COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
COLORADO RIVER COMMISSION
OF NEVADA

A component unit of the State of Nevada

Las Vegas, Nevada

For the
FISCAL YEAR ENDED JUNE 30, 2004

Prepared by the Finance and Administration Division
under the supervision of
Douglas N. Beatty, Division Chief

STATE OF NEVADA

KENNY C. GUINN
Governor

BRIAN SANDOVAL
Attorney General

BRIAN K. KROLICKI
Treasurer

KATHY AUGUSTINE
Controller

DEAN HELLER
Secretary of State

COLORADO RIVER COMMISSION

RICHARD W. BUNKER
Chairman

JAY D. BINGHAM
Vice Chairman

OSCAR B. GOODMAN
Commissioner

ROLAND D. WESTERGARD
Commissioner

ANDREA ANDERSON
Commissioner

ACE I. ROBISON
Commissioner

MYRNA WILLIAMS
Commissioner

COMMISSION STAFF

GEORGE M. CAAN
Executive Director

GAIL A. BATES
Deputy Director

JAMES H. DAVENPORT
Division Chief Water

DOUGLAS N. BEATTY
Division Chief Finance and Administration

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KENNY C. GUINN, *Governor*
RICHARD W. BUNKER, *Chairman*
JAY D. BINGHAM, *Vice Chairman*
GEORGE M. CAAN, *Executive Director*

STATE OF NEVADA

ANDREA ANDERSON, *Commissioner*
OSCAR B. GOODMAN, *Commissioner*
ACE I. ROBISON, *Commissioner*
ROLAND D. WESTERGARD, *Commissioner*
MYRNA WILLIAMS, *Commissioner*

COLORADO RIVER COMMISSION
OF NEVADA

December 17, 2004

Honorable Chairman and
Members of the
Colorado River Commission of Nevada

It is a pleasure for us to present the Comprehensive Annual Financial Report of the Colorado River Commission (the Commission) for the year ended June 30, 2004, prepared by the financial and administrative division staff. The Commission is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. We believe the data is accurate in all material aspects; that it is displayed in a manner designed to fairly present the financial position and results of operations, as measured by the financial activity of all Commission funds; and that all disclosures necessary for understanding of the Commission's financial affairs have been included. All funds and accounts utilized in recording the Commission's operations and financial position are included in this report.

Piercy Bowler Taylor and Kern, Certified Public Accountants and Business Advisors, audited the Commission's fiscal 2004 financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Commission are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Commission's financial statements for the fiscal year ended June 30, 2004, are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditors' report is presented in the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Commission's MD&A is presented in the financial section of this report.

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This report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter and other such material as may be useful in understanding the activities of the Commission. The financial section includes the MD&A, the independent auditors' report and the financial statements, which present fairly the financial position, results of operations, and cash flows, where applicable, for the fiscal year. Also included are budget comparisons and other information necessary for presentation purposes. The statistical section includes selected financial information, generally presented on a multi-year basis.

THE COMMISSION

The Colorado River Commission (the Commission) has broad statutory authority to establish policy for the management of Nevada's allocation of power and water resources from the Colorado River and development of designated land in southern Nevada. As a state agency, it comprises a discretely presented component unit of the State of Nevada (the State) for financial reporting purposes. Information presented herein is also included in the State's comprehensive annual financial report.

The Commission is governed by seven commissioners, four of whom, including the Chairman, are appointed by the Governor, with the remaining three appointed by the Southern Nevada Water Authority (SNWA). Commissioners are required to have a general knowledge of the development of the Colorado River and its tributaries within Nevada, as well as the rights of Nevada pertaining to the resources and benefits of the Colorado River. The members of the Commission are:

Name	Initial Appointment	Current Term
Richard W. Bunker, Chairman	1993	7/01/01 – 6/30/04**
Jay D. Bingham, Vice Chairman	1997	7/1/03 – 6/30/06
Honorable Andrea Anderson, Boulder City Councilwoman	2004	7/1/04 – 6/30/05 *
Honorable Oscar B. Goodman, Las Vegas Mayor	2003	7/1/04 – 6/30/05 *
Ace I. Robison	2004	4/27/04 – 6/30/05
Roland D. Westergard	1996	7/1/02 – 6/30/05
Honorable Myrna Williams, Clark County Commissioner	1999	7/1/04 – 6/30/05 *

** Chairman continues to serve until Governor takes action.

* Designates those commissioners appointed by SNWA who have terms that are subject to annual reappointment and continuation of their service as directors of SNWA

The Commission is responsible for the acquisition, management, utilization and development of designated water, electric power and land resources of the State. It is empowered to receive, protect, safeguard and hold in trust all rights, interests and benefits in and to the waters of the Colorado River and such power generated thereon to which Nevada is entitled. The Commission has the authority to make and enter into compacts or contracts and cooperate with other entities, states, and/or the federal government in fulfilling its statutory responsibilities. The Commission's main office is located in Las Vegas, Nevada.

Activities of the Commission are funded from revenue received from power and water contractors. An administrative charge is included in power sales to provide funding for power related activities. Water administrative cost reimbursements are received from SNWA. Interest income earned from investments by the State Treasurer also contributes to revenues. The Commission does not request or receive any State tax allocations or federal funds to support its administrative and operating functions.

Power. Nevada's allocation of hydropower from Hoover, Parker and Davis Dams, the Colorado River Storage Project, and the Salt Lake City Area Integrated Project is purchased by the Commission from the federal government and sold to several contracting entities in southern Nevada, including three rural electrification associations, one municipal and one investor-owned utility and an industrial complex in Henderson, Nevada. The Commission also seeks and contracts for available capacity and energy from alternative sources in order to meet the needs of the entities it serves. The Commission is also responsible for developing power delivery facilities and providing power, including hydropower to the new water treatment facilities being constructed by SNWA.

Water. The Commission represents Nevada's interests on all state and interstate matters dealing with the management, operation and administration of the water resources of the Colorado River. The Commission works directly with the U.S. Bureau of Reclamation, representing the Secretary of the Interior as the water master of the Colorado River; the other six Colorado River Basin states consisting of Arizona, California, Colorado, New Mexico, Utah and Wyoming; and SNWA and other water users in southern Nevada. Negotiating new water supplies, identifying new operating strategies, which balance water use with water supply, and developing new mechanisms for interstate water transfers continue to be the principal focus of the Commission.

Land. As a result of special legislation passed by Congress and the State, the Commission purchased approximately 15,000 acres in the Fort Mohave Valley (at the southern tip of the State) from the federal government. About 4,000 acres have been sold to various entities, leaving approximately 9,000 acres available for development, depending upon the availability of water.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is best understood when it is considered from the broader perspective of the environment within which the Commission provides service.

Clark County. The area served by the Commission, principally the Clark County area, continues to grow at a steady rate. Overall, Nevada grew by an estimated 90,544 persons or 4.1% from 2002 to 2003, as reported by the State Demographer. This compares to 3.4% growth over the previous fiscal year. Clark County (the County) accounted for 79% of that growth. The County encompasses 7,927 square miles, an area larger than the entire state of New Jersey. It includes five incorporated cities: Las Vegas, Henderson, North Las Vegas, Boulder City, and Mesquite; fourteen unincorporated towns; one school district; four library districts; one urban and two rural fire districts; one sanitation district; one urban and three rural water districts; and eleven judicial townships. The State Demographer reports that the County's official population for 2003 was 1,620,748, which represents approximately 70% of the State's population (estimated to be approximately 2,296,566). Current projections by the Center for Business and Economic Research at UNLV place the County population at 2,089,102 in 2010 and 2,578,221 in 2020, with the County population reaching 3,000,000 in about 2030.

New Business. The State Legislature approved Senate Bill 211, authorizing the Commission to serve the additional electric power requirements of the water and wastewater member agencies of SNWA. The Commission has transferred some electric load from SNWA to Commission resources as a pilot program to establish the ground work for additional load transfers from member agencies. The program has successfully demonstrated that the transfer of resources provides adequate benefits to the customer and plans are currently being made to continue with additional electric load migration.

Cash Management. Cash in all funds is deposited in the State Treasurer's account. Interest income is received from the State Treasurer on all Commission cash. The Commission has no direct control over the investing activities of these resources. Interest income and cash balances have been adjusted for unrealized losses on investments.

Risk Management. The Commission, as an agency of the State, participates in the State's risk management program. The State self-insures against certain property and liability claims. The State's risk management division manages a self-insurance fund for group health insurance, and an insurance premium fund to provide fidelity insurance, property insurance and worker's compensation insurance. The Commission pays its share of the activities of the program as prescribed by the State. The State's comprehensive annual financial report provides more information relative to risk management activities.

Pension benefits. The Nevada Public Employee Retirement System (PERS) is a cost-sharing, multiple employer defined benefit plan covering essentially all of the employees of state and local Nevada governments. Employees of the Commission are eligible to

participate upon employment. Note 11 of the notes to financial statements discusses the plan specifics. In addition to providing pension benefits, the Commission provides certain health care benefits for retired employees. All of the Commission's employees may become eligible if they reach normal retirement age while working for the Commission.

