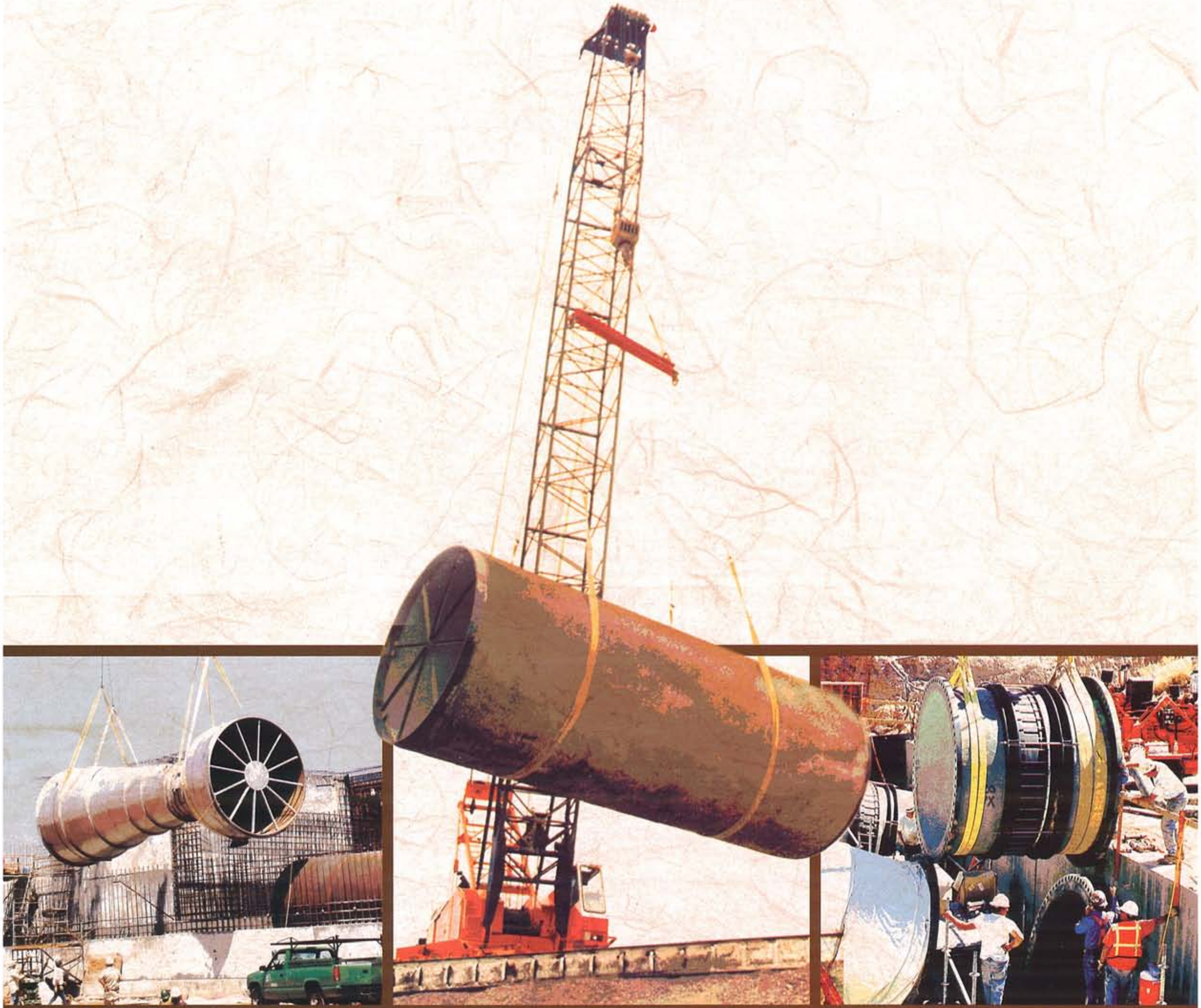

Southern Nevada Water Authority

Comprehensive Annual Financial Report

for the Fiscal year ending June 30, 2005

Over the years, the Southern Nevada Water Authority (SNWA) has developed a Capital Improvements Program (CIP) to enhance the reliability and capacity of the existing water treatment and delivery system to meet the needs of our community. The $2.75 billion public works program is phased so that facilities have been constructed only as they are needed. The program began in 1995 and is divided into several components, including water intake improvements (Lake Mead intakes No. 2 and 3, raw water pumping system, River Mountains Aqueduct and low-lift pumping station), water treatment improvements (River Mountains and Alfred Merritt Smith water treatment facilities and ozone treatment) and transmission system improvements, including nearly 60 miles of pipeline throughout the Las Vegas Valley.

Southern Nevada Water Authority

Comprehensive Annual Financial Report

Fiscal Year End June 30, 2005

SOUTHERN NEVADA
WATER AUTHORITY

Prepared by the Finance Department
Randall Buie, SNWA Controller
1001 South Valley View Blvd., Las Vegas, Nevada 89153
702-258-3939 www.snwa.com

SOUTHERN NEVADA
WATER AUTHORITY

Southern Nevada Water Authority

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2005

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Southern Nevada Water Authority

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2004

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SOUTHERN NEVADA
WATER AUTHORITY

Introductory Section

Southern Nevada
Water Authority

ADMINISTRATIVE OFFICE
1001 S. Valley View Blvd.
Las Vegas, NV 89153

Main 702/258-3939
Fax 702/258-3268

November 1, 2005

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

We are pleased to present the Southern Nevada Water Authority's (SNWA) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005.

FORMAL TRANSMITTAL OF THE CAFR

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

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

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

The independent audit of the financial statements of SNWA was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and legal requirements involving administration of federal awards. These reports are available in the Single Audit Compliance section of this report.

FORMAT OF THE REPORT

The CAFR is presented in five principal sections: introductory, financial, statistical, SEC disclosure compliance schedules and single audit compliance section. An overview of each is provided below.

Introductory Section -- This section includes a discussion of the reporting entity and its services and the factors affecting SNWA's financial condition. Some of the discussion may be subjective and predictive in nature, in contrast to the relatively objective information reported in other sections. Accounting principles generally accepted in the United States (GAAP), require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. SNWA's MD&A can be found on page 2-2, immediately following the report of the independent auditor. The introductory section also includes the Certificate of Achievement for Excellence in Financial Reporting awarded by the GFOA, and an organizational chart with principal officials identified.

Financial Section -- This section contains the independent auditors' report, MD&A, the basic financial statements, notes to the basic financial statements, and required supplementary information.

Statistical Section -- This section displays selected financial and other relevant trend information.

SEC Disclosure Compliance Schedules -- This section contains selected schedules maintained and required by the United States Securities and Exchange Commission (SEC) in connection with issued debt.

Single Audit Compliance Section -- This section contains the independent auditors' report on internal control over financial reporting and compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards and the independent auditors' report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133 and schedule of expenditures of federal awards. It also includes SNWA's schedule of expenditures of federal awards and the independent auditor's schedule of findings and questioned costs.

PROFILE OF THE COMPANY

Basic Information -- SNWA is a political subdivision of the State of Nevada, created in 1991 by a cooperative agreement of its member agencies. SNWA was created to secure additional supplies of water for Southern Nevada and to effectively manage existing water supplies. SNWA is governed by a seven-member Board of Directors (the Board) composed of one director from each of the seven member agencies. Because its operations are autonomous from its member agencies and the State of Nevada, SNWA's financial statements are not included in the financial statements of any other entity.

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

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

Budgetary Controls -- As required by Nevada statutes, the Board approves SNWA's budget annually following a public hearing, and a copy is submitted to the Nevada Department of Taxation. Budgetary controls are established at the levels of total estimated operating and non-operating expenses. SNWA is a self-supporting operation of a commercial nature, which also receives a portion of the 1/4 cent sales tax known as the Clark County Tax for Infrastructure. Revenues and expenditures will vary, depending on the timing and level of demand for services.

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

FACTORS AFFECTING FINANCIAL CONDITION

Local Economy – Las Vegas, including areas within Clark County that surround the city, continues to thrive on gaming and tourism. Nearly half of all Las Vegas visitors arrive by air via McCarran International Airport, an international port of entry and one of the ten busiest airports in the world. About 43% of the visitors to Las Vegas arrive by automobile. The Las Vegas Convention and Visitors Authority estimates that in 2004 the total visitor count to the Las Vegas metropolitan area was a record 37.4 million, up 19 million from the previous year.

According to the U.S. Bureau of Census, Clark County experienced a population increase of 81%, up from 770,280 in 1990 to 1,394,440 in 2000. The 2004 population of Clark County was estimated to be just over 1.7 million. Strong job growth also continues in the Las Vegas metropolitan area, fostered by the sustained increase in construction activity, both commercial and residential. Total employment at June 30, 2005, was 873,400, compared to 810,700 a year ago. The Office of Federal Housing Enterprise Oversight reports that from the second quarter of 2004 through the second quarter of 2005, the biggest increase in U.S. home prices occurred in Nevada, an average of 28.1 percent. The median price of a new home in Las Vegas in 1995 was $125,100. As of June 2005 it was $300,000. If continued increases in housing and other living costs discourage prospective residents, population and employment growth may have a slower future rate. However, solid economic gamins for Las Vegas are expected to continue in the short and mid-term.

Long-term financial planning – As of June 30, 2005, SNWA has $1.9 billion in outstanding general obligation debt. See note 12 for a discussion of SNWA's outstanding debt. SNWA is required to set rates and charges at levels sufficient to cover all operating costs and debt service. All applicable bond covenants have been met or exceeded.

SNWA has four options to sell debt. First, SNWA can ask LVVWD to sell debt on its behalf. Standard and Poors rate LVVWD bonds "AA" while Moody's Investors Service rates them "A1". This rating puts LVVWD's bonds in the high investment grade.

The second option is for SNWA to sell its bond to the State Bond Bank, which then sells State of Nevada general obligation bonds. The 1997 Nevada Legislature made this option available. Standard and Poors rate State of Nevada bonds “AA” and Moody’s Investor Services rates them “Aa2”. This rating means the State’s bonds are considered High Investment Grade.

The third option, which was made available by the 1999 Nevada Legislature, is the Clark County Bond Bank. SNWA can sell its bonds to the Clark County Bond Bank, which can then sell Clark County general obligation bonds. Standard and Poors rate Clark County bonds “AA” and Moody’s Investor Services rates them “Aa2”. Depending on conditions at the time, SNWA generally intends to use LVVWD to sell short-term (commercial paper) and variable rate debt, and the State of Nevada or Clark County to sell long-term fixed-rate debt.

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

Cash Management -- During the fiscal year, SNWA funds (including available operating, debt service, and capital improvement funds) were invested in obligations of the U.S. government, obligations of government-sponsored agencies, certificates of deposit, money market accounts, and corporate commercial paper in accordance with SNWA’s investment policy. Government and agency obligations are purchased through recognized and regulated brokers dealing in government securities. All investments are held by a bank’s trust department in SNWA’s name or are insured or collateralized with securities held by a third party in SNWA’s name. For the fiscal year ended June 30, 2005, SNWA earned an average yield on its entire investment portfolio of 2.64%, computed on an amortized cost basis.

Risk Management -- SNWA employs a multifaceted approach to risk management, which includes transfer, elimination, avoidance, reduction, and/or assumption of risk of loss. SNWA purchases insurance from the commercial insurance market on real and personal property, including earthquake and flood, with common policy restrictions, covering direct physical loss of, or damage to, buildings, fixtures, equipment, boilers, machinery, and supplies. The blanket limit of liability under the property insurance program is $500 million (flood coverage limited to $25 million, earthquake coverage limited to $50 million) with a deductible of $50,000 for all losses except earthquake and flood which have a deductible of $500,000, and underground communications, water transmission and distribution lines, which have a $100,000 deductible. This program also provides terrorism insurance for all locations with a blanket limit of $250 million. SNWA self-insures the first $1 million for automobile and general liability exposure and purchases excess liability insurance in the amount of $25 million. It also purchases employee fidelity insurance in the amount of $1million.

In contracts, SNWA obtains indemnification and hold harmless agreements, and requires that contractors name SNWA as an additional insured under the indemnitor’s insurance coverage, usually in the amount of $1 million to $10 million for commercial general and automobile liability insurance. SNWA provides builders risk insurance for all construction projects with a blanket limit of $30 million per contract, or higher as needed, with a $50,000 deductible per claim, except earthquake and flood where the deductible is $500,000 per claim.

The amount of settlements and awards has not exceeded insurance coverage for each of the past five fiscal years.

SEC REQUIREMENT

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

AWARDS AND ACKNOWLEDGMENTS

The GFOA awarded the Certificate of Achievement for Excellence in Financial Reporting to SNWA for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This is the ninth consecutive year SNWA has received this award.

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

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

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

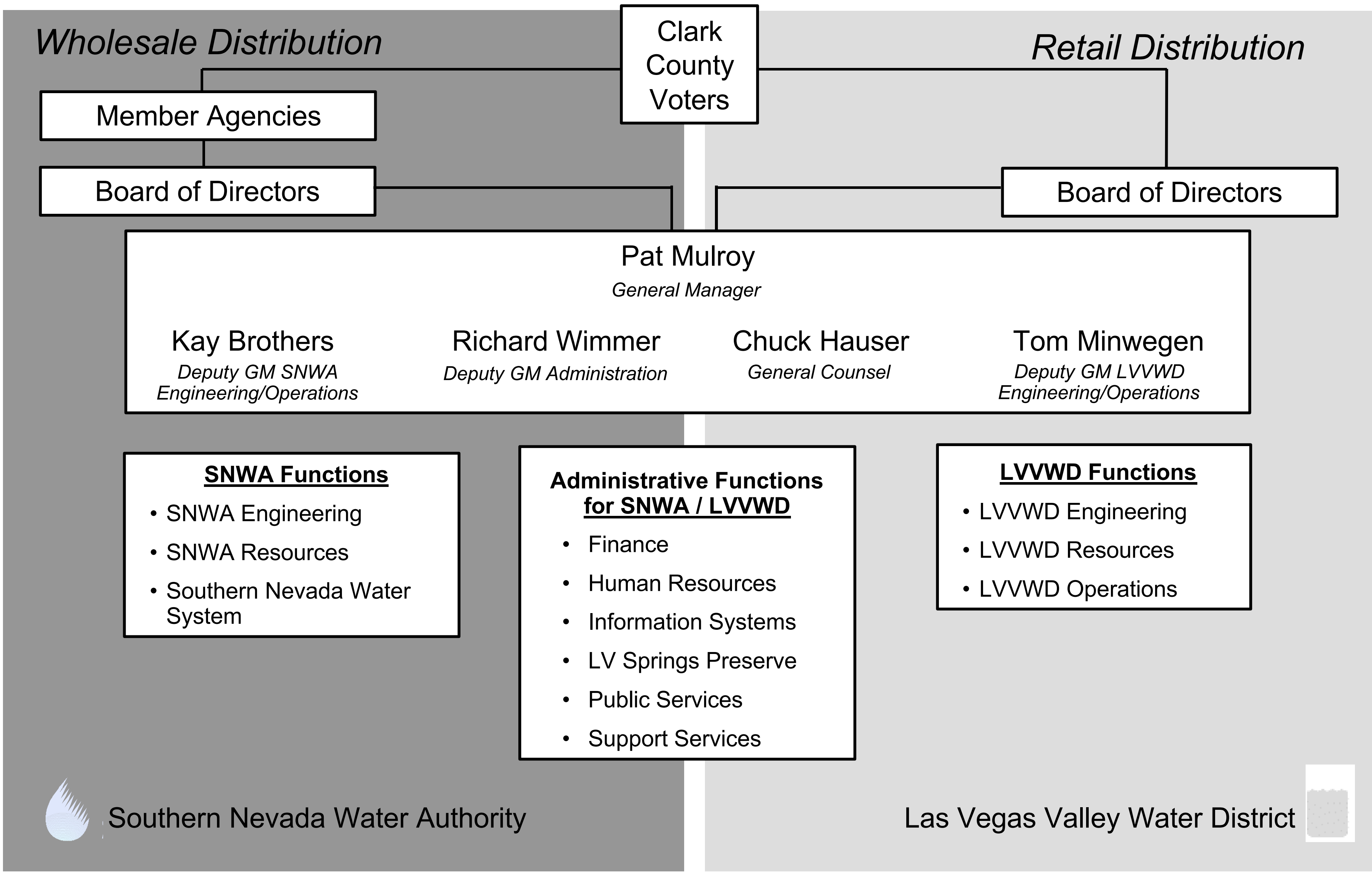
Sincerely,

P. Mulroy

Patricia Mulroy
General Manager

Cary M. Casey
Treasurer

Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Southern Nevada Water Authority

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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.

