# 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, 2006**

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

# STATE OF NEVADA

KENNY C. GUINN
*Governor*

GEORGE J. CHANOS
*Attorney General*

STEVE MARTIN
*Controller*

BRIAN K. KROLICKI
*Treasurer*

DEAN HELLER
*Secretary of State*

# COLORADO RIVER COMMISSION

RICHARD W. BUNKER
*Chairman*

JAY D. BINGHAM
*Vice Chairman*

ANDREA ANDERSON
*Commissioner*

MARYBEL BATJER
*Commissioner*

SHARI BUCK
*Commissioner*

ACE I. ROBISON
*Commissioner*

MYRNA WILLIAMS
*Commissioner*

# COMMISSION STAFF

GEORGE M. CAAN
*Executive Director*

GAIL A. BATES
*Energy Services Chief*

JAMES H. DAVENPORT
*Division Chief Water*

DOUGLAS N. BEATTY
*Division Chief Finance and Administration*

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**COMPREHENSIVE ANNUAL FINANCIAL REPORT**
**YEAR ENDED JUNE 30, 2006**

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

STATE OF NEVADA

ANDREA ANDERSON, *Commissioner*
MARYBEL BATJER, *Commissioner*
SHARI BUCK, *Commissioner*
ACE I. ROBISON, *Commissioner*
MYRNA WILLIAMS, *Commissioner*

# COLORADO RIVER COMMISSION
OF NEVADA

December 5, 2005

**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, 2006, 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 2006 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, 2006, 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 | 7/1/04 – 6/30/07 |
| Jay D. Bingham, Vice Chairman | 1997 | 7/1/06 – 6/30/09 |
| Honorable Andrea Anderson, Boulder City Councilwoman | 2004 | 7/1/06 – 6/30/07 * |
| Marybel Batjer | 2005 | 7/1/05 – 6/30/08 |
| Honorable Shari Buck, North Las Vegas Councilwoman | 2005 | 7/1/06 – 6/30/07 * |
| Ace I. Robison | 2004 | 7/1/05 – 6/30/08 |
| Honorable Myrna Williams, Clark County Commissioner | 1999 | 7/1/06 – 12/31/06 * |

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

## 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 112,188 persons or 4.5% from 2005 to 2006, as reported by the State Demographer. This compares to 3.2% growth over the previous year. Clark County (the County) accounted for 86% 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 estimated population for 2006 is 1,892,391, which represents approximately 72% of the State's population (estimated to be approximately 2,631,057). Current projections by the State Demographer place the County population at 2,281,997 in 2010 and 3,045,813 in 2020. The U.S. Census Bureau projects the County population to reach over 4,000,000 in about 2030, which is over double the population that existed in 2000.

**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 to the 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.

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 Lower 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.

**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, 2005. This was the 29th 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, 2006.

**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 of Achievement for Excellence in Financial Reporting

Presented to

## Colorado River Commission of Nevada

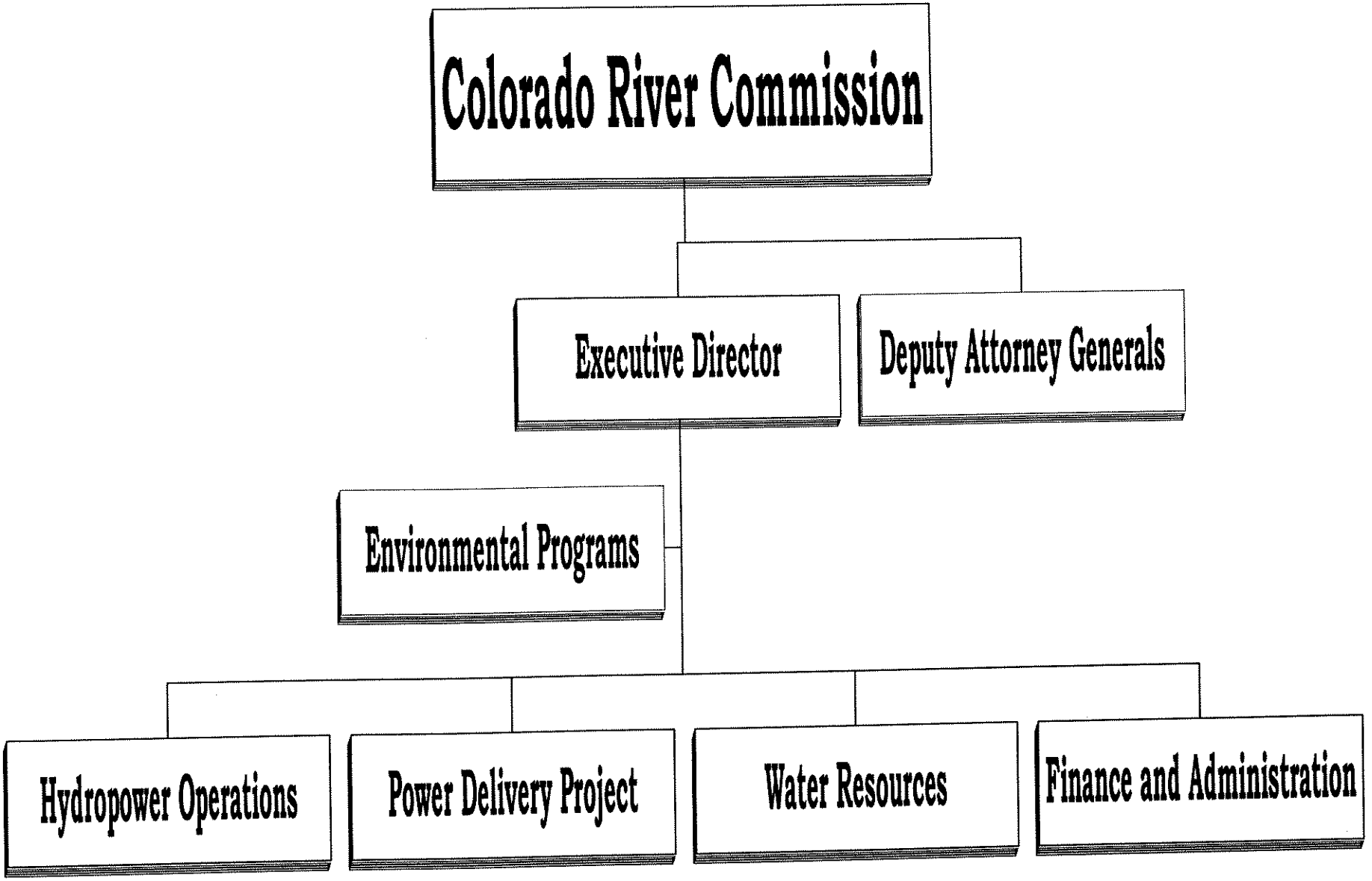
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

# CRC Functional Organization



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# FINANCIAL SECTION

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P B T K

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, 2006, 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2006, 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 15 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 on pages 45-50 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

October 12, 2006



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# MANAGEMENT'S DISCUSSION AND ANALYSIS

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of the Colorado River Commission (the Commission) presents management's overall analysis of the Commission's financial activities for the fiscal year ended June 30, 2006. 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 $16,485,283 (net assets). Of this amount, $15,650,993 (unrestricted net assets) may be used to fund the operations of the Commission.

- As more fully reported in footnote 10 to the financial statements, the Commission's estimated total liability for the remaining above market energy contracts has declined to approximately $244,000. The total obligation is anticipated to be extinguished from existing reserves at the end of the current calendar year.

- The service provided to the Southern Nevada Water Authority (SNWA) through the Power Delivery Fund continued to grow with total power sales in the fund reported at over $57,000,000. This represents an increase from the prior year of approximately 58%. The increase is due to increasing population growth in the valley and additional resource requirements of SNWA members as loads are moved to the Commission pursuant to legislation enacted by the State of Nevada (the State) in 2001. We anticipate that some additional load will be added in the future, but in smaller amounts over time.

- Power administrative revenues increased by $260,667 for the current fiscal year while the related power administrative expenditures decreased. The revenue increased due to better than expected power deliveries from the federal hydropower facilities while the expenditures decreased primarily due to personnel reductions in the hydropower area. The net result of the fiscal year's hydropower activities provided the Commission with healthy carry forward balances in the hydropower accounts. The Commission has determined to provide a rebate to the customers in the 2007 fiscal year.

## 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 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,

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 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 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 governmental funds. Information is presented separately in the governmental fund balance sheet and 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 each of 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 also 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 in the tables on the following page.

