

**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, 2011**

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

STATE OF NEVADA

BRIAN SANDOVAL

Governor

CATHERINE CORTEZ MASTO

Attorney General

KIM WALLIN

Controller

KATE MARSHALL

Treasurer

ROSS MILLER

Secretary of State

COLORADO RIVER COMMISSION

GEORGE F. OGILVIE III

Chairman

MARYBEL BATJER

Vice Chairman

BOB COFFIN

Commissioner

TOM COLLINS

Commissioner

J. BRIN GIBSON

Commissioner

DUNCAN R. MCCOY

Commissioner

BERLYN D. MILLER

Commissioner

COMMISSION STAFF

JAYNE HARKINS

Executive Director

JAMES D. SALO

Deputy Executive Director

GAIL A. BATES

Energy Services Manager

DOUGLAS N. BEATTY

Chief, Finance and Administration

McCLAIN PETERSON

Natural Resources Manager

CRAIG N. PYPER

Hydropower Program Manager

ROBERT D. REESE

Assistant Director Engineering & Operation

**COLORADO RIVER COMMISSION
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 YEAR ENDED JUNE 30, 2011**

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BRIAN SANDOVAL, *Governor*
GEORGE F. OGILVIE III, *Chairman*
MARYBEL BATJER, *Vice Chairwoman*
JAYNE HARKINS, P.E., *Executive Director*

STATE OF NEVADA



BOB COFFIN, *Commissioner*
TOM COLLINS, *Commissioner*
J. BRIN GIBSON, *Commissioner*
DUNCAN R. MCCOY, *Commissioner*
BERLYN D. MILLER, *Commissioner*

COLORADO RIVER COMMISSION OF NEVADA

November 7, 2011

Honorable Chairman and Members of the Colorado River Commission of Nevada

It is a pleasure for us to present the Comprehensive Annual Financial Report (CAFR) of the Colorado River Commission (the Commission) for the year ended June 30, 2011, prepared by the financial and administrative division staff. This CAFR is published to fulfill state law and bond covenants requiring such within six months of the close of each fiscal year. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that it has established for this purpose. The Commission's internal controls have been developed with the assistance of the State of Nevada Controller's office. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Piercy Bowler Taylor and Kern, Certified Public Accountants and Business Advisors, audited the Commission's fiscal 2011 basic financial statements. The goal of the independent audit was to provide reasonable assurance that the basic 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 basic financial statements for the fiscal year ended June 30, 2011, are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States (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.

THE 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. As a state agency, it comprises a discretely presented component unit of the State of Nevada (the State) for financial reporting purposes. Basic financial 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 |
|---|---------------------|--------------------|
| George F. Ogilvie III, Chairman | 2007 | 7/01/10 – 6/30/13 |
| Marybel Batjer, Vice Chairman | 2005 | 8/24/11 – 6/30/14 |
| Honorable Bob Coffin Las Vegas City Councilman | 2011 | 7/21/11– 6/30/12* |
| Honorable Tom Collins, Clark County Commissioner | 2009 | 7/1/11– 6/30/12* |
| J. Brin Gibson | 2011 | 7/1/11– 6/30/14 |
| Honorable Duncan R. McCoy, Boulder City Councilman | 2009 | 7/1/11 – 6/30/12 * |
| Berlyn D. Miller | 2009 | 8/28/09 – 6/30/12 |

The Commission is responsible for the acquisition, management, utilization and development of designated water and electric power 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.

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

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 the 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. Under Nevada law the Commission's customer base is limited to its currently existing customers (including the power load to serve the water needs of SNWA members).

Water. The Commission represents Nevada's interests on all state and interstate matters dealing with the management, operation and administration of the water resources of the Colorado River. The Commission works directly with the U.S. Bureau of Reclamation, representing the Secretary of the Interior as the water master of the Colorado River in the Lower Basin; 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.

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 County). Although the resources of the Colorado River are allocated to the State of Nevada the primary area served by the Commission is the Clark County area. The majority of the Commission's revenues and activities occur in Clark County.