Nancy L. Zielke

President

Jeffrey R. Esser

Executive Director

SOUTHERN NEVADA
WATER AUTHORITY

Financial Section

P B T K PIERCY BOWLER TAYLOR & KERN
Certified Public Accountants • Business Advisors

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Directors
Southern Nevada Water Authority
Las Vegas, Nevada

We have audited the accompanying basic financial statements of the Southern Nevada Water Authority (SNWA) as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of SNWA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of SNWA as of and for the year ended June 30, 2004, were audited by other auditors whose report dated October 5, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States, and *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 audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of SNWA, as of June 30, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2005, on our consideration of SNWA'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2-2 through 2-7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information, and therefore, express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise SNWA's basic financial statements. The introductory section, statistical section, and the United States Securities and Exchange Commission (SEC) disclosure compliance schedules are presented for purposes of additional analysis, are not a required part of the basic financial statements, and have not been subjected to the auditing procedures applied in the audit of the basic financial statements. Accordingly, we express no opinion on them.

Piercy Bowler Taylor & Kern

October 14, 2005

As management of the Southern Nevada Water Authority (SNWA), we offer readers of SNWA's financial statements this narrative overview and analysis of the financial statements for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 1-1 of this report, and in our basic financial statements, which begin on page 2-8.

Financial Highlights for 2005

- Total assets increased $299.6 million over the prior year, to a total of over $3 billion.

- Total assets exceed total liabilities at the close of the fiscal year by $1.03 billion (fund equity). Additions to fund equity for the fiscal year, attributed solely to net income, were $181.1 million.

- During the fiscal year, balance sheet resources were generated from net income ($181.1 million) and debt issuance ($160 million). Balance sheet resources were used during the fiscal year for net additions to capital assets ($171.7 million), an increase in current assets ($127.8 million) primarily an increase in current investments, debt retirement ($36 million), and payment of accounts payable ($5.5 million).

- In March 2004, SNWA began a $400 million tax-exempt commercial paper program (TECP) through the Las Vegas Valley Water District (LVVWD). As of the fiscal year end, LVVWD had issued $300 million of these TECP notes. $105 million were used to purchase a 25% interest in the Silverhawk power generating plant in Apex, Nevada. $26 million were used in the Arizona Water Banking Agreement. The remainder has been added to the construction fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SNWA's basic financial statements, which are comprised of two components: 1) proprietary fund financial statements, and 2) notes to those financial statements. This comprehensive annual financial report (CAFR) also contains other supplementary and statistical information in addition to the basic financial statements themselves.

Enterprise fund financial statements. SNWA's operations are accounted for as a single enterprise fund using the full accrual basis of accounting. In this regard, SNWA's operations are accounted for in a manner similar to a private business enterprise. Within this one enterprise fund, SNWA segregates revenues and expenses in its financial statements for various purposes such as operations, debt service and capital improvements. This segregation does not create physically separate funds.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 2-13 through 2-43 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary and statistical information. Supplementary and statistical information can be found starting on page 3-1 of this report.

Financial analysis. One indication of the financial health of SNWA is fund equity, which is the difference between assets and liabilities. Changes in fund equity over time may serve as a useful indicator of financial health.

The following balance sheets present fund equity of SNWA for the fiscal years ended June 30, 2005, 2004, and 2003.

Enterprise Fund
June 30, 2005, 2004 and 2003

	2005	*Change*	2004	*Change*	2003
Current Assets	$ 500,149,666	*$ 127,816,180*	$ 372,333,486	*$ (86,738,099)*	$ 459,071,585
Utility Plant, net of Depreciation	2,377,725,976	*143,157,021*	2,234,568,955	*257,036,506*	1,977,532,449
Water Rights and Options	163,453,165	*28,586,917*	134,866,248	*14,050,329*	120,815,919
Total Assets	**$ 3,041,328,807**	***$ 299,560,118***	**$ 2,741,768,689**	***$ 184,348,736***	**$ 2,557,419,953**
Current Liabilities	$ 55,191,881	*$ (5,527,171)*	$ 60,719,052	*$ (44,041,579)*	$ 104,760,631
Current Portion of Long-Term Debt	338,115,437	*161,751,430*	176,364,007	*145,710,344*	30,653,663
Long Term Debt	1,595,316,076	*(41,815,437)*	1,637,131,513	*(37,804,007)*	1,674,935,520
Deferred Liabilities	23,694,650	*3,995,114*	19,699,536	*1,405,156*	18,294,380
Total Liabilities	2,012,318,044	*118,403,936*	1,893,914,108	*65,269,914*	1,828,644,194
Invested in Capital Assets	601,388,340	*65,148,193*	536,240,147	*71,457,993*	464,782,154
Restricted	36,559,150	*20,476,113*	16,083,037	*(115,305,147)*	131,388,184
Unrestricted	391,063,273	*95,531,876*	295,531,397	*162,925,976*	132,605,421
Total Fund Equity	1,029,010,763	*181,156,182*	847,854,581	*119,078,822*	728,775,759
Total Liabilities and Fund Equity	**$ 3,041,328,807**	***$ 299,560,118***	**$ 2,741,768,689**	***$ 184,348,736***	**$ 2,557,419,953**

As shown above, fund equity in 2005 is up $181.1 million over 2004, which is mostly a result of significant capital contributions during the fiscal year, primarily the regional connection charge. Fund equity in 2004 was up $119.1 million over 2003, which again is primarily the result of significant capital contributions in excess of debt service requirements.

Total assets in 2005 increased approximately $299.6 million. This is the total of an increase of $171.8 million in utility plant and water rights, and $127.8 million in current assets. (See Note 7 for further discussion of capital assets.)

Total assets in 2004 increased approximately $184.3 million, which was the net of an increase of $271.1 million in utility plant and water rights, less liquidation of $86.8 million in current assets, as shown in the balance sheet.

The $161.7 and $145.7 million increases in the current portion of long-term debt in 2005 and 2004, respectively, primarily reflects the fact that SNWA issued two lots ($160 million total) of tax-exempt commercial paper notes through LVVWD in July 2004 and February 2005, and $140 million of tax-exempt commercial paper notes through LVVWD in March 2004. (See Note 12 for further discussion of SNWA's outstanding debt.)

The following summarized statements of revenues, expenses and changes in fund equity present changes in fund equity for the fiscal years ended June 30, 2005, 2004, and 2003.

Enterprise Fund
June 30, 2005, 2004 & 2003

	2005	*Variance*	2004	*Variance*	2003
Operating Revenues					
Wholesale Delivery Charges	$ 100,460,557	*$ 3,298,111*	$ 97,162,446	*$ 9,388,059*	$ 87,774,387
Other Revenues	3,472,568	*(331)*	3,472,899	*105,525*	3,367,374
Total Operating Revenues	**103,933,125**	***3,297,780***	**100,635,345**	***9,493,584***	**91,141,761**
Operating Expenses					
Personnel & Related	29,082,767	*2,546,728*	26,536,039	*2,753,350*	23,782,689
Electric Power	54,461,787	*(1,170,218)*	55,632,005	*(5,230,778)*	60,862,783
Other Expenses	51,321,569	*9,055,654*	42,265,915	*15,893,086*	26,372,829
Depreciation Expense	48,259,934	*9,879,788*	38,380,146	*9,825,306*	28,554,840
Total Operating Expenses	183,126,057	*20,311,952*	162,814,105	*23,240,964*	139,573,141
Non Operating Income (Expense)					
Investment Income	13,887,489	*13,478,965*	408,524	*(7,195,269)*	7,603,793
Interest Expense	(64,248,754)	*(2,913,695)*	(61,335,059)	*(16,880,261)*	(44,454,798)
Other Revenue and Expense	(840,694)	*25,091*	(865,785)	*282,277*	(1,148,062)
Total Non Operating Income (Expense)	(51,201,959)	*10,590,361*	(61,792,320)	*(23,793,253)*	(37,999,067)
Total Operating & Non Operating Expenses	**234,328,016**	***9,721,591***	**224,606,425**	***47,034,217***	**177,572,208**
Loss Before Capital Contributions	(130,394,891)	*(6,423,811)*	(123,971,080)	*(37,540,633)*	(86,430,447)
Capital Contributions	311,551,073	*68,501,171*	243,049,902	*54,109,878*	188,940,024
Increase in Fund Equity for the Year	**181,156,182**	***$ 62,077,360***	**119,078,822**	***$ 16,569,245***	**102,509,577**
Fund Equity Beginning of Year	847,854,581		728,775,759		626,266,182
Fund Equity End of Year	**$ 1,029,010,763**		**$ 847,854,581**		**$ 728,775,759**

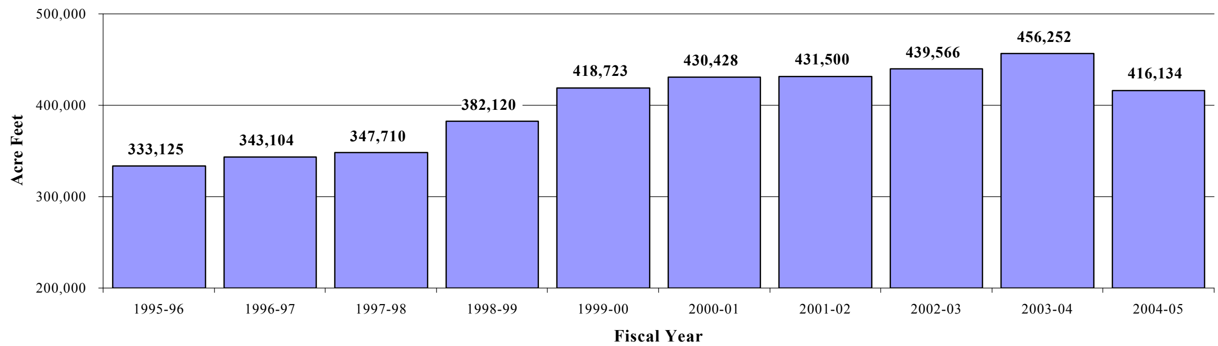
The $3.3 million (3.4%) increase in wholesale delivery charge revenues in 2005 reflects the fact that there was a 13% increase in the wholesale delivery charge rate, up from $215/acre-foot in fiscal year 2004, to $243/acre-foot in fiscal 2005. Water deliveries during that time fell 40,118 acre-feet (8.8%) mainly due to LVVWD accepting fewer deliveries than in fiscal 2003-04 (see explanation below). In addition, the reduction reflects continued conservation efforts in the face of continuing drought conditions. Effective July 1, 2005, the wholesale delivery charge rate was increased from $243/acre-foot to $252/acre-foot.

The $9.4 million (10.7%) increase in wholesale delivery charge revenues in 2004 reflects a 3.8% increase in water deliveries and a 7.5% increase in the wholesale delivery charge ($215/acre-foot vs. $200/acre-foot).

The following chart shows water deliveries by the Southern Nevada Water System (SNWS) over the past ten years.

Southern Nevada Water System
Wholesale Water Deliveries Last 10 Fiscal Years (Unaudited)

Fiscal Year	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
Deliveries (in acre-feet)										
Boulder City	8,046	7,970	7,520	8,207	9,719	10,251	11,519	10,990	8,304	6,723
Boulder City - Raw Water								2,078	3,635	3,644
Henderson	34,617	34,985	38,537	46,472	52,344	56,598	62,970	66,507	62,716	62,473
Las Vegas Valley Water District	253,915	261,433	269,827	289,545	316,547	323,184	315,467	314,447	334,580	298,260
Nellis Air Force Base	3,265	3,041	2,584	2,333	2,382	1,596	2,226	2,465	1,837	1,938
North Las Vegas	33,282	35,675	29,242	35,563	37,731	38,799	39,318	43,079	45,180	43,096
Total Water Deliveries	**333,125**	**343,104**	**347,710**	**382,120**	**418,723**	**430,428**	**431,500**	**439,566**	**456,252**	**416,134**



The reduction in water deliveries for 2005 is attributed to several causes. LVVWD substantially curtailed its artificial recharge program resulting in a reduction of 20,131 acre feet delivered compared to 2004. SNWA redirected this water to other storage systems in Arizona and California. Since the redirected water was not sent through the main treatment plant and sold to a purveyor member, the 20,131 acre feet acts as a reduction of water deliveries to customers. 12,150 acre-feet is considered to be the net effect of the public's response to drought restrictions and retail prices in the current fiscal year. In addition, LVVWD chose to use 7,837 more acre-feet of ground water than in the previous fiscal year, thereby lowering its requested deliveries from SNWA.

The 9.6% increase in personnel and related expenses in 2005 and 11.6% increase in 2004 is due to normal cost of living allowance and merit increases, as well as new hires, primarily in the Conservation Division, to operate the Water Smart Landscapes Program.