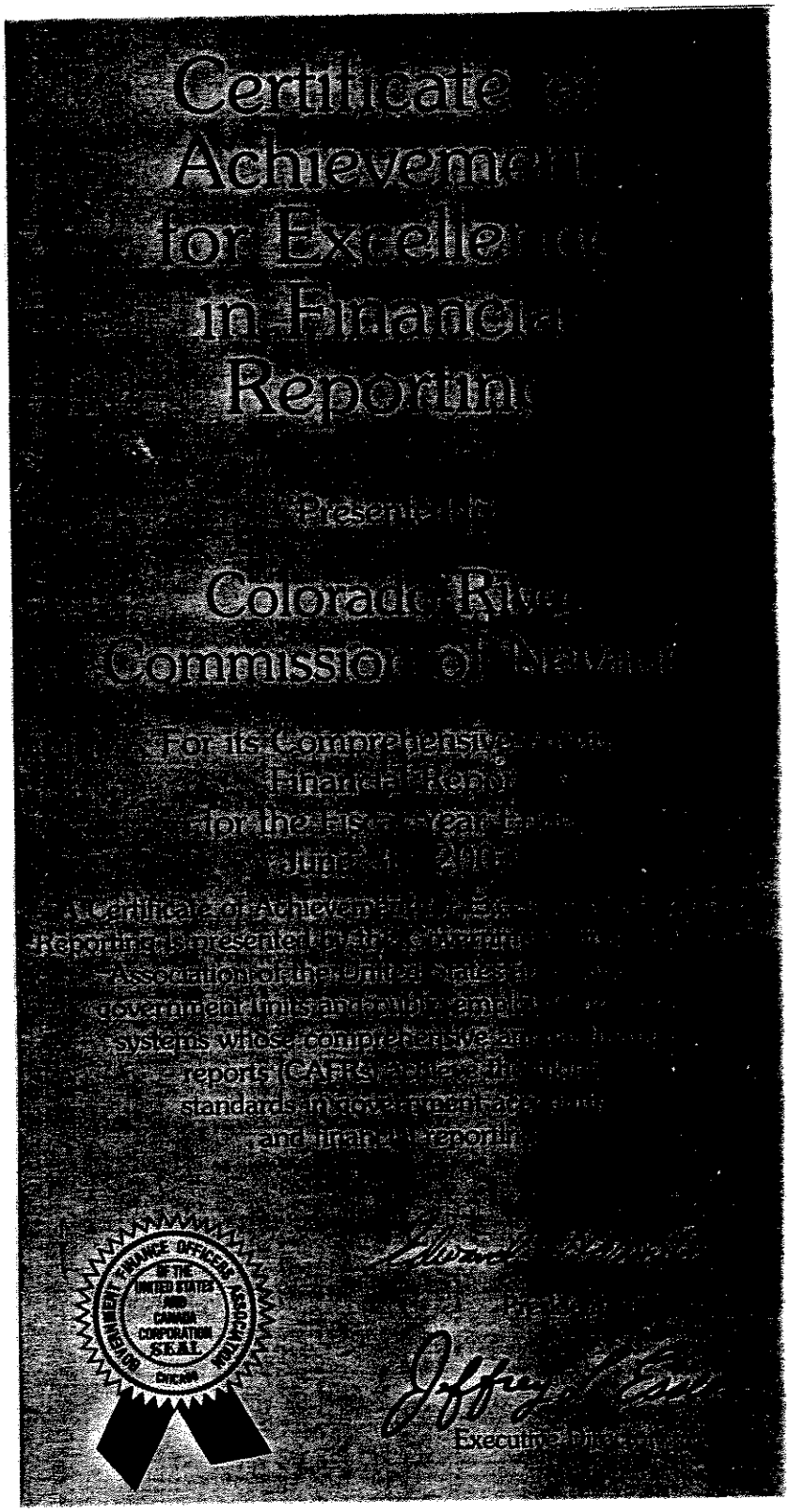
Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commission for its comprehensive annual financial report for the fiscal year ended June 30, 2003. This was the 27th consecutive year that the Commission has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate for the fiscal year ended June 30, 2004.

Acknowledgements. Preparation of this report could not have been accomplished without the services of the entire staff of the Commission. We would like to express our appreciation to all members of the staff. We would also like to express our thanks to the Commission members for their interest and support in planning and conducting the financial affairs in a responsible and professional manner.

George M. Caan
Executive Director

Douglas N. Beatty
Division Chief, Finance & Administration


Certificate
Achievement
for Excellence
in Financial
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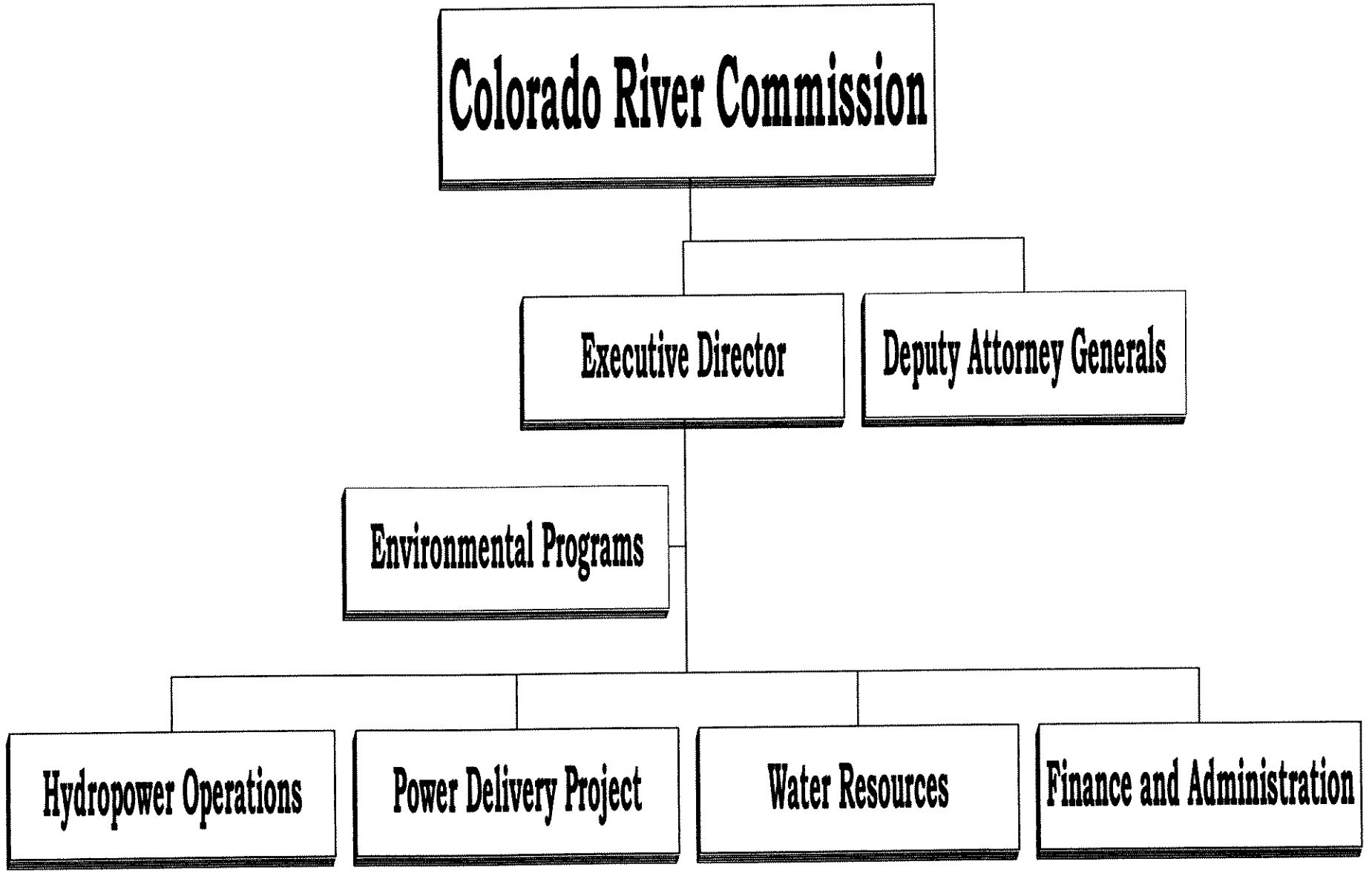
Presented to
Colorado River
Commission of Nevada
For its Comprehensive
Financial Report
for the Fiscal Year Ended
June 30, 2010
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.
President
Executive Director
GOVERNMENT FINANCE OFFICERS ASSOCIATION
OF THE UNITED STATES AND CANADA
CORPORATION SEAL
CHICAGO

CRC Functional Organization



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FINANCIAL SECTION

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PBTK
PIERCY BOWLER TAYLOR & KERN
Certified Public Accountants • Business Advisors

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Colorado River Commission of Nevada
Las Vegas, Nevada

We have audited the accompanying basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Colorado River Commission of Nevada (the Commission), a component unit of the State of Nevada as of and for the year ended June 30, 2004, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 basic 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Commission, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof 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 November 12, 2004, on our consideration of the Commission'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 7 through 14 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 opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Piercy Bowler Taylor & Kern

November 12, 2004

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of the Colorado River Commission (the Commission) presents an analysis of the Commission's financial performance during the fiscal year ended June 30, 2004. This information will provide a more complete picture of Commission activities when read in conjunction with the financial statements, notes to the financial statements and letter of transmittal.

Financial Highlights

- The assets of the Commission exceeded its liabilities at the close of the fiscal year by $8,884,603 (net assets). Of this amount, $8,069,888 (unrestricted net assets) may be used to fund the operations of the Commission.

- The Commission's total assets related to business-type activities decreased by over $20,000,000 for the current fiscal year. This significant decrease mirrors that of the previous year, as the Commission continued to use its cash reserves to repurchase long-term electric power contracts that included contract costs above current market. These contract buyouts reduced current cash balances, but relieve the Commission of future obligations at potentially higher losses. Currently, essentially all of the Commission's over-market contracts have been retired.

- At the end of the current fiscal year, the Commission's unreserved fund balance in the general fund increased by $497,101 from the prior year, due to increased water-related income.