## Colorado River Commission's Net Assets

| | Governmental Activities | | | Business-type Activities | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | Change | 2006 | 2005 | Change |
| Current and other assets | $ 17,707,520 | $ 11,467,549 | $ 6,239,971 | $36,495,735 | $44,599,621 | $ (8,103,886) |
| Non-current restricted cash | | | | 8,003,845 | 7,130,380 | |
| Capital ssets | 118,006 | 109,064 | 8,942 | 103,532,165 | 105,586,882 | (2,054,717) |
| Total assets | 17,825,526 | 11,576,613 | 6,248,913 | 148,031,745 | 157,316,883 | (10,158,603) |
| Current liabilities | 6,043,540 | 1,919,146 | 4,124,394 | | | |
| Long-term bonds | | | | 62,764,886 | 64,003,861 | (1,238,975) |
| Bond related charges | | | | 57,900,598 | 36,513,222 | 21,387,376 |
| Other noncurrent liabilities | 48,155 | 256,381 | (208,226) | | | |
| Total liabilities | 6,091,695 | 2,175,527 | 3,916,168 | 120,665,484 | 100,517,083 | 20,148,401 |
| Net assets: | | | | | | |
| Invested in capital assets net of related debt | 118,006 | 109,064 | 8,942 | | | |
| Restricted | | | | 716,284 | 713,004 | 3,280 |
| Unrestricted | 10,934,221 | 9,292,022 | 1,642,199 | 4,716,772 | 5,345,387 | (628,615) |
| Total net assets | $ 11,052,227 | $ 9,401,086 | $ 1,651,141 | $ 5,433,056 | $ 6,058,391 | $ (625,335) |

## Colorado River Commission's Changes in Net Assets

| | Governmental Activities | | | Business-type Activities | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | Change | 2006 | 2005 | Change |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Administrative charges | $ 2,914,197 | $2,065,644 | $ 848,553 | | | |
| Power sales revenue: | | | | | | |
| Power marketing | | | | $62,764,886 | $64,003,861 | $(1,238,975) |
| Power delivery | | | | 57,900,598 | 36,513,222 | 21,387,376 |
| General revenues: | | | | | | |
| Investment income | 786,729 | 46,142 | 740,587 | 625,020 | 356,172 | 268,848 |
| Multi-Species surcharge | 525,144 | 17,584 | 507,560 | | | |
| Land Sales income | | 13,000,000 | (13,000,000) | | | |
| Miscellaneous income | 66,095 | 24,390 | 41,705 | | | |
| Transfers | | (6,000,000) | 6,000,000 | | 6,000,000 | (6,000,000) |
| Total revenues | 4,292,165 | 9,153,760 | (4,861,595) | 121,290,504 | 106,873,255 | 14,417,249 |
| Expenses: | | | | | | |
| General government | 2,641,024 | 2,253,266 | 387,758 | | | |
| Power purchase expenses: | | | | | | |
| Power marketing | | | | 62,986,316 | 70,038,951 | (7,052,635) |
| Power delivery | | | | 58,929,523 | 37,159,924 | 21,769,599 |
| Total expenses | 2,641,024 | 2,253,266 | 387,758 | 121,915,839 | 107,198,875 | 14,716,964 |
| Change in net assets | 1,651,141 | 6,900,494 | (5,249,353) | (625,335) | (325,620) | (299,715) |
| Net assets, beginning | 9,401,086 | 2,500,592 | 6,900,494 | 6,058,391 | 6,384,011 | (325,620) |
| Net assets, ending | $ 11,052,227 | $9,401,086 | $ 1,651,141 | $ 5,433,056 | $ 6,058,391 | $ (625,335) |

The Commission has a significant amount of capital assets in its enterprise funds. The acquisition or construction of these assets has 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.

**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 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 $3,036,441 in fiscal 2006, $953,792 more than the $2,082,649 realized in fiscal 2005. The increase in revenues was a result of increased billings for both the power and water administrative fees. 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 are detailed in the following table:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | **Amount** | **Percent** | **Amount** | **Percent** |
| Power administrative charge | $ 1,310,371 | 24.18% | $ 1,049,704 | 25.17% |
| Water administrative charge | 1,603,826 | 29.60% | 1,015,940 | 24.36% |
| Interest income | 122,244 | 2.26% | 17,005 | 0.41% |
| Total Revenues | 3,036,441 | 56.04% | 2,082,649 | 49.93% |
| Allocated salaries and overhead | 2,382,287 | 43.96% | 2,088,317 | 50.07% |
| All Funding Sources | $ 5,418,728 | 100.00% | $ 4,170,966 | 100.00% |

Net expenditures of the general fund totaled $2,023,201, which is $158,781 less than the $2,181,982 expended during fiscal 2005. This was primarily due to increased allocations to the Power Delivery Fund as the activities related to SNWA grow.

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

| | 2006 | 2005 | Increase/ (Decrease) |
|---|---|---|---|
| General administration | | | |
| Personnel | $ 3,122,445 | $3,009,931 | $ 112,514 |
| Travel | 59,996 | 78,575 | (18,579) |
| Operating | 1,184,536 | 1,136,680 | 47,856 |
| Equipment | 38,511 | 45,113 | (6,602) |
| Total general administration | 4,405,488 | 4,270,299 | 135,189 |
| Less allocated salaries and overhead | (2,382,287) | (2,088,317) | (293,970) |
| Net expenditures | $ 2,023,201 | $2,181,982 | $ (158,781) |

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/ |
|---|---|---|---|
| | 2006 | 2005 | (Decrease) |
| General Fund | $ 2,130,668 | $ 1,117,428 | $ 1,013,240 |
| Research and Development Fund | 380,965 | 188,806 | 192,159 |
| Ft. Mohave Development Fund | 8,705,291 | 8,242,169 | 463,122 |

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 expense category increased during the fiscal year. The only other significant differences between budget and actual results relate to the Commission's budgeting for additional revenues in both the water and power administration charges.

The Research and Development fund will record the transactions related to the Lower Colorado River Multi-Species Program. This program has been approved and the funding agreed to with the first collections beginning in this fiscal year. Payments related to the program will begin in the next fiscal year and will continue for the next 50 years.

The Fort Mohave Development fund balance of $8,705,291 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. 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, 2006, amounts to $64,770,039 (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 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 | | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | Change | 2006 | 2005 | Change |
| Power transmission system | | | | $ 64,534,917 | $ 66,550,617 | $ (2,015,700) |
| Automobiles and related | $ 23,662 | $ 20,776 | $ 2,886 | 117,116 | 165,908 | -48,792 |
| Office equipment | 94,006 | 84,931 | 9,075 | | | |
| Office furniture and fixtures | 338 | 3,357 | (3,019) | | | |
| Construction in progress | | | | | | 0 |
| Total | $ 118,006 | $ 109,064 | $ 8,942 | $ 64,652,033 | $ 66,716,525 | $ (2,064,492) |

## Debt Administration

As of June 30, 2006, 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 refunding series 20051 | 4.8 | 2030 | 65,300,000 |
| Power Delivery Project, series 1997 | 5.6 | 2027 | 2,215,000 |
| Power Delivery Project, series 1999A | 5.5 | 2030 | 2,345,000 |

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 Note 7 to the financial statements for more detailed information related to debt activity of the Commission.

## Litigation and Arbitration

The Commission had in past fiscal years 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. However the current fiscal year has seen the conclusion of all active litigation.

**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://crc.nv.gov.

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# BASIC FINANCIAL STATEMENTS

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## COLORADO RIVER COMMISSION

## STATEMENT OF NET ASSETS
## JUNE 30, 2006

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents, unrestricted | $ 11,291,647 | $ 6,823,290 | $ 18,114,937 |
| Receivables: | | | |
| Accounts | 134,698 | 20,272,305 | 20,407,003 |
| Accrued interest | 58,618 | 70,155 | 128,773 |
| Due from other funds (internal balances are eliminated in the total column) | 179,017 | | |
| Collateral for loaned securities | 6,043,540 | 7,030,516 | 13,074,056 |
| Current portion of prepaid power | | 2,299,469 | 2,299,469 |
| Total current assets | 17,707,520 | 36,495,735 | 54,024,238 |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | | 8,003,845 | 8,003,845 |
| Capital assets: | | | |
| Depreciable buildings, property and equipment, net | 118,006 | 64,652,033 | 64,770,039 |
| Prepaid power, net of current portion | | 38,880,132 | 38,880,132 |
| Total noncurrent assets | 118,006 | 111,536,011 | 111,654,017 |
| Total assets | $ 17,825,526 | $ 148,031,746 | $ 165,678,255 |
| **LIABILITIES** | | | |
| Current liabilities: | | | |
| Accounts payable from unrestricted assets | $ 150,816 | $ 15,934,278 | $ 16,085,095 |
| Deferred revenue | 296,240 | | 296,240 |
| Payable to customers | | 3,106,860 | 3,106,860 |
| Customer collateral deposits | | 4,423,285 | 4,423,285 |
| Current portion of accrued compensated absences | 234,548 | | 234,548 |
| Bonds payable within 1 year | | 1,620,000 | 1,620,000 |
| Due to other funds | | 179,017 | |
| Accrued interest | | 1,574,553 | 1,574,553 |
| Obligations under securities lending | 6,043,540 | 7,030,516 | 13,074,056 |
| Total current liabilities | 6,725,144 | 33,868,510 | 40,414,636 |
| Noncurrent liabilities: | | | |
| General obligation bonds payable, noncurrent | | 110,965,000 | 110,965,000 |
| Unamortized bond discount | | (40,036) | (40,036) |
| Unamortized deferred refunding charge | | (5,838,922) | (5,838,922) |
| Unamortized bond premium | | 3,644,139 | 3,644,139 |
| Accrued compensated absences | 48,155 | | 48,155 |
| Total noncurrent liabilities | 48,155 | 108,730,180 | 108,778,335 |
| Total liabilities | 6,773,299 | 142,598,690 | 149,192,971 |
| **NET ASSETS** | | | |
| Invested in capital assets, net of related debt | 118,006 | | 118,006 |
| Restricted for certain operations and maintenance | | 716,284 | 716,284 |
| Unrestricted | 10,934,221 | 4,716,772 | 15,650,993 |
| Total net assets | 11,052,227 | 5,433,056 | 16,485,283 |
| Total liabilities and net assets | $ 17,825,526 | $ 148,031,746 | $ 165,678,254 |

See notes to financial statements.