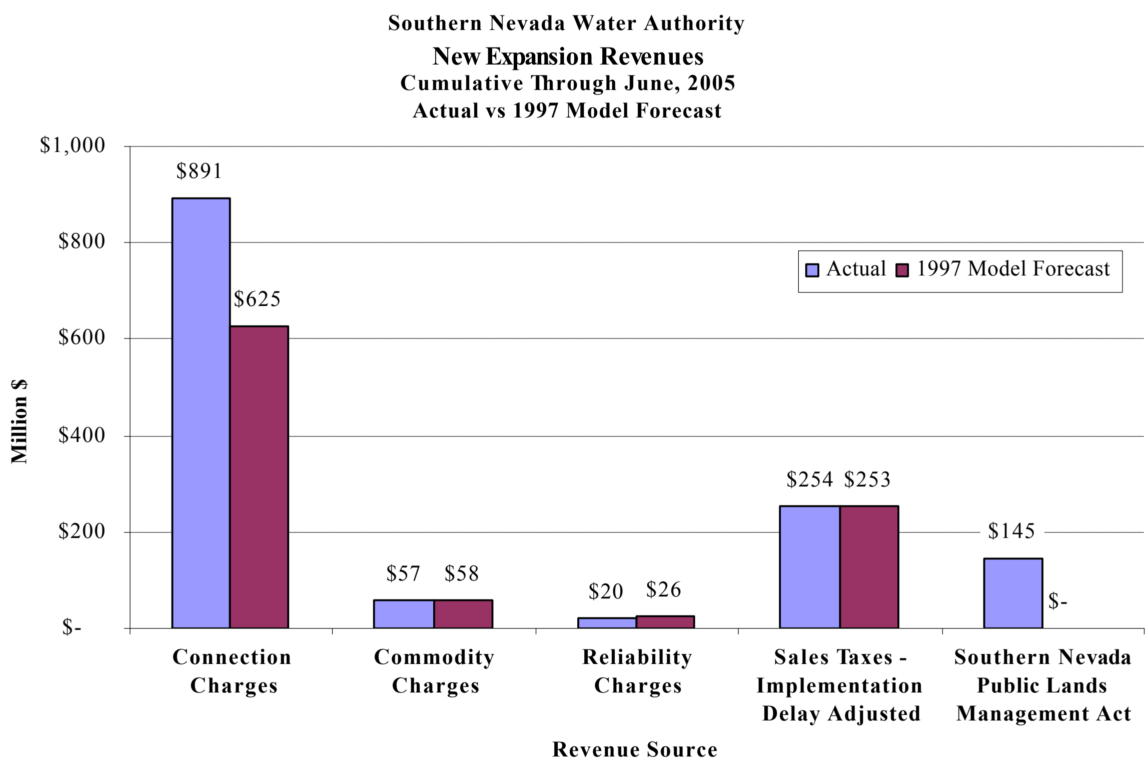
The 2.1% decrease in electric power costs in 2005, reflects the 8.8% reduction in water deliveries previously discussed. However SNWA also experienced a 4.4% increase in the unit price of power as well as a 2.5% increase in its consumption ratio (the number of power units needed to move one unit of water). Electric power is a significant cost of doing business and SNWA aggressively attempts to keep the unit cost of power as low as possible. (See Note 11 for a discussion of SNWA's open forward power contracts.)

In 2004, electric power costs decreased $5.2 million (-8.6%) due to higher priced contracts in the power portfolio expiring, and more favorable market conditions than in the prior year.

The increase in other operating expenses in 2005 and 2004 is related primarily to rebates through the Water Smart Landscaping Program. The rebate provides $1/square foot of turf removed, which is accounted for as an operating expense in other expenses. However, regional connection charge revenues, which are accounted for as contributed capital, fund these rebates instead of the wholesale delivery charge.

Capital contributions are revenues SNWA receives to fund its $2.7 billion Capital Improvement Plan (CIP) and other capital projects. In order of the amount of revenue they generated in 2005, those revenues include: (1) the regional connection charge, (2) the Southern Nevada Public Lands Management Act, (3) sales tax, (4) the regional commodity charge, (5) the regional reliability charge, and (6) various other small charges. Capital contributions in 2005 were up $68.5 million over 2004, primarily due to increases of $23.3 million in regional connection charges, $34.5 million from the Southern Nevada Public Lands Management Act, and $7.1 million in sales tax. Capital contributions in 2004 are up $54.1 million over 2003, due primarily to increases of $36 million in regional connection charges, $13 million from the Southern Nevada Public Lands Management Act and $6 million in sales tax. (See note 15 for a summary of Capital Contributions.)

A forecast of the revenues required to fund the CIP was done in 1997. Actual results to date are significantly ahead of the forecast. This is illustrated in the following chart, which compares actual receipts to date with the forecast.



As shown above, Connection charge revenue has been significantly higher than originally forecasted mainly because population growth in SNWA service area has been stronger than originally projected. Also the Southern Nevada Public Lands Management Act revenue source was developed subsequent to the 1997 model data.

The increases in depreciation expense in 2005 and 2004 are a function of increases in property, plant & equipment, as shown on the balance sheets above.

Net non-operating income increased $10.6 million in 2005, primarily due to increased investment income, which reflects a more favorable investment market during the period. Non-operating expenses for 2004 increased $23.8 million due mainly to a dramatic reduction in construction work in progress, which in turn limited the amount of interest expense that could be capitalized. The Financial Accounting Standards Board (FASB) Statement No. 34 as amended by Statement No. 62 requires that interest costs of restricted tax-exempt borrowings be capitalized until the assets acquired by those borrowings are ready for their intended use. In 2004, SNWA experienced a $232 million decrease in construction work in progress over the prior year, thereby leading to less capitalized interest.

Economic Factors and Next Year's Goals

SNWA's financial outlook continues to remain strong. Population growth in the Las Vegas area, while slightly lower than that experienced during the 1990's, is still exceptionally strong by national standards. As a result, demand for potable water produced by SNWA is projected to remain consistent. SNWA continues to maintain its high investment grade credit rating of "AA-" by Standard & Poors. Construction of the $2.7 billion CIP is on schedule and within budget. The new expansion revenues designated to fund the CIP and other capital plans are coming in at or above forecast.

Currently, our major concern is the multi-year drought in the Colorado River basin. The water level in Lake Mead has declined approximately 75 feet since 2000. Although this is still above SNWA's two intakes, it means that the intakes are drawing water closer to the surface, which creates water quality challenges. Low lake levels have also impacted the amount of water SNWA can withdraw from the Colorado River in excess of its 300,000 acre-feet net consumptive allocation. In response to these changing conditions SNWA has taken steps to accelerate development of its in-state water resources. The fiscal impact associated with development of these resources will be more evident over the next fiscal year. Additionally, CIP has been expanded to include plans to build a third intake deeper in the lake to provide additional reliability.

Requests for Information

This financial report is designed to provide a general overview of SNWA's finances for anyone with an interest. Questions concerning any of the information provided in this report or requests for addition financial information should be addressed to the Office of the Director of Finance, Mail Stop 320, 1001 South Valley View Blvd., Southern Nevada Water Authority, Las Vegas, Nevada, 89107.

The reader is also encouraged to visit the SNWA website at www.snwa.com where this document is presented in its entirety. The website is also a good source for financial and operational information pertaining to the company, as well as helpful information concerning conservation and water issues.

Basic Financial Statements

Southern Nevada Water Authority
Enterprise Fund
Balance Sheets
June 30, 2005 and 2004

Assets	2005	2004
Current Assets - Restricted		
Investments	$ 39,259,941	$ 3,398,315
Other Receivables	14,634,570	12,684,722
Total Current Assets - Restricted	53,894,511	16,083,037
Current Assets - Unrestricted		
Cash	5,525,419	5,854,805
Investments	402,558,395	319,220,370
Due From Member Agencies	31,874,536	28,326,171
Prepaid Expenses	453,277	419,371
Other Receivables	5,843,528	2,429,732
Total Current Assets - Unrestricted	446,255,155	356,250,449
Total Current Assets	500,149,666	372,333,486
Capital Assets		
Property, Plant, Equipment and Land	2,251,937,586	2,097,260,237
Less Accumulated Depreciation	(410,942,589)	(362,701,406)
Net Property, Plant, Equipment and Land	1,840,994,997	1,734,558,831
Water and Power Rights and Options	163,453,165	134,866,248
Construction in Progress	536,730,979	500,010,124
Total Capital Assets	2,541,179,141	2,369,435,203
Total Assets	**$ 3,041,328,807**	**$ 2,741,768,689**

The accompanying notes are an integral part of these financial statements.

Southern Nevada Water Authority
Enterprise Fund
Balance Sheets
June 30, 2005 and 2004

Liabilities and Fund Equity	2005	2004
Current Liabilities		
Accounts Payable	$ 41,503,175	$ 47,325,454
Accrued Interest Payable	13,688,706	13,393,598
Current Portion of Notes Payable	910,437	879,007
Current Portion of Bonds Payable	37,205,000	35,485,000
Commercial Paper Notes Payable	300,000,000	140,000,000
Total Current Liabilities	393,307,318	237,083,059
Long Term Liabilities		
Notes Payable, net of current portion	17,766,076	18,676,513
Bonds Payable, net of current portion	1,577,550,000	1,618,455,000
Deferred Amount on Refunding	3,314,290	20,574,950
Unamortized Bond Costs, Premiums and Discounts	20,380,360	(875,414)
Total Long Term Liabilities	1,619,010,726	1,656,831,049
Total Liabilities	2,012,318,044	1,893,914,108
Commitments and Contingencies (Note 11)		
Fund Equity		
Invested in Capital Assets, Net of Related Debt	601,388,340	536,240,147
Restricted	36,559,150	16,083,037
Unrestricted	391,063,273	295,531,397
Total Fund Equity	1,029,010,763	847,854,581
Total Liabilities and Fund Equity	**$ 3,041,328,807**	**$ 2,741,768,689**

The accompanying notes are an integral part of these financial statements.

Southern Nevada Water Authority
Enterprise Fund
Statements of Revenues, Expenses and Changes in Fund Equity
For the Fiscal Years ended June 30, 2005 and 2004

	2005	2004
Operating Revenues		
Wholesale Delivery Charges	$ 100,460,557	$ 97,162,446
Groundwater Program Revenue	2,039,010	2,114,246
Purveyor Administration Costs Billings	361,958	321,253
Las Vegas Wash Revenues	1,071,600	1,037,400
Total Operating Revenues	103,933,125	100,635,345
Operating Expenses		
Personnel and Related	29,082,767	26,536,039
Electric Power	54,461,787	55,632,005
Legal and Professional	9,994,493	6,809,712
Other	41,327,076	35,456,203
Depreciation	48,259,934	38,380,146
Total Operating Expenses	183,126,057	162,814,105
Operating Loss	(79,192,932)	(62,178,760)
Non Operating Revenues and (Expenses)		
Investment Income	13,887,489	408,524
Interest Expense	(64,248,754)	(61,335,059)
Amortization of Refunding Costs	(186,214)	(21,056)
Amortization of Bond Issue Costs, Premiums and Discounts	(655,616)	(847,092)
Gain/(Loss) on Sale of Assets	1,136	2,363
Total Non-Operating Revenues (Expenses)	(51,201,959)	(61,792,320)
Loss Before Capital Contributions	(130,394,891)	(123,971,080)
Capital Contributions	311,551,073	243,049,902
Net Income	181,156,182	119,078,822
Fund Equity - Beginning of Year	847,854,581	728,775,759
Fund Equity - End of Year	$ 1,029,010,763	$ 847,854,581

The accompanying notes are an integral part of these financial statements.

Southern Nevada Water Authority
Enterprise Fund
Statements of Cash Flows
For the Fiscal Years ended June 30, 2005 and 2004

	2005	2004
Cash Flows from Operating Activities:		
General and Administrative/Resources charges	$ 363,317	$ 320,916
Groundwater Management fees	2,039,010	2,114,246
Las Vegas Wash Revenues	1,071,600	1,037,400
Wholesale Delivery Charges	99,774,715	95,601,639
Cash Payments to Suppliers of Goods and Services	(107,217,302)	(100,132,825)
Net Cash used in Operating Activities	(3,968,660)	(1,058,624)
Cash Flows from Capital and related Financing Activities:		
Purchase or Construction of Capital Assets	(193,812,574)	(333,720,907)
Gain/(Loss) on Disposal of Property & Equipment	1,135	2,363
Proceeds of Debt Issuance	160,000,000	140,000,000
Principal paid on Debt	(36,364,007)	(30,483,663)
Interest paid on Debt	(90,616,784)	(88,396,167)
Capital Contributions	268,889,897	219,474,090
Net Cash (used in)/provided by Capital and related Financing Activities	108,097,667	(93,124,284)
Cash Flows from Investing Activities:		
Purchases of Investment Securities	(12,366,571,616)	(8,622,652,668)
Proceeds from maturities of Investment Securities	12,251,917,966	8,701,181,122
Investment Earnings	10,195,257	7,450,777
Net Cash provided by/(used in) Investing Activities	(104,458,393)	85,979,231
Net Decrease in Cash and Cash Equivalents:	(329,386)	(8,203,677)
Cash, beginning of year	5,854,805	14,058,482
Cash, end of year	$ 5,525,419	$ 5,854,805

	2005	2004
Reconciliation of Operating Loss to net Cash used in Operating Activities		
Operating Loss	$ (79,192,932)	$ (62,178,760)
Depreciation	48,259,934	38,380,146
Operating Expenses paid by Contributed Capital	30,675,455	19,304,071
Changes in Assets and Liabilities		
(Increase)/Decrease in Due from Member Agencies	(684,566)	(1,560,308)
(Increase)/Decrease in Prepaid Expenses	(33,906)	41,157
Increase (Decrease) in Other Receivables	(3,316,486)	3,113,739
Increase in Accounts Payable	323,841	1,841,331
Net Cash used in Operating Activities	$ (3,968,660)	$ (1,058,624)

	2005	2004
Non-Cash Investing, Capital and Financing Activities		
Changes in Fair Value of Investments	$ (4,710,269)	$ (8,348,150)
Deferred Gain/Loss on Refunded Bonds	17,446,874	(1,028,333)
Refunding Bonds Issued	(396,986,275)	(21,515,000)
Bond Refunded	382,420,000	23,125,000

The accompanying notes are an integral part of these financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The Board appoints a General Manager. In 1993, LVVWD's General Manager was also appointed General Manager of SNWA, and LVVWD was named Operating Agent for SNWA. Also in 1993, LVVWD began paying essentially all operating expenses on behalf of SNWA. SNWA reimburses LVVWD for those expenses, including the cost of LVVWD employees allocated to SNWA. SNWA has no employees of its own.

