,984	$45,596,697
Operating Expenses	(24,340,649)	(25,626,456)	(27,390,685)	(29,529,726)	(30,453,872)
Operating Income before Depreciation and Amortization	10,211,635	10,382,184	11,699,454	14,863,258	15,142,825
Depreciation and Amortization	(15,516,102)	(17,044,725)	(17,374,021)	(18,564,621)	(20,686,072)
Operating Income (Loss)	(5,304,467)	(6,662,541)	(5,674,567)	(3,701,363)	(5,543,247)
Nonoperating Revenues and (Expenses):					
Interest Income	1,310,023	345,940	1,370,190	1,723,481	3,382,557
PFC Revenue	8,348,271	10,343,967	8,771,723	11,029,218	10,992,217
Insurance Proceeds	18,245,962	16,264	30,000	-	13,853
Jet Fuel Tax Revenue (Expense)	-	(113,141)	414,908	414,874	338,810
Interest Expense	(5,729,405)	(4,227,792)	(4,126,651)	(3,608,057)	(3,229,056)
Gain (Loss) on Sale of Capital Assets	(47,882)	40,043	1,311,777	496,591	112,337
Gain (Loss) on Sale of Easements	-	-	-	-	-
Reclamation Expenses	-	-	-	-	-
Gain (Loss) on Debt Defeasance	-	-	-	-	-
	22,126,969	6,405,281	7,771,947	10,056,107	11,610,718
Income (Loss) Before Capital Contributions	$16,822,502	($257,260)	$2,097,380	$6,354,744	$6,067,471

RENO-TAHOE AIRPORT AUTHORITY
SUMMARY OF OPERATING RESULTS
FOR THE YEARS ENDED JUNE 30, 2003 - 2012
(unaudited)

	2008	2009	2010	2011	2012
Operating Revenues	$47,143,034	$44,602,748	$44,531,358	$41,436,800	$42,160,534
Operating Expenses	(31,935,541)	(31,220,696)	(31,135,280)	(33,415,074)	(33,845,018)
Operating Income before Depreciation and Amortization	15,207,493	13,382,052	13,396,078	8,021,726	8,315,516
Depreciation and Amortization	(22,000,778)	(21,904,868)	(23,624,026)	(23,521,743)	(30,253,602)
Operating Income (Loss)	(6,793,285)	(8,522,816)	(10,227,948)	(15,500,017)	(21,938,086)
Nonoperating Revenues and (Expenses):					
Interest Income	2,440,071	1,814,681	347,571	286,887	210,110
PFC Revenue	9,931,917	7,688,656	7,737,810	7,346,775	6,806,898
Insurance Proceeds	-	-	-	-	-
Jet Fuel Tax Revenue (Expense)	400,006	313,204	304,912	319,073	304,048
Interest Expense	(2,834,064)	(2,417,329)	(2,146,371)	(1,542,358)	(1,315,921)
Gain (Loss) on Sale of Capital Assets	89,009	544,222	9,641	3,226	8,014
Gain (Loss) on Sale of Easements	-	-	-	-	70,637
Reclamation Expenses	-	-	-	-	(474,912)
Gain (Loss) on Debt Defeasance	-	-	(207,881)	-	-
	10,026,939	7,943,434	6,045,682	6,413,603	5,608,874
Income (Loss) Before Capital Contributions	$3,233,654	($579,382)	($4,182,266)	($9,086,414)	($16,329,212)

RENO-TAHOE AIRPORT AUTHORITY
REVENUE RATES
FOR THE YEARS ENDED JUNE 30, 2003-2012
(unaudited)

	Landing Fee		RON (Ramp Over Night)			
Year	Signatory	Non-Signatory	Signatory	Non-Signatory	Terminal Rental Rate Average	Cost per Enplanements
2012	$ 2.59	$ 2.83	$ 0.38	$ 0.71	$ 48.93	$ 6.81
2011	1.83	1.89	0.29	0.47	46.57	5.45
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

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 which remained in effect through June 20 2010. Starting on July 1, 2010, the Authority and the airlines executed a new five-year airline agreement.

RENO-TAHOE AIRPORT AUTHORITY
SCHEDULE OF DEBT AND OBLIGATION COVERAGES
FOR THE YEARS ENDED JUNE 30, 2003-2012
(unaudited)