## COLORADO RIVER COMMISSION

## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2006

| | | Program Revenues | Net (Expenses) Revenue and Changes in Net Assets | | |
|---|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Governmental Activities** | **Business-type Activities** | **Total** |
| Governmental activities: | | | | | |
| General government | $ 2,641,024 | $ 2,914,197 | $ 273,173 | | $ 273,173 |
| Business-type activities: | | | | | |
| Power marketing | 62,986,316 | 62,764,886 | | $ (221,430) | (221,430) |
| Power delivery | 58,929,523 | 57,900,598 | | (1,028,925) | (1,028,925) |
| | 121,915,839 | 120,665,484 | | (1,250,355) | (1,250,355) |
| Total | $ 124,556,863 | $ 123,579,681 | 273,173 | (1,250,355) | (977,182) |
| | General revenues: | | | | |
| | Investment income | | 786,729 | 625,020 | 1,411,749 |
| | Multi-Species surcharge | | 525,144 | | 525,144 |
| | Miscellaneous | | 66,095 | | 66,095 |
| | | | 1,377,968 | 625,020 | 2,002,988 |
| | Change in net assets | | 1,651,141 | (625,335) | 1,025,806 |
| | Net assets, beginning | | 9,401,086 | 6,058,391 | 15,459,477 |
| | Net assets, ending | | $ 11,052,227 | $ 5,433,056 | $ 16,485,283 |

See notes to financial statements.

## COLORADO RIVER COMMISSION

## BALANCE SHEET
## GOVERNMENTAL FUNDS
## JUNE 30, 2006

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | $ 2,241,811 | $ 9,049,836 | $ 11,291,647 |
| Receivables: | | | |
| Accounts | 118,245 | 16,453 | 134,698 |
| Accrued interest | 25,364 | 33,254 | 58,618 |
| Collateral for loaned assets | 1,070,757 | 4,972,783 | 6,043,540 |
| Due from other funds | 177,835 | 3,067 | 179,017 |
| Total assets | $ 3,634,012 | $ 14,075,393 | $ 17,707,520 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities: | | | |
| Accounts payable | $ 136,347 | $ 14,469 | $ 150,816 |
| Deferred revenue | 296,240 | | 296,240 |
| Obligations under securities lending | 1,070,757 | 4,972,783 | 6,043,540 |
| Due to other funds | | 1,885 | |
| Total liabilities | 1,503,344 | 4,989,137 | 6,490,596 |
| Fund balances: | | | |
| Reserved for Multi-Species habitat maintenance | | 182,131 | 182,131 |
| Unreserved | 2,130,668 | 8,904,125 | 11,034,793 |
| | 2,130,668 | 9,086,256 | 11,216,924 |
| Total liabilities and fund balances | $ 3,634,012 | $ 14,075,393 | |

| | |
|---|---|
| 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 | 118,006 |
| Long-term liabilities that are not due and payable in the current period are not not reported in the funds | (282,703) |
| Net assets of governmental activities | $ 11,052,227 |

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, 2006

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| **REVENUES** | | | |
| Charges for services | $ 2,914,197 | | $ 2,914,197 |
| Investment income | 122,244 | $ 664,485 | 786,729 |
| Multi-Species surcharge | | 525,144 | 525,144 |
| Miscellaneous | | 66,095 | 66,095 |
| Total revenues | 3,036,441 | 1,255,724 | 4,292,165 |
| **EXPENDITURES** | | | |
| Current: | | | |
| General administration | 4,348,960 | 32,320 | 4,381,280 |
| Less salaries and overhead recovered by allocation | (2,382,287) | | (2,382,287) |
| Net general administration expenditures | 1,966,673 | 32,320 | 1,998,993 |
| Multi-Species assessment | | 389,269 | 389,269 |
| Water purchases | 18,017 | | 18,017 |
| Investment expense | 38,511 | 178,854 | 217,365 |
| Total expenditures | 2,023,201 | 600,443 | 2,623,644 |
| Changes in fund balances | 1,013,240 | 655,281 | 1,668,521 |
| Fund balances, beginning | 1,117,428 | 8,430,975 | 9,548,403 |
| Fund balances, ending | $ 2,130,668 | $ 9,086,256 | $ 11,216,924 |

### 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 | $ 1,668,521 |
| 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 ($56,476) was less than net capital outlays ($65,418) in the current period. | 8,942 |
| 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 | (26,322) |
| Change in net assets of governmental activities | $ 1,651,141 |

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, 2006

| | Budget | | | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| **REVENUES** | | | | |
| Power administrative charge | $ 1,251,141 | $ 1,251,141 | $ 1,310,371 | $ 59,230 |
| Water charges | 2,064,034 | 2,064,034 | 1,603,826 | (460,208) |
| Investment income | 25,000 | 25,000 | 122,244 | 97,244 |
| Total revenues | 3,340,175 | 3,340,175 | 3,036,441 | (303,734) |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General administration | | | | |
| Personnel services | 4,443,186 | 4,443,186 | 3,122,445 | 1,320,741 |
| Travel: | | | | |
| Out-of-state | 101,452 | 101,452 | 51,180 | 50,272 |
| In-state | 10,837 | 10,837 | 8,816 | 2,021 |
| Operating: | | | | |
| Water purchases | 19,010 | 19,010 | 18,017 | 993 |
| Insurance | 15,039 | 15,039 | 9,350 | 5,689 |
| Legal | 456,112 | 456,112 | 407,900 | 48,212 |
| Contractual services | 1,087,198 | 1,087,198 | 264,675 | 822,523 |
| Other | 511,623 | 511,623 | 437,392 | 74,231 |
| Equipment, furniture and software | 142,821 | 142,821 | 47,203 | 95,618 |
| Investment expense | | | 38,511 | (38,511) |
| Total expenditures | 6,787,278 | 6,787,278 | 4,405,488 | 2,381,790 |
| Less salaries and overhead recovered by allocation | (3,421,426) | (3,421,426) | (2,382,287) | (1,039,139) |
| Net expenditures | 3,365,852 | 3,365,852 | 2,023,201 | 1,342,651 |
| Change in fund balance | (25,677) | (25,677) | 1,013,240 | 1,038,917 |
| Fund balance, beginning | 2,042,821 | 1,093,284 | 1,117,428 | 24,144 |
| Fund balance, ending | $ 2,017,144 | $ 1,067,607 | $ 2,130,668 | $ 1,063,061 |

See notes to financial statements.

## COLORADO RIVER COMMISSION

## BALANCE SHEET
## PROPRIETARY FUNDS
## JUNE 30, 2006

| | Business-type Activities Enterprise Funds | | |
|---|---|---|---|
| | Power Marketing | Power Delivery | Totals |
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 2,462,622 | $ 4,360,668 | $ 6,823,290 |
| Receivables: | | | |
| Accounts | 9,718,838 | 10,553,466 | 20,272,305 |
| Accrued interest | 58,888 | 11,267 | 70,155 |
| Collateral for loaned securities | 4,137,596 | 2,892,920 | 7,030,516 |
| Current portion of prepaid power | 2,299,469 | | 2,299,469 |
| Total current assets | 18,677,413 | 17,818,322 | 36,495,735 |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | 6,265,733 | 1,738,112 | 8,003,845 |
| Capital assets: | | | |
| Power transmission system, net | | 64,534,918 | 64,534,918 |
| Automobiles and equipment, net | | 117,115 | 117,115 |
| Prepaid power, net of current portion | 38,880,132 | | 38,880,132 |
| Total noncurrent assets | 45,145,865 | 66,390,146 | 111,536,011 |
| TOTAL ASSETS | $ 63,823,278 | $ 84,208,468 | $ 148,031,746 |

(Continued)

See notes to financial statements.

## COLORADO RIVER COMMISSION

## BALANCE SHEET
## PROPRIETARY FUNDS (CONTINUED)
## JUNE 30, 2006

| | Business-type Activities Enterprise Funds | | |
|---|---|---|---|
| | Power Marketing | Power Delivery | Totals |
| **LIABILITIES:** | | | |
| Current liabilities: | | | |
| Accounts payable from unrestricted assets | $ 3,643,201 | $ 12,291,077 | $ 15,934,278 |
| Payable to customers | | 3,106,860 | 3,106,860 |
| Customer collateral deposits | 4,423,285 | | 4,423,285 |
| Bonds payable within 1 year | | 1,620,000 | 1,620,000 |
| Due to other funds | 7,482 | 171,535 | 179,017 |
| Accrued interest | 574,117 | 1,000,436 | 1,574,553 |
| Obligations under securities lending | 4,137,596 | 2,892,920 | 7,030,516 |
| Total current liabilities | 12,785,681 | 21,082,829 | 33,868,510 |
| Noncurrent liabilities: | | | |
| State of Nevada general obligation bonds payable | 42,725,000 | 68,240,000 | 110,965,000 |
| Unamortized discount on bonds | | (40,036) | (40,036) |
| Unamortized deferred refunding charge | (2,002,965) | (3,835,957) | (5,838,922) |
| Unamortized premium on bonds | 1,855,686 | 1,788,453 | 3,644,139 |
| Total noncurrent liabilities | 42,577,721 | 66,152,459 | 108,730,180 |
| TOTAL LIABILITIES | 55,363,402 | 87,235,288 | 142,598,690 |
| **NET ASSETS:** | | | |
| Restricted for certain operations and maintenance | 716,284 | | 716,284 |
| Unrestricted | 7,743,592 | (3,026,820) | 4,716,772 |
| TOTAL NET ASSETS | 8,459,876 | (3,026,820) | 5,433,056 |
| TOTAL LIABILITIES AND NET ASSETS | $ 63,823,278 | $ 84,208,468 | $ 148,031,746 |

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, 2006

| | Business-type Activities Enterprise Funds | | |
|---|---|---|---|
| | Power Marketing | Power Delivery | Totals |
| OPERATING REVENUES: | | | |
| Power sales | $ 62,764,886 | $ 57,900,598 | $ 120,665,484 |
| OPERATING EXPENSES: | | | |
| Power purchases | 60,228,408 | 50,470,767 | 110,699,175 |
| Prepaid power advances | 2,299,469 | | 2,299,469 |
| Depreciation | | 2,064,492 | 2,064,492 |
| General administration | 237,482 | 2,788,328 | 3,025,810 |
| Total operating expenses | 62,765,359 | 55,323,587 | 118,088,946 |
| OPERATING LOSS | (473) | 2,577,011 | 2,576,538 |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Investment income | 300,320 | 324,700 | 625,020 |
| Interest expense | (220,957) | (3,605,936) | (3,826,893) |
| CHANGE IN NET ASSETS | 78,890 | (704,225) | (625,335) |
| TOTAL NET ASSETS, BEGINNING | 8,380,986 | (2,322,595) | 6,058,391 |
| TOTAL NET ASSETS, ENDING | $ 8,459,876 | $ (3,026,820) | $ 5,433,056 |

See notes to financial statements.