The October 2011 report of the State Demographer indicates that Nevada's estimated 2010 population was 2,724,634, with the 2011 estimated population being 2,686,006. This represents a decrease of 38,628 or 1.4%. This compares to an overall decrease reported for 2010 of 2.6% from 2009. The current demographic estimate indicates some

growth over the next several years, but at a very low rate. Clark County's growth has also stopped after experiencing record growth rates for many years. For much of the decade, the County grew at rates in excess of 5%. However, the estimate for 2011 shows a total County population of 1,934,871, a net decrease of 33,960 or 1.7% from the 2010 estimate of 1,968,831. 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 County's population for 2011 (1,934,871) represents approximately 72% of the State's population. Current projections place the County population at 1,979,586 in 2012 and 2,209,526 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, however the State Demographer predicts a 2030 population of just over 2,430,000. The State has experienced serious financial concerns as economic indicators in the State and County declined through most of 2009, but 2010 indicators show slowing of the decline. Throughout 2010 and 2011 state and local governments have taken steps to decrease expenditures to maintain balanced budgets. Still a major concern is the County's reported unemployment rate, estimated to be 13.4% for 2011, a slight decrease from the 14.2% reported in 2010 but a steep increase from the low 6.6% reported in 2008. Despite the overall economic condition, the revenues of the Commission have been stable, and are projected to remain so over the next year. This is primarily due to the nature of Commission resources and the very low cost of those resources to its customers.

Long-Term Financial Planning. The financial management group monitors the fund balance of the Commission's general fund to ensure adequate reserves to fund ongoing operations. State and Commission regulations provide the flexibility to adjust water administrative revenues with each budget cycle, and to change power administrative charges with six months notice to the customers. Acceptable fund balance and cash levels are maintained with annual internal review and, during the budget cycle (each even numbered year), are reviewed with the customers in budget preparation meetings. Due to the pass through nature of the Commission's enterprise funds, ending funding balances are not monitored for adequate levels. Cash flow is monitored for these funds, as each month's billings reflect actual revenue requirements for the month. Risk for these funds revolves around the inherent enterprise risk of the Commission's customers.

To ensure ongoing revenues, the Commission monitors the creditworthiness of its customer and vendor base. As a significant portion of the customer base is governmental in nature the risk of financial failure is not significant. For the customers that are not governmental based, the Commission requires deposits against power purchases in amounts determined annually by staff. These deposits are generally in the form of letters of credit issued by financial institutions acceptable to the Commission and the State Treasurer, and are at a minimum equal to three months of average power purchases by the customer. The Commission operates in close concert with all of its customers. Certain staff members are housed full-time at the SNWA offices, all customers have

internet access to Commission records and operational information including power purchasing and invoicing amounts in real time.

Cash in all funds is deposited in the State Treasurer's account, and the Treasurer acts as the exclusive financial institution for the Commission. 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 is not significant and is not used in budgeting and cash needs analysis.

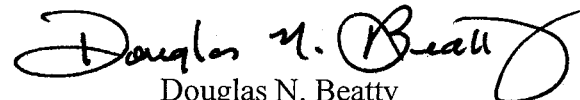
Market Risk Management. The Commission has adopted an extensive risk management policy in line with current best electric power practices. A combined risk management committee has been established between the Commission and the SNWA. This committee establishes risk parameters, policies and procedures acceptable to both agencies. While the risk management committee policy is binding on all activities related to the SNWA, the Commission applies these policies to all power procurement activities in-so-far as they can be applied.

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, 2010. This was the 34th consecutive year that the Commission has achieved this prestigious award. In order 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 GAAP 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.

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.