YEAR	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Gross Pledged Revenues	$42,768,868	$42,021,602	$45,086,530	$46,053,401	$48,937,846	$48,071,900	$45,613,384	$39,818,362	$36,253,101	$35,752,386
Transfers- LOI Bond	-	-	650,117	644,911	641,856	639,373	649,427	647,661	654,578	656,730
Airline Revenue Sharing	1,926,162	3,594,787	1,516,737	1,892,768	1,867,149	2,111,696	1,537,929	1,653,595	2,246,836	1,421,946
35% Gaming Revenue	(626,665)	(789,832)	(780,474)	(946,661)	(1,221,986)	(1,294,816)	(1,199,079)	(1,079,961)	(882,000)	(882,000)
Direct Operating Expense (2)	(33,845,018)	(33,415,074)	(31,135,280)	(31,220,696)	(31,935,541)	(30,453,872)	(29,328,473)	(27,077,057)	(25,626,456)	(24,340,649)
Net Pledged Revenue (Available for Debt and Obligation Payments)	10,223,347	11,411,483	15,337,630	16,423,723	18,289,324	19,074,281	17,273,188	13,962,600	12,646,059	12,608,413
Debt Service (Senior Lien Debt Service)	2,521,150	6,893,650	11,268,725	10,768,625	10,770,476	10,765,468	9,631,770	8,116,213	6,622,348	6,320,942
Debt Service Coverage Ratio - Senior Lien Debt Service	4.06	1.66	1.36	1.53	1.70	1.77	1.79	1.72	1.91	1.99
Net Pledged revenue (Available for Subordinate Notes)	7,702,197	-	-	-	-	-	-	-	-	-
Pledged PFC Revenue	1,383,833	-	-	-	-	-	-	-	-	-
Pledged revenue (Available for Subordinate Notes)	9,086,030	-	-	-	-	-	-	-	-	-
Debt Service (Subordinate Lien Debt Service)	2,781,875	-	-	-	-	-	-	-	-	-
Debt Service - Coverage Ratio - Subordinate Lien Debt Service	3.27	-	-	-	-	-	-	-	-	-

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

RENO-TAHOE AIRPORT AUTHORITY
RATE MAINTENANCE COVENANT PERFORMANCE
FOR THE YEARS ENDED JUNE 30, 2003 - 2012
(unaudited)

	2003	2004	2005	2006	2007
Operating Revenues	$34,552,284	$36,008,640	$39,090,139	$44,392,984	$45,596,697
Trust Fund Investment Interest Income	1,200,102	244,461	728,223	1,220,400	2,475,203
Gross Pledged Revenues	35,752,386	36,253,101	39,818,362	45,613,384	48,071,900
Transfers - General Purpose Fund for LOI Bond Debt Service	656,730	654,578	647,661	649,427	639,373
Operating Expenses	(24,340,649)	(25,626,456)	(27,077,027)	(29,328,473)	(30,453,872)
Airline revenue share prior year	1,421,946	2,246,836	1,653,595	1,537,929	2,111,696
35% of Gaming Revenues	(882,000)	(882,000)	(1,079,961)	(1,199,079)	(1,294,816)
Net Pledged Revenues - Senior Lien Bonds	$12,608,413	$12,646,059	$13,962,630	$17,273,188	$19,074,281
125% of Senior Lien Revenue Bond Debt Service	$7,030,344	$8,277,935	$10,145,266	$12,039,713	$13,456,835
Senior Lien Debt Service	$5,624,275	$6,622,348	$8,116,213	$9,631,770	$10,765,468
Net Pledged Revenues - Subordinate Lien Notes	$6,984,138	$6,023,711	$5,846,417	$7,641,418	$8,308,813
Pledged Passenger Facility Charges	-	-	-	-	-
Pledged Revenues - Subordinate Lien Notes	$6,984,138	$6,023,711	$5,846,417	$7,641,418	$8,308,813
110% of Subordinate Lien Debt Service	$ -	$ -	$ -	$ -	$ -
Subordinate Lien Debt Service	$ -	$ -	$ -	$ -	$ -
Rate Maintenance Minimum Revenues	$7,030,344	$8,277,935	$10,145,266	$12,039,713	$13,456,835

RENO-TAHOE AIRPORT AUTHORITY
RATE MAINTENANCE COVENANT PERFORMANCE
FOR THE YEARS ENDED JUNE 30, 2003- 2012
(unaudited)

	2008	2009	2010	2011	2012
Operating Revenues	$47,143,034	$44,602,748	$44,531,358	$41,436,800	$42,160,534
Trust Fund Investment Interest Income	1,794,812	1,450,653	555,172	584,802	608,334
Gross Pledged Revenues	48,937,846	46,053,401	45,086,530	42,021,602	42,768,868
Transfers - General Purpose Fund for LOI Bond Debt Service	641,856	644,911	650,117	-	-
Operating Expenses	(31,935,541)	(31,220,696)	(31,135,280)	(33,415,074)	(33,845,018)
Airline revenue share prior year	1,867,149	1,892,768	1,516,737	3,594,787	1,926,162
35% of Gaming Revenues	(1,221,986)	(946,661)	(780,474)	(789,832)	(626,665)
Net Pledged Revenues - Senior Lien Bonds	$18,289,324	$16,423,723	$15,337,630	$11,411,483	$10,223,347
125% of Senior Lien Revenue Bond Debt Service	$13,463,095	$13,460,781	$14,085,906	$8,617,063	$3,151,438
Senior Lien Debt Service	$10,770,476	$10,768,625	$11,268,725	$6,893,650	$2,521,150
Net Pledged Revenues - Subordinate Lien Notes	$7,518,848	$5,655,098	$4,068,905	$4,517,833	$7,702,197
Pledged Passenger Facility Charges	-	-	-	-	1,383,833
Pledged Revenues - Subordinate Lien Notes	$7,518,848	$5,655,098	$4,068,905	$4,517,833	$9,086,030
110% of Subordinate Lien Debt Service	$ -	$ -	$ -	$ -	$3,060,063
Subordinate Lien Debt Service	$ -	$ -	$ -	$ -	$2,781,875
Rate Maintenance Minimum Revenues	$13,463,095	$13,460,781	$14,085,906	$8,617,063	$6,211,501