Overview of the Financial Statements

The Commission is a special-purpose government entity. It is empowered primarily to administer the Colorado River water resources given to the State of Nevada (the State) by the Federal Government, and to provide electric power resources to specific legislatively approved entities. The water resources have been allocated to a regional governmental entity, the Southern Nevada Water Authority (SNWA), and the power resources are provided mostly to governmental or quasi-governmental entities with a limited number of industrial end users grandfathered in to the Commission's service authority. Thus, the enterprise funds have a statutorily limited customer base. The Commission is not empowered to seek or serve any additional entities. The water function is not intended to serve as an enterprise-type activity, and is accounted for in the Commission's general fund. The electric power function, while not intended to generate a profit, is accounted for through the use of two enterprise funds. One of the funds (the Power Delivery Project Fund) records the transactions related to the Commission's major customer, SNWA. The resources of this fund provide electric power for SNWA's water pumping needs. The other enterprise fund (the Power Marketing Fund) records the transactions related to all of the Commission's other power customers, and includes the hydropower resources allocated to the State. These resources are generated from Federal Hydropower Projects (Hoover

Dam, Parker Dam, and others) on the Colorado River. In addition to these funds, the Commission administers two special revenue type governmental funds to account for land and research and development projects.

The Commission's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The functions reported on the Commission's basic financial statements are principally supported by user fees and charges. The water-related activities are supported by an administrative fee assessed on SNWA, and the power-related activities are supported through administrative charges assessed as part of the sale of electric resources. Land and other activities are funded through specific contractual charges assessed on the benefiting entity.

Fund financial statements. A fund is a self-balancing group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for

governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison.

The Commission maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and the special revenue funds. Only the general fund is considered a major fund, and the two special revenue funds are combined into a single aggregate presentation. Individual fund data for the two special revenue funds is provided in the combining statements in this report.

The Commission maintains two proprietary (enterprise) funds, both of which are considered major funds. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. These funds provide the same type of information as the government-wide financial statements, but in more detail. The Commission adopts an annual budget for all funds. A budgetary comparison is provided in this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements and fund financial statements.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. Increases or decreases in the net assets may, over time be an indicator of improving or deteriorating financial stability of the entity. However, this must be evaluated with other factors, some of which are detailed below.

Colorado River Commission's Net Assets

	Governmental Activities			Business-type Activities		
	2004	2003	Change	2004	2003	Change
Current assets	$ 4,698,687	$ 4,862,519	$ (163,832)	$ 28,201,755	$ 45,076,496	$ (16,874,741)
Other assets	107,230	122,638	(15,408)	112,210,085	115,941,843	(3,731,758)
Total assets	$ 4,805,917	$ 4,985,157	$ (179,240)	$ 140,411,840	$ 161,018,339	$ (20,606,499)
Long-term liabilities	$ 241,049	$ 207,288	$ 33,761	$ 111,656,238	$ 112,788,971	$ (1,132,733)
Other liabilities	2,064,276	2,726,118	(661,842)	22,371,591	41,272,823	(18,901,232)
Total liabilities	$ 2,305,325	$ 2,933,406	$ (628,081)	$ 134,027,829	$ 154,061,794	$ (20,033,965)
Net assets:						
Invested in capital assets, net of related debt	$ 107,230	$ 122,638	$ (15,408)			
Restricted				$ 707,485	$ 705,049	$ 2,436
Unrestricted	2,393,362	1,929,113	464,249	5,676,526	6,251,496	(574,970)
Total net assets	$ 2,500,592	$ 2,051,751	$ 448,841	$ 6,384,011	$ 6,956,545	$ (572,534)

The Commission has a significant amount of capital assets in the enterprise funds. These assets have been fully funded through the issuance of General Obligation Revenue Supported Bonds. The contracts with Commission customers provide for collections equal to the bond debt payments only. The Commission does not include depreciation expense in its charges for power. This means that the net assets related to capital investment will never be significant for the Commission's enterprise funds, no matter the cost of the assets. It is possible that in the early years of the asset life, when depreciation is higher than the underlying debt service, that there may be a negative investment in capital assets. However, all things being equal, at the end of the asset life and debt term, the net investment should be zero. The Commission's primary net asset value will be related to operating and restricted cash balances. At the current time, the net capital assets of the power funds are zero. This is because most of the assets are relatively new, and the full debt obligation remains.

The governmental activities of the Commission are small in comparison to the capital and power purchasing activities. The Commission's water-related efforts, some small land activities, and other minor functions form the bulk of the governmental programs. These activities are funded on a current basis through administrative assessments, and the Commission carries minimal cash balances for these activities. The activities related to the electric power utility function are large and generate millions of dollars in both revenues and expenses. However, as the Commission's contracts for power allow only for recovery of cost (including administrative expenses), these activities do not contribute significant amounts to net assets. In fact, based on timing differences between collections from customers and payment to vendors, the contributions to net assets from these activities may be negative in any given year. The following chart demonstrates the contribution from these two revenue sources:

	Governmental Activities			Business-type Activities		
	2004	2003	Change	2004	2003	Change
Revenues:						
Program revenues:						
Administrative charges	$ 2,465,097	$2,154,840	$ 310,257			
Power sales revenue:						
Power marketing				$127,826,226	$117,233,246	$10,592,980
Power delivery				12,756,303	26,499,508	(13,743,205)
General revenues:						
Investment income	24,350	69,509	(45,159)	291,944	1,573,273	(1,281,329)
Miscellaneous income	22,220	24,390	(2,170)			
Total revenues	2,511,667	2,248,739	262,928	140,874,473	145,306,027	(4,431,554)
Expenses:						
General government	2,062,826	2,968,732	(905,906)			
Power purchase expenses:						
Power marketing				127,942,758	117,616,074	10,326,684
Power delivery				13,504,249	27,387,791	(13,883,542)
Total expenses	2,062,826	2,968,732	(905,906)	141,447,007	145,003,865	(3,556,858)
Change in net assets	448,841	(719,993)	1,168,834	(572,534)	302,162	(874,696)
Net assets, beginning	2,051,751	2,771,744	(719,993)	6,956,545	6,654,383	302,162
Net assets, ending	$ 2,500,592	$2,051,751	$ 448,841	$ 6,384,011	$ 6,956,545	$ (572,534)

Financial Analysis of Government Funds.

The Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All cash receipts and disbursements are processed and recorded by the State Controller. Budgetary and cash control is imposed by the Controller on the general and special revenue funds. Cash control is required for the enterprise funds. No vouchers are processed for payment unless adequate budget authority exists.

The Commission downloads data from the Controller related to revenue and expense transactions. These downloads are imported into a computerized accounting system for financial reporting purposes. As more fully explained in Note 1 to the financial statements, the accounting policies of the Commission conform to, and its financial statements have been prepared in accordance with, generally accepted accounting principles applicable to government units.

The Commission is not subject to regulation by federal or state utility regulatory bodies. However, the Commission is adapting its chart of accounts and accounting procedures for the Power Delivery Project fund (an enterprise fund) generally to follow Federal Energy Regulatory Commission (FERC) guidelines to the extent considered legally and practically possible.

General governmental activity of the Commission is recorded in the general fund on the Commission's comprehensive annual financial report.

Revenues of the Commission's general fund totaled $2,476,432 in fiscal 2004, $297,506 more than the $2,178,926 realized in fiscal 2003. The increase in revenues was a result of increased billings for the water administrative fee to bring the water operating fund up to working capital levels. In addition to these two direct revenue charges, the general fund receives salary and overhead reimbursements from other Commission funds for work performed related to activities of those funds. The reimbursement increased over the past fiscal year, as did the related expenses. This is a result of the increase in activity related to the power functions of the enterprise funds. These reimbursements are for labor charges and overhead expenses. Note that all personnel-related charges are recorded in the general fund.

Funding sources for the Commission's general administrative functions were as follows:

	2004		2003	
	Amount	Percent	Amount	Percent
Power administrative charge	$ 968,238	21.01%	$ 978,394	27.56%
Water administrative charge	1,496,859	32.47%	1,176,446	33.14%
Interest income	14,335	0.31%	24,086	0.68%
Total Revenues	2,479,432	53.79%	2,178,926	61.39%
Allocated salaries and overhead	2,129,999	46.21%	1,370,659	38.61%
All Funding Sources	$4,609,431	100.00%	$3,549,585	100.00%

Net expenditures of the general fund totaled $1,982,331, which is $208,672 less than the $2,191,003 expended during fiscal 2003. This was primarily due to an increase in activity not related to general fund activities, which are reimbursed by other funds.

Change in levels of expenditures from the preceding year is as follows:

	2004	2003	Increase/ (Decrease)
General administration			
Personnel	$ 2,790,110	$2,445,514	$ 344,596
Travel	69,808	66,728	3,080
Operating	1,136,827	1,023,899	112,928
Equipment	115,585	25,521	90,064
Total general administration	4,112,330	3,561,662	550,668
Less allocated salaries and overhead	(2,129,999)	(1,370,659)	(759,340)
Net expenditures	$ 1,982,331	$2,191,003	$ (208,672)

Unreserved fund balances in the general fund and special revenue funds at year end compared to the previous year were:

Fund	Fund Balance June 30		Increase/
	2004	2003	(Decrease)
General Fund	$ 1,216,761	$ 719,660	$ 497,101
Research and Development Fund	182,928	181,901	1,027
Ft. Mohave Development Fund	1,234,722	1,234,840	(118)

The general fund budget for the current fiscal year was adjusted to reflect additional activity related to power procurement and thus the allocation category was the only category increased during the fiscal year. The only other significant differences between budget and actual results relate to the Commission's budgeting for water research and development activities (outside contracts and travel-related activities for water acquisition efforts) that were not incurred during the year.