The Board has the power to periodically assess the member agencies directly for operating and capital budgets and for the satisfaction of any liabilities imposed against SNWA. In 1991, each member made an initial contribution to SNWA for operating and administrative expenses in the amount of $15,000. Assessments for additional funds needed by SNWA, in accordance with approved operating and capital budgets, have been apportioned to member agencies on the basis of water deliveries to those agencies. Funding received by SNWA from its member agencies for operations is recorded as operating revenue, while funding received for capital purchases is recorded as contributed capital. Member agencies that are not potable water purveyors (the City of Las Vegas and the Clark County Water Reclamation District) each contributed $35,000 to SNWA operations during the fiscal year ended June 30, 2005.

Southern Nevada Water Delivery System

Pursuant to the Transfer Act, (Assembly Bill No. 542,) approved by the Nevada Legislature in 1995, the assets of the Southern Nevada Water System (SNWS), as well as responsibility for operation of the system, were transferred from the Colorado River Commission (CRC) to SNWA, effective January 1, 1996. Along with the transfer of the assets, CRC transferred all books and records in its possession relating to SNWS and its facilities. In addition to the assets, all liabilities of CRC related to the SNWS were transferred to SNWA (see Note 12).

Fund Accounting

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

Enterprise Fund

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

Use of Estimates

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

Cash and Investments

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

Utility Plant

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

Depreciation is computed using the straight-line method over the estimated service lives of the respective assets. Following are major utility plant categories and their estimated service lives.

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

Revenues

Operating revenues include the wholesale delivery charge, which for the year ended June 30, 2005, was $243 per acre-foot of treated Colorado River water delivered to the purveyor members of SNWA. The wholesale delivery charge is designed to fund operation and maintenance of SNWS, as well as SNWA administration. SNWA also charged $184 per acre-foot for raw Colorado River water delivered to the city of Boulder City for use on golf courses. The groundwater program revenues consist of an annual fee of $30 per acre-foot of permitted groundwater rights or $30 per domestic well. Purveyor administration costs billings are amounts charged to member agencies of SNWA who do not physically take potable water from the SNWA water system. These costs vary by purveyor and are designed to help compensate SNWA for administration costs associated with their membership. Las Vegas Wash revenues consist of contributions from other local governments towards operating costs of the Las Vegas Wash Coordination Committee.

The only non-operating revenues are investment income and a minimal gain (loss) from the disposal of assets.

Expenses

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

Capital Contributions

Capital contributions include various revenues SNWA receives that are restricted to use for various capital improvement programs. (Note 15)

Water Rights Holding Company

On December 15, 1999, the Board established Muddy River Water Holdings, Inc., a non-profit corporation authorized to facilitate the holding of water rights stock and stock options. This corporation holds any stock purchased by SNWA representing water rights.

Reclassification

Certain reclassifications have been made in the fiscal year 2004 basic financial statements to conform to the fiscal 2005 presentation.

New Accounting Pronouncements

Effective July 1, 2004, SWNA adopted GASB Statement No, 43, “Financial Reporting for Post employment Benefit Plans Other than Pension Plans”. This statement establishes uniform financial reporting standards for other post-employment Employee Benefit (OPEB) trust funds included in the financial reports of plan sponsors or employers. As described above in the “Reporting Entity” section, SNWA has no employees of its own, which means that SNWA has no post-employment benefit plans. Therefore, adoption of Statement No. 43 does not materially affect SNWA’s financial position, results of operation, or cash flows.

Effective July 1, 2004, SWNA adopted GASB Statement No, 44, “Economic Condition Reporting: The Statistical Section”. Statement No. 44 is effective for financial statements for periods beginning after June 15, 2005. The objective of this statement is to improve the understandability and usefulness of the information that state and local governments present as supplementary information in the statistical section. SNWA is reviewing the requirements of this statement, and does not expect it to affect its financial position, results of operations or cash flow when adopted.

Effective July 1, 2004, SNWA adopted GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post employment Benefit Plans Other than Pensions". This statement requires employers that participate in single-employer or agent multiple-employer defined benefit OPEB plans to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting. As described above in the "Reporting Entity" section, SNWA has no employees of its own, which means that SNWA has no post-employment benefit plans. Therefore adoption of Statement No. 45 will not materially affect SNWA's financial position, results of operation, or cash flows.

Effective July 1, 2004, SNWA adopted GASB Statement No, 46, "Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No 34". This statement is designed to improve the comparability of net asset information by clarifying the circumstances under which net assets should be restricted because of enabling legislation enacted by a government. Statement No. 46 states that a legally enforceable legislation restriction is one that a party external to a government can compel a government to honor. Adoption of Statement No. 46 will not materially affect SNWA's financial position, results of operation, or cash flows.

Effective July 1, 2004, SNWA adopted GASB Statement No. 47, "Accounting for Termination Benefits". This statement establishes accounting standards for termination benefits. Termination benefits provided through an existing defined post-employment benefit plan other than a pension should be implemented at the same time as Statement No. 45 (see above). As described above in the "Reporting Entity" section, SNWA has no employees of its own, which in turns means that SNWA has no post-employment benefit plans. Therefore, adoption of Statement No. 47 will not materially affect SNWA's financial position, results of operation, or cash flows.

NOTE 2. CASH

Cash consists of a demand deposit account at U.S. Bank. SNWA has entered into an agreement with U.S. Bank whereby any balance in the demand deposit account at the close of each business day is "swept" into an interest earning investment account overnight. As of June 30, 2005 and 2004, the balances in this account were as follows:

June 30, 2005	Total	Unrestricted	Restricted
U.S. Bank Demand Deposit Account	$ 5,525,419	$ 5,525,419	$ -
Total Cash and Equivalents	$ 5,525,419	$ 5,525,419	$ -

June 30, 2004	Total	Unrestricted	Restricted
U.S. Bank Demand Deposit Account	$ 5,854,805	$ 5,854,805	$ -
Total Cash and Equivalents	$ 5,854,805	$ 5,854,805	$ -

On July 22, 2003, the Nevada State Assembly approved an amendment to Nevada Revised Statutes (NRS) 356.020 establishing a Nevada State Treasurer's Pooled Collateral program for local governments. U.S. Bank participates in the pool by pledging securities for SNWA monies on deposit. The collateral pool for public fund deposits administered and monitored by the Nevada State Treasurer's Pooled Collateral Office requires depository banks to place acceptable securities of no less than 102% market value of the aggregate total deposits of public entities in Nevada with a third party custodian.

NOTE 3. INVESTMENTS

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

As required by GASB Statement No. 31, an adjustment to fair value has been made for securities with a life greater than one year at the time they were purchased. Fair value was determined by quoted market prices at June 30, 2005 and 2004, provided by the Bank of New York Western Trust Company where SNWA has an investment custody account. The Bank of New York Western Trust Company acts as an agent for SNWA. No adjustment was made for securities with a life less than one year at the time they were purchased. For 2005 and 2004, this adjustment resulted in a reduction in interest income of $4,710,267 and $8,348,150, respectively.

The following schedules detail the securities SNWA was holding for investment at June 30, 2005 and 2004. The first dollar amount shown for each security is the par value, which SNWA will receive at maturity. Then the par value is adjusted for any unamortized discount or premium, and a fair value adjustment if the investment had a maturity greater than one year at the time it was purchased. The resulting book value is what is presented as the book value of investments on the balance sheet. The last column is the fair value derived from market research by the Bank of New York Western Trust Company.

Investments at June 30, 2005

Security	CUSIP	S&P Credit Rating	Purchase Date	Maturity Date	Days to Maturity	Par Value	Unamortized (Discount)/ Premium	Fair Value Adjustment	Book Value	Fair Value
FHA	313397HP9	AAA	06/30/05	07/01/05	1	$ 18,000,000			$ 18,000,000	$ 17,998,737
FHA	313397HP9	AAA	06/30/05	07/01/05	1	20,000,000			20,000,000	19,998,596
LOCFUN	53974TU13	P-1	06/30/05	07/01/05	1	5,000,000			5,000,000	4,998,715
VBTPP	92328JU16	A-1+	06/30/05	07/01/05	1	3,900,000			3,900,000	3,899,631
ADVASS	0075N2U59	A-1	06/30/05	07/05/05	5	4,707,000	$ (1,726)		4,705,274	4,704,466
CALYON	13170RU54	A-1+	06/28/05	07/05/05	7	2,591,000	(936)		2,590,064	2,589,154
GNW	3724P2U57	A-1	06/28/05	07/05/05	7	5,000,000	(1,812)		4,998,188	4,996,408
UBSFIN	90262CU54	A-1+	06/28/05	07/05/05	7	10,000,000	(3,601)		9,996,399	9,992,883
PINCLE	72347JU72	A-1+	06/28/05	07/07/05	9	900,000	(482)		899,518	899,235
STEAM	85788KU85	A-1+	06/28/05	07/08/05	10	5,000,000	(3,199)		4,996,801	4,995,366
ATLASC	0492A0UB1	A-1+	06/30/05	07/11/05	11	5,811,000	(5,327)		5,805,673	5,805,083
ATLASC	0492A0UB1	A-1+	06/28/05	07/11/05	13	2,451,000	(2,213)		2,448,787	2,448,504
TAAFUN	89346UUB3	A-1+	06/28/05	07/11/05	13	5,000,000	(4,598)		4,995,402	4,994,304
GECC	36959HUC9	A-1+	06/28/05	07/12/05	14	1,000,000	(981)		999,019	998,799
LOCFUN	53974TUD7	P-1	06/29/05	07/13/05	14	5,000,000	(5,501)		4,994,499	4,994,005
FPL	34108AUF2	A-1	06/30/05	07/15/05	15	15,000,000	(18,785)		14,981,215	14,981,491
UBSFIN	90262CUD7	A-1+	06/13/05	07/13/05	30	5,000,000	(5,216)		4,994,784	4,987,168
SYDCAP	87123LUC4	A-1+	06/07/05	07/12/05	35	1,115,000	(1,062)		1,113,938	1,111,647
CHARTW	16139TV37	A-1	06/07/05	08/03/05	57	400,000	(1,213)		398,787	398,137
DUC	2643J4UN4	A-1+	04/26/05	07/22/05	87	500,000	(924)		499,076	496,294
EDISEC	28100LWE9	A-1+	06/14/05	09/14/05	92	1,059,000	(7,292)		1,051,708	1,051,355
FMC	313397HZ7	AAA	02/03/05	07/11/05	158	10,000,000	(7,743)		9,992,257	9,876,875
FHA	313589RD7	AAA	02/03/05	12/30/05	330	5,000,000	(77,530)		4,922,470	4,849,141
FHLB	3133X9RE2	AAA	12/23/04	06/23/06	547	2,000,000		$ (13,125)	1,986,875	1,986,875
FHLB	3133XAND5	AAA	03/01/05	09/01/06	549	2,000,000		(9,375)	1,990,625	1,990,625
FNMA	31359MWR0	AAA	03/03/05	11/22/06	629	135,000	(1,587)	110	133,523	133,523
FHLMC	3128X3BR3	AAA	01/31/05	10/27/06	634	155,000	(1,477)	(614)	152,909	152,909
FHLB	3133X9KZ2	AAA	11/30/04	08/30/06	638	1,000,000		(8,750)	991,250	991,250
FHLB	3133X9UT5	AAA	12/29/04	09/29/06	639	2,000,000		(12,500)	1,987,500	1,987,500
FNMA	31359MA86	AAA	05/19/05	04/18/07	699	4,000,000	13,896	(6,396)	4,007,500	4,007,500
FHLMC	3128X3WJ8	AAA	09/29/04	09/29/06	730	1,000,000		(9,630)	990,370	990,370
FNMA	3136F6CV9	AAA	09/07/04	09/07/06	730	1,000,000		(11,250)	988,750	988,750
FNMA	31359MA86	AAA	04/18/05	04/18/07	730	5,000,000		9,375	5,009,375	5,009,375
FHLMC	3128X3TM5	AAA	05/19/05	08/23/07	826	1,000,000	(8,685)	(378)	990,937	990,938
FHLB	3133XACC9	AAA	04/19/05	01/14/08	1,000	4,900,000	(5,410)	(715)	4,893,875	4,893,875
FHLMC	3128X1JD0	AAA	06/29/05	06/11/08	1,078	10,000,000	(237,144)	(5,856)	9,757,000	9,757,000
FHLB	3133XACC9	AAA	01/20/05	01/14/08	1,089	5,000,000		(6,250)	4,993,750	4,993,750
FNMA	3136F6BL2	AAA	05/19/05	08/26/08	1,195	1,750,000	(4,316)	(606)	1,745,078	1,745,078
FHLB	3133X9N63	AAA	12/16/04	06/16/08	1,278	870,000		(1,631)	868,369	868,369
FHLB	31339YE65	AAA	07/23/03	01/23/07	1,280	7,955,000	(4,532)	(184,399)	7,766,069	7,766,069
FNMA	3136F6RH4	AAA	01/12/05	12/15/08	1,433	3,856,000	55,850	(42,595)	3,869,255	3,869,255
FHLB	31339XNB6	AAA	12/10/04	12/30/08	1,481	500,000	(8,925)	(1,388)	489,687	489,688
FHLB	3133X8B68	AAA	05/19/05	08/26/09	1,560	3,000,000	(8,064)	564	2,992,500	2,992,500
FNMA	3136F6NH8	AAA	05/19/05	12/01/09	1,657	2,000,000	(6,406)	156	1,993,750	1,993,750
FHLB	3133X63V6	AAA	02/10/05	10/30/09	1,723	5,000,000		(6,250)	4,993,750	4,993,750
FHLB	3133X6VP8	AAA	08/18/04	05/11/09	1,727	900,000		(563)	899,437	899,438
FHLB	31339YEY4	AAA	07/23/03	04/23/08	1,736	15,700,000	(15,806)	(342,350)	15,341,844	15,341,844
FNMA	3136F5PK1	AAA	06/29/05	04/06/10	1,742	6,000,000	(32,878)	6,628	5,973,750	5,973,750
FHLB	3133X7PU2	AAA	09/17/04	07/06/09	1,753	135,000	2,466	(1,158)	136,308	136,308
FHLB	3133XBFV2	AAA	05/19/05	04/20/10	1,797	5,000,000	98,168	(21,605)	5,076,563	5,076,563
FNMA	3136F6NH8	AAA	12/30/04	12/01/09	1,797	4,000,000	(6,716)	(5,784)	3,987,500	3,987,500
FHLMC	3128X1JD0	AAA	06/30/03	06/11/08	1,808	10,000,000	(3,765)	(239,235)	9,757,000	9,757,000
FNMA	3136F6NH8	AAA	12/17/04	12/01/09	1,810	4,000,000		(12,500)	3,987,500	3,987,500
FNMA	3136F3D37	AAA	07/09/03	07/07/08	1,825	20,000,000	62,266	(431,016)	19,631,250	19,631,250
FHLB	3133X8B68	AAA	08/26/04	08/26/09	1,826	3,165,000	(3,992)	(3,921)	3,157,087	3,157,088
FHLB	3133XBFV2	AAA	04/20/05	04/20/10	1,826	7,000,000		107,187	7,107,187	7,107,187
FNMA	3136F5RR4	AAA	04/29/04	04/29/09	1,826	3,250,000	(127)	(14,092)	3,235,781	3,235,781
FHLB	3133XAT64	AAA	03/16/05	03/16/10	1,826	5,000,000	(2,957)	1,395	4,998,438	4,998,438
FHLB	31339XM84	AAA	06/24/03	06/24/08	1,827	6,750,000	(1,039)	(123,414)	6,625,547	6,625,547
FHLB	31339XZ64	AAA	07/15/03	10/15/08	1,919	5,000,000	(5,996)	(151,817)	4,842,187	4,842,188
FHLB	3133MYZG5	AAA	07/11/03	12/12/08	1,981	5,000,000	(8,320)	(68,241)	4,923,439	4,923,438
FHLB	31339Xl93	AAA	07/18/03	12/26/08	1,988	5,000,000	(28,937)	(71,063)	4,900,000	4,900,000
FHLB	31339XEG5	AAA	07/01/03	12/18/08	1,997	20,000,000	(6,426)	(393,574)	19,600,000	19,600,000
FHLB	31339XVV3	AAA	07/01/03	12/24/08	2,003	11,000,000	(1,840)	(300,660)	10,697,500	10,697,500
FHLB	3133X5ZY7	AAA	04/30/04	10/30/09	2,009	5,000,000	(2,518)	(6,857)	4,990,625	4,990,625
FHLB	31339X5Y6	AAA	06/11/03	12/11/08	2,010	7,000,000	(2,264)	(155,236)	6,842,500	6,842,500
FHLB	31339XFK5	AAA	06/18/03	12/18/08	2,010	7,000,000	(2,651)	(146,099)	6,851,250	6,851,250