RENO-TAHOE AIRPORT AUTHORITY
RATIOS OF OUTSTANDING DEBT AND DEBT SERVICE
FOR THE YEARS ENDED JUNE 30, 2003 - 2012
(unaudited)

	2003	2004	2005	2006	2007
Outstanding Debt					
Revenue bonds	$89,545,000	$80,350,000	$77,975,000	$74,320,000	$68,175,000
Notes payable	-	-	-	-	-
Total outstanding debt	$89,545,000	$80,350,000	$77,975,000	$74,320,000	$68,175,000
Outstanding debt per enplaned passenger	$38	$33	$31	$29	$27
Debt Service					
Principal	$14,130,000	$9,195,000	$2,375,000	$3,970,000	$6,145,000
Interest	6,838,464	3,837,211	4,247,348	4,146,213	3,486,770
Total debt service	$20,968,464	$13,032,211	$6,622,348	$8,116,213	$9,631,770
Ratio of debt service to total expenses	45.95%	27.50%	13.55%	15.70%	17.72%

Note 1: 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, 2003 - 2012
(unaudited)

	2008	2009	2010	2011	2012
Outstanding Debt					
Revenue bonds	$60,810,000	$53,045,000	$40,700,000	$31,620,000	$26,270,000
Notes payable	-	-	-	15,000,000	15,000,000
Total outstanding debt	$60,810,000	$53,045,000	$40,700,000	$46,620,000	$41,270,000
Outstanding debt per enplaned passenger	$25	$27	$22	$25	$23
Debt Service					
Principal	$7,365,000	$7,765,000	$8,180,000	$9,080,000	$5,350,000
Interest	3,400,468	3,005,476	2,588,625	2,188,725	1,543,650
Total debt service	$10,765,468	$10,770,476	$10,768,625	$11,268,725	$6,893,650
Ratio of debt service to total expenses	18.96%	19.39%	18.92%	19.27%	10.46%

RENO-TAHOE AIRPORT AUTHORITY
POPULATION IN AIR TRADE AREA
FOR THE CALENDAR YEARS 2002-2011
(unaudited)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nevada										
County										
Churchill	24,248	24,241	24,289	24,556	25,036	24,891	24,896	24,897	24,877	24,637
Douglas	43,230	44,170	45,933	47,017	45,909	45,406	45,180	45,464	46,997	46,886
Humboldt	16,143	16,562	16,863	17,129	17,446	17,523	17,763	18,260	16,528	16,735
Lyon	38,019	40,290	43,336	47,515	51,231	52,479	53,022	52,641	51,980	51,871
Pershing	6,566	6,446	6,396	6,360	6,414	6,376	6,291	6,286	6,753	6,734
Storey	3,421	3,541	3,731	4,074	4,132	4,193	4,341	4,441	4,010	3,896
Washoe	361,640	371,062	380,612	389,872	396,428	406,079	410,443	414,820	421,407	425,710
Carson City	54,547	55,269	55,926	56,062	55,289	54,939	54,867	55,176	55,274	55,439
Subtotal	547,814	561,581	577,086	592,585	601,885	611,886	616,803	621,985	627,826	631,908
California										
County										
Alpine	1,217	1,188	1,197	1,159	1,180	1,145	1,061	1,041	1,175	1,102
El Dorado	165,711	169,119	172,723	176,841	178,066	175,689	176,075	178,447	181,058	180,938
Lassen	33,569	34,114	34,606	34,751	34,715	35,031	34,574	34,473	34,895	34,200
Mono	12,993	12,832	12,687	12,509	12,754	12,801	12,774	12,927	14,202	14,309
Nevada	95,071	96,235	97,447	98,394	98,764	97,027	97,118	97,751	98,764	98,612
Placer	278,911	293,457	306,305	317,028	326,242	332,920	341,945	348,552	348,432	357,138
Plumas	21,006	21,185	21,328	21,477	21,263	20,615	20,275	20,122	20,007	19,765
Sierra	3,497	3,542	3,486	3,434	3,455	3,328	3,263	3,174	3,240	3,113
Subtotal	611,975	631,672	649,779	665,593	676,439	678,556	687,085	696,487	701,773	709,177
Total	1,159,789	1,193,253	1,226,865	1,258,178	1,278,324	1,290,442	1,303,888	1,318,472	1,329,599	1,341,085
Percentage increase	2.98%	2.89%	2.82%	2.55%	1.60%	0.95%	1.04%	1.12%	0.84%	0.86%
Unemployment rate Washoe County	5.1%	4.7%	4.2%	3.9%	4.0%	4.4%	11.8%	13.6%	13.0%	11.9%