The research and development fund balance of $182,928 is available for engineering studies, analyses, negotiations and other efforts in protecting the interests of the State in the development of water and power resources. No new revenue is collected in this fund unless it is under a specific contract for a specific project.

The Fort Mohave development fund balance of $1,234,722 represents unspent money from the sale of land and easements. These funds are available for planning and managing the development of the area. Assembly Bill 494, enacted as Chapter 822, Statutes of Nevada, 1987, provides that any remaining fund balances in the Fort Mohave development fund can be used by the County for infrastructure needs in the Laughlin, Nevada area. Unless the

Commission sells additional land in the Fort Mohave transfer area, there will be no new revenues for this fund. At the present time there are no land sales anticipated. The County may draw this fund balance to near zero at any time for any approved capital improvement project.

Capital Assets

The Commission's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to $68,980,693 (net of accumulated depreciation). This investment includes the power delivery system, automobiles (both administrative vehicles and power delivery project utility vehicles) and office furniture and equipment. Please refer to the Note 5 to the financial statements for more detailed information related to the capital assets of the Commission.

Colorado River Commission's Capital Assets
(net of depreciation)

	Governmental Activities			Business-type Activities		
	2004	2003	Change	2004	2003	Change
Power transmission system				$ 60,558,424	$ 62,370,650	$ (1,812,226)
Automobiles and related	$ 33,651	$ 58,201	$ (24,550)	163,426	61,605	101,821
Office equipment	67,203	55,042	12,161			
Office furniture and fixtures	6,376	9,395	(3,019)			
Construction in progress				8,151,613	6,711,669	1,439,944
Total	$ 107,230	$ 122,638	$ (15,408)	$ 68,873,463	$ 69,143,924	$ (270,461)

Debt Administration

As of June 30, 2004, outstanding long-term obligations of the Commission consisted of the following:

Bond Description	Average Interest Rate(%)	Maturity Date	Balance Outstanding
Hoover Uprating refunding, series 2001	5.4	2017	$ 6,305,000
Hoover Uprating refunding, series 2002	5.4	2016	36,420,000
Power Delivery Project, series 1997A	5.6	2027	45,770,000
Power Delivery Project, series 1999A	5.5	2030	25,280,000

All of the Commission's outstanding bonds are both general obligation and revenue supported (double-barreled) bonds. The bonds are backed by the full faith and credit of the State, however they have always been, and will continue to be, self-supporting debt payable from revenues from the sale of power. Please refer to the Note 7 to the financial statements for more detailed information related to debt activity of the Commission.

Litigation and Arbitration

The Commission has been involved in a number of regulatory and legal actions resulting from recent problems in the electric power industry, particularly involving entities trading in the California markets. Currently the Commission is involved in an active arbitration action, and is waiting on a potential amended complaint in a recently dismissed suit. These actions are detailed and further discussed in Note 10 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Commission's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Division Chief, Finance and Administration, Colorado River Commission, 555 East Washington Avenue, Suite 3100 Las Vegas, NV, 89101. In addition, the Commission maintains a website that provides additional information and contacts. The website address is http//www.state.nv.us/Colorado_river/.

BASIC FINANCIAL STATEMENTS

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COLORADO RIVER COMMISSION

STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents, unrestricted	$ 2,634,193	$ 9,476,365	$ 12,110,558
Receivables:			
Accounts	78,342	6,978,101	7,056,443
Accrued interest	10,448	60,870	71,318
Due from other funds (internal balances are eliminated in the total column)	513,852	1,613,960	
Collateral for loaned securities	1,461,852	7,772,990	9,234,842
Current portion of prepaid power		2,299,469	2,299,469
Total current assets	4,698,687	28,201,755	30,772,630
Noncurrent assets:			
Restricted cash and cash equivalents		4,476,042	4,476,042
Capital assets:			
Depreciable buildings, property and equipment, net	107,230	60,721,850	60,829,080
Construction in progress		8,151,613	8,151,613
Prepaid power, net of current portion		38,860,580	38,860,580
Total noncurrent assets	107,230	112,210,085	112,317,315
Total assets	$ 4,805,917	$ 140,411,840	$ 143,089,945
LIABILITIES			
Current liabilities:			
Accounts payable	$ 270,964	$ 5,918,889	$ 6,189,853
Obligations under securities lending	1,461,852	$ 7,772,990	9,234,842
Due to other funds (internal balances are eliminated in the total column)	331,460	376,638	
Total current liabilities	2,064,276	14,068,517	15,424,695
Payable from restricted assets:			
Accounts payable		1,529,536	1,529,536
Contract retentions payable		211,332	211,332
Payable to customers		2,216,285	2,216,285
Bonds payable within one year		1,225,000	1,225,000
Due to other funds (internal balances are eliminated in the total column)		1,419,714	
Accrued interest		1,701,207	1,701,207
Total payable from restricted assets		8,303,074	6,883,360
Noncurrent liabilities:			
General obligation bonds payable, noncurrent		112,550,000	112,550,000
Unamortized bond discount		(790,619)	(790,619)
Unamortized deferred refunding charge		(2,368,005)	(2,368,005)
Unamortized bond premium		2,195,174	2,195,174
Advance from customer		69,688	69,688
Accrued compensated absences	241,049		241,049
Total noncurrent liabilities	241,049	111,656,238	111,897,287
Total liabilities	2,305,325	134,027,829	134,205,342
NET ASSETS			
Invested in capital assets, net of related debt	107,230		107,230
Restricted for certain operations and maintenance		707,485	707,485
Unrestricted	2,393,362	5,676,526	8,069,888
Total net assets	2,500,592	6,384,011	8,884,603
Total liabilities and net assets	$ 4,805,917	$ 140,411,840	$ 143,089,945

See notes to financial statements.

COLORADO RIVER COMMISSION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Expenses	Program Revenues: Charges for Services	Net (Expenses) Revenue and Changes in Net Assets: Governmental Activities	Business-type Activities	Total
Governmental activities:					
General government	$ 2,062,826	$ 2,465,097	$ 402,271		$ 402,271
Business-type activities:					
Power marketing	127,942,758	127,826,226		$ (116,532)	(116,532)
Power delivery	13,504,249	12,756,303		(747,946)	(747,946)
	141,447,007	140,582,529		(864,478)	(864,478)
Total	$ 143,509,833	$ 143,047,626	402,271	(864,478)	(462,207)
General revenues:					
Investment income			24,350	291,944	316,294
Miscellaneous			22,220		22,220
			46,570	291,944	338,514
Change in net assets			448,841	(572,534)	(123,693)
Net assets, beginning			2,051,751	6,956,545	9,008,296
Net assets, ending			$ 2,500,592	$ 6,384,011	$ 8,884,603

See notes to financial statements.

COLORADO RIVER COMMISSION

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,221,595	$ 1,412,598	$ 2,634,193
Receivables:			
Accounts	78,342		78,342
Accrued interest	4,785	5,663	10,448
Collateral for loaned assets	677,778	784,074	1,461,852
Due from other funds	511,190	2,662	513,852
Total assets	$ 2,493,690	$ 2,204,997	$ 4,698,687
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 270,964		$ 270,964
Obligations under securities lending	677,778	$ 784,074	1,461,852
Due to other funds	328,187	3,273	331,460
Total liabilities	1,276,929	787,347	2,064,276
Fund balances, unreserved	1,216,761	1,417,650	2,634,411
Total liabilities and fund balances	$ 2,493,690	$ 2,204,997	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	107,230
Long-term liabilities that are not due and payable in the current period are not not reported in the funds	(241,049)
Net assets of governmental activities	$ 2,500,592

See notes to financial statements

COLORADO RIVER COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Charges for services	$ 2,465,097		$ 2,465,097
Investment income	14,335	$ 10,015	24,350
Miscellaneous		22,220	22,220
Total revenues	2,479,432	32,235	2,511,667
EXPENDITURES			
Current:			
General administration	4,093,320	31,326	4,124,646
Less salaries and overhead recovered by allocation	(2,129,999)		(2,129,999)
Net general administration expenditures	1,963,321	31,326	1,994,647
Water purchases	19,010		19,010
Total expenditures	1,982,331	31,326	2,013,657
Change in fund balances	497,101	909	498,010
Fund balances, beginning	719,660	1,416,741	2,136,401
Fund balances, ending	$ 1,216,761	$ 1,417,650	$ 2,634,411

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Amounts reported for governmental activities in the statement of activities are different because:

Change in fund balances, total governmental funds	$ 498,010
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ($67,167) exceeded net capital outlays ($51,759) in the current period.	(15,408)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(33,761)
Change in net assets of governmental activities	$ 448,841

See notes to financial statements.

COLORADO RIVER COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Power administrative charge	$ 1,270,405	$ 1,270,405	$ 968,238	$ (302,167)
Water charges	1,582,912	1,582,912	1,496,859	(86,053)
Investment income, net	45,000	45,000	14,335	(30,665)
Total revenues	2,898,317	2,898,317	2,479,432	(418,885)
EXPENDITURES				
Current:				
General administration				
Personnel services	3,386,656	3,386,656	2,790,110	596,546
Travel:				
Out-of-state	94,206	94,206	64,545	29,661
In-state	7,884	7,884	5,263	2,621
Operating:				
Water purchases	20,861	20,861	19,010	1,851
Insurance	3,000	3,000	12,834	(9,834)
Legal	454,682	454,682	456,921	(2,239)
Contractual services	1,034,900	1,034,900	314,818	720,082
Other	476,123	476,123	333,244	142,879
Equipment, furniture and software	157,919	157,919	115,585	42,334
Total expenditures	5,636,231	5,636,231	4,112,330	1,523,901
Less salaries and overhead recovered by allocation	(3,189,813)	(4,048,993)	(2,129,999)	(1,918,994)
Net expenditures	2,446,418	1,587,238	1,982,331	(395,093)
Change in fund balance	451,899	1,311,079	497,101	(813,978)
Fund balance, beginning	725,752	725,752	719,660	(6,092)
Fund balance, ending	$ 1,177,651	$ 2,036,831	$ 1,216,761	$ (820,070)

See notes to financial statements.