Jayne Harkins
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, 2010

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



Linda C. Dandson

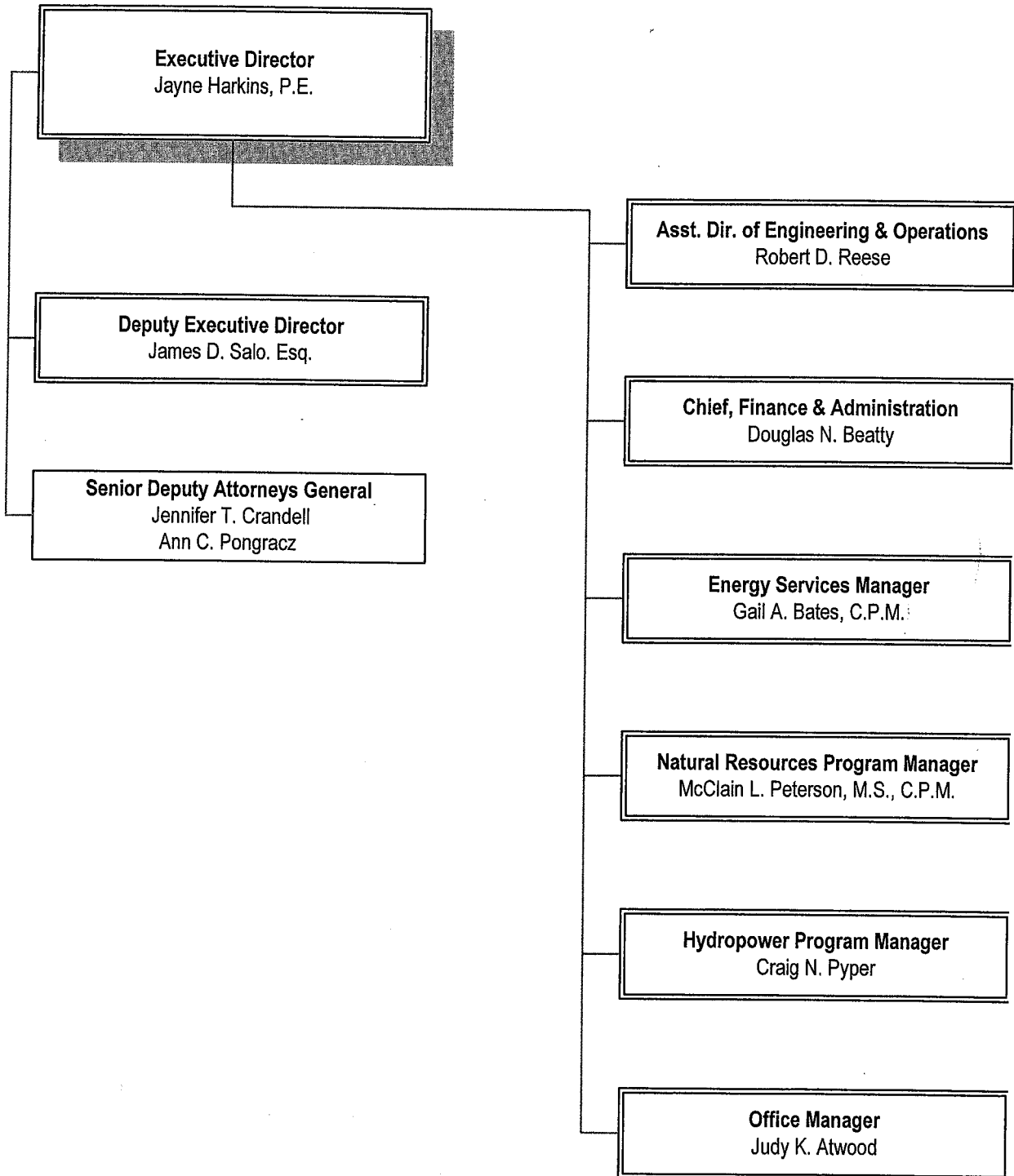
President

Jeffrey R. Emer

Executive Director

Colorado River Commission of Nevada

Functional Organization



**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 financial statements of the governmental activities, the business-type 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, 2011, 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.

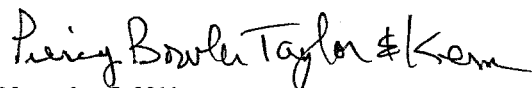
We conducted our audit in accordance with auditing standards generally accepted in the United States, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison 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 November 7, 2011, 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 conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section, individual fund schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