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 2012
(unaudited)

Ranking	Company	Ranking	Company
1	Wal-Mart Stores	50	Pepsico
4	General Electric	51	MetLife
5	Bank of America	52	Safeway
7	AT&T	55	Sysco
12	Citigroup	56	Apple
13	Verizon Communications	58	Cisco Systems
15	General Motors	60	FedEx
17	Cardinal Health	64	New York Life Insurance
18	CVS Caremark	66	Caterpillar
19	Wells Fargo	67	Sprint Nextel
21	IBM	68	Allstate
24	AmerisourceBergen	70	Morgan Stanley
25	Costco	71	Liberty Mutual
29	Home Depot	72	Coca Cola
32	Walgreen	74	Honeywell
34	Microsoft	83	Johnson Controls
40	Pfizer	85	Merck
42	Lowe's	88	American Express
43	United Parcel Service	89	Rite Aid
44	Lockheed Martin	97	Hartford Financial Services
45	Best Buy	100	Amazon

Forty-two Fortune 100 companies have a significant presence in northern Nevada. These companies represent a range of top multi-national brands that have chosen to do business in Reno/Sparks/Lake Tahoe.

Source: Economic Development Authority of Western Nevada.

RENO-TAHOE AIRPORT AUTHORITY
PRINCIPAL EMPLOYERS WITHIN AIR TRADE AREA
FOR THE CALENDAR YEARS ENDED 2011 AND 2002
(unaudited)

	Calendar year 2011		Calendar year 2002	
Employer	Rank	Employees	Rank	Employees
Washoe County School District	1	8,000-8,499	1	6,000-6,499
University of Nevada-Reno	2	4,000-4,499	3	3,000-3,499
Renown Regional Medical Center	3	2,500-2,999	6	2,500-2,999
Washoe County	4	2,000-2,499	5	2,500-2,999
Peppermill Hotel Casino-Reno	5	2,000-2,499	2	4,000-4,499
International Game Technology	6	2,000-2,499	7	2,500-2,999
Silver Legacy Resort Casino	7	1,500-1,999	8	2,500-2,999
Atlantis Casino Resort	8	1,500-1,999		1,500-1,999
St. Mary's Hospital	9	1,500-1,999		1,500-1,999
Eldorado Hotel & Casino	10	1,000-1,499	10	3,500-3,999
City of Reno	11	1,000-1,499		2,500-2,999
Grand Sierra Resort & Casino	12	1,000-1,499		2,000-2,499
Sierra Nevada HealthCare	13	1,000-1,499		2,000-2,499
Sparks Nugget	14	1,000-1,499	9	2,000-2,499
Truckee Meadows Comm College	15	1,000-1,499		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, 2003-2012
(unaudited)

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

Year	Board of Trustees*	Airfield Operations	Terminal Building Maintenance	Police/ Security	Parking	Aircraft Rescue and Firefighting	Administration	Total
2012	9	52	69	43	15	20	68.5	267.5
2011	9	53	69	43	15	20	68.5	268.5
2010	9	51	69	43	15	20	65.5	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

* 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, 2003 - 2012
(unaudited)

Year	Enplanements	Airport Growth	Landed Weights	Airport Growth	Air Carrier Operations	Airport Growth
2012	1,780,812	-6.4%	2,689,121	-7.2%	40,126	-8.9%
2011	1,901,850	0.8%	2,896,599	4.8%	44,035	2.1%
2010	1,886,677	-3.0%	2,762,670	-10.8%	43,140	-13.4%
2009	1,945,848	-18.6%	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	2,482,162	-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%

RENO-TAHOE AIRPORT AUTHORITY
RENO-TAHOE INTERNATIONAL AIRPORT
ENPLANEMENTS AND MARKET SHARE BY SCHEDULED AIRLINE
FOR THE YEARS ENDED JUNE 30, 2003 - 2012
(unaudited)

	2003			2004			2005		
Scheduled Airline	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change
Alaska	114,267	5%	10%	181,866	7%	59%	173,865	7%	-4%
Allegiant Air	413	0%	126%	29,015	1%	6925%	28,731	1%	-1%
Aloha Airlines	113,223	5%	100%	32,133	1%	-72%	43,378	2%	35%
American	233,442	10%	-20%	239,167	10%	2%	250,509	10%	5%
Atlantic Southeast	-	0%	0%	-	0%	0%	23,149	1%	100%
Continental	58,502	2%	20%	77,461	3%	32%	66,663	3%	-14%
Delta	-	0%	-100%	-	0%	0%	34,165	1%	100%
Frontier	40,331	2%	29%	54,709	2%	36%	31,441	1%	-43%
Horizon Air	-	0%	0%	-	0%	0%	26,984	1%	100%
Mesa	1,265	0%	0%	-	0%	-100%	3,674	0%	100%
Northwest	87,121	4%	6%	91,230	4%	5%	82,998	3%	-9%
Skywest	117,884	5%	4%	183,632	7%	56%	188,436	7%	3%
Southwest	1,134,256	48%	2%	1,160,906	47%	2%	1,182,838	46%	2%
United	256,635	11%	2%	204,840	8%	-20%	182,893	7%	-11%
US Airways (America West)	198,392	8%	12%	206,307	8%	4%	228,743	9%	11%
Other	6,712	0%	139%	428	0%	-94%	1,806	0%	322%
	2,362,443	100%	5%	2,461,694	100%	4%	2,550,273	100%	4%