COLORADO RIVER COMMISSION

BALANCE SHEET
PROPRIETARY FUNDS
JUNE 30, 2004

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	$ 8,503,240	$ 973,125	$ 9,476,365
Receivables:			
Accounts	5,399,608	1,578,493	6,978,101
Accrued interest	49,544	11,326	60,870
Due from other funds	1,596,939	17,021	1,613,960
Collateral for loaned securities	6,261,522	1,511,468	7,772,990
Current portion of prepaid power	2,299,469		2,299,469
	24,110,322	4,091,433	28,201,755
Noncurrent assets:			
Restricted cash and cash equivalents	2,736,103	1,739,939	4,476,042
Capital assets:			
Power transmission system, net		60,558,424	60,558,424
Automobiles and equipment, net		163,426	163,426
Construction in progress		8,151,613	8,151,613
Prepaid power, net of current portion	38,860,580		38,860,580
TOTAL ASSETS	$ 65,707,005	$ 74,704,835	$ 140,411,840

(Continued)

COLORADO RIVER COMMISSION

BALANCE SHEET
PROPRIETARY FUNDS (CONTINUED)
JUNE 30, 2004

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
LIABILITIES:			
Current liabilities:			
Accounts payable	$ 5,918,889		$ 5,918,889
Due to other funds	376,638		376,638
Obligations under securities lending	6,261,522	$ 1,511,468	7,772,990
	12,557,049	1,511,468	14,068,517
Payable from restricted assets:			
Accounts payable		1,529,536	1,529,536
Contract retentions payable		211,332	211,332
Payable to customers	1,803,273	413,012	2,216,285
Bonds payable within 1 year		1,225,000	1,225,000
Due to other funds		1,419,714	1,419,714
Accrued interest	574,117	1,127,090	1,701,207
	2,377,390	5,925,684	8,303,074
Noncurrent liabilities:			
State of Nevada general obligation bonds payable	42,725,000	69,825,000	112,550,000
Unamortized discount on bonds		(790,619)	(790,619)
Unamortized deferred refunding charge	(2,368,005)		(2,368,005)
Unamortized premium on bonds	2,195,174		2,195,174
Advance from customer	69,688		69,688
	42,621,857	69,034,381	111,656,238
TOTAL LIABILITIES	57,556,296	76,471,533	134,027,829
NET ASSETS:			
Restricted for certain operations and maintenance	707,485		707,485
Unrestricted	7,443,224	(1,766,698)	5,676,526
TOTAL NET ASSETS	8,150,709	(1,766,698)	6,384,011
TOTAL LIABILITIES AND NET ASSETS	$ 65,707,005	$ 74,704,835	$ 140,411,840

See notes to financial statements.

COLORADO RIVER COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
OPERATING REVENUES:			
Power sales	$ 127,826,226	$ 12,756,303	$ 140,582,529
OPERATING EXPENSES:			
Power purchases	125,349,610	4,530,272	129,879,882
Prepaid power advances	2,192,515		2,192,515
Depreciation		1,835,466	1,835,466
General administration	284,101	3,200,918	3,485,019
Total operating expenses	127,826,226	9,566,656	137,392,882
OPERATING INCOME		3,189,647	3,189,647
NONOPERATING REVENUES (EXPENSES):			
Investment income	278,140	13,804	291,944
Interest expense	(116,531)	(3,937,593)	(4,054,124)
CHANGE IN NET ASSETS	161,609	(734,142)	(572,533)
TOTAL NET ASSETS, BEGINNING:	7,989,100	(1,032,556)	6,956,544
TOTAL NET ASSETS, ENDING	$ 8,150,709	$ (1,766,698)	$ 6,384,011

See notes to financial statements.

COLORADO RIVER COMMISSION

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 122,505,805	$ 12,559,716	$ 135,065,521
Cash paid for goods and services	(125,554,757)	(8,832,164)	(134,386,921)
Net cash provided by (used in) operating activities	(3,048,952)	3,727,552	678,600
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interest paid (charged to prepaid power in the Power Marketing fund)	(105,188)	(3,918,243)	(4,023,431)
Principal payments on bonds		(1,135,000)	(1,135,000)
Net cash used in noncapital financing activities	(105,188)	(5,053,243)	(5,158,431)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Repayments to customers	45,090		45,090
Acquisition of property, plant and equipment		(1,725,103)	(1,725,103)
Net cash provided by (used in) capital financing activities	45,090	(1,725,103)	(1,680,013)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	184,623	13,510	198,133
NET DECREASE IN CASH AND CASH EQUIVALENTS (RESTRICTED AND UNRESTRICTED)	(2,924,427)	(3,037,284)	(5,961,711)
CASH AND CASH EQUIVALENTS, BEGINNING	14,163,770	5,750,348	19,914,118
CASH AND CASH EQUIVALENTS, ENDING	$ 11,239,343	$ 2,713,064	$ 13,952,407
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income		$ 3,189,647	$ 3,189,647
Depreciation		1,835,466	1,835,466
Amortization of prepaid power	$ 2,192,515		2,192,515
(Increase) decrease in operating assets:			
Accounts receivable	915,385	(187,404)	727,981
Due from other funds	2,367,833	716,763	3,084,596
Increase (decrease) in operating liabilities:			
Accounts payable and contract retentions	(2,266,595)	1,309,752	(956,843)
Due to other funds	(22,284)	(3,127,489)	(3,149,773)
Payable to customers	(6,235,806)	(9,183)	(6,244,989)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (3,048,952)	$ 3,727,552	$ 678,600

See notes to financial statements

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NOTES TO FINANCIAL STATEMENTS

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1. Summary of significant accounting policies:

A. Reporting entity

The Colorado River Commission (the Commission) is responsible for managing Nevada's interests in the water and power resources available from the Colorado River. The Commission also owns land for future development in the Ft. Mohave valley in southern Nevada.

Seven commissioners have broad statutory authority to govern the Commission, which constitutes the reporting entity. The Commission, as a component unit of the State of Nevada (the State), is also an integral part of that reporting entity.

All the Commission's cash receipts and disbursements are processed and recorded by the State Controller. Budgetary and cash controls are imposed by the State Controller on the Commission's general and special revenue funds, while other State imposed cash control requirements apply only to the Commission's enterprise funds. The Commission maintains its own revenue, expense and general journals and a general ledger.

B. Basis of presentation, basis of accounting

Basis of presentation

The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to government units as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* along with related pronouncements. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission is not subject to regulation by federal or state utility regulatory bodies such as the Federal Energy Regulatory Commission or the Nevada Public Service Commission.

Government-wide financial statements: The statement of net assets and the statement of activities display information on all of the activities of the overall government. Eliminations have been made where appropriate to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type* activities of the Commission. Governmental activities generally are financed through taxes, inter-governmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Commission. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to that particular program or function. Any indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues consist of charges paid by the recipients of services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues.

Fund financial statements: The fund financial statements provide information about the Commission's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining

governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues include investment earnings and revenues resulting from ancillary activities.

The Commission reports the *general fund* as its only major governmental fund. The general fund is the Commission's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Commission reports the following major enterprise funds:

Power marketing enterprise fund. This fund operates as a public utility and accounts for the activities of providing electrical power generated at a federal facility to its customers.

Power delivery enterprise fund. This fund is used to account for the construction and operation of power transmission equipment for the Southern Nevada Water System.

Measurement focus, basis of accounting

Government-wide and proprietary fund financial statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. There are no nonexchange transactions – those for which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange – reported in the accompanying financial statements.

The Commission has elected not to follow private-sector guidance for accounting and financial reporting issued after November 30, 1989, in reporting business-type activities in enterprise funds.

Governmental fund financial statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, principally charges for services and investment income, are susceptible to accrual and, therefore, recognized when measurable and available. Revenues are considered to be available if they are collected within sixty days after year-end. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures only when payment is due. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources as they are needed.

C. Assets, liabilities, and equity

Cash equivalents

The Commission's restricted and unrestricted cash is deposited with the State Treasurer (the Treasurer) in a fund similar to an external investment pool. Because the amounts deposited with the Treasurer are sufficiently liquid to permit withdrawals in the form of cash at any time without prior

notice or penalty, they are deemed to be cash equivalents.

State statutes authorize the Treasurer to invest the Commission's deposits in certain obligations of the United States of America or its agencies or instrumentalities and of state and local governments, as well as other instruments specified in Section 355.170 of Nevada Revised Statutes. The Treasurer is also permitted by statute to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The fair value of the underlying securities attributed to the Commission is reported as a current asset, "collateral for loaned securities," and an offsetting current liability payable from restricted assets, "obligations under securities lending."

Deposits include unrealized gains and losses on invested funds as reported by the Treasurer.

Receivables and payables

All outstanding balances between funds are reported as "due to/from other funds."

All accounts receivable are shown net of any appropriate allowance for doubtful accounts.

Prepaid power

The Commission has participated with the State (Note 7) in funding the improvement and renovation ("uprating") of the electrical power generation plant at Hoover Dam, which supplies the majority of the power sold through the Power Marketing Fund. These costs are to be reimbursed in the form of power consumption and charged to expense as the related debt amortizes over an extended period of time. The estimated value of power to be received during the next fiscal year is classified as a current prepaid expense in the fund.