## COLORADO RIVER COMMISSION

## STATEMENT OF CASH FLOWS
## PROPRIETARY FUNDS
## FOR THE YEAR ENDED JUNE 30, 2006

| | Business-type Activities Enterprise Funds | | |
|---|---|---|---|
| | Power Marketing | Power Delivery | Totals |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from customers | $ 63,774,000 | $ 52,400,623 | $ 116,174,623 |
| Cash paid for goods and services | (71,552,831) | (45,290,204) | (116,843,035) |
| Net cash provided by (used in) operating activities | (7,778,831) | 7,110,419 | (668,412) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Interest paid (charged to prepaid power in the Power Marketing fund) | (2,296,469) | (3,375,991) | (5,672,460) |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | | |
| Customer collateral deposits received | 639,560 | | 639,560 |
| Principal payments on bonds payable | | (1,420,000) | (1,420,000) |
| Net cash provided by (used in) capital financing activities | 639,560 | (1,420,000) | (780,440) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest received | 112,201 | 329,692 | 441,893 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (RESTRICTED AND UNRESTRICTED) | (9,323,539) | 2,644,120 | (6,679,419) |
| CASH AND CASH EQUIVALENTS, BEGINNING | 18,051,894 | 3,454,660 | 21,506,554 |
| CASH AND CASH EQUIVALENTS, ENDING | $ 8,728,355 | $ 6,098,780 | $ 14,827,135 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | | |
| Operating income (loss) | $ (473) | $ 2,577,011 | $ 2,576,538 |
| Depreciation | | 2,064,492 | 2,064,492 |
| Amortization of prepaid power | 2,299,469 | | 2,299,469 |
| (Increase) decrease in operating assets: | | | |
| Accounts receivable | 1,009,114 | (7,274,272) | (6,265,158) |
| Due from other funds | 1,455,256 | 741,016 | 2,196,272 |
| Increase (decrease) in operating liabilities: | | | |
| Accounts payable and contract retentions | (4,414,324) | 8,286,694 | 3,872,370 |
| Due to other funds | (8,127,873) | (1,058,820) | (9,186,693) |
| Payable to customers | - | 1,774,298 | 1,774,298 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | $ (7,778,831) | $ 7,110,419 | $ (668,412) |

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's Controller. Budgetary and cash controls are imposed by the 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), principally 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 Commission's *governmental* and *business-type* activities. 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 Commission's different business-type activities. 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. Nonoperating revenues of proprietary funds 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 prepared 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. For the year ended June 30, 2006, 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.

As permitted under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund* Accounting, the Commission has elected not to follow private-sector guidance for accounting and financial reporting standards 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.

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

## C. Assets, liabilities, and equity

### Cash equivalents

The Commission's restricted and un-restricted cash is deposited with the State Treasurer (the Treasurer) in a fund similar to an external investment pool (Notes 3 and 4). 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 financial 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 called, "collateral for loaned securities," and an offsetting current liability payable from restricted assets called, "obligations under securities lending."

Deposit values reflect 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 asset, prepaid expense, in that fund.

### Restricted cash equivalents

The various resources that are limited as to use by bond covenants for debt service, operation and maintenance (O&M), capital improvement and construction (acquisition) 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. However, during the fiscal year ended June 30, 2006, none of the total interest expense incurred by the Commission of $4,044,258, 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 their useful lives currently estimated as follows:

| | 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 accompanying 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 the accounting policies applied for financial reporting purposes by the Commission under 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. However, there were 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 State's Director of Administration submits proposed operating budgets to the Nevada Budget Division covering the biennium beginning the following July 1. 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, each budget year. The biennium budgets are transmitted to the State 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 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, 2006, 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 2005-2006.

**3. Cash deposits:**

At June 30, 2006, the Commission's carrying amount ("book value") of restricted and unrestricted cash deposits was $25,822,516 and the State Treasurer's balance was $25,595,416. These deposits with the Treasurer are not categorized as to credit risk.

**4. Restricted cash and cash equivalents:**

Cash restricted at June 30, 2006, by bond covenants is summarized as follows:

| | Power Marketing Fund | Power Delivery Fund |
|---|---|---|
| **Restricted for:** | | |
| Debt service | $ 716,284 | |
| Construction reserve | | $ 1,738,112 |
| Reserve for revenue insufficiency | 5,549,449 | |
| Total restricted assets | $ 6,265,733 | $ 1,738,112 |

## 5. Capital assets:

Capital asset activity for the year ended June 30, 2006, was as follows:

| | Beginning Balances | Increase | Decrease | Ending Balances |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital assets being depreciated: | | | | |
| Office equipment | $ 303,335 | $ 49,146 | $ 56,762 | $ 295,719 |
| Office furniture and fixtures | 28,539 | | | 28,539 |
| Automobiles | 161,038 | 16,273 | 19,314 | 157,997 |
| Total capital assets being depreciated | 492,912 | 65,419 | 76,076 | 482,255 |
| Less accumulated depreciation for: | | | | |
| Office equipment | 218,404 | 40,071 | 56,762 | 201,713 |
| Office furniture and fixtures | 25,182 | 3,019 | | 28,201 |
| Automobiles | 140,262 | 13,387 | 19,314 | 134,335 |
| Total accumulated depreciation | 383,848 | 56,477 | 76,076 | 364,249 |
| Governmental activities capital assets, net | $ 109,064 | $ 8,942 | $ - | $ 118,006 |

| | Beginning Balances | Increases | Decreases | Ending Balances |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| Capital assets being depreciated: | | | | |
| Power transmission system | $ 75,722,480 | | | $ 75,722,480 |
| Office equipment | 110,830 | | $ 11,629 | 99,201 |
| Automobiles | 169,412 | | | 169,412 |
| Total capital assets being depreciated | 76,002,722 | | 11,629 | 75,991,093 |
| Less accumulated depreciation for: | | | | |
| Power transmission system | 9,171,863 | 2,015,700 | | 11,187,563 |
| Office equipment and automobiles | 114,334 | 48,792 | 11,629 | 151,497 |
| Total accumulated depreciation | 9,286,197 | 2,064,492 | 11,629 | 11,339,060 |
| Business-type actvities capital assets, net | $ 66,716,525 | $ (2,064,492) | $ - | $ 64,652,033 |

Depreciation expense was charged to functions/programs as follows:

| | |
|---|---|
| Governmental activities: | |
| General government | $ 56,477 |
| Business-type activities: | |
| Power transmission system | 2,064,492 |
| Total depreciation expense | $ 2,120,969 |

## 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, 2006, is as follows:

| | Due from | Due to |
|---|---|---|
| **Funds:** | | |
| General | $ 177,835 | |
| Ft. Mohave | | $ 1,885 |
| Research and development | 3,067 | |
| Power marketing | | 7,482 |
| Power delivery | | 171,535 |
| | $ 180,902 | $ 180,902 |

## 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 the facility.

General obligation bonds (Power Delivery Project Bonds, series September 15, 1997) in the principal 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. Annual interest rates range from 4.25 to 7%. Interest is payable semi-annually on March 15 and September 15.

In 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. Annual interest rates range from 4.5 to 6.5%. Interest is payable semi-annually on March 15 and September 15.

In 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 annual rate of 5.375%.

In 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 annual rate of 5.375%.

In April 2005, the Commission sold the $65,300,000 Series 2005I bonds. Proceeds from these bonds were used to advance refund substantial portions of the Series 1997A and 1999A bonds. The bonds mature annually on September 15, 2008 through September 15, 2029, with interest payable semi-annually on March 14 and September 15 at the annual rates of 4.75% and 5%.

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

| | Maturity Dates | Interest Rates | Outstanding June 30, 2006 |
|---|---|---|---|
| **Business-type activities:** | | | |
| Power delivery bonds, series 1997 | 2000-2027 | 4.25 to 7% | $ 2,215,000 |
| Power delivery bonds, series 1999A | 2002-2030 | 4.5 to 6.5% | 2,345,000 |
| Hoover uprating refunding, series 2001 | 2017 | 5.375% | 6,305,000 |
| Hoover uprating refunding, series 2002 | 2008-2016 | 5.375% | 36,420,000 |
| Power delivery refunding, series 2005I | 2009-2030 | 4.75 to 5% | 65,300,000 |
| | | | $ 112,585,000 |

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 | Business-type Activities Interest |
|---|---|---|
| 2007 | $ 1,620,000 | $ 5,681,981 |
| 2008 | 1,705,000 | 5,579,181 |
| 2009 | 5,200,000 | 5,380,356 |
| 2010 | 5,490,000 | 5,091,366 |
| 2011 | 5,770,000 | 4,791,950 |
| 2012-2016 | 33,770,000 | 18,968,828 |
| 2017-2021 | 27,240,000 | 10,291,913 |
| 2022-2026 | 20,035,000 | 5,257,656 |
| 2027-2031 | 11,755,000 | 767,006 |
| Total | $ 112,585,000 | $ 61,810,237 |

**Changes in long-term obligations**

Changes in long-term obligations during the year ended June 30, 2006, are summarized below:

| | Balance July 1, 2005 | Additions | Reductions | Balance June 30, 2006 | Current |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Accrued compensated absences | $ 256,381 | $ 26,322 | | $ 282,703 | $ 234,548 |
| **Business-type activities:** | | | | | |
| General obligation bonds | 114,005,000 | | $ 1,420,000 | 112,585,000 | 1,620,000 |
| Unamortized bond premium | 3,890,944 | | 246,795 | 3,644,149 | 246,795 |
| Unamortized bond discount | (60,098) | | (20,062) | (40,036) | (20,062) |
| Unamortized refunding charges | (6,186,726) | | (347,804) | (5,838,922) | (347,804) |
| Advance from customer | | | | | |
| Total | $ 111,905,501 | $ 26,322 | $ 1,298,929 | $ 110,632,894 | $ 1,733,477 |

## 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

### 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, thus reducing 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.