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, 2003 - 2012
(unaudited)

	2006			2007			2008		
Scheduled Airline	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change
Alaska	111,961	4%	-36%	105,437	4%	-6%	34,135	1%	-68%
Allegiant Air	32,307	1%	12%	1,194	0%	-96%	12,748	1%	968%
Aloha Airlines	31,502	1%	-27%	26,639	1%	-15%	22,091	1%	-17%
American	240,675	9%	-4%	202,654	8%	-16%	191,839	8%	-5%
Atlantic Southeast	26,254	1%	13%	15,481	1%	-41%	-	0%	-100%
Continental	59,379	2%	-11%	71,216	3%	20%	70,108	3%	-2%
Delta	67,838	3%	99%	105,718	4%	56%	100,467	4%	-5%
Frontier	39,036	2%	24%	33,280	1%	-15%	7,759	0%	-77%
Horizon Air	90,366	4%	235%	113,315	5%	25%	183,955	8%	62%
Mesa	38,238	1%	941%	41,512	2%	9%	43,503	2%	5%
Northwest	35,758	1%	-57%	-	0%	-100%	-	0%	0%
Skywest	151,168	6%	-20%	117,820	5%	-22%	111,688	5%	-5%
Southwest	1,251,809	49%	6%	1,222,526	49%	-2%	1,177,434	49%	-4%
United	185,751	7%	2%	238,640	10%	28%	220,543	9%	-8%
US Airways (America West)	202,610	8%	-11%	183,965	7%	-9%	155,643	7%	-15%
Other	12,894	1%	614%	2,771	0%	-79%	59,601	2%	2051%
	2,577,546	100%	1%	2,482,168	100%	-4%	2,391,514	100%	-4%

Continued

RENO-TAHOE AIRPORT AUTHORITY

RENO-TAHOE INTERNATIONAL AIRPORT

ENPLANEMENTS AND MARKET SHARE BY SCHEDULED AIRLINE

FOR THE YEARS ENDED JUNE 30, 2003 - 2012

(unaudited)

	2009			2010			2011			2012		
Scheduled Airline	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change	Enplanements	Share	Percent Change
Alaska	-	0%	-100%	297	0%	0%	457	0%	54%	-	0%	-100%
Allegiant Air	36,148	2%	184%	13,948	1%	-61%	5,230	0%	-63%	1,988	0%	-62%
Aloha Airlines	-	0%	-100%	-	0%	0%	-	0%	0%	-	0%	0%
American	173,989	9%	-9%	163,971	9%	-6%	201,748	11%	23%	185,797	11%	-8%
Atlantic Southeast	-	0%	0%	-	0%	0%	-	0%	0%	-	0%	0%
Continental	15,046	1%	-79%	-	0%	-100%	15,584	1%	100%	17,727	1%	14%
Delta	50,249	3%	-50%	93,341	5%	86%	137,094	7%	47%	165,462	9%	21%
Frontier	-	0%	-100%	253	0%	100%	381	0%	51%	-	0%	-100%
Horizon Air	177,743	9%	-3%	141,106	7%	-21%	117,750	6%	-17%	78,491	5%	-33%
Mesa	-	0%	-100%	7,197	0%	100%	38	0%	-99%	-	0%	-100%
Northwest	-	0%	0%	-	0%	0%	-	0%	0%	-	0%	0%
Skywest	120,743	6%	8%	139,577	7%	16%	-	0%	-100%	-	0%	0%
Southwest	1,052,348	54%	-11%	1,022,318	54%	-3%	1,032,811	54%	1%	967,792	54%	-6%
United	208,228	11%	-6%	161,396	9%	-22%	248,322	13%	54%	220,653	12%	-11%
US Airways (America West)	95,466	5%	-39%	140,501	7%	47%	141,980	7%	1%	141,880	8%	0%
Other	15,888	1%	-73%	2,772	0%	-83%	455	0%	-84%	1,022	0%	125%
	1,945,848	100%	-19%	1,886,677	100%	-3%	1,901,850	100%	1%	1,780,812	100%	-6%

The global recession that began in December 2007 and took a sharp downward turn in September 2008 affected the entire world economy. These effects included a weaker demand for air travel.