Investments at June 30, 2005

Security	CUSIP	S&P Credit Rating	Purchase Date	Maturity Date	Days to Maturity	Par Value	Unamortized (Discount)/ Premium	Fair Value Adjustment	Book Value	Fair Value
FHLB	31339XEG5	AAA	06/18/03	12/18/08	2,010	$ 10,000,000	$ (6,215)	$ (193,785)	$ 9,800,000	$ 9,800,000
FHLB	31339XTN4	AAA	07/10/03	01/09/09	2,010	8,000,000	(8,260)	(176,740)	7,815,000	7,815,000
FHLB	31339YDU3	AAA	07/23/03	01/22/09	2,010	12,750,000	(8,496)	(330,176)	12,411,328	12,411,328
FHLB	31339Y2V3	AAA	07/08/03	01/08/09	2,011	6,100,000	(17,594)	(165,406)	5,917,000	5,917,000
FHLB	31339YDU3	AAA	07/22/03	01/22/09	2,011	12,000,000	(5,646)	(313,104)	11,681,250	11,681,250
FHLB	31339YJW3	AAA	07/28/03	01/28/09	2,011	10,000,000	(4,197)	(158,303)	9,837,500	9,837,500
FHLB	31339YNM0	AAA	07/30/03	01/30/09	2,011	5,775,000	(2,429)	(80,587)	5,691,984	5,691,984
FNMA	3136F5PK1	AAA	04/06/04	04/06/10	2,191	4,000,000	(2,034)	(15,466)	3,982,500	3,982,500
FNMA	3136F5KK6	AAA	03/23/04	03/23/10	2,191	6,000,000	(3,028)	(43,847)	5,953,125	5,953,125
FHLMC	3128X1MZ7	AAA	06/30/03	06/30/09	2,192	20,000,000	(163,225)	(547,375)	19,289,400	19,289,400
Totals at June 30, 2005						$ 447,080,000	$ (551,397)	$ (4,710,267)	$ 441,818,336	$ 441,600,475

Investments at June 30, 2004

Security	CUSIP	S&P Credit Rating	Purchase Date	Maturity Date	Days to Maturity	Par Value	Unamortized (Discount)/ Premium	Fair Value Adjustment	Book Value	Fair Value
UBSFIN	90262CG19	P1	6/30/2004	7/1/2004	1	$ 4,000,000			$ 4,000,000	$ 3,999,489
LOCFUN	53974TG19	P1	6/30/2004	7/1/2004	1	1,000,000			1,000,000	999,864
FHLBDN	313384YV5	P1	6/30/2004	7/1/2004	1	11,000,000			11,000,000	10,999,618
CVXFUN	1667X0G77	P1	6/30/2004	7/7/2004	7	1,500,000	$ (295)		1,499,705	1,499,562
WPSRES	92930TG69	P1	6/28/2004	7/6/2004	8	2,000,000	(347)		1,999,653	1,999,273
LOCFUN	53974TG76	P1	6/29/2004	7/7/2004	8	3,000,000	(675)		2,999,325	2,998,855
LLMTIV	54278TG77	P1	6/28/2004	7/7/2004	9	1,252,000	(263)		1,251,737	1,251,485
WPSRES	97684GG72	P1	6/28/2004	7/7/2004	9	2,500,000	(542)		2,499,458	2,498,996
UBSFIN	90262CGE1	P1	6/29/2004	7/14/2004	15	3,000,000	(1,376)		2,998,624	2,998,191
FNMADN	313588ZK4	P1	6/29/2004	7/15/2004	16	5,000,000	(2,411)		4,997,589	4,997,156
KAISER	48310TGF1	P1	6/25/2004	7/15/2004	20	958,000	(488)		957,512	957,222
SYDCAP	87123LGF3	P1	6/25/2004	7/15/2004	20	802,000	(402)		801,598	801,373
WSYCOV	9605P2GU3	P1	6/25/2004	7/28/2004	33	700,000	(735)		699,265	699,129
FHLB	3133MABT5	AAA	02/10/03	11/15/04	644	300,000	5,075	$ 269	305,344	305,344
FHLB	31339Y5X6	AAA	06/26/03	12/26/06	1,279	5,000,000	(561)	(129,127)	4,870,312	4,870,312
FHLB	31339YE65	AAA	07/23/03	01/23/07	1,280	7,955,000	(7,353)	(198,980)	7,748,667	7,748,667
FFCB	31331Q2V8	AAA	06/26/03	03/26/07	1,369	7,000,000		(190,313)	6,809,687	6,809,687
FHLB	31339YEY4	AAA	07/23/03	04/23/08	1,736	15,700,000	(21,584)	(424,885)	15,253,531	15,253,531
FHLMC	3128X1JD0	AAA	06/30/03	06/11/08	1,808	10,000,000	(4,970)	(302,630)	9,692,400	9,692,400
FNMA	3136F3D37	AAA	07/09/03	07/07/08	1,825	20,000,000	81,263	(550,013)	19,531,250	19,531,250
FNMA	3136F5RR4	AAA	04/29/04	04/29/09	1,826	3,250,000	(157)	(37,421)	3,212,422	3,212,422
FHLB	31339YJR4	AAA	07/14/03	07/14/08	1,827	25,000,000		(671,875)	24,328,125	24,328,125
FHLB	31339XM84	AAA	06/24/03	06/24/08	1,827	6,750,000	(1,365)	(161,057)	6,587,578	6,587,578
FHLB	31339XZ64	AAA	07/15/03	10/15/08	1,919	5,000,000	(7,744)	(187,569)	4,804,687	4,804,687
FHLB	3133MYZG5	AAA	07/11/03	12/12/08	1,981	5,000,000	(10,551)	(106,636)	4,882,813	4,882,813
FHLB	31339XL93	AAA	07/18/03	12/26/08	1,988	5,000,000	(36,608)	(113,392)	4,850,000	4,850,000
FHLB	31339XEG5	AAA	07/01/03	12/18/08	1,997	30,000,000	(16,028)	(874,597)	29,109,375	29,109,375
FHLB	31339XVV3	AAA	07/01/03	12/24/08	2,003	11,000,000	(2,333)	(437,667)	10,560,000	10,560,000
FHLB	3133X3X32	AAA	02/27/04	08/27/09	2,008	3,000,000	(1,769)	(22,606)	2,975,625	2,975,625
FNMA	3136F45H3	AAA	02/20/04	08/20/09	2,008	5,000,000	(2,939)	(39,249)	4,957,812	4,957,812
FNMA	3136F5DE8	AAA	02/27/04	08/27/09	2,008	4,000,000	(3,774)	(51,226)	3,945,000	3,945,000
FHLB	3133X5ZY7	AAA	04/30/04	10/30/09	2,009	5,000,000	(3,038)	(54,774)	4,942,188	4,942,188
FHLMC	3128X3GU1	AAA	06/03/04	12/03/09	2,009	5,000,000	(3,086)	21,486	5,018,400	5,018,400
FNMA	3136F5TM3	AAA	04/27/04	10/27/09	2,009	2,000,000	(3,642)	2,392	1,998,750	1,998,750
FHLB	31339X5Y6	AAA	06/11/03	12/11/08	2,010	7,000,000	(2,876)	(228,999)	6,768,125	6,768,125
FHLB	31339XFK5	AAA	06/18/03	12/18/08	2,010	7,000,000	(3,362)	(217,575)	6,779,063	6,779,063
FHLB	31339XJD7	AAA	06/24/03	12/24/08	2,010	8,000,000	(3,314)	(221,686)	7,775,000	7,775,000
FHLB	31339XTN4	AAA	07/10/03	01/09/09	2,010	8,000,000	(10,438)	(264,562)	7,725,000	7,725,000
FHLB	31339YDU3	AAA	07/23/03	01/22/09	2,010	24,750,000	(17,840)	(956,691)	23,775,469	23,775,469
FNMA	3136F5GF2	AAA	03/14/04	09/15/09	2,011	7,000,000	(1,189)	(105,998)	6,892,813	6,892,813
FHLB	31339Y2V3	AAA	07/08/03	01/08/09	2,011	6,100,000	(22,254)	(242,715)	5,835,031	5,835,031
FHLB	31339YJW3	AAA	07/28/03	01/28/09	2,011	10,000,000	(5,280)	(250,970)	9,743,750	9,743,750
FHLB	31339YNM0	AAA	07/30/03	01/30/09	2,011	5,775,000	(3,054)	(130,493)	5,641,453	5,641,453
FNMA	3136F5KK6	AAA	03/23/04	03/23/10	2,191	6,000,000	(3,543)	(153,957)	5,842,500	5,842,500
FNMA	3136F5PK1	AAA	04/06/04	04/06/10	2,191	4,000,000	(2,412)	(76,338)	3,921,250	3,921,250
FHLMC	3128X1MZ7	AAA	06/30/03	06/30/09	2,192	20,000,000	(200,905)	(968,296)	18,830,799	18,830,799
Totals at June 30, 2004						$ 331,292,000	$ (325,165)	$ (8,348,150)	$ 322,618,685	$ 322,614,432

For the fiscal years ended June 30, 2005 and 2004, the weighted average yield on the entire investment portfolio was 2.64% and 2.57%, respectively, computed on the amortized cost basis.

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

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

The following shows the distribution and credit quality of investments at June 30, 2005 and 2004, between U.S. government agencies and corporate commercial paper.

Credit Quality Exposure	Rated	**2005**	**2004**
U.S. Governement Agencies	AAA	82%	89%
Corporate Commercial Paper	P-1, A-1	18%	11%

NOTE 4. DUE FROM MEMBER AGENCIES

SNWA bills its member agencies for (1) reimbursement of general and administrative and resources expenses, and (2) wholesale delivery charges for water delivered to purveyor members. In addition to these billings, purveyors collect regional connection charges, regional commodity charges and a regional reliability surcharge, and remit them to SNWA monthly. Management believes all accounts are collectible, and there has been no allowance made for bad debts. At June 30, 2005 and 2004, SNWA had the following amounts due from its member agencies:

Due From Member Agencies June 30, 2005

	Total	General & Admin /Resources Charges	Wholesale Delivery Charges	Regional Connection Charge	Regional Commodity Charge	Regional Reliability Surcharge
Big Bend Water District	$ 20,811	$ 20,811				
City of Boulder City	298,286		$ 298,286			
City of Henderson	8,208,875		3,536,554	$ 4,383,870	$ 208,076	$ 80,375
City of Las Vegas	2,917	2,917				
City of North Las Vegas	9,371,691		968,064	8,185,834	137,516	80,277
Clark County Water Reclamation District	2,917	2,917				
Las Vegas Valley Water District	13,867,010		7,280,757	5,711,920	589,098	285,235
Nellis Air Force Base	102,029		102,029			
Total	$ 31,874,536	$ 26,645	$ 12,185,690	$ 18,281,624	$ 934,690	$ 445,887

Due From Member Agencies June 30, 2004

	Total	General & Admin /Resources Charges	Wholesale Delivery Charges	Regional Connection Charge	Regional Commodity Charge	Regional Reliability Surcharge
Big Bend Water District	$ 19,171	$ 19,171				
City of Boulder City	284,797		$ 284,797			
City of Henderson	7,884,589		2,885,021	$ 4,717,182	$ 212,119	$ 70,267
City of Las Vegas	2,917	2,917				
City of North Las Vegas	6,153,796		2,075,729	3,971,548	70,388	36,131
Clark County Water Reclamation District	5,833	5,833				
Las Vegas Valley Water District	13,942,881		6,222,114	6,885,558	564,690	270,519
Nellis Air Force Base	32,187		32,187			
Total	$ 28,326,171	$ 27,921	$ 11,499,848	$ 15,574,288	$ 847,197	$ 376,917

NOTE 5. OTHER RECEIVABLES

Other receivables are amounts due from entities that are not member agencies of SNWA. Management believes all amounts are collectible, and there has been no allowance made for bad debts. The following amounts were due as of June 30, 2005 and 2004:

Other Receivables	2005	2004
State of Nevada - Dept. of Taxation	$ 14,634,570	$ 12,684,722
Power Trading Accounts Receivable	3,361,641	137,500
Accrued Investment Earnings	2,388,027	2,290,717
State of Nevada - Bond Issue Cost Refund	92,428	
Southern California Edison	1,432	1,515
Total	$ 20,478,098	$ 15,114,454

NOTE 6. CURRENT ASSETS BY FUNCTION

Current assets are restricted to use for the following specific programs or functions: 1) SNWS operations (including debt service) and administration / operations, 2) new expansion debt service, 3) construction contracts, and 4) the groundwater program.

SNWA uses sales tax revenues and bond proceeds to fund construction projects, and attempts to manage the cash balance committed to construction to minimize holding costs while maximizing efficiency.

The following schedule aggregates current assets at June 30, 2005 and 2004, by function.