November 7, 2011

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**MANAGEMENT'S DISCUSSION
AND
ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Comprehensive Annual Financial Report (CAFR) of the Colorado River Commission (the Commission) presents management's overall analysis of financial activities for the fiscal year ended June 30, 2011. 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 most significant event for the Commission during the fiscal year was the change of Executive Director. George Caan left the Commission on the second day of May for an employment opportunity in Washington State. After an extensive search the Commission appointed Jayne Harkins as Executive Director of the agency on June 14, 2011. Jayne came to the Commission after 27 years with the United States Bureau of Reclamation. She most recently served as the Deputy Regional Director of the Lower Colorado Region. For additional information please visit the Commission's website.
- ❖ Cash balances in the governmental funds increased significantly during the year, from a reported balance of \$3,034,671 in fiscal 2010 to \$4,475,158 in 2011. This was due to increased contractual collections for habitat reserves in the Research and Development fund. The reserves are part of the Lower Colorado River Multi-Species Conservation Program which is described in more detail in this analysis.
- ❖ Power administrative revenues in the Commission's general fund increased by approximately 9% or \$98,735 for the current fiscal year. This increase is directly attributable to the increase in Hydropower generated during the year due to higher than average runoff.
- ❖ Water revenues in the general fund decreased substantially during fiscal 2011. The decrease was \$532,164 or 41% when compared to 2010. This is due to a combination of decreased activity related to water issues, vacancies in the Natural Resources Group, and the utilization of water revenue reserves to bring them in line with operational levels.
- ❖ Both the power revenues and the cost of electric service provided to the Southern Nevada Water Authority (SNWA) through the Power Delivery Fund increased by over 10% when compared to the prior fiscal year. The increase can be attributed to increased power deliveries as the Commission continues to take on additional customer load. A large portion of the increase is due to the Commission now serving all of Boulder City's water related power needs.

Overview of the Financial Statements

The Commission is a special-purpose government entity. It is empowered primarily to administer the Colorado River water resources given to the State of Nevada (the State) by the Federal Government, and to provide electric power resources to specific legislatively approved entities. The water resources have been allocated to a regional governmental entity, 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 one special revenue type governmental fund to account for special 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 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 only two governmental funds, the general fund and the research and development fund. 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 fund. Only the general fund is considered a major fund. Fund data for the remaining special revenue fund is provided 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 for the two governmental funds.

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 following tables.

| Colorado River Commission's Net Assets | | | | | | |
|---|--------------------------------|---------------------|---------------------|---------------------------------|---------------------|--------------------|
| | Governmental Activities | | | Business-type Activities | | |
| | 2011 | 2010 | Change | 2011 | 2010 | Change |
| Current assets | \$ 4,965,413 | \$ 3,811,672 | \$ 1,153,741 | \$ 25,502,816 | \$ 23,982,337 | \$ 1,520,479 |
| Non-current restricted cash | | | | 10,026,463 | 10,949,991 | (923,528) |
| Capital assets | 35,121 | 46,102 | (10,981) | 78,339,880 | 84,239,986 | (5,900,106) |
| Total assets | <u>5,000,534</u> | <u>3,857,774</u> | <u>1,142,760</u> | <u>113,869,159</u> | <u>119,172,314</u> | <u>(5,303,155)</u> |
| Current liabilities | 808,792 | 803,989 | 4,803 | 23,746,707 | 23,249,547 | 497,160 |
| Long-term bonds | | | | 85,146,208 | 91,110,209 | (5,964,001) |
| Other noncurrent liabilities | 92,519 | 91,213 | 1,306 | | | - |
| Total liabilities | <u>901,311</u> | <u>895,202</u> | <u>6,109</u> | <u>108,892,915</u> | <u>114,359,756</u> | <u>(5,466,841)</u> |
| Net assets: | | | | | | |
| Invested in capital assets | | | | | | |
| net of related debt | 35,121 | 46,102 | (10,981) | (4,219,164) | (4,270,307) | 51,143 |
| Restricted | 2,139,130 | | 2,139,130 | 710,738 | 710,482 | 256 |
| Unrestricted | <u>1,924,972</u> | <u>2,916,470</u> | <u>(991,498)</u> | <u>8,484,670</u> | <u>8,372,383</u> | <u>112,287</u> |
| Total net assets | <u>\$ 4,099,223</u> | <u>\$ 2,962,572</u> | <u>\$ 1,136,651</u> | <u>\$ 4,976,244</u> | <u>\$ 4,812,558</u> | <u>\$ 163,686</u> |

Note that the total assets in the governmental funds increased from the previous year, with the majority of the increase reflected in the current assets. This was due primarily to a significant increase to cash reserves in the research and development fund. The reserve in this fund is a contractual based reserve designed for future use in the Lower Colorado River Multi-species Conservation Program (LCRMSCP). This reserve should build for the next few years until needed for program needs. Total assets in the business-type funds decreased from the previous year. This was due to a decrease in prepaid assets (through amortization) and a decrease in capital assets (through depreciation). As described in the paragraph below, this decrease is expected. The cash balances in both funds remained adequate for operational needs.