RENO-TAHOE AIRPORT AUTHORITY
RENO-TAHOE INTERNATIONAL AIRPORT
LANDED WEIGHTS AND MARKET SHARE BY SCHEDULED AIRLINE
FOR THE YEARS ENDED JUNE 30, 2003 - 2012
(unaudited)

	2003			2004			2005		
Scheduled Airline	Landed Weights (000) lbs	Share	Percent Change	Landed Weights (000) lbs	Share	Percent Change	Landed Weights (000) lbs	Share	Percent Change
Alaska	145,453	4%	13%	272,567	7%	87%	225,303	6%	-17%
Allegiant Air	26,996	1%	0%	38,710	1%	43%	42,323	1%	9%
Aloha Airlines	-	0%	0%	46,899	1%	0%	73,125	2%	0%
American	290,583	8%	-28%	296,588	8%	2%	318,810	8%	7%
Atlantic Southeast	-	0%	0%	-	0%	0%	31,021	1%	0%
Continental	63,004	2%	20%	91,532	2%	45%	79,589	2%	-13%
Delta	-	0%	-100%	-	0%	0%	44,142	1%	0%
Frontier	61,296	2%	-6%	87,471	2%	43%	49,713	1%	-43%
Horizon Air	-	0%	0%	-	0%	0%	30,017	1%	0%
Mesa	2,679	0%	0%	-	0%	0%	8,748	0%	0%
Northwest	99,675	3%	0%	104,254	3%	5%	93,582	2%	-10%
Skywest	138,994	4%	3%	215,743	6%	55%	230,224	6%	7%
Southwest	1,644,432	47%	1%	1,682,256	44%	2%	1,694,986	44%	1%
United	310,702	9%	-3%	262,964	7%	-15%	241,294	6%	-8%
US Airways (America West)	275,247	8%	8%	301,178	8%	9%	323,416	8%	7%
Airborne Express	25,908	1%	0%	26,112	1%	1%	26,010	1%	0%
Federal Express	219,322	6%	0%	209,816	6%	-4%	213,469	6%	2%
United Parcel Service	113,002	3%	0%	116,029	3%	3%	122,350	3%	5%
Other	57,443	2%	0%	28,486	1%	-50%	29,802	1%	5%
	3,474,736	100%	11%	3,780,605	100%	9%	3,877,924	100%	3%

Continued

Rounding errors may occur.

RENO-TAHOE AIRPORT AUTHORITY
RENO-TAHOE INTERNATIONAL AIRPORT
LANDED WEIGHTS AND MARKET SHARE BY SCHEDULED AIRLINE
FOR THE YEARS ENDED JUNE 30, 2003 - 2012
(unaudited)

	2006			2007			2008			2009		
Scheduled Airline	Landed Weights (000) lbs	Share	Percent Change	Landed Weights (000) lbs	Share	Percent Change	Landed Weights (000) lbs	Share	Percent Change	Landed Weights (000) lbs	Share	Percent Change
Alaska	142,111	4%	-37%	136,127	4%	-4%	41,376	1%	-70%	-	0%	-100%
Allegiant Air	41,573	1%	-2%	44,782	1%	8%	60,634	2%	35%	48,064	2%	-21%
Aloha Airlines	47,802	1%	0%	47,028	1%	0%	35,271	1%	0%	-	0%	0%
American	270,454	7%	-15%	234,199	6%	-13%	224,056	6%	-4%	208,428	7%	-7%
Atlantic Southeast	33,031	1%	6%	19,329	1%	-41%	-	0%	-100%	-	0%	0%
Continental	63,076	2%	-21%	79,075	2%	25%	77,562	2%	-2%	17,374	1%	-78%
Delta	81,464	2%	85%	125,790	3%	54%	117,684	3%	-6%	60,804	2%	-48%
Frontier	54,646	1%	10%	47,964	1%	-12%	8,978	0%	-81%	-	0%	-100%
Horizon Air	93,135	3%	210%	116,770	3%	25%	199,390	5%	71%	184,624	6%	-7%
Mesa	43,610	1%	399%	48,490	1%	11%	46,188	1%	-5%	50,673	2%	10%
Northwest	41,726	1%	-55%	-	0%	-100%	-	0%	0%	-	0%	0%
Skywest	167,176	4%	-27%	131,325	3%	-21%	132,837	4%	1%	132,534	4%	0%
Southwest	1,726,284	46%	2%	1,773,750	46%	3%	1,722,580	46%	-3%	1,567,666	51%	-9%
United	221,035	6%	-8%	291,748	8%	32%	279,625	7%	-4%	274,015	9%	-2%
US Airways (America West)	258,369	7%	-20%	237,084	6%	-8%	215,025	6%	-9%	126,737	4%	-41%
Airborne Express	25,990	1%	0%	60,472	2%	133%	71,094	2%	18%	35,632	1%	-50%
Federal Express	239,288	6%	12%	247,103	6%	3%	238,814	6%	-3%	207,306	7%	-13%
United Parcel Service	131,104	4%	7%	176,952	5%	35%	160,481	4%	-9%	144,795	5%	-10%
Other	42,659	1%	43%	23,543	1%	-45%	104,578	3%	344%	39,277	1%	-62%
	3,724,533	100%	-4%	3,841,531	100%	3%	3,736,173	100%	-3%	3,097,929	100%	-17%