Restricted cash equivalents

The various debt service, operation and maintenance (O&M), capital improvement and construction (acquisition) funds limited as to use by bond covenants are classified as restricted cash equivalents on the balance sheet. Restricted assets are provided either from bond proceeds or net assets. Net assets are restricted to the extent restricted assets exceed related liabilities.

Capital assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The capitalization threshold is $1,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Commission during the fiscal year ended June 30, 2004, was $6,171,529, of which none was capitalized and included as part of the cost of assets under construction.

Capital assets of the Commission are depreciated using the straight-line method over the following estimated useful lives:

	Years
Governmental activities:	
Office equipment	5
Office furniture and fixtures	5
Automobiles	4-6
Business-type activities:	
Power transmission systems	10-50

Compensated absences

It is the Commission's policy to permit employees to accumulate earned but unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Commission does not have a vesting policy that requires it to pay any amounts when employees separate from service. All vacation pay is accrued when incurred in the government-wide, proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of any applicable unamortized premium, discount or refunding charges.

2. Stewardship, compliance, and accountability

Budgetary information

Biennial budgets are adopted on a basis consistent with GAAP except that encumbrances for goods and services not received by fiscal year end are considered expenditures of the current period solely for budgetary purposes. This basis differs from GAAP; however, there are no encumbrances outstanding at the beginning and end of the year. Although budgets are adopted on a biennial basis, each year is treated separately and unexpended budget authorizations lapse at each year-end.

Prior to September 1 of each even-numbered year, the director submits proposed operating budgets to the Nevada Budget Division covering the biennium beginning the following July1. After review of the budgets by the Nevada Budget Division between September 1 and November 15, hearings involving the Commission, the Director of Administration and the governor are held between November 15 and December 22. The biennium budgets are transmitted to the Legislature no later than the 10th day of the session held in odd numbered years and, before adjourning, the Legislature enacts the budgets.

Net expenditures of the general fund (gross expenditures less amounts allocated to other funds) are controlled to budget categories (personnel services, travel instate, travel out-of-state, operating expenses, and capital outlay for the general fund; and general and administrative, purchase of land and intergovernmental for the special revenue funds).

Management of the Commission cannot amend any budget categories. However, the Nevada Director of Administration is authorized to approve requests for changes in the budget involving transfers between expenditure categories not exceeding 10% of originally budgeted expenditures, or $25,000 in the aggregate, of the respective budget categories. Any changes exceeding 10% or $25,000 require approval of the Legislature's Interim Finance Committee.

Bond covenants

Following is a brief summary of the covenants included in the bond resolutions of the enterprise funds:

The Commission is required to charge purchasers of service and all users of the state facilities sufficient amounts to cover all operation and maintenance expenses (except depreciation), all debt service requirements, and any amounts required to be deposited in reserve accounts.

Monthly transfers for Debt Service – A debt service account is required to ensure payment of interest and principal when due. Transfers are made each month from revenues to provide 1/6 of the next semiannual interest payment and 1/12 of the annual bond maturity.

Classes of Users – The Power Marketing fund serves two classes of users, retail utility customers and industrial customers. The Power Delivery fund serves the Southern Nevada Water System and its customers.

Other – Other requirements of the bond covenants include maintaining bond funds in separate depository accounts with the State Treasurer, and an audit of the Commission's financial statements by an independent certified public accountant. During the fiscal year ended June 30, 2003, the Commission complied with all requirements of the bond covenants.

Excess of expenditures over appropriations

No net budget amounts were exceeded in any category during fiscal year 2003-2004.

3. Cash deposits:

At June 30, 2004, the Commission's carrying amount ("book value") of restricted and unrestricted cash deposits was $16,542,282 and the State Treasurer's balance was $16,535,370. These deposits with the Treasurer are not categorized as to credit risk.

4. Restricted cash and cash equivalents:

Cash restricted at June 30, 2004, by bond covenants is summarized as follows:

	Power Marketing Fund	Power Delivery Fund
Restricted for:		
Debt service	$ 707,485	
Construction reserve		$ 1,739,939
Reserve for revenue insufficiency	2,028,618	
Total restricted assets	$ 2,736,103	$ 1,739,939

5. Capital assets:

Capital asset activity for the year ended June 30, 2004, was as follows:

	Beginning Balances	Increases	Ending Balances
Governmental activities:			
Capital assets being depreciated:			
Office equipment	$ 243,078	$ 51,759	$ 294,837
Office furniture and fixtures	28,539		28,539
Automobiles	161,038		161,038
Total capital assets being depreciated	432,655	51,759	484,414
Less accumulated depreciation for:			
Office equipment	(188,036)	(39,598)	(227,634)
Office furniture and fixtures	(19,144)	(3,019)	(22,163)
Automobiles	(102,837)	(24,550)	(127,387)
Total accumulated depreciation	(310,017)	(67,167)	(377,184)
Governmental activities capital assets, net	$ 122,638	$ (15,408)	$ 107,230

	Beginning balances	Increases	Ending balances
Business-type activities:			
Capital assets not being depreciated:			
Construction in progress (Note 10)	$ 6,711,669	$ 1,439,944	$ 8,151,613
Capital assets being depreciated:			
Power transmission system	67,717,948		67,717,948
Office equipment	31,112	79,718	110,830
Automobiles	72,173	45,343	117,516
Total capital assets being depreciated	67,821,233	125,061	67,946,294
Less accumulated depreciation for:			
Power transmission system	(5,347,298)	(1,812,226)	(7,159,524)
Office equipment and automobiles	(41,680)	(23,240)	(64,920)
Total accumulated depreciation	(5,388,978)	(1,835,466)	(7,224,444)
Business-type actvities capital assets, net	$ 69,143,924	$ (270,461)	$ 68,873,463

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	$ 67,167
Business-type activities:	
Power transmission system	1,835,466
Total depreciation expense	$ 1,902,633

6. Balances due to/from other funds

The composition of interfund balances, representing the net of short-term advances and repayments, as of June 30, 2004, is as follows:

	Due from	Due to
Funds:		
General	$ 511,190	$ 328,187
Ft. Mohave	2,321	3,273
Research and development	341	
Power marketing	1,596,939	376,638
Power delivery	17,021	1,419,714
	$ 2,127,812	$ 2,127,812

7. Long-term debt:

General Obligation Bonds

Section 3 of Article 9 of the Nevada State Constitution limits public debt to 2% of the State's assessed valuation. The legislature may authorize debt that is not subject to the foregoing limitation to protect and preserve, or obtain the benefits of, any of its property or natural resources. The bonded debt incurred to fund the State's share of the cost of uprating electrical generating facilities at Hoover Dam does not affect the legal debt margin, because it was incurred to obtain the benefits of a natural resource.

General obligation bonds (series May 1, 1987B) in the amount of $79,800,000 were sold in 1987, to provide the money needed to fund the State's share of the cost of financing the uprating of electrical generating facilities at Hoover Dam. The bonds mature annually on October 1 through 2017. Interest rates range from 6.0 to 10.75% per annum. Interest is payable semi-annually on April 1 and October 1. During the year ended June 30, 2002, this bond issue was in-substance defeased using the proceeds from the issuance, on November 1, 2001, of the Series 2001 State of Nevada Colorado River Commission General Obligation (Limited Tax) Hoover Uprating Refunding Bonds (the Series 2001 bonds).

General obligation bonds (Hoover Uprating Bonds 1992 Series) in the amount of $72,310,000 were sold in 1992. Proceeds were used to advance refund $65,845,000 of the 1987B Hoover uprating bonds which amount is still outstanding. The bonds mature annually on October 1 through 2016. Interest rates range from 6.0 to 6.6% per annum. Interest is payable semi-annually on April 1 and October 1. During the year ended June 30, 2003, this bond issue was in-substance defeased using the proceeds from the issuance, on July 9, 2002, of the Series 2002 State of Nevada Colorado River Commission General Obligation (Limited Tax) Hoover Uprating Refunding Bonds (the Series 2002 bonds).

General obligation bonds (Power Delivery Project Bonds, series September 15, 1997) in the amount of $49,270,000 were sold in 1997. Proceeds were used to finance the costs of acquiring, constructing and equipping certain electric power transmission and distribution facilities to serve the planned expansion of the Southern Nevada Water System. The bonds mature annually on September 15 from 2000 through 2027. Interest rates range from 4.25 to 7% per annum. Interest is payable semi-annually on March 15 and September 15.

On September 15, 1999, the Commission sold $27,730,000 State of Nevada, Colorado River Commission, General Obligation (Limited Tax) (Revenue Supported), Power Delivery Project Bonds, Series 1999A. The bonds are to finance the costs of acquiring, constructing and equipping certain electric power transmission and distribution facilities to serve the planned expansion of the Southern Nevada Water System. The bonds mature annually on September 15 from 2003 through 2030. Interest rates range from 4.5 to 6.5% per annum. Interest

is payable semi-annually on March 15 and September 15.

On November 1, 2001, the Commission sold the $6,305,000 Series 2001 bonds. Proceeds from these bonds were used to advance refund the Series May 1, 1987B bonds. The bonds mature on October 1, 2017, with interest payable semi annually on April 1 and October 1 at the rate of 5.375% per annum.

On July 9, 2002, the Commission sold the $36,420,000 Series 2002 bonds. Proceeds from these bonds, along with other available funds, were used to advance refund the Series 1992 bonds. The bonds mature annually on October 1, 2008 through October 1, 2016, with interest payable semi-annually on April 1 and October 1 at the rate of 5.375% per annum.