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.

As a result of its contracts to purchase energy in effect as of year end, management estimates that the Commission will be obligated to purchase energy at approximately $244,000 above 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 Commission developed the forward price curves (see the following paragraph) and valued the forward contracts relative to the market as of June 30, 2006. Future 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**

In May 2005, the Commission sold 110 acres in the Fort Mohave Valley transfer area for $13,000,000. The acreage sold is part of land purchased by the Commission from the federal government pursuant to the "Fort Mohave Valley Development Law" (NRS 321.480-536) and had been carried at cost on the Commission's books of account in the Fort Mohave Special Revenue Fund.

The proceeds of the sale were deposited in the Power Marketing Fund, $7,000,000 of which was paid to the Fort Mohave Development Account and $6,000,000 was expended in the Power Marketing Fund for operating expenses, including power purchases.

The City of Laughlin, located near the Fort Mohave Valley transfer area, in Clark County has taken the position that the proceeds from the sale may only be used for development in that area and cannot be used for any other Commission purposes. The Clark County District Attorney has issued an opinion supporting this position.

Accordingly, pursuant to an agreement effective March 21, 2006, the Commission will not use any such proceeds, other than those previously used for other purposes, for any purpose other than to administer the provisions of the Fort Mohave Development

Law. The Commission will support and testify in favor of legislation that will expressly prohibit expenditure of such funds for any other purpose and provide for appropriation of funds to replace those previously used for other purposes. Under this agreement the County will not bring legal action to challenge the Commissions use of such proceeds, for other than to administer the provisions of the Fort Mohave Development Law.

**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 (called "arbitrage"), 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 20.25% 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 2004-2006 was as follows:

| Year Ending | Contribution Rate Regular Members | | Covered Payroll | | Contribution Paid by the Commission | |
|---|---|---|---|---|---|---|
| June 30, | Employer | Employer/ Employee | Employer | Employer/ Employee | Employer | Employer/ Employee |
| 2004 | 18.75% | 10.50% | $ 825,137 | $ 1,348,510 | $ 154,713 | $ 141,594 |
| 2005 | 20.25% | 10.50% | 914,023 | 1,391,924 | 185,090 | 146,152 |
| 2006 | 20.25% | 10.50% | 1,248,990 | 1,174,009 | 237,737 | 131,144 |

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

# COMBINING & INDIVIDUAL FUND STATEMENTS & SCHEDULES

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## COLORADO RIVER COMMISSION

## COMBINING BALANCE SHEET
## NONMAJOR GOVERNMENTAL FUNDS
## JUNE 30, 2006

| | Special Revenue | | Total |
|---|---|---|---|
| | Ft. Mohave Valley Development | Research and Development | Nonmajor Governmental Funds |
| **ASSETS** | | | |
| Cash and cash equivalents | $ 8,678,192 | $ 371,644 | $ 9,049,836 |
| Accounts receivable | | 16,453 | 16,453 |
| Accrued interest receivable | 28,984 | 4,270 | 33,254 |
| Collateral for loaned assets | 4,768,202 | 204,581 | 4,972,783 |
| Due from other funds | - | 3,067 | 3,067 |
| Total assets | $ 13,475,378 | $ 600,015 | $ 14,075,393 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities: | | | |
| Obligations under securities lending | $ 4,768,202 | $ 204,581 | $ 4,972,783 |
| Accounts payable | - | 14,469 | 14,469 |
| Due to other funds | 1,885 | - | 1,885 |
| Total liabilities | 4,770,087 | 219,050 | 4,989,137 |
| Fund balances: | | | |
| Reseved for Multi-Species habitat maintenance | | 182,131 | 182,131 |
| Unreserved | 8,705,291 | 198,834 | 8,904,125 |
| Total fund balances | 8,705,291 | 380,965 | 9,086,256 |
| Total liabilities and fund balances | $ 13,475,378 | $ 600,015 | $ 14,075,393 |

## COLORADO RIVER COMMISSION

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

| | Special Revenue | | Total |
|---|---|---|---|
| | Ft. Mohave Valley Development | Research and Development | Nonmajor Governmental Funds |
| REVENUES | | | |
| Investment income | $ 642,548 | $ 21,937 | $ 664,485 |
| Multi-Species surcharge | | 525,144 | 525,144 |
| Miscellaneous | 24,390 | 41,705 | 66,095 |
| Total revenues | 666,938 | 588,786 | 1,255,724 |
| EXPENDITURES | | | |
| Multi-Species assessment | | 389,269 | 389,269 |
| Current general administration | 32,320 | - | 32,320 |
| Investment expense | 171,496 | 7,358 | 178,854 |
| Total expenditures | 203,816 | 396,627 | 600,443 |
| CHANGE IN FUND BALANCES | 463,122 | 192,159 | 655,281 |
| FUND BALANCES, BEGINNING | 8,242,169 | 188,806 | 8,430,975 |
| FUND BALANCES, ENDING | $ 8,705,291 | $ 380,965 | $ 9,086,256 |

## 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, 2006

| | Budget | | | Variance with Final Budget- Positive (Negative) |
|---|---|---|---|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Investment income | $ 22,507 | $ 22,507 | $ 642,548 | $ 620,041 |
| Land sales | 7,000,000 | 9,500,000 | - | (9,500,000) |
| Miscellaneous | 22,220 | 22,220 | 24,390 | 2,170 |
| Total revenues | 7,044,727 | 9,544,727 | 666,938 | (8,877,789) |
| EXPENDITURES | | | | |
| Current general administration | 3,130,588 | 3,130,588 | 32,320 | 3,098,268 |
| Investment expense | | | 171,496 | (171,496) |
| Total expenditures | 3,130,588 | 3,130,588 | 203,816 | 2,926,772 |
| Excess (deficiency) of revenues over (under) expenditures | 3,914,139 | 6,414,139 | 463,122 | (5,951,017) |
| FUND BALANCE, BEGINNING | 1,333,046 | 1,237,682 | 8,242,169 | 7,004,487 |
| FUND BALANCE, ENDING | $ 5,247,185 | $ 7,651,821 | $ 8,705,291 | $ 1,053,470 |

## 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, 2006

| | Original and Final Budget | Actual | Variance with Final Budget-Positive (Negative) |
|---|---|---|---|
| REVENUES | | | |
| Investment income | $ 3,368 | $ 21,937 | $ 18,569 |
| Multi-Species surcharge | 1,500,000 | 525,144 | (974,856) |
| Miscellaneous | | 41,705 | 41,705 |
| Total revenues | 1,503,368 | 588,786 | (914,582) |
| EXPENDITURES | | | |
| Multi-Species assessment | 1,500,000 | 389,269 | 1,110,731 |
| Investment expense | | 7,358 | (7,358) |
| | 1,500,000 | 396,627 | 1,103,373 |
| CHANGE IN FUND BALANCE | 3,368 | 192,159 | 188,791 |
| FUND BALANCE, BEGINNING | 201,181 | 188,806 | (12,375) |
| FUND BALANCE, ENDING | $ 204,549 | $ 380,965 | $ 176,416 |

## COLORADO RIVER COMMISSION

## CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
## COMPARATIVE SCHEDULES BY SOURCE
## JUNE 30, 2006 AND 2005

| | 2006 | 2005 |
|---|---|---|
| GOVERNMENTAL FUNDS CAPITAL ASSETS: | | |
| Equipment: | | |
| Office equipment | $ 295,719 | $ 303,335 |
| Office furniture and fixtures | 28,539 | 28,539 |
| Automobiles | 157,997 | 161,038 |
| TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS | $ 482,255 | $ 492,912 |
| INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE - General fund | $ 482,255 | $ 492,912 |

## 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, 2006

| | Capital Assets July 1, 2005 | Additions | Deletions | Capital Assets June 30, 2006 |
|---|---|---|---|---|
| GENERAL GOVERNMENT: | | | | |
| Office equipment | $ 303,335 | $ 49,146 | $ 56,762 | $ 295,719 |
| Office furniture and fixtures | 28,539 | | | 28,539 |
| Automobiles | 161,038 | 16,273 | 19,314 | 157,997 |
| TOTAL CAPITAL ASSETS | $ 492,912 | $ 65,419 | $ 76,076 | $ 482,255 |

# STATISTICAL SECTION

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# STATISTICAL SECTION

# (UNAUDITED)

This section of the Commission's comprehensive annual financial report presents information as a designed to enhance the user's understanding of the entity in conjunction with the financial statements, note disclosures, and required supplementary information. The information contained in this section is designed to aid in analyzing trends and in determining the Commission's overall financial health and operating strategies.