Continued

RENO-TAHOE AIRPORT AUTHORITY
RENO-TAHOE INTERNATIONAL AIRPORT
LANDED WEIGHTS AND MARKET SHARE BY SCHEDULED AIRLINE
FOR THE YEARS ENDED JUNE 30, 2003 - 2012
(unaudited)

	2010			2011			2012		
Scheduled Airline	Landed Weights (000) lbs	Share	Percent Change	Landed Weights (000) lbs	Share	Percent Change	Landed Weights (000) lbs	Share	Percent Change
Alaska	705	0%	0%	720	0%	2%	-	0%	-100%
Allegiant Air	30,692	1%	-36%	10,618	0%	-65%	-	0%	-100%
Aloha Airlines	-	0%	0%	-	0%	0%	-	0%	0%
American	173,591	6%	-17%	225,413	8%	30%	195,901	7%	-13%
Atlantic Southeast	-	0%	0%	-	0%	0%	-	0%	0%
Continental	-	0%	-100%	19,674	1%	0%	24,587	1%	25%
Delta	103,373	4%	70%	161,192	6%	56%	204,847	8%	27%
Frontier	537	0%	0%	807	0%	50%	-	0%	-100%
Horizon Air	142,047	5%	-23%	125,060	4%	-12%	75,706	3%	-39%
Mesa	7,497	0%	-85%	221	0%	-97%	-	0%	-100%
Northwest	-	0%	0%	-	0%	0%	-	0%	0%
Skywest	158,717	6%	20%	6,207	0%	-96%	-	0%	-100%
Southwest	1,408,964	51%	-10%	1,424,216	49%	1%	1,350,158	51%	-5%
United	218,469	8%	-20%	322,040	11%	47%	261,838	10%	-19%
US Airways (America West)	191,455	7%	51%	216,418	7%	13%	185,472	7%	-14%
Airborne Express	-	0%	-100%	-	0%	0%	-	0%	0%
Federal Express	180,343	7%	-13%	228,274	8%	27%	226,816	9%	-1%
United Parcel Service	127,978	5%	-12%	131,984	5%	3%	139,144	5%	5%
Other	18,302	1%	-53%	23,755	1%	30%	8,445	0%	-64%
	2,762,670	100%	-11%	2,896,599	100%	5%	2,672,914	100%	-8%

RENO-TAHOE AIRPORT AUTHORITY
CAPITAL ASSET INFORMATION
AS OF JUNE 30, 2012
(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, 2003 - 2012
(unaudited)

	2012	2011	2010 (a)	2009	2008	2007	2006	2005	2004	2003
Terminal Space - square feet										
Airlines	160,622	160,622	160,622	154,875	154,875	154,875	154,875	154,875	154,630	154,482
Ground Transportation	3,103	3,103	3,103	3,103	3,103	3,103	3,103	3,326	3,326	3,326
Concession Space	34,952	34,952	34,952	18,825	18,825	18,825	18,825	18,602	18,602	18,750
Public Areas	194,406	194,406	194,406	157,081	157,081	157,081	157,081	157,081	157,081	157,081
RTAA	45,795	45,795	45,795	36,271	36,271	36,271	36,271	36,271	34,109	34,109
Unfinished Areas	-	-	-	5,426	5,426	5,426	5,426	5,426	7,833	7,833
	438,878	438,878	438,878	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	1,532	1,532	1,565	1,565	1,565	1,565	1,565	1,565
	3,632	3,632	3,632	3,632	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.

Compliance Section

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, 2012, and have issued our report thereon dated November 30, 2012. 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

Management of the Authority is responsible for establishing and maintaining effective 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.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trustees, management, 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
November 30, 2012

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

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, 2012. The Authority's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal 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 its major federal program and its passenger facility charge program for the year ended June 30, 2012.

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.

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
November 30, 2012

RENO-TAHOE AIRPORT AUTHORITY
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