General obligation bonds outstanding at year end are summarized as follows:

	Maturity Dates	Interest Rates	Outstanding June 30, 2004
Business-type activities:			
Power deliver bonds, series 1997A	2000-2027	4.25 to 7%	$ 45,770,000
Power deliver bonds, series 1999A	2002-2030	4.5 to 6.5%	25,280,000
Hoover uprating refunding, series 2001	2017	5.375%	6,305,000
Hoover uprating refunding, series 2002	2008-2016	5.375%	36,420,000
			$ 113,775,000

Annual debt service requirements to maturity for all long-term debt consisting of general obligation bonds are as follows:

Year Ending June 30,	Business-type Activities Principal	Interest
2005	$ 1,225,000	$ 6,127,715
2006	1,420,000	6,058,665
2007	1,620,000	5,978,127
2008	1,705,000	5,875,327
2009	5,055,000	5,667,977
2010-2014	29,750,000	23,768,231
2015-2019	34,280,000	14,728,311
2020-2024	17,960,000	8,127,788
2025-2029	19,885,000	2,702,852
2030	875,000	24,609
Total	$ 113,775,000	$ 79,059,602

Advance refundings

In 1996, the Commission advance refunded a portion of the Series 1992 term bonds with a face value of $17,235,000. The balance of the Series 1992 bonds were advance refunded with proceeds from the Series 2002 bonds sold on July 9, 2002. The 1992 advance refunded bonds were called on

October 1, 2002, and paid in full at a premium of 1%.

In 2001, the Commission refunded the Series May 1, 1987B bonds with face value of $6,880,000. The reacquisition price exceeded the net carrying amount of the old debt by $59,760. This amount is being netted against the new debt and amortized over the life of the new debt issue, which is the same as the remaining life of the refunded debt at the date of refunding.

The 1987B advance refunded bonds were called on December 6, 2001, and paid in full at par.

Changes in long-term obligations

Changes in long-term obligations during the year ended June 30, 2004, are summarized below:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Current
Governmental activities:					
Accrued compensated absences	$ 207,288	$ 33,761		$ 241,049	
Business-type activities:					
General obligation bonds	114,910,000		$ 1,135,000	113,775,000	$ 1,225,000
Unamortized bond premium	2,364,919		169,744	2,195,175	169,744
Unamortized bond discount	(825,021)		(34,402)	(790,619)	(34,402)
Unamortized refunding charges	(2,550,525)		(595,029)	(1,955,496)	(150,208)
Advance from customer	24,598	69,688	24,598	69,688	69,688
Total	$ 114,131,259	$ 103,449	$ 699,911	$ 113,534,797	$ 1,279,822

8. Segment information

The Commission has issued general obligation bonds (in some cases revenue supported) to finance uprating of the electrical generating facilities at Hoover Dam and to finance the costs of acquiring, constructing and equipping electrical power transmission and distribution facilities. Although these bonds have historically been paid from the revenues of the Commission's enterprise funds, the financial position, results of operations and cash flows of these enterprise funds are presented separately in the accompanying proprietary fund financial statements and no additional segment information disclosure is considered necessary.

9. Risk management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions. The Commission participates in the State risk pool and is liable for payment of nominal deductible amounts. The State then becomes responsible for all losses in excess of the nominal deductible.

10. Commitments and contingencies

Construction

As of June 30, 2004, management estimates that the remaining commitment for construction of phase II of the power transmission system does not exceed $1,700,000. This commitment is being financed by limited tax, revenue supported general obligation bonds of the State of Nevada.

Forward contracts

The Commission has entered into forward contracts to purchase and sell electrical power at a specified time in the future at a guaranteed price. The Commission entered into these contracts to help plan power costs for the year and to protect itself against an increase in market prices.

For contracts to purchase power, it is possible that the market price before or at the specified time to purchase electrical power may be lower than the price at which the Commission is committed to buy. Conversely, for contracts to sell power, it is possible that the market price on or before the specified time to sell the electrical power may be higher than the price at which the Commission is obligated to sell, which would reduce the value of the contracts.

The Commission has the option to make a termination payment to the various counterparties to cancel its obligation under the contract and then buy and/or sell electrical power on the open market.

On September 2, 2003, the Commission entered into a termination agreement with Williams Power Company, Inc. (Williams) to terminate all forward energy purchase contracts with Williams. As consideration for the early termination of the Williams contracts, the Commission paid Williams $13,121,600, to be charged against payable to customers.

On March 3, 2004, the Commission entered into a termination agreement with Duke Energy Trading and Marketing, LLC (Duke), to terminate all forward energy purchase contracts with Duke. As consideration for the early termination of the Duke contracts, the Commission paid Duke $29,000,000, to be charged against payable to customers.

On March 8, 2004, the Commission entered into a termination agreement with American Electric Power Service Corporation (AEP), to terminate all forward energy purchase contracts with AEP. As consideration for the early termination of the AEP contracts, the Commission paid AEP $5,400,000, to be charged against payable to customers.

On March 8, 2004, the Commission entered into a termination agreement with El Paso Merchant Energy LP (EPME), to terminate all forward energy purchase contracts with EPME. As consideration for the early termination of the EPME contracts, the Commission paid EPME $1,850,000, to be charged against payable to customers.

The Commission is also exposed to the failure of the various counterparties to fulfill their obligations under the contracts. The terms of the contracts include provisions for recovering the cost in excess of the guaranteed price from the counterparty should the Commission have to procure and/or sell electrical power on the open market. Available credit ratings for counterparties range between AA+ and BBB+ when rated by Standard & Poors.

Currently, the contract pricing on the majority of the Commission's forward contracts to buy and/or sell energy is such that it would be in the best interests of the counterparties to comply with the terms of the contracts, as they are favorable to the

counterparties. However, three forward contracts contain terms favorable to the Commission, in which failure of the counterparties to provide and/or buy energy from the Commission would result in losses to the Commission of approximately $680,000.

As a result of the Commission's contracts to purchase energy in effect as of year-end, management estimates that the Commission may be obligated to purchase energy at approximately $1.5 million above forecasted market prices at the specified delivery dates in the contracts.

As a result of the Commission's contracts to sell energy in effect at year-end, management estimates that the Commission may be obligated to sell energy at approximately $3.2 million below forecasted market prices at the specified delivery dates in the contracts.

Management's estimate of forward contract exposure was developed with the assistance of an outside consultant (the Consultant), specializing in such forecasting. Forward contracts were "marked-to-market" by applying the forecasted forward monthly prices to the monthly quantities associated with each forward contract. The Consultant developed the forward price curves (see the following paragraph) and valued the forward contracts relative to the market as of June 30, 2004. Forward volatilities and interest rates were considered in the valuation process.

The forward price curves were constructed using an iterative process that started with short term power market data at the most liquid delivery points and then blended in information from term power markets and the natural gas market. Information from the natural gas market was used in conjunction with a heat rate curve model to develop forward prices for periods when contracts were not actively traded.

All of the Commission's power customers are contractually obligated for electrical power purchased or sold on their behalf by the Commission. These are generally "take or pay" contracts, meaning that the customer is required to make or receive payment regardless of whether or not the power is actually delivered.

Litigation and arbitration

Ongoing litigation between the Commission and one of its power customers (the Customer) was settled in the fiscal year ended June 30, 2004. Accordingly, effective January 1, 2003, all contracts for the purchase of hydropower between the Commission and the Customer were terminated, with the understanding that the Customer would assign its interests in the hydropower contracts to the Southern Nevada Water Authority (SNWA). The SNWA also agreed to assume liability related to the forward energy purchase contracts that were in place between the Commission and the Customer at the time the settlement agreement was reached, limited to $53,000,000.

On June 25, 2003, the Federal Energy Regulatory Commission (FERC) issued orders to show cause to named respondent utilities, including the Commission, that bought and sold electric energy and related products in the California energy markets during 2000 and early 2001. These orders initiated investigations to determine whether respondent utilities, including the Commission, worked in concert with an energy supplier to engage in improper "energy trading practices" in the California energy markets during that period.

On October 27, 2004, a final and binding settlement agreement was reached whereby the Commission agreed to admit no wrong-doing and pay approximately $996,000, or roughly the total revenues associated with one category of energy transactions that

FERC staff believed may have aided in the manipulation of the California energy markets. The settlement payment, which is scheduled to be made on or before January 10, 2005, will be passed on to the Commission's power customers and has been recorded as both a payable and receivable in the power delivery fund at June 30, 2004.

On January 4, 2004, one of the Commission's power customers filed a demand for arbitration with the American Arbitration Association (AAA) asserting that the Commission breached various duties under contracts. A motion to dismiss the claim was filed by the Commission and a hearing date is anticipated in December 2004.

On March 17, 2004, the customer discussed in the preceding paragraph filed a complaint against various current and former employees of the Commission, among others, in connection with the aforementioned arbitration matter. Although the Commission is not directly named in the complaint, it is likely that the Commission will bear the financial responsibility of any adverse verdict. On November 22, 2004, the judge granted the Commission's motion to dismiss the complaint, but gave the plaintiff twenty days to amend its complaint.

Arbitrage Rebate Requirement

The federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the Commission. Under this Act, an amount may be required to be rebated to the United States Treasury, for interest on the bonds to qualify for exclusion from gross income for federal income tax purposes. Rebatable arbitrage is computed as of each installment computation date. The arbitrage rebate calculation as of the most recent such date indicates that no amount is due. Future calculations might result in adjustments to this determination.

Other

The United States is engaged in a war against terrorism likely to continue to have far-reaching effects on economic activity in the country for an indeterminate period. The long-term impact on the southern Nevada economy and the Commission's operations cannot be predicted at this time, but may be substantial.