June 30, 2005

Current Assets by Function	Total	Cash	Investments	Due From Member Agencies	Prepaid Expenses	Other Receivables
Operations	$ (7,391,829)	$ -	$ (23,420,514)	$ 12,212,335	$ 453,277	$ 3,363,073
Debt Service	485,557,652	5,525,419	443,255,007	19,662,201		17,115,024
Capital Improvement Plan	18,164,224		18,164,224			
Ground Water Program	3,819,619		3,819,619			
Total Current Assets	$ 500,149,666	$ 5,525,419	$ 441,818,336	$ 31,874,536	$ 453,277	$ 20,478,098

June 30, 2004

Current Assets by Function	Total	Cash	Investments	Due From Member Agencies	Prepaid Expenses	Other Receivables
Operations	$ (6,259,771)	$ -	$ (18,345,925)	$ 11,527,768	$ 419,371	$ 139,015
Debt Service	375,271,753	5,854,805	337,643,106	16,798,403		14,975,439
Capital Improvement Plan	-					
Ground Water Program	3,321,504		3,321,504			
Total Current Assets	$ 372,333,486	$ 5,854,805	$ 322,618,685	$ 28,326,171	$ 419,371	$ 15,114,454

NOTE 7. CAPITAL ASSETS

Following is a summary of changes in major categories of capital assets for the years ended June 30, 2005 and 2004:

Capital Asset Category	Balance at June 30, 2004	Additions	Retirements/ Transfers	Balance at June 30, 2005
Property, Plant, and Equipment	$ 2,079,862,823	$ 154,689,141	$ (18,751)	$ 2,234,533,213
Accumulated Depreciation	(362,701,406)	(48,259,934)	18,751	(410,942,589)
Net Property, Plant, and Equipment	1,717,161,417	106,429,207	-	1,823,590,624
Land	17,397,414	6,959		17,404,373
Water & Power Rights and Options	134,866,248	28,586,917		163,453,165
Construction Work in Progress	500,010,124	173,263,896	(136,543,041)	536,730,979
	$ 2,369,435,203	$ 308,286,979	$ (136,543,041)	$ 2,541,179,141

Capital Asset Category	Balance at June 30, 2003	Additions	Retirements/ Transfers	Balance at June 30, 2004
Property, Plant, and Equipment	$ 1,552,122,014	$ 527,806,269	$ (65,460)	$ 2,079,862,823
Accumulated Depreciation	(324,386,385)	(38,380,146)	65,125	(362,701,406)
Net Property, Plant, and Equipment	1,227,735,629	489,426,123	(335)	1,717,161,417
Land	17,331,416	65,998		17,397,414
Water & Power Rights and Options	120,815,919	14,050,329		134,866,248
Construction Work in Progress	732,465,404	199,252,917	(431,708,197)	500,010,124
	$ 2,098,348,368	$ 702,795,367	$ (431,708,532)	$ 2,369,435,203

Generally, SNWA capitalizes the cost of assets with a cost greater than $5,000 and a useful life greater than three years.

NOTE 8. WATER AND POWER RIGHTS AND OPTIONS

Coyote Springs Water Rights

In February 1997, the Board authorized the General Manager to initiate negotiations for the purchase of ground water rights and a well in the Coyote Springs Valley about 60 miles northeast of Las Vegas. The well was subsequently videotaped, pump tested, and determined to be in excellent condition and one of the highest producing wells ever drilled in southern Nevada. In April 1998, the Board approved the purchase of 7,500 acre-feet of ground water rights and the well with associated real property and easements for $25 million. Terms of the purchase were $5,200,000 at close of escrow with nine annual installments of $2,200,000 and interest, currently at prime plus 1% per annum, paid monthly. SNWA water rights would become vested with each annual payment according to a vesting schedule. In December 2000, SNWA entered into an agreement with Coyote Springs Investment, LLC to prepay the remaining balance of the $25 million contract and obtain the remaining unvested water rights. As an inducement, SNWA received a discount of $755,200 (net of escrow fees) off the outstanding balance. In March 2002, SNWA purchased another 1,100 acre-feet of water rights from Coyote Springs Investment, LLC for $3,300,000 with an option to purchase an additional 400 acre-feet. In November 2002, SNWA purchased the additional 400 acre-feet for $1,200,000. As a result, the total amount paid for 9,000 acre-feet of water rights and associated real estate, as well as subsequent costs to perfect these water rights, is $30,884,687.

Muddy River Water Rights

In 1996, the Board authorized the General Manager to request proposals for acquisition of up to 5,600 acre-feet of Muddy River water rights. After consultation with and approval by the Muddy Valley Irrigation Company, requests for proposals were sent to holders of stock in the Muddy Valley Irrigation Company. In 1999, SNWA purchased 3,662 acre-feet of stock from two shareholders at the established selling price of $2,990 per acre-foot. SNWA has generally purchased options on Muddy River water rights by paying 10% of the purchase price the first year, and 1% a year for the remaining four years during which time SNWA may exercise the options by paying the remaining balance. In 2000, SNWA exercised all options possible and obtained the permanent water rights associated with those options. The Board authorized an additional purchase of shares, representing 188 acre-feet, in June and July 2001. In 2002 and 2004, the Board authorized the acquisition of another 3,300 acre-feet and 600 acre-feet, respectively, of Muddy River water rights, bringing the total authorized for purchase to 9,500 acre-feet. SNWA is still obligated to make debt service payments on a small amount of notes payable for Muddy River water rights that could not be prepaid. As of June 30, 2005, SNWA has obtained a total of 7,159 acre-feet at a cost of $21,612,815.

In-State Water Projects

In 1989, LVVWD filed applications to appropriate water from multiple hydrographic basins located in eastern Nevada. At present, most of those applications remain active and ready for action by the Nevada State Engineer. In 2003, the Board agreed to accept assignment of those applications from LVVWD for a payment of $9,881,000, which represented LVVWD's costs to date of developing and perfecting those water rights. The value of $10,134,463 at June 30, 2005, represents that initial payment to LVVWD, plus additional costs that have been incurred.

Virgin River Water Rights Development

During 1993, the Board agreed to accept assignment of Nevada's Virgin River water rights from LVVWD, subject to SNWA reimbursing LVVWD for all costs incurred related to the acquisition of those water rights. The balance at June 30, 2005, of $7,061,654 represents original acquisition costs and subsequent research and development costs. These costs have been reimbursed by member agencies and recorded as contributed capital.

Hydropower Rights

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

In addition to hydropower, CRC also purchased supplemental energy for Pioneer in the wholesale energy market. As a result of regional market volatility in 2000 and 2001, the price of Pioneer's portfolio of supplemental energy was higher than market, and higher than Pioneer could pay. Pioneer approached CRC about the possibility of selling its entire portfolio of energy contracts, including hydropower. In January 2003, CRC offered the Pioneer portfolio to SNWA. SNWA wanted the hydropower, but was not interested in the supplemental energy portfolio. SNWA agreed to purchase Pioneer's hydropower contract from CRC for $53 million. CRC would retain the Pioneer supplemental energy portfolio and use the $53 million to settle those contracts.

There are five contracts associated with this hydropower. Two are associated with power generated at Hoover Dam, two at the Parker-Davis Dam, and one relates to transmission of the hydropower. The Hoover Dam contracts expire in 2017, and the Parker-Davis Dam contracts expire in 2008. It is expected that these contracts will be renewed for 20-year terms as they have in the past. As a result, this hydropower is considered essentially a perpetual resource.

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

Arizona Water Bank

In 1993, the Board approved a cooperative agreement among its member agencies for funding and participation in the Arizona Underground Storage Demonstration Project (the Project). The Project was originally an agreement between the Central Arizona Water Conservation District (CAWCD) and the Metropolitan Water District of Southern California to store water from the Colorado River in underground aquifers in Arizona. SNWA agreed to participate in the Project and pay CAWCD to store Colorado River water in Arizona. In the event of either a flood release or an anticipatory release of Colorado River water, water stored in Arizona would then become the property of the States of California and Nevada. In 1996 and 1997, the United States Secretary of Interior declared a surplus, and 50,000 acre-feet of water stored in Arizona were assigned to SNWA. Under the Project, SNWA spent $3,484,305 for the right to 50,000 acre-feet of water available for future use. This expenditure was funded by SNWA's member agencies and has been recorded as contributed capital.

In 2001, SNWA and CRC approved an Agreement for Interstate Water Banking (Banking Agreement) with the Arizona Water Banking Authority (AWBA). AWBA agreed to use its best efforts to store 1.2 million acre-feet of Colorado River water underground in Arizona for SNWA under the Banking Agreement, and two related agreements executed in 2002. Also in 2002, SNWA and CRC entered into an agreement with AWBA to allow SNWA to store water in Arizona during that year while the remaining agreements were being negotiated. Under the 2002 agreement, SNWA has spent $8,770,761 for storage of 66,595 acre-feet of Colorado River water in Arizona. In 2004, AWBA agreed to store 10,000 acre-feet of Nevada's unused Colorado River water for SNWA during 2004, under the Banking Agreement, and SNWA paid $1,346,050 to AWBA for water banking activities under the Banking Agreement during fiscal year 2005.

On December 16, 2004, the Board approved an amendment of the 2001 Banking Agreement, which guarantees Nevada 1.25 million acre-feet of water storage in aggregate (approximately 1.13 million acre-feet of additional storage plus utilization of the roughly 120,000 acre-feet of water previously stored) in Arizona, for a series of payments totaling $330 million. The $330 million in payments includes an initial payment of $100 million, and payments of $23 million a year for ten years starting in 2009. On June 28, 2005, SNWA made a payment of $26 million towards the initial $100 million payment. SNWA will pay the remaining $74 million of the initial payment upon AWBA's request, which is anticipated to occur during fiscal year 2006. In the future, Nevada can withdraw 20,000 acre-feet of this water in calendar years 2007 and 2008, increasing to 30,000 acre-feet in 2009 and 2010, and 40,000 acre-feet per year beginning in 2011.

Southern Nevada Groundwater Banked

As directed by the Nevada Legislature in 1997, SNWA manages the groundwater resources in the Las Vegas valley through the Groundwater Management Program (GMP). One of the functions of GMP is to purchase permanent artificial recharge water for the aquifer. LVVWD uses artificial recharge of treated Colorado River water to the aquifer to bank water for itself and other water purveyors in the Las Vegas valley. This water is banked and may be withdrawn in the future. GMP, on the other hand, has purchased some of the water LVVWD has recharged to be stored permanently in the aquifer. In 2003, SNWA paid LVVWD $1,158,430 for 4,929 acre-feet of recharged water that will be permanently stored in the aquifer.

The following shows the water and power rights and options balance for the fiscal years ended June 30, 2005 and 2004:

Water & Power Rights and Options	**June 30, 2005**	**June 30, 2004**
In-State Water Projects		
Coyote Springs Water Rights	$ 30,884,687	$ 30,882,089
Muddy River Water Rights	21,612,815	20,593,671
In-State Water Projects	10,134,463	10,134,463
Virgin River Water Rights Development	7,061,654	6,842,529
Hydropower Rights	53,000,000	53,000,000
Arizona Water Bank	39,601,116	12,255,066
Southern Nevada Groundwater Banked	1,158,430	1,158,430
Total Water & Power Rights and Options	$ 163,453,165	$ 134,866,248

NOTE 9. CONSTRUCTION IN PROGRESS

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

Capital Improvements Plan (CIP)

In 1994, SNWA began a CIP project estimated to cost $2.1 billion. The purpose of CIP was to expand the capacity of the SNWS from 400 MGD to 900 MGD by 2014. CIP will give Nevada the capacity and reliability to access its entire 300,000 acre-feet allocation of the Colorado River, plus any banked, transferred, or purchased water that may be delivered to Nevada via the Colorado River. On May 19, 2005, the Board approved an amendment to CIP increasing its total authorized amount to $2.75 billion. The additional $650 million spending authorization is directed at Lake Mead Intake No 3, which is scheduled for completion in 2011.

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

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

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

Major Construction and Capital Plan (MCCP)

In 2002, SNWA produced the MCCP to address the need for capital projects not directly related to the goal of expanding the SNWS to 900 MGD. Unlike CIP, which has a finite life, the MCCP is intended to have an unlimited life. The MCCP defines and authorizes projects that are necessary to maintain facilities in a sound and functional condition, maintain or improve water quality, develop water resources, reduce operating costs, address environmental and safety issues, provide support facilities (including power), and meet other objectives defined by the Board.

The MCCP currently authorizes projects totaling approximately $688.8 million. Either the wholesale delivery charge or new expansion revenues are designated as the funding source for each MCCP project. Of the $688.8 million currently authorized by the MCCP, $552.4 million (80.2%) will be funded by new expansion revenues and $136.4 million (19.8%) will be funded by the wholesale delivery charge.

Las Vegas Wash Capital Improvements Plan (LVWCIP)

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

LVWCIP projects total approximately $98.7 million. Of that amount, about $80.2 million (81.3%) is for gradient control structures. The remainder is for bank protection facilities, revegetation activities, design studies and miscellaneous programs. It is projected that these projects will be funded by 4% of the gross sales tax SNWA receives that has been designated for the Wash, grants and contract work provided by various federal agencies.

The following shows the construction in progress balance for the fiscal years ended June 30, 2005 and 2004:

Construction In Progress	**June 30, 2005**	**June 30, 2004**
Capital Improvements Plan	$ 488,633,218	$ 488,369,631
Major Construction & Capital Plan	41,769,048	9,110,710
Las Vegas Wash Capitial Improvement Plan	6,328,713	2,529,783
Total Construction In Progress	$ 536,730,979	$ 500,010,124

Interest Capitalization Policy

In accordance with FASB Statement No. 34, as amended by Statement No. 62, SNWA has capitalized the interest cost of restricted tax-exempt borrowings, less interest earned on temporary investment of the proceeds of those borrowings, from the date of borrowing until the assets acquired with those borrowings are ready for their intended use. SNWA capitalized $25,949,589 and $28,155,789 of interest expense, which was offset by $ 951,079 and $909,571 of interest income, in the fiscal years ended June 30, 2005 and 2004, respectively.

To avoid the carrying costs of bond proceeds that will not be used for some time to fund capital projects, SNWA generally sizes bond issues to fund about two years of capital project expenditures. SNWA also intends to use sales tax proceeds to fund capital projects construction payments on a pay-as-you-go basis. As of June 30, 2005, SNWA had $39.3 million in proceeds remaining from the sale of commercial paper, general obligation bonds and sales tax revenue.