**Contents** **Page**

The statistical section includes information that management has determined to be helpful to the user in the following general areas:

***Financial Trends***

These schedules contain information to help the financial statement user understand how the Commission's financial performance and well-being have changed over time.


| | |
|---|---|
| Net assets by component – last five fiscal years | 55 |
| Changes in net assets – last five fiscal years | 56 |
| Fund balances, governmental funds – last ten fiscal years | 58 |
| Changes in fund balances, governmental funds – last ten fiscal years | 59 |


***Revenue Capacity***

These schedules contain information to help the financial statement user understand the relative contribution of each of the Commission's customers to revenues and to make assessments on the ability to continue to generate that revenue


| | |
|---|---|
| Principal revenue payers, June 30, 2006 | 60 |


***Debt Capacity***

These schedules present information to help the financial statement user assess the current levels of Commission debt and the ability to issue additional debt in the future


| | |
|---|---|
| Ratios of outstanding debt – last ten fiscal years | 61 |
| Available revenue debt coverage – last ten fiscal years | 62 |

***Demographic and Economic Information***

These schedules provide demographic and economic indicators to help the financial statement user understand the general environment in which the Commission's financial activities take place.


Demographic statistics, Clark County, Nevada – last ten fiscal years 63
Principal employers, Clark County, Nevada , June 30, 2006 64


***Operating Information***

These schedules contain information about the Commission's operations and resources available to provide the services and perform the activities it has been given by the State to fulfill.


Employees by department – last ten fiscal years 65
Operating indicators, June 30, 2006 66
Risk management, June 30, 2006 67

## COLORADO RIVER COMMISSION

## NET ASSETS BY COMPONENT

## LAST FIVE FISCAL YEARS (UNAUDITED)

**Table 1**

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| Governmental activities | | | | | |
| Invested in capital assets, net of related debt | $ 118,006 | $ 109,064 | $ 107,230 | $ 122,638 | $ 170,115 |
| Unrestricted | 10,934,221 | 9,292,022 | 2,393,362 | 1,929,113 | 2,601,629 |
| Total governmental activities net assets | 11,052,227 | 9,401,086 | 2,500,592 | 2,051,751 | 2,771,744 |
| Business-type activities | | | | | |
| Restricted | 716,284 | 713,004 | 707,485 | 705,049 | 707,007 |
| Unrestricted | 4,716,772 | 5,345,387 | 5,676,526 | 6,251,496 | 7,845,864 |
| Total business-type activities net assets | 5,433,056 | 6,058,391 | 6,384,011 | 6,956,545 | 8,552,871 |
| Total entity-wide | | | | | |
| Invested in capital assets, net of related debt | 118,006 | 109,064 | 107,230 | 122,638 | 170,115 |
| Restricted | 716,284 | 713,004 | 707,485 | 705,049 | 707,007 |
| Unrestricted | 15,650,993 | 14,637,409 | 8,069,888 | 8,180,609 | 10,447,493 |
| Total entity-wide net assets | $ 16,485,283 | $ 15,459,477 | $ 8,884,603 | $ 9,008,296 | $ 11,324,615 |

## COLORADO RIVER COMMISSION

## CHANGES IN NET ASSETS
**(Accrual basis of accounting)**

## LAST FIVE FISCAL YEARS (UNAUDITED)

**Table 2**

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | **2006** | **2005** | **2004** | **2003** | **2002** |
| **Expenses** | | | | | |
| Governmental activities | | | | | |
| General government | $ 2,641,024 | $ 2,253,266 | $ 2,062,826 | $ 2,968,732 | $ 1,888,664 |
| Business-type activities | | | | | |
| Power marketing | 62,986,316 | 70,038,951 | 127,942,758 | 117,616,074 | 135,697,615 |
| Power delivery | 58,929,523 | 37,159,924 | 13,504,249 | 27,387,791 | 24,653,645 |
| Total business-type activities expenses | 121,915,839 | 107,198,875 | 141,447,007 | 145,003,865 | 160,351,260 |
| Total entity-wide expenses | $ 124,556,863 | $ 109,452,141 | $ 143,509,833 | $ 147,972,597 | $ 162,239,924 |
| **Program revenues** | | | | | |
| Governmental activities | | | | | |
| Charges for services | | | | | |
| Power administrative charge | $ 1,310,371 | $ 1,049,704 | $ 968,238 | $ 978,394 | $ 983,039 |
| Water charges | 1,603,826 | 1,015,940 | 1,496,859 | 1,176,446 | 551,290 |
| Total governmental activities program revenues | 2,914,197 | 2,065,644 | 2,465,097 | 2,154,840 | 1,534,329 |
| Business-type activities | | | | | |
| Charges for services | | | | | |
| Power sales | | | | | |
| Power marketing | 62,764,886 | 64,003,861 | 127,826,226 | 117,233,246 | 135,200,158 |
| Power delivery | 57,900,598 | 36,513,222 | 12,756,303 | 26,499,508 | 26,766,833 |
| Total business-type activities program revenues | 120,665,484 | 100,517,083 | 140,582,529 | 143,732,754 | 161,966,991 |
| Total entity-wide program revenues | $ 123,579,681 | $ 102,582,727 | $ 143,047,626 | $ 145,887,594 | $ 163,501,320 |

(Continued)

## COLORADO RIVER COMMISSION

## CHANGES IN NET ASSETS (Continued)
## (Accrual basis of accounting)

## LAST FIVE FISCAL YEARS (UNAUDITED)

**Table 2**

| | Fiscal Year | | | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2003 | 2002 |
| **Net expense** | | | | | |
| Governmental activities | $ 273,173 | $ (187,622) | $ 402,271 | $ (813,892) | $ (354,335) |
| Business-type activities | (1,250,355) | (6,681,792) | (864,478) | (1,271,111) | 1,615,731 |
| Total entity-wide net expense | $ (977,182) | $ (6,869,414) | $ (462,207) | $ (2,085,003) | $ 1,261,396 |
| **General revenues and other changes in net assets** | | | | | |
| Governmental activities | | | | | |
| Investment income | $ 786,729 | $ 46,142 | $ 24,350 | $ 69,509 | $ 122,439 |
| Multi-species surcharge | 525,144 | 17,584 | | | |
| Land sales | - | 13,000,000 | | | |
| Miscellaneous | 66,095 | 24,390 | 22,220 | 24,390 | 48,781 |
| Transfers | | (6,000,000) | | | |
| Total governmental activities | 1,377,968 | 7,088,116 | 46,570 | 93,899 | 171,220 |
| Business-type activities | | | | | |
| Investment income | 625,020 | 356,172 | 291,944 | 1,573,273 | 2,897,929 |
| Transfers | | 6,000,000 | | | |
| Total business-type activities | 625,020 | 6,356,172 | 291,944 | 1,573,273 | 2,897,929 |
| Total entity-wide | $ 2,002,988 | $ 13,444,288 | $ 338,514 | $ 1,667,172 | $ 3,069,149 |
| **Change in net assets** | | | | | |
| Governmental activities | $ 1,651,141 | $ 6,900,494 | $ 448,841 | $ (719,993) | $ (183,115) |
| Business-type activities | (625,335) | (325,620) | (572,534) | 302,162 | 4,513,660 |
| Total entity-wide | $ 1,025,806 | $ 6,574,874 | $ (123,693) | $ (417,831) | $ 4,330,545 |

## COLORADO RIVER COMMISSION

## FUND BALANCES, GOVERNMENTAL FUNDS
**(Modified accrual basis of accounting)**

## LAST TEN FISCAL YEARS (UNAUDITED)

**Table 3**

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
| General fund | | | | | | | | | | |
| Unreserved | $ 2,130,668 | $ 1,117,428 | $ 1,216,761 | $ 719,660 | $ 731,737 | $ 1,041,833 | $ 1,014,785 | $ 564,885 | $ 630,685 | $ 674,063 |
| All other governmental funds | | | | | | | | | | |
| Reserved | $ 182,131 | $ 4,550 | | | | | | | | |
| Unreserved, reported in special revenue funds: | | | | | | | | | | |
| Fort Mohave Development | 8,705,291 | 8,242,169 | 1,234,722 | 1,234,840 | 1,770,844 | 1,652,526 | 1,519,451 | 1,435,967 | 1,351,828 | 1,289,340 |
| Research and Development | 198,834 | 184,256 | 182,928 | 181,901 | 270,232 | 344,463 | 300,652 | 286,362 | 272,082 | 195,006 |
| Total all other governmental funds | $ 9,086,256 | $ 8,430,975 | $ 1,417,650 | $ 1,416,741 | $ 2,041,076 | $ 1,996,989 | $ 1,820,103 | $ 1,722,329 | $ 1,623,910 | $ 1,484,346 |

## COLORADO RIVER COMMISSION

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
**(Modified accrual basis of accounting)**