DATE	DESCRIPTION OF PROJECT	PERCENT OF PARTICIPATION	CFDA NUMBER*	FEDERAL PROJECT NUMBER	GRANT AMOUNT	REIMBURSEMENTS RECEIVED July 1, 2011 to June 30,2012	REIMBURSEMENTS RECEIVED Cumulative Thru June 30, 2012	REIMBURSEABLE EXPENSES July 1, 2011 to June 30,2012	REIMBURSEABLE EXPENSES Cumulative Thru June 30, 2012
	United States Department of Transportation								
	Federal Aviation Administration								
	Airport Improvement Program								
	Property Acquisition and Relocation Assistance and Sound Insulation								
08/19/08	Noise Compatibility	93.75%	20.106	3-32-0017-79	$ 2,000,000	$ 113,614	$ 1,796,040	$ 99,782	$ 1,796,040
02/12/09	Noise Compatibility	93.75%	20.106	3-32-0017-81	6,000,000	1,179,576	5,862,755	599,885	5,862,755
09/21/09	Noise Compatibility	93.75%	20.106	3-32-0017-86	5,120,938	617,043	4,310,868	609,257	4,327,149
03/31/10	Noise Compatibility	93.75%	20.106	3-32-0017-88	6,000,000	1,680,823	3,085,912	1,825,845	3,260,528
06/28/11	Noise Compatibility	93.75%	20.106	3-32-0017-89	2,399,169	1,362,873	1,362,873	1,137,755	1,364,891
09/07/11	Noise Compatibility	93.75%	20.106	3-32-0017-91	4,600,831	14,398	14,398	33,416	33,416
	Construction								
05/24/07	Various Construction Projects	93.75%	20.106	3-32-0017-75	10,530,401	(113)	10,335,697	-	10,335,697
05/15/08	Various Construction Projects	93.75%	20.106	3-32-0017-77	10,204,555	2,311,722	7,509,008	1,591,037	7,607,753
09/18/08	Rehabilitate Terminal Apron and Install Runway Lighting	93.75%	20.106	3-32-0017-80	1,286,185	525	1,283,819	525	1,283,819
02/25/09	Various Construction Projects	93.75%	20.106	3-32-0017-82	5,583,115	198,153	4,798,587	14,696	4,798,587
06/23/09	Various Construction Projects	93.75%	20.106	3-32-0017-84	3,991,986	33,871	3,820,699	30,511	3,823,080
03/15/10	Rehabilitate Terminal Apron	93.75%	20.106	3-32-0017-87	5,838,585	1,018,285	3,968,409	904,313	3,981,684
06/28/11	Terminal Apron Reconstruction	93.75%	20.106	3-32-0017-90	2,975,774	2,710,391	2,710,391	2,718,544	2,718,557
09/08/11	Terminal Apron Reconstruction	93.75%	20.106	3-32-0017-92	3,227,511	224,850	224,850	103,135	232,975
06/20/12	Terminal Apron Reconstruction	93.75%	20.106	3-32-0017-93	3,530,625	-	-	2,462	2,462
08/17/10	Construction Runway Safety Area	95.00%	20.106	3-32-0018-29	3,524,398	437,652	3,524,398	88,291	3,524,398
09/13/11	Construct Terminal Building - Design	95.00%	20.106	3-32-0018-30	350,000	259,167	259,167	262,260	277,041
					77,164,073	12,162,830	54,867,871	10,021,714	55,230,832
	United States Department of Homeland Security								
	Transportation Security Administration								
	Aviation and Transportation Security Act								
	Security								
10/01/09	National Explosives Detection Canine Team Program	Fixed	97.072	HSTS02-10-H-CAN623	752,500	239,780	451,500	182,000	483,000
09/18/07	Law Enforcement Officer Reimbursement Agreement Program	Fixed	97.090	HSTS02-08-H-SLR249	983,685	261,799	915,408	169,777	943,018
06/26/12	Checkpoint Test Bed Screening Project	Fixed	na	HSTS04-12-H-CT2051	1,500,000	-	-	81,954	81,954
					3,236,185	501,579	1,366,908	433,731	1,507,972
					$ 80,400,258	$ 12,664,409	$ 56,234,779	$ 10,455,445	$ 56,738,804

The Checkpoint Test Bed Screening Project has not been issued a CFDA number

See accompanying notes to Supplementary Schedule of Expenditures of Federal Awards

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, 2012

Balance July 1, 2011	$	10,069,457
Collection of Passenger Facility Charges, July 1, 2011 through June 30, 2012		6,785,930
Interest earnings		24,682
Proceeds expended for Passenger Facility Charge Projects July 1, 2011 through June 30, 2012		(10,219,967)
Balance June 30, 2012	$	6,660,102

RENO-TAHOE AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012.

2. No significant deficiencies or material weaknesses were identified during the audit of the financial statements.

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

4. No significant deficiencies in the internal control over the 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. There were no audit findings relative to the major federal award program required to be reported under Section .510(a) of the OMB Circular A-133, and there were no findings relative to the passenger facility charge program required to be reported under the Guide.

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, 2011 was $313,663.

9. The Authority qualified as a low-risk auditee for the year ended June 30, 2012 under the criteria set forth in section .530 of OMB Circular A-133.

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no findings related to the financial statement audit for the year ended June 30, 2012.

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

There were no findings related to the federal award and Passenger Facility Charge Program for the year ended June 30, 2012.

RENO-TAHOE AIRPORT AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

There were no prior year findings related to federal awards and Passenger Facility Charge Program.

RENO-TAHOE AIRPORT AUTHORITY
AUDITOR'S COMMENTS
JUNE 30, 2012

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, 2011.

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

There were no specific recommendations made in the audit report for the year ended June 30, 2012.

Reno-Tahoe Airport Authority
P.O. Box 12490
Reno, NV 89510-2490