NOTE 10. ACCOUNTS PAYABLE

LVVWD serves as the operating agent for SNWA. In that capacity, LVVWD previously paid substantially all operating and capital expenses on behalf of SNWA and SNWA would reimburse LVVWD. As payments for SNWA's CIP. MCCP and LVWCIP grew to current levels, SNWA began paying construction contracts directly and took over responsibility for paying construction contracts retention. SNWA also pays the cost of most of the power required to operate the SNWS. Accounts payable balances by category for the fiscal years ending June 30, 2005 and 2004 are as follows:

June 30, 2005

Accounts Payable	Total	Payable to LVVWD	Payable to Other Vendors
Administration Expenses	$ 16,132,284	$ 1,151,442	$ 14,980,842
Treatment Plant Expenses	3,280,772	3,280,772	
Construction Contracts & Administration	14,276,776	3,240,266	11,036,510
Construction Contracts Retention	7,813,343		7,813,343
Total Accounts Payable	$ 41,503,175	$ 7,672,480	$ 33,830,695

June 30, 2004

Accounts Payable	Total	Payable to LVVWD	Payable to Other Vendors
Administration Expenses	$ 23,232,833	$ 3,229,578	$ 20,003,255
Treatment Plant Expenses	2,936,239	2,936,239	
Construction Contracts & Administration	14,672,297	1,457,069	13,215,228
Construction Contracts Retention	6,484,085		6,484,085
Total Accounts Payable	$ 47,325,454	$ 7,622,886	$ 39,702,568

NOTE 11. COMMITMENTS AND CONTINGENCIES

Construction Contracts

In connection with its three capital improvements plans, SNWA makes commitments to pay contractors working on those projects. However, SNWA only pays those contractors for the work they have completed. As of June 30, 2005, SNWA had construction contract payment commitments totaling approximately $182.4 million. This is the amount SNWA will be obligated to pay if all contractors perform per their contracts. SNWA could substantially reduce the amount of this commitment by notifying contractors to suspend further work and paying for work completed to that point.

Operating Leases

SNWA has a non-cancelable operating lease for a total of approximately 81,066 square feet of office space in the Greystone Complex located at 1850 East Flamingo Road. This office space accommodates SNWA's Engineering Department, the Las Vegas Wash Coordination Committee, and SNWA Resources Department, as well as staff involved in planning and design of CIP and other capital projects. For the years ended June 30, 2005 and 2004, expenditures in connection with this lease totaled $1,559,546 and $1,386,391, respectively.

In May 2004, SNWA agreed to lease 2.27 acres of land from the Moapa Valley Water District (MVWD). The land located in Moapa Valley includes a fenced yard, approximately 1,200 square feet of office space and approximately 3,200 square feet of adjoining shop space. The initial term of the lease is five years and annual lease payments are $30,000. This facility is being used to pursue additional water sources in the Moapa Valley where SNWA has substantial water rights.

In July 2004, SNWA agreed to sublease this property to the Muddy Valley Irrigation Company for a term of five years with an annual lease payment of $2,400. This payment will offset SNWA's lease payment obligation to MVWD. As a result, SNWA's net cost of the MVWD lease will be $27,600.

In April 2005, SNWA agreed to lease approximately 2,000 square feet of office and visitor space, adjoining parking, and existing commercial signage from Leo L. Curto. The property is located in downtown Ely, Nevada. The lease is for a term of 7 years. The office is to facilitate staff involved in development and outreach in the Clark, Lincoln, and White Pine Counties' groundwater development projects and the integrated water planning process. Annual lease payments are $9,600.

The remaining amounts projected to be paid under the terms of these lease contracts by fiscal year is estimated as follows:

Fiscal Year	Greystone	Net MVWD	Ely Office Space	Total
2006	$ 1,650,575	$ 27,600	$ 9,600	$ 1,687,775
2007	1,696,767	27,600	9,600	1,733,967
2008	145,354	27,600	9,600	182,554
2009		27,600	9,600	37,200
2010			9,600	9,600
2011			9,600	9,600
2012			8,000	8,000
Total	$ 3,492,696	$ 110,400	$ 65,600	$ 3,668,696

Forward Power Contracts

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

To provide electrical energy at a known and budgeted cost, SNWA actively manages a portfolio of energy resources and adheres to a strict set of energy risk management procedures established by a Risk Management Committee that serves to fulfill the Energy Risk Management Policy adopted by the Board. This portfolio is made up of four types of derivatives, as defined and which are accounted for in accordance with GASB issued Technical Bulletin No. 2003-1 and therefore, not reported at fair value on the statement of net assets. These are:

- Electricity Forward Contracts (purchases and sales)
- Electricity Options

- Electricity Generation (with associated transmission)
- Natural Gas Swaps

The fair value of this portfolio at June 30, 2005, for which SNWA neither paid nor was paid anything at inception, was estimated using market prices that were derived from broker quotes and exchange prices for the period July 1, 2005, through June 30, 2015. The fair value is summarized as follows:

	Fair Value (in thousands)
Electricity Forward Contracts	$ 67,361
Electricity Options	(6,355)
Electricity Generation	(27,801)
Natural Gas Swaps	45,299
Total Fair Value	$ 78,504

Fair value means that if, hypothetically, this portfolio of derivatives was liquidated at market prices on June 30, 2005, it would be valued at approximately $78.5 million. However, the hypothetical value is of limited use because this portfolio exists solely for purposes of serving SNWA's projected energy requirements over the next ten years. That SNWA's portfolio of energy derivatives looks favorable relative to existing market prices illustrates the fact that the derivatives were procured simply to decrease the variability of SNWA's energy costs.

The fair value estimates reported above can also be considered in terms of projected costs to serve approximately nine million megawatt-hours (MWh) of forecasted energy requirements over the next ten years. At market prices estimated on June 30, 2005, the forecasted energy cost (commodity cost only) to serve SNWA's energy requirements over the next ten years is approximately $58/MWh. However, because SNWA has procured energy in the form of derivative contracts in order to stabilize its energy costs, commodity prices are estimated to be closer to $50/MWh over the same planning horizon. This lower unit cost is expected to remain relatively fixed and, when compared to market prices, reflects a savings equivalent to the fair value reported above.

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

Silverhawk Power Plant

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

Intermountain Power Project

SNWA is participating in a feasibility study for a third 900 megawatts, coal-fired unit at the Intermountain Power Project (IPP) near Delta, Utah. Because of its participation in the feasibility study, SNWA will have the right to participate in the construction and operation of the IPP if it is determined feasible. SNWA would receive 100 megawatts, or 11% of the output of the unit, and pay 11% of the operating and capital costs.

Through June 30, 2005, SNWA has spent $516,840 on this feasibility study. If the project is determined to be feasible, and SNWA elects to participate, SNWA's share of the capital costs would be approximately $239 million. The plant would come online in 2009 and would produce energy at an estimated average cost of about $45/MWH over its estimated life of 35 years. If the IPP is determined to be feasible and SNWA elects not to participate, SNWA could transfer its interest in this project to another party who would be obliged to reimburse SNWA for these costs.

Federal Grants

SNWA has received a total of $16.5 million from the federal government through the U.S. Bureau of Reclamation as partial reimbursement of the costs incurred by its member agencies to build reclaimed water facilities in the Las Vegas valley. These reclaimed water facilities reduce the demand on potable water facilities by providing treated wastewater for irrigation use by golf courses. Pursuant to a May 20, 2004 agreement between SNWA and the Southern Nevada Water Recycling Project, SNWA distributed $12.1 million of these funds in fiscal 2005.

Litigation

SNWA is the defendant in various litigation matters. It is management's opinion, based in part upon advice from legal counsel, that the risk of financial losses to SNWA from such litigation will not have a material adverse effect on SNWA's future financial position, results of operations, or liquidity.

NOTE 12. OUTSTANDING DEBT

Pursuant to the Transfer Act , SNWA assumed responsibility for all CRC debt associated with the SNWS as of January 1, 1996. That debt was composed of Nevada general obligation bonds and two repayment contracts for facilities constructed by the federal government. SNWA also has bonds payable, which were issued by LVVWD on SNWA's behalf. In 1997, SNWA received authorization to sell its bonds directly to the Nevada State Bond Bank. In 1999, SNWA received authorization to sell its bonds through a newly authorized Clark County Bond Bank. Because the state and county bond banks have not dealt in commercial paper or adjustable rate bonds, which SNWA intends to issue, it is anticipated that SNWA will continue to use LVVWD to sell those kinds of debt instruments and use the state and county bond banks to sell long-term fixed-rate bonds.

Debt Covenants

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

Defeasance of Debt

CRC, LVVWD, and SNWA have issued bonds to advance refund portions of previous debt issues. The funds to advance refund the debt have been placed in escrow accounts. The assets in those escrow accounts, as well as the liabilities for those in-substance defeased debt issues, have been removed from these financial statements. Further, in accordance with GASB Statement No. 23, any accounting gain or loss resulting from these transactions has been deferred and is being amortized over the life of the related debt (Note 13). As of June 30, 2005, the defeased amounts of these bonds were as follows:

Refunding Bonds	Defeased Bonds	Defeased Amt at June 30, 2005
CRC 1995	CRC 1994	$ 105,995,000
CRC 1997B	CRC 1992	5,125,000
LVVWD 0498	LVVWD March 1995	9,715,000
	LVVWD July 1995	12,380,000
	LVVWD 1996A	149,095,000
CRC 2003C	CRC 1993	23,125,000
LVVWD 2005B	LVVWD March 1995	3,060,000
	LVVWD July 1995	6,295,000
	LVVWD 1996A	19,205,000
SNWA 2005F	SNWA 1998	254,400,000
CRC 2005H	CRC 1994	35,615,000
	CRC 1997A	41,550,000
CRC 2005I	CRC 1999A	22,295,000
TOTAL AMOUNT DEFEASED		$ 687,855,000

The following is a summary of each of the outstanding debt issues as of June 30, 2005.

State of Nevada Loan No. SNWA-1

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

State of Nevada Loan No. SWNA-2

On June 29, 2001, SNWA received a second loan from the Nevada revolving fund in the amount of $10,000,000. SNWA applied for this loan in order for Nevada to preserve federal Safe Drinking Water Act funds that would otherwise be lost to the public water systems in Nevada. The interest rate on the loan is fixed at 3.46%, and the term is 20 years. Constant semiannual payments of principal and interest are due on August 1 and February 1.

CRC 1992 Bonds

These general obligation bonds in the original amount of $9,815,000 were sold October 14, 1992. Proceeds were designated to defray the cost of acquiring, improving, and equipping additional and existing laboratories, maintenance, operations and administrative facilities at the Alfred Merrit Smith Water Treatment Facility. Originally these bonds matured annually on July 1 through 2012. CRC 1997B bonds were used to defease $5,125,000 of maturities of this bond issue. The remaining bond matured on July 1, 2004.

CRC 1993 Bonds

These general obligation bonds in the original amount of $46,805,000 were sold on November 3, 1993. The proceeds of the bond sale, along with other monies provided by CRC at closing, were used to fully refund $36,220,000 the 1978B Series Bonds, $8,550,000 of the Series 1978D Bonds and $3,340,000 of the Series 1990 Bonds. These bonds matured annually on July 1. Interest on these bonds was payable semiannually on January 1 and July 1. The interest rate was 4.63%. The outstanding balance of these bonds was completely defeased by CRC 2003C refunding bonds in September 2003.

CRC 1994 Bonds

These general obligation bonds in the original amount of $170,380,000 were sold on November 21, 1994. Proceeds of $14,179,540 were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1968 series and 1978A series bonds (which had outstanding principal balances of $5,580,000 and $9,125,000, respectively). The remaining proceeds were placed in capital acquisition accounts to provide for construction of additional SNWS facilities, including the new parallel tunnel through the River Mountains. Originally, these bonds matured annually on July 1 through 2027. Because $105,995,000 of CRC 1995 bonds was used to refund these bonds maturing 2007 through 2024, and $36,615,000 of CRC2005H bonds was used to refund the 2006 maturity, the final bond will mature on July 1, 2005. Interest on these bonds is payable semiannually on January 1 and July 1. The interest rate is 6.43%.

LVVWD March 1995 Bonds

These general obligation bonds in the original amount of $20,000,000 were sold by LVVWD on March 2, 1995. These funds were used to pay for general construction related to CIP. Originally these bonds matured annually on March 1 through 2015. $9,715,000 of LVVWD 1998 bond issue was used to defease some of the later maturities of this bond issue, while LVVWD 2005B bond issue of April 13, 2005, completely defeased the remainder of the bond. Interest on these bonds was payable semiannually on March 1 and September 1. The interest rate was 5.88%.

LVVWD July 1995 Bonds

These general obligation bonds in the original amount of $30,000,000 were sold by LVVWD on July 18, 1995. These funds were used to pay for general construction related to CIP. These bonds originally matured annually on July 1 through 2015. Because $12,380,000 of LVVWD 1998 bond issue was used to defease some maturities of this issue, and $6,295,000 of LVVWD 2005B bond issue was used to defease the remainder, the final bond will mature on July 1, 2005. Interest on these bonds is payable semiannually on January 1 and July 1. The interest rate is 5.59%.

CRC 1995 Bonds

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

LVVWD 1996A Bonds

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

CRC 1997A Bonds

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

CRC 1997B Bonds

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

LVVWD 1998 Bonds

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

SNWA 1998 Bonds

These general obligation bonds in the original amount of $300,000,000 were sold by SNWA through the State Bond Bank on July 9, 1998. This marked the first time SNWA had used the authorization granted by the 1997 Nevada Legislature to sell bonds directly to the Nevada State Bond Bank. This was a "new money" bond issue and the $296,236,936 it generated was added to the construction fund for CIP. Originally these bonds matured annually on May 15 through 2028. Because $254,400,000 of SNWA's 2005F bond issue was used to defease the later maturities of this issue, payments from November 15, 2005, to November 15, 2027 will be interest only, with the final payment on May 15, 2028, being interest and all remaining principal. Interest is payable semiannually on May 15 and November 15. The interest rate is 5.00%.

CRC 1999A Bonds

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

SNWA 2000 Bonds

These general obligation bonds in the original amount of $200,000,000 were sold by SNWA through the Clark County Bond Bank on July 11, 2000. SNWA was the first local government to use the Clark County Bond Bank authorized by the 1999 Legislature to issue bonds. This was a "new money" bond issue and the $197,661,802 it generated was added to the construction fund for CIP. These bonds mature annually on July 1 from 2003 to 2030. Interest is payable semiannually on July 1 and January 1. The interest rate is 5.65%.

SNWA 2001 Bonds

These general obligation bonds in the original amount of $250,000,000 were sold by SNWA through the Clark County Bond Bank on June 13, 2001. This was the second time SNWA used the Clark County Bond Bank authorized by the 1999 Nevada Legislature to issue bonds. $116,259,653 was used on July 3, 2001, to prepay the two federal repayment contracts related to the Robert E. Griffith Project title transfer. The remainder was added to the construction fund for CIP. These bonds mature annually on June 1 from 2004 to 2031. Interest is payable semiannually on June 1 and December 1. The interest rate is 5.31%.

SNWA 2002 Bonds

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

LVVWD 2003B Bonds

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

CRC 2003C Bonds

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

LVVWD 2005B Bonds

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

SNWA 2005F Bonds

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

CRC 2005H Bonds

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

CRC 2005I Bonds

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

Interest on these bonds is payable semiannually on March 15 and September 15. The interest rate is 4.53%.