**LAST TEN FISCAL YEARS (UNAUDITED)** **Table 3**

| | Fiscal Year | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 |
| **Revenues** | | | | | | | | | | |
| Charges for services | $ 2,914,197 | $ 2,065,644 | $ 2,465,097 | $ 2,154,840 | $ 1,534,329 | $ 1,599,600 | $ 1,964,196 | $ 1,482,707 | $ 1,415,865 | $ 1,567,245 |
| Investment income | 786,729 | 46,142 | 24,350 | 69,509 | 122,439 | 207,909 | 125,104 | 139,280 | 141,620 | 206,814 |
| Multi-Species surcharge | 525,144 | 17,584 | | | | | | | | |
| Land sales | - | 13,000,000 | | | | | | | | |
| Miscellaneous | 66,095 | 24,390 | 22,220 | 24,390 | 48,781 | 37,990 | 25,800 | 134,953 | 254,377 | 178,608 |
| Total revenues | 4,292,165 | 15,153,760 | 2,511,667 | 2,248,739 | 1,705,549 | 1,845,499 | 2,115,100 | 1,756,940 | 1,811,862 | 1,952,667 |
| **Expenditures** | | | | | | | | | | |
| General administration | 1,998,993 | 2,206,332 | 1,994,647 | 2,865,085 | 1,950,697 | 1,621,013 | 1,547,334 | 1,702,288 | 1,695,512 | 1,763,031 |
| Multi-Species assessment | 389,269 | 13,035 | | | | | | | | |
| Water purchases | 18,017 | 20,401 | 19,010 | 20,066 | 20,861 | 20,551 | 20,093 | 22,032 | 20,164 | 22,657 |
| Intergovernmental | | | | | | | | | | 2,210,000 |
| Investment expenses | 217,365 | | | | | | | | | |
| Total expenditures | 2,623,644 | 2,239,768 | 2,013,657 | 2,885,151 | 1,971,558 | 1,641,564 | 1,567,427 | 1,724,320 | 1,715,676 | 3,995,688 |
| Excess of revenue over (under) expenditures | 1,668,521 | 12,913,992 | 498,010 | (636,412) | (266,009) | 203,935 | 547,673 | 32,620 | 96,186 | (2,043,021) |
| **Other financing sources (uses)** | | | | | | | | | | |
| Transfers out | | 6,000,000 | | | | | | | | |
| Net changes in fund balances | $ 1,668,521 | $ 6,913,992 | $ 498,010 | $ (636,412) | $ (266,009) | $ 203,935 | $ 547,673 | $ 32,620 | $ 96,186 | $ (2,043,021) |

## COLORADO RIVER COMMISSION

## PRINCIPAL REVENUE PAYERS

**JUNE 30, 2006 (UNAUDITED)** — **Table 5**

| Customer | Water Administrative Charges | Power Administrative Charges | LCRMSCP [1] Charges | Power Marketing Revenues | Power Delivery Revenues | Total |
|---|---|---|---|---|---|---|
| Southern Nevada Water Authority | $ 1,564,034 | $ 86,685 | $ 35,632 | $ 1,812,537 | $ 57,900,598 | $ 61,399,486 |
| Basic Water Company | 7,200 | 25,752 | 21,712 | 583,678 | | 638,342 |
| Timet Metals Corporation | - | 207,578 | 52,274 | 9,958,164 | | 10,218,016 |
| Pioneer Americas, LLC | - | 210,237 | - | 21,616,332 | | 21,826,569 |
| Chemical Lime Company | - | 2,734 | 975 | 83,749 | | 87,458 |
| Tronox, LLC | - | 74,631 | 46,750 | 778,339 | | 899,720 |
| American Pacific Corporation | - | 90,424 | 16,391 | 5,540,224 | | 5,647,039 |
| Lincoln County Power District No. 1 | - | 57,553 | 32,771 | 1,043,817 | | 1,134,141 |
| Overton Power District #5 | - | 93,495 | 26,402 | 3,899,967 | | 4,019,864 |
| Valley Electric Association | - | 96,099 | 29,555 | 3,524,936 | | 3,650,590 |
| Nevada Power Company | - | 332,125 | 228,648 | 7,966,601 | | 8,527,374 |
| City of Boulder City | - | 33,058 | 34,034 | 888,436 | | 955,528 |
| Las Vegas Valley Water District | 9,117 | - | - | | | 9,117 |
| City of Henderson | 15,935 | - | - | - | | 15,935 |
| Raw water sales [2] | 7,540 | - | - | - | | 7,540 |
| Other power sales [3] | - | - | - | 4,795,106 | | 4,795,106 |
| Total | $ 1,603,826 | $ 1,310,371 | $ 525,144 | $ 62,491,886 | $ 57,900,598 | $ 123,831,825 |

(1) LCRMSCP charges are the charges for the Lower Colorado River Multi-Species Conservation Program. These charges are for the State of Nevada's participation in this species recovery program. The revenues collected from the water and power customers are paid to the federal government for the conservation program. Note that the Southern Nevada Water Authority also pays an additional charge directly to the federal government in addition to the charge collected by the Commission.

(2) Raw water sales includes a number of water user contracts for very small amounts of Colorado River water.

(3) Other power sales category includes customer excess electric power resold on the market to various entities.

## COLORADO RIVER COMMISSION

## RATIOS OF OUTSTANDING DEBT

## LAST TEN FISCAL YEARS (UNAUDITED)

**Table 6**

| Fiscal Year | Power Delivery Refunding Series 2005I | Power Uprating Refunding Series 2002 | Hoover Uprating Refunding Series 2001 | Power Delivery Series 1999A | Power Delivery Series 1997 | Hoover Uprating Refunding Series 1992 | Hoover Uprating Series 1987B | Total Outstanding Debt | Charges for Services | Revenue to Debt Ratio |
|---|---|---|---|---|---|---|---|---|---|---|
| 1997 | | | | | | $ 53,350,000 | $ 8,410,000 | $ 61,760,000 | $ 25,777,425 | 0.42 |
| 1998 | | | | | $ 49,270,000 | 52,885,000 | 6,880,000 | 109,035,000 | 25,711,447 | 0.24 |
| 1999 | | | | | 49,270,000 | 50,855,000 | 6,880,000 | 107,005,000 | 27,212,229 | 0.25 |
| 2000 | | | | $ 25,730,000 | 49,270,000 | 48,705,000 | 6,880,000 | 130,585,000 | 30,532,244 | 0.23 |
| 2001 | | | | 25,730,000 | 48,455,000 | 46,425,000 | 6,880,000 | 127,490,000 | 150,080,539 | 1.18 |
| 2002 | | | $ 6,305,000 | 25,630,000 | 47,600,000 | 44,015,000 | | 123,550,000 | 163,501,320 | 1.32 |
| 2003 | | $ 36,420,000 | 6,305,000 | 25,480,000 | 46,705,000 | | | 114,910,000 | 145,887,594 | 1.27 |
| 2004 | | 36,420,000 | 6,305,000 | 25,280,000 | 45,770,000 | | | 113,775,000 | 143,047,626 | 1.26 |
| 2005 | $ 65,300,000 | 36,420,000 | 6,305,000 | 2,735,000 | 3,245,000 | | | 114,005,000 | 102,582,727 | 0.90 |
| 2006 | 65,300,000 | 36,420,000 | 6,305,000 | 2,345,000 | 2,215,000 | | | 112,585,000 | 123,579,681 | 1.10 |

Generally, debt of the Colorado River Commission is allowed under the natural resource provisions of the state. As such, the debt is not subject to the debt limit as provided in the state constitution. However, each debt issuance and its corresponding project must be specifically authorized by the State Legislature either during a full session (in the odd numbered years) or though the Interim Finance Committee (a committee composed of legislators that meets as necessary to accommodate state needs when not in regular session). Although it is possible that the Commission may issue debt that would not be considered natural resource debt, such debt would impact the state debt limit and would also have to be approved by the legislature. Such debt has never been issued by the Commission and will not be pursued in the foreseeable future.

## COLORADO RIVER COMMISSION

## AVAILABLE REVENUE DEBT COVERAGE

## LAST TEN FISCAL YEARS (UNAUDITED)

**Table 7**

| Fiscal Year | Gross Revenues | Less: Operating Expenses | Add Back Depreciation | Net Available Revenues | Debt Service Principal | Debt Service Interest | Debt Service Total | Coverage (2) |
|---|---|---|---|---|---|---|---|---|
| 1997 | $ 25,777,425 | $ 28,716,055 | (1) | (2,938,630) | $ 1,785,000 | $ 4,579,217 | $ 6,364,217 | (0.46) |
| 1998 | 25,711,447 | 26,614,874 | (1) | (903,427) | 1,995,000 | 5,281,002 | 7,276,002 | (0.12) |
| 1999 | 27,212,229 | 29,869,847 | (1) | (2,657,618) | 2,030,000 | 3,767,505 | 5,797,505 | (0.46) |
| 2000 | 30,532,244 | 32,049,802 | 1,132,133 | (385,425) | 2,150,000 | 3,734,951 | 5,884,951 | (0.07) |
| 2001 | 150,080,539 | 151,400,169 | 1,132,133 | (187,497) | 3,095,000 | 6,322,672 | 9,417,672 | (0.02) |
| 2002 | 163,501,320 | 161,659,639 | 1,319,306 | 3,160,987 | 3,365,000 | 9,766,982 | 13,131,982 | 0.24 |
| 2003 | 145,887,594 | 143,425,328 | 1,791,183 | 4,253,449 | 1,045,000 | 5,886,215 | 6,931,215 | 0.61 |
| 2004 | 143,047,626 | 139,406,539 | 1,835,466 | 5,476,553 | 1,135,000 | 4,023,431 | 5,158,431 | 1.06 |
| 2005 | 102,582,727 | 105,445,842 | 2,061,753 | (801,362) | 1,225,000 | 6,487,791 | 7,712,791 | (0.10) |
| 2006 | 123,579,681 | 120,712,590 | 2,064,492 | 4,931,583 | 1,420,000 | 5,517,972 | 6,937,972 | 0.71 |

(1) Depreciation not incurred during the years of project construction.

(2) Water and power customers are contractually obligated to provide revenues sufficient to cover all operation and maintenance expenses except depreciation, plus all principal and interest requirements on outstanding debt. Operating losses, accumulated deficits and negative coverage ratios are the result of not charging for certain recorded expenses; i.e. depreciation, amortization of debt and pre-operational expenses. As annual requirements of debt principal progressively increase annual revenues are expected to exceed recorded expenses, because principal payments are recorded as reductions of long-term debt rather than expenses. The losses, deficits and negative coverage ratios are expected to be progressively reduced and finally eliminated as the annual retirement of debt principal increase.