11. Employee retirement system

All Commission employees participate in the Nevada Public Employees Retirement Systems (PERS), a cost-sharing, multiple-employer, public employee retirement system. PERS was established in 1948 by the State legislature and is governed by the Public Employees Retirement Board whose seven members are appointed by the Governor. The Commission exercises no control over PERS and is not liable for any obligations of the system.

PERS provides pension, survivor, death and disability benefits, which are determined by State statute. Various payment options for these benefits are available. Regular members of the system receive full benefits upon retirement at:

Age 65 with at least 5 years of service
Age 60 with 10 or more years of service
Any age with 30 or more years of service

Retirement benefits, payable monthly for life, are equal to 2 ½% of their final average salary for each year of credited service up to a maximum of 90 percent if hired before July 1, 1985, and up to a maximum of 75% if hired on or after that date. Final average salary is the employee's average compensation for the 36 consecutive months of highest compensation. Benefits fully vest on reaching 5 years of service. Vested

employees who have the necessary years of credited service, but have not attained the required age, may retire at any age with the benefit actuarially reduced by 2% of the unmodified benefit for each year the member is under the appropriate retirement age.

Employees have the option of either contributing 9.75% of their salary, which is matched by the Commission, or, under the employer paid option, taking a 9.5% reduction in gross pay with the Commission contributing 18.75% of salary to PERS.

Contribution rates are established by state statute and provide for yearly increases of up to 1% until such time as the actuarially determined unfunded liability of PERS is reduced to zero. The required contribution for fiscal years ending in 2002-2004 was as follows:

Year Ending	Contribution Rate Regular Members		Covered Payroll		Annual Required Contribution Paid by the Commission	
June 30,	Employer	Employer/ Employee	Employer	Employer/ Employee	Employer	Employer/ Employee
2002	18.75%	9.75%	$ 513,967	$ 1,128,425	$ 96,369	$ 110,021
2003	18.75%	9.75%	637,056	1,295,087	119,448	126,271
2004	18.75%	10.50%	825,137	1,348,510	154,713	141,594

PERS issues a comprehensive annual financial report that includes financial statements and required supplementary information of the plan. Those reports may be obtained by contacting them at the following address:

Public Employees Retirement System of Nevada
693 W. Nye Lane
Carson City, NV 89703-1599
(702) 687-4200

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COMBINING & INDIVIDUAL FUND STATEMENTS & SCHEDULES

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COLORADO RIVER COMMISSION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2004

	Special Revenue		Total
	Ft. Mohave Valley Development	Research and Development	Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,230,739	$ 181,859	$ 1,412,598
Accrued interest receivable	4,935	728	5,663
Collateral for loaned assets	683,131	100,943	784,074
Due from other funds	2,321	341	2,662
Total assets	$ 1,921,126	$ 283,871	$ 2,204,997
LIABILITIES AND FUND BALANCES			
Liabilities:			
Obligations under securities lending	$ 683,131	$ 100,943	$ 784,074
Due to other funds	3,273		3,273
Fund balances, unreserved	1,234,722	182,928	1,417,650
Total liabilities and fund balances	$ 1,921,126	$ 283,871	$ 2,204,997

COLORADO RIVER COMMISSION

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue		Total Nonmajor Governmental Funds
	Ft. Mohave Valley Development	Research and Development	
REVENUES			
Investment income	$ 8,675	$ 1,340	$ 10,015
Miscellaneous	22,220		22,220
Total revenues	30,895	1,340	32,235
EXPENDITURES			
Current general administration	31,013	313	31,326
CHANGE IN FUND BALANCES	(118)	1,027	909
FUND BALANCES, BEGINNING	1,234,840	181,901	1,416,741
FUND BALANCES, ENDING	$ 1,234,722	$ 182,928	$ 1,417,650

COLORADO RIVER COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
FT. MOHAVE VALLEY DEVELOPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Original and Final Budget	Actual	Variance with Final Budget- Positive (Negative)
REVENUES			
Investment income	$ 64,583	$ 8,675	$ (55,908)
Miscellaneous	74,980	22,220	(52,760)
Total revenues	139,563	30,895	(108,668)
Miscellaneous			
EXPENDITURES			
Current general administration	834,675	31,013	803,662
CHANGE IN FUND BALANCE	(695,112)	(118)	694,994
FUND BALANCE, BEGINNING	1,214,444	1,234,840	20,396
FUND BALANCE, ENDING	$ 519,332	$ 1,234,722	$ 715,390

COLORADO RIVER COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
RESEARCH AND DEVELOPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Original and Final Budget	Actual	Variance with Final Budget- Positive (Negative)
REVENUES			
Investment income	$ 19,462	$ 1,340	$ (18,122)
Power and water surcharge	500,000		(500,000)
Total revenues	519,462	1,340	(518,122)
EXPENDITURES			
Current general administration	500,000	313	499,687
CHANGE IN FUND BALANCE	19,462	1,027	(18,435)
FUND BALANCE, BEGINNING	178,903	181,901	2,998
FUND BALANCE, ENDING	$ 198,365	$ 182,928	$ (15,437)

COLORADO RIVER COMMISSION

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE
JUNE 30, 2004 AND 2003

	2004	2003
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Equipment:		
Office equipment	$ 294,837	$ 243,078
Office furniture and fixtures	28,539	28,539
Automobiles	161,038	161,038
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 484,414	$ 432,655
INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE - General fund	$ 484,414	$ 432,655

COLORADO RIVER COMMISSION

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED JUNE 30, 2004

	General Fixed Assets July 1, 2003	Additions	General Fixed Assets June 30, 2004
GENERAL GOVERNMENT:			
Office equipment	$ 243,078	$ 51,759	$ 294,837
Office furniture and fixtures	28,539		28,539
Automobiles	161,038		161,038
TOTAL GENERAL FIXED ASSETS	$ 432,655	$ 51,759	$ 484,414

STATISTICAL SECTION

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COLORADO RIVER COMMISSION

GOVERNMENT-WIDE EXPENSES BY FUNCTION

LAST TEN FISCAL YEARS (UNAUDITED)

Table 1

Years	General Government	Power Marketing	Power Delivery	Water Treatment(1)	Water Transmission(1)	Total
1995-96	$ 2,033,478	$ 24,686,298		$ 7,510,074	$ 13,140,966	$ 47,370,816
1996-97	4,000,821	24,775,248				28,776,069
1997-98	1,705,627	24,899,198				26,604,825
1998-99	1,783,047	27,317,968	$ 827,558			29,928,573
1999-00	1,470,033	28,455,202	2,027,173			31,952,408
2000-01	1,588,288	128,676,608	21,119,778			151,384,674
2001-02	1,807,732	135,697,615	24,653,645			162,158,992
2002-03	2,903,396	117,616,074	27,387,791			147,907,261
2003-04	1,995,659	127,942,757	13,504,249			143,442,665

(1) Fiscal year 1995-96 is only through December 31, 1995, after which the system was transferred to the Southern Nevada Water Authority.

COLORADO RIVER COMMISSION

GOVERNMENT-WIDE REVENUES

LAST TEN FISCAL YEARS (UNAUDITED) Table 2

	Program Revenues	General Revenues		
Years	Charges for Services	Unrestricted Investment Earnings	Miscellaneous	Total
1994-95	$ 76,880,458	$ 1,080,737	$ 3,744,844	$ 81,706,039
1995-96	45,941,621	731,799	74,910	46,748,330
1996-97	26,342,493	340,049	178,608	26,861,150
1997-98	26,099,256	278,392	254,377	26,632,025
1998-99	29,022,023	972,848	134,954	30,129,825
1999-00	32,488,154	863,252	25,800	33,377,206
2000-01	151,041,072	2,583,633	37,990	153,662,695
2001-02	163,501,320	3,020,368	48,781	166,570,469
2002-03	145,887,594	1,642,777	24,390	147,554,761
2003-04	143,047,626	316,294	22,220	143,386,140

COLORADO RIVER COMMISSION

GOVERNMENTAL REVENUES BY SOURCE

LAST TEN FISCAL YEARS (UNAUDITED) Table 3

Years	Charges for Services	Investment Earnings	Miscellaneous	Total
1994-95	$ 895,688	$ 160,234	$ 3,744,844	$ 4,800,766
1995-96	568,515	638,047	74,910	1,281,472
1996-97	1,567,245	206,814	178,608	1,952,667
1997-98	1,415,865	141,620	254,377	1,811,862
1998-99	1,482,707	139,280	134,954	1,756,941
1999-00	1,964,196	125,104	25,800	2,115,100
2000-01	1,599,600	207,909	37,990	1,845,499
2001-02	1,534,329	122,439	48,781	1,705,549
2002-03	2,154,840	69,504	24,390	2,248,734
2003-04	2,465,097	24,350	22,220	2,511,667

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ADDITIONAL REPORT OF INDEPENDENT AUDITORS

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PIERCY BOWLER TAYLOR & KERN
Certified Public Accountants • Business Advisors

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Colorado River Commission of Nevada
Las Vegas, Nevada

We have audited the basic financial statements of the Colorado River Commission of Nevada (the Commission), as of and for the year ended June 30, 2004, and have issued our report thereon dated November 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Compliance and other matters. As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, (including bond resolutions and ordinances of the General Obligation Hoover Uprating Bonds, series 2001 and 2002, and the Power Delivery Project bonds, series 1997A and 1999A), noncompliance with which could have a direct and material effect on the determination of financial statement amounts,. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of management and the State of Nevada. However, this report is a matter of public record, and its distribution is not limited.

Piercy Bowler Taylor & Kern

November 12, 2004

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