LVVWD Commercial Paper

On March 10, 2004, LVVWD began a new Tax-Exempt Commercial Paper (TECP) program for SNWA that authorizes the issuance of up to $400 million in TECP notes. It is projected that ultimately $200 million of that amount will be used to fund SNWA's CIP, $100 million will be used to fund the purchase of the 25% interest in the Silverhawk power plant, and $100 million will be used as needed to purchase water resources. This TECP program is facilitated by a Letter of Credit between LVVWD and BNP Paribas and Lloyds TSB Bank PLC. The Letter of Credit expires on March 9, 2009. As of June 30, 2005, there were $300 million of outstanding TECP notes bearing an average interest rate of 2.55%, composed of 30 traunches ranging in size from $.4 million to $42 million, and ranging in maturity from 19 to 127 days. The remaining authorized $100 million was issued subsequent to June 30, 2005 (Note 17).

Changes in long-term debt for the years ending June 30, 2005 and 2004, are summarized as follows:

Changes in Outstanding Debt, June 30, 2005

Debt Issue	Beginning Balance 7-1-04	Additions	Retirements	Ending Balance 6-30-05	Current Portion	Long-Term Portion	Accrued Interest at 6-30-05
SNWA-1	$ 10,463,759		$ 493,333	$ 9,970,426	$ 511,303	$ 9,459,122	$ 149,972
SNWA-2	9,091,761		385,674	8,706,087	399,134	8,306,954	125,513
Subtotal Notes Payable	19,555,520		879,007	18,676,513	910,437	17,766,076	275,485
CRC 1994	39,650,000		39,650,000				
LVVWD March 1995	3,970,000		3,970,000				
LVVWD July 1995	7,680,000		7,680,000				
CRC 1995	115,185,000		665,000	114,520,000	700,000	113,820,000	
LVVWD 1996A	25,055,000		21,840,000	3,215,000	3,215,000		25,619
CRC 1997A	45,770,000		42,525,000	3,245,000	1,030,000	2,215,000	27,743
CRC 1997B	5,255,000		555,000	4,700,000	580,000	4,120,000	
LVVWD 1998	186,690,000		810,000	185,880,000	775,000	185,105,000	1,161,595
SNWA 1998	293,855,000		257,650,000	36,205,000	4,060,000	32,145,000	231,192
CRC 1999A	25,280,000		22,545,000	2,735,000	390,000	2,345,000	25,935
SNWA 2000	196,975,000		3,185,000	193,790,000	3,355,000	190,435,000	5,378,488
SNWA 2001	246,020,000		4,265,000	241,755,000	4,530,000	237,225,000	1,059,723
SNWA 2002	200,000,000		3,545,000	196,455,000	3,690,000	192,765,000	829,003
LVVWD 2003B	244,360,000		5,865,000	238,495,000	6,130,000	232,365,000	1,012,272
CRC 2003C	18,195,000		3,155,000	15,040,000	3,325,000	11,715,000	
LVVWD 2005 B		$ 27,925,000		27,925,000	915,000	27,010,000	209,247
SNWA 2005 F		249,365,000		249,365,000		249,365,000	1,523,897
CRC 2005 H		36,130,000		36,130,000	4,510,000	31,620,000	364,509
CRC 2005 I		65,300,000		65,300,000		65,300,000	663,773
Subtotal Bonds Payable	1,653,940,000	378,720,000	417,905,000	1,614,755,000	37,205,000	1,577,550,000	12,512,996
Total Debt Before Commerical Paper	1,673,495,520	378,720,000	418,784,007	1,633,431,513	38,115,437	1,595,316,076	12,788,481
LVVWD Comm Paper	140,000,000	160,000,000		300,000,000	300,000,000		900,225
Total Debt	$ 1,813,495,520	$ 538,720,000	$ 418,784,007	$ 1,933,431,513	$ 338,115,437	$ 1,595,316,076	$ 13,688,706

Changes in Outstanding Debt, June 30, 2004

Debt Issue	Beginning Balance 7-1-03	Additions	Retirements	Ending Balance 6-30-04	Current Portion	Long-Term Portion	Accrued Interest at 6-30-04
SNWA-1	$ 10,939,754		$ 475,995	$ 10,463,759	$ 493,333	$ 9,970,426	$ 157,392
SNWA-2	9,464,429		372,668	9,091,761	385,674	8,706,087	131,073
Subtotal Notes Payable	20,404,183		848,663	19,555,520	879,007	18,676,513	288,465
CRC 1992	490,000		490,000				
CRC 1993	23,125,000		23,125,000				
CRC 1994	43,460,000		3,810,000	39,650,000	4,035,000	35,615,000	
LVVWD March 1995	4,830,000		860,000	3,970,000	910,000	3,060,000	74,343
LVVWD July 1995	9,000,000		1,320,000	7,680,000	1,385,000	6,295,000	
CRC 1995	115,820,000		635,000	115,185,000	665,000	114,520,000	
LVVWD 1996A	27,150,000		2,095,000	25,055,000	2,635,000	22,420,000	189,976
CRC 1997A	46,705,000		935,000	45,770,000	975,000	44,795,000	709,067
CRC 1997B	5,290,000		35,000	5,255,000	555,000	4,700,000	
LVVWD 1998	187,465,000		775,000	186,690,000	810,000	185,880,000	1,166,152
SNWA 1998	296,370,000		2,515,000	293,855,000	3,250,000	290,605,000	1,872,689
CRC 1999A	25,480,000		200,000	25,280,000	250,000	25,030,000	418,023
SNWA 2000	200,000,000		3,025,000	196,975,000	3,185,000	193,790,000	5,505,888
SNWA 2001	250,000,000		3,980,000	246,020,000	4,265,000	241,755,000	1,078,382
SNWA 2002	200,000,000			200,000,000	3,545,000	196,455,000	843,774
LVVWD 2003B	250,000,000		5,640,000	244,360,000	5,865,000	238,495,000	1,034,266
CRC 2003C	-	$ 21,515,000	3,320,000	18,195,000	3,155,000	15,040,000	
Subtotal Bonds Payable	1,685,185,000	21,515,000	52,760,000	1,653,940,000	35,485,000	1,618,455,000	12,892,560
Total Debt Before Commerical Paper	1,705,589,183	21,515,000	53,608,663	1,673,495,520	36,364,007	1,637,131,513	13,181,025
LVVWD Comm Paper		140,000,000		140,000,000	140,000,000		212,573
Total Debt	$ 1,705,589,183	$ 161,515,000	$ 53,608,663	$ 1,813,495,520	$ 176,364,007	$ 1,637,131,513	$ 13,393,598

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

Fiscal Years Ending June 30	Principal	Interest	Total
2006 [1]	$ 338,115,437	$ 90,043,349	$ 428,158,786
2007	42,517,991	81,458,956	123,976,947
2008	45,731,710	79,285,865	125,017,575
2009	47,661,634	76,721,572	124,383,206
2010	47,187,809	74,218,498	121,406,307
2011-2015	275,753,609	331,287,164	607,040,773
2016-2020	333,658,066	253,594,508	587,252,574
2021-2025	419,255,257	159,180,055	578,435,312
2026-2030	328,165,000	53,167,031	381,332,031
2031-2035	55,385,000	3,096,438	58,481,438
Totals	$ 1,933,431,513	$ 1,202,053,436	$ 3,135,484,949

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

NOTE 13. DEFERRED AMOUNT ON REFUNDING

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

Typically, advance refunding a bond issue results in an increase in the amount of debt outstanding as indicated by the brackets on the numbers in the table below. However, when SNWA prepaid the two federal repayment contracts to obtain title to a portion of the SNWS on July 3, 2001, it received a $46 million discount from the amount due, resulting in a substantial decrease in the amount of debt outstanding. As a result, the net deferred amount on refunding for June 30, 2005 is a credit balance of approximately $3.3 million. These balances are being amortized over the life of their associated debt.

Deferred amounts on refunding as of June 30, 2005 and 2004 are as follows:

Deferred Amount on Refunding	June 30, 2005	June 30, 2004
CRC 1994 Bonds		$ (305,697)
CRC 1995 Bonds	$ (12,093,412)	(12,729,908)
CRC 1997B Bonds		(40,913)
LVVWD 1998 Bonds	(8,899,339)	(9,789,273)
SNWA 2001 Bonds	41,627,468	43,228,525
CRC 2003C Bonds	185,689	212,216
LVVWD 2005B Bonds	(1,180,001)	
SNWA 2005F Bonds	(10,926,758)	
CRC 2005H Bonds	(2,355,361)	
CRC 2005I Bonds	(3,043,996)	
Total	$ 3,314,290	$ 20,574,950

NOTE 14. UNAMORTIZED BOND COSTS

Rather than being expensed in the year of issue, discounts/premiums and costs associated with issuing bonds are capitalized and amortized over the lives of the respective bonds. Amortization schedules are maintained for each bond issue and amortization is recorded monthly. Bonds sold at a premium are presented as positive balances; conversely, discounts are designated with a negative amount. The unamortized balances at June 30, 2005 and 2004 are as follows:

Unamortized Bond Costs	June 30, 2005	June 30, 2004
CRC 1994 Bonds		$ (1,755,810)
LVVWD March 1995 Bonds		(52,509)
LVVWD July 1995 Bonds		(96,903)
CRC 1995 Bonds	$ (1,736,661)	(1,889,352)
LVVWD 1996A Bonds		(437,426)
CRC 1997A Bonds	(99,916)	(103,352)
LVVWD 1998 Bonds	(3,635,393)	(3,809,074)
SNWA 1998 Bonds		(3,145,008)
SNWA 2000 Bonds	(2,225,564)	(2,314,044)
SNWA 2001 Bonds	(2,511,331)	(2,608,165)
SNWA 2002 Bonds	4,821,318	4,999,759
SNWA 2003 Bonds	9,885,674	10,336,470
LVVWD 2005B Bonds	(32,221)	
SNWA 2005F Bonds	1,635,983	
CRC 2005H Bonds	1,097,500	
CRC 2005I Bonds	13,180,971	
Total	$ 20,380,360	$ (875,414)

NOTE 15. CAPITAL CONTRIBUTIONS

Revenues received to fund new expansion are reported on the income statement as capital contributions. The following sets forth the amounts of capital contributions received for the fiscal years ended June 30, 2005 and 2004:

Capital Contributions	2005	2004
Regional Connection Charge	$ 177,493,765	$ 154,146,853
So. Nevada Public Lands Management Act	68,933,594	34,465,520
Sales Tax	49,945,593	42,835,002
Regional Commodity Charge	6,845,198	7,103,451
Contributed Capital	5,000,000	
Regional Reliability Charge	3,256,350	3,035,748
Purveyor Member Debt Service Billings	76,573	76,573
Raw Water Facilities Charge		1,386,755
Total Capital Contributions	$ 311,551,073	$ 243,049,902

NOTE 16. RISK MANAGEMENT

SNWA is exposed to a variety of risks that may result in losses. These risks include possible loss related to torts; theft of, damage to, or destruction of assets; business interruption, errors and omissions; product liability suits; and natural disasters. SNWA manages and finances these risks through a combination of purchasing commercial insurance and self-assumption of risk. The self-assumption of risk by SNWA is in the form of deductibles of $50,000 for damage to SNWA property, and errors and omission claims of $150,000 per incident. Also, SNWA self-insures its fleet of vehicles for material damage claims. In addition, on May 1, 2003 SNWA implemented a self-insurance program for its automobile and general liability exposure. SNWA assumes the first $1 million for any one claim and purchases $25 million of excess liability insurance. SNWA has not established a separate fund or account to finance or record its retained risks for this coverage.

LVVWD, which serves as operating agent for SNWA, provides all employees for SNWA and also provides workers' compensation insurance for its employees as required by Nevada law. In 2003, LVVWD implemented a self-insured workers' compensation program. Under this program, LVVWD assumed the first $350,000 per claim. Effective May 1, 2005, LVVWD increased the amount of exposure it assumed to $500,000 per claim. LVVWD purchases excess workers' compensation insurance with statutory limits for any claims, which exceed the self-insured retention of $500,000. SNWA has no employees of its own.

For the fiscal year ended June 30, 2005, SNWA has had no significant reductions in insurance coverage from the prior fiscal year. Also, the amount of settlements and awards has not exceeded insurance coverage for each of the past four fiscal years.

GASB Statement No. 10 requires that for retained risks, a liability for claims be reported if information available prior to issuance of the financial statement indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. In addition, there are also situations in which incidents occur before the balance sheet date, but claims are not reported or asserted when the financial statements are prepared. As of June 30, 2005, SNWA has no significant retained risks and therefore has no accrued liability for retained risks.

NOTE 17. SUBSEQUENT EVENTS

Increase in the Wholesale Delivery Charge

Effective July 1, 2005, the wholesale delivery charge was increased from $243/acre-foot to $252/acre-foot. The raw water wholesale delivery charge was increased from $184/acre-foot to $190/acre-foot.

Increase in the Regional Connection Charges and Regional Commodity Charges

On July 21, 2005, the Board approved a three-year plan of increases to the regional connection charges and regional commodity charges. Effective November 1, 2005, the regional connection charge was increased from $3,560 to $4,000 for a 5/8" or 3/4" service with other sizes and classes of service receiving a similar percentage increase. On May 1, 2006, and for each succeeding six-month anniversary through November 1, 2008, the regional connection charge will be increased per a schedule adopted by the Board. Most service sizes and classes will increase approximately 3.3% with certain sizes and classes experiencing a larger percentage increase per period. The regional commodity charge was increased from $0.05 per thousand gallons of retail sales to $0.10, with no scheduled increase during the following three years.

Bunkerville Irrigation Company (Virgin River Water Rights)

On July 21, 2005, the Board approved the purchase of 350 shares of Bunkerville Irrigation Company representing approximately 3,710 acre-feet of Virgin River surface water rights. The cost of the water rights represented by the shares is $3,150 per acre-foot for a total of $11,686,500, and the purchase was completed on September 20, 2005. Muddy River Water Holdings, Inc. will hold the shares on SNWA's behalf. The shares also have an associated pro-rata interest in real property owned by the Bunkerville Irrigation Company that has been appraised at $220,000. Performance of the agreement is contingent upon SNWA reaching an agreement with the Bunkerville Irrigation Company regarding changes in the place of use, manner of use and point of diversion of the water rights represented by the shares. SNWA will transfer 3,710 acre-feet of its 1994 Virgin River water rights to Virgin Valley Water District (VVWD) in satisfaction of its 2000 agreement between VVWD and SNWA.

Arizona Water Bank and SNWA Commercial Paper

Effective October 12, 2005, SNWA paid AWBA the $74 million remaining on the initial $100 million payment for Arizona water banking (Note 8). To make this payment SNWA issued its remaining $100 million of authorized commercial paper. The terms of this commercial paper issue are comparable to the terms described in Note 8.