## COLORADO RIVER COMMISSION

## DEMOGRAPHIC STATISTICS

## CLARK COUNTY, NEVADA [1]

## LAST TEN FISCAL YEARS (UNAUDITED)

**Table 8**

| Year | Population [2] | Per Capita Income [3] | Total Labor Force [4] | Unemployment Rate [4] |
|---|---|---|---|---|
| 1997 | 1,193,388 | 26,195 | 630,000 | 4.4% |
| 1998 | 1,261,150 | 27,743 | 666,000 | 4.3% |
| 1999 | 1,327,145 | 28,570 | 706,000 | 4.2% |
| 2000 | 1,375,765 | 29,601 | 714,000 | 4.7% |
| 2001 | 1,485,855 | 29,657 | 760,000 | 5.5% |
| 2002 | 1,549,657 | 29,826 | 795,000 | 5.7% |
| 2003 | 1,620,748 | 31,054 | 814,000 | 5.3% |
| 2004 | 1,715,337 | 32,963 | 847,000 | 4.1% |
| 2005 | 1,796,380 | 35,833 | 865,000 | 4.0% |
| 2006 | 1,892,391 | 35,833 | 931,000 | 4.0% |

(1) The Colorado River Commission (Commission) is primarily a wholesale provider of electric power and only holds in trust the rights of the State of Nevada to the waters of the Colorado River. The Commission thus does not serve (except in limited capacity) end users of either water or power. In addition the customers served by the Commission are statutorily not geographically defined. However, the principal area served by the customers of the Commission is the area encompassed by Clark County, Nevada. This presentation is provided to give some limited demographic information to the reader. For complete information on the demographic makeup of Clark County the reader is directed to the County's website at http://www.co.clark.nv.us/ Information on water treatment, delivery and purveyor information can be obtained at the Southern Nevada Water Authority's website at http://www.snwa.com/. Additional demographic information for the state can be obtained from the State of Nevada website at http://www.nv.gov/.

(2) Source: Nevada State Demographer.

(3) Source: US Bureau of Economic Analysis, 2006 not available, estimated to be at the 2005 amount.

(4) Source: Nevada Department of Employment Training and Rehabilitation, amounts rounded.

## COLORADO RIVER COMMISSION

## PRINCIPAL EMPLOYERS [2]

## CLARK COUNTY, NEVADA [1]

## JUNE 30, 2006

**Table 9**

| Employeer | Employees | Percentage of Total Employment | Rank |
|---|---|---|---|
| Clark County School District | 28,000 to 28,499 | 3.22% | 1 |
| Bellagio, LLC | 9,500 to 9,999 | 1.10% | 2 |
| Clark County | 9,000 to 9,499 | 1.08% | 3 |
| Wynn Las Vegas LLC | 8,500 to 8,999 | 1.02% | 4 |
| MGM Grand Hotel/ Casino | 8,000 to 8,4998 | 0.95% | 5 |
| Mandalay Bay Resort & Casino | 8,000 to 8,4999 | 0.93% | 6 |
| The Mirage Casino & Hotel | 5,500 to 5,999 | 0.66% | 7 |
| University of Nevada - Las Vegas | 5,500 to 5,999 | 0.58% | 8 |
| Caesars Palace | 4,500 to 4,999 | 0.56% | 9 |
| Las Vegas Metropolitan Ploice | 4,500 to 4,999 | 0.56% | 10 |

(1) The Colorado River Commission (Commission) is primarily a wholesale provider of electric power and only holds in trust the rights of the State of Nevada to the waters of the Colorado River. The Commission thus does not serve (except in limited capacity) end users of either water or power. In addition the customers served by the Commission are statutorily not geographically defined. However, the principal area served by the customers of the Commission is the area encompassed by Clark County, Nevada. This presentation is provided to give some limited demographic information to the reader. For complete information on the demographic makeup of Clark County the reader is directed to the County's website at http://www.co.clark.nv.us/ Information on water treatment, delivery and purveyor information can be obtained at the Southern Nevada Water Authority's website at http://www.snwa.com/ Additional demographic information, including information from the Nevada Department of Employment Training and Rehabilitation can be obtained from the State of Nevada website at http://www.nv.gov/

(2) Source: Nevada Department of Employment Training and Rehabilitation

**Note that Nevada Law prohibits the publishing of exact employment numbers.**

## COLORADO RIVER COMMISSION

## EMPLOYEES BY DEPARTMENT

## LAST TEN FISCAL YEARS (UNAUDITED)

**Table 10**

| Fiscal Year | Executive & Administrative | Water Department | Hydropower Department | SNWS Energy Services | Power Delivery O & M | Total |
|---|---|---|---|---|---|---|
| 1997 | 15 | 2 | 3 | | 2 | 22 |
| 1998 | 14 | 2 | 2 | | 5 | 23 |
| 1999 | 17 | 4 | 3 | 1 | 4 | 29 |
| 2000 | 16 | 3 | 4 | 3 | 3 | 29 |
| 2001 | 14 | 3 | 4 | 6 | 4 | 31 |
| 2002 | 14 | 3 | 5 | 7 | 5 | 34 |
| 2003 | 12 | 3 | 5 | 7 | 6 | 33 |
| 2004 | 13 | 5 | 5 | 9 | 6 | 38 |
| 2005 | 15 | 5 | 4 | 9 | 6 | 39 |
| 2006 | 15 | 5 | 3 | 9 | 7 | 39 |

**COLORADO RIVER COMMISSION**

**OPERATING INDICATORS**

**JUNE 30, 2006 (UNAUDITED)**

**Table 11**

| Customer | Power Purchases in Megawatt Hours: Power Marketing | Power Delivery: SNWA Load (1) | Power Delivery: SNWA SB211 (2) | Power Delivery: LVVWD SB211 (3) | Total | Colorado River Water Diversions (Acre Feet) (4) |
|---|---|---|---|---|---|---|
| Southern Nevada Water Authority | 268,474 | 3,284,179 | 158,235 | 5,088 | 3,715,976 | 457,289 |
| Basic Water Company | 96,370 | | | | 96,370 | 6,130 |
| Timet Metals Corporation | 610,202 | | | | 610,202 | |
| Pioneer Americas, LLC | 311,815 | | | | 311,815 | |
| Chemical Lime Company | 7,834 | | | | 7,834 | |
| Tronox, LLC | 167,243 | | | | 167,243 | |
| American Pacific Corporation | 260,936 | | | | 260,936 | |
| Lincoln County Power District No. 1 | 164,795 | | | | 164,795 | |
| Overton Power District #5 | 255,002 | | | | 255,002 | |
| Valley Electric Association | 261,170 | | | | 261,170 | |
| Nevada Power Company | 931,246 | | | | 931,246 | |
| City of Boulder City | 82,822 | | | | 82,822 | |
| Small water users | | | | | | 33,094 |
| Total | 3,417,909 | 3,284,179 | 158,235 | 5,088 | 6,865,411 | 496,513 |

(1) Includes Megawatt Hour purchases for loads of the Southern Nevada Water Authority (SNWA) supplied by the Commission prior to the enactment of Senate Bill 211 (SB211). SB 211 clarified the authority of the Commission to serve its customers and specifically provided for service to the purveyor members of the SNWA if they choose such service.

(2) Includes the in-valley loads of the SNWA served pursuant to SB211.

(3) Includes the loads of the Las Vegas Valley Water District served pursuant to SB211. This load was only served for one month in the fiscal year.

(4) Water diversion is provided for additional information, the Commission is not responsible for the delivery of water to the SNWA or any other water user, and the water administrative charge is not linked to the delivery of water. The administrative charge is provided to the Commission based on the approved budget and is paid in quarterly payments based on that budget.

## COLORADO RIVER COMMISSION

## RISK MANAGEMENT

**JUNE 30, 2006** **Table 12**

| Customer | Collateral Required | Collateral Posted | Cash Posted | Other Posted |
|---|---|---|---|---|
| Southern Nevada Water Authority | $ - | | | |
| Basic Water Company | 142,178 | $ 142,178 | | $ 142,178 |
| Timet Metals Corporation | 2,088,503 | 2,088,503 | | 2,088,503 |
| Pioneer Americas, LLC | 4,423,285 | 4,423,285 | $ 4,423,285 | |
| Chemical Lime Company | 22,878 | 22,878 | | 22,878 |
| Tronox, LLC | 200,082 | 200,082 | | 200,082 |
| American Pacific Corporation | 1,200,440 | 1,200,440 | | 1,200,440 |
| Lincoln County Power District No. 1 | - | | | |
| Overton Power District #5 | - | | | |
| Valley Electric Association | - | | | |
| Nevada Power Company | - | | | |
| City of Boulder City | - | | | |
| Las Vegas Valley Water District | - | | | |
| City of Henderson | - | | | |
| Total | $ 8,077,366 | $ 8,077,366 | $ 4,423,285 | $ 3,654,081 |

Nevada Revised Statutes 538.181(2) requires that the Colorado River Commission's power customers, except a federal or state agency or political subdivision, provide an indemnifying bond or other collateral "in such sum and in such manner as the commission may require, conditioned on the full and faithful performance" of their power contracts. Due to the volatile nature of the electric power markets, and because of the recent problems in the western states power markets, the commission has determined the collateral requirements for the appropriate customers to be one-fourth of the customer's gross annual purchases as calculated from October 1 through September 30 of each preceeding year.

As of June 30, 2006 all of the customers required to post collateral have done so in the amounts required. Only one customer has posted cash (as required by specific bilateral contract with the customer), all other customers have posted letters of credit or performance bonds as approved by the Nevada State Board of Examiners.

The collateral posting limits the risk inherent in the commission's utility function and protects the state to the full extent allowed under law.

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# ADDITIONAL REPORT OF INDEPENDENT AUDITORS

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P B T K

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, 2006, and have issued our report thereon dated October 12, 2006. 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, the Power Delivery Project bonds, series 1997A and 1999A, and the Power Delivery Refunding bonds, series 2005I), 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

October 12, 2006



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