Colorado River Commission's Changes in Net Assets

| | Governmental Activities | | | Business-type Activities | | |
|--------------------------|-------------------------|---------------------|---------------------|--------------------------|---------------------|-------------------|
| | 2011 | 2010 | Change | 2011 | 2010 | Change |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Administrative charges | \$ 1,972,751 | \$ 2,406,180 | \$ (433,429) | | | |
| Power sales revenue: | | | | | | |
| Power marketing | | | | \$ 41,436,582 | \$ 40,217,943 | \$ 1,218,639 |
| Power delivery | | | | 46,077,938 | 41,711,572 | 4,366,366 |
| General revenues: | | | | | | |
| Investment income | 12,432 | 27,057 | (14,625) | 2,841 | 22,495 | (19,654) |
| Multi-species surcharge | 1,375,160 | 625,814 | 749,346 | | | |
| Miscellaneous | 82,409 | | 82,409 | 34,163 | | 34,163 |
| Abandonment loss | | | | | (369,802) | 369,802 |
| Total revenues | <u>3,442,752</u> | <u>3,059,051</u> | <u>383,701</u> | <u>87,551,524</u> | <u>81,582,208</u> | <u>5,969,316</u> |
| Expenses: | | | | | | |
| General government | 2,306,101 | 3,275,830 | (969,729) | | | |
| Power purchase expenses: | | | | | | |
| Power marketing | | | | 41,483,124 | 40,226,984 | 1,256,140 |
| Power delivery | | | | 45,904,714 | 41,633,751 | 4,270,963 |
| Total expenses | <u>2,306,101</u> | <u>3,275,830</u> | <u>(969,729)</u> | <u>87,387,838</u> | <u>81,860,735</u> | <u>5,527,103</u> |
| Change in net assets | 1,136,651 | (216,779) | 1,353,430 | 163,686 | (278,527) | 442,213 |
| Net assets, beginning | 2,962,572 | 3,179,351 | (216,779) | 4,812,558 | 5,091,085 | (278,527) |
| Net assets, ending | <u>\$ 4,099,223</u> | <u>\$ 2,962,572</u> | <u>\$ 1,136,651</u> | <u>\$ 4,976,244</u> | <u>\$ 4,812,558</u> | <u>\$ 163,686</u> |

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. Also, in the early years of the asset life, when depreciation is higher than the underlying debt service, there will 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. 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 and other 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 reporting system for financial report preparation 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, accounting principles generally accepted in the United States applicable to government units.

The Commission is not subject to regulation by federal or state utility regulatory bodies. General governmental activity of the Commission is recorded in the general fund.

Revenues of the Commission's general fund totaled \$2,061,334 in fiscal 2010, \$364,529 less than the \$2,425,863 realized in fiscal 2010. The decrease in revenues was a result of decreased water related activity and personnel vacancies. The Commission's revenue sources include water and power administrative billings. 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 decreased by approximately \$102,952, which represents a less than 4% change. 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:

| | 2011 | | 2010 | |
|---------------------------------|--------------|---------|--------------|---------|
| | Amount | Percent | Amount | Percent |
| Power administrative charge | \$ 1,219,897 | 25.75% | \$ 1,121,162 | 21.54% |
| Water administrative charge | 752,854 | 15.89% | 1,285,018 | 24.68% |
| Interest income | 6,174 | 0.13% | 19,683 | 0.38% |
| Miscellaneous income | 82,409 | 1.74% | | |
| Total revenues | 2,061,334 | 43.51% | 2,425,863 | 46.60% |
| Allocated salaries and overhead | 2,676,584 | 56.49% | 2,779,536 | 53.40% |
| All funding sources | \$ 4,737,918 | 100.00% | \$ 5,205,399 | 100.00% |

Net expenditures of the general fund totaled \$2,236,637 which is \$336,744 less than the \$2,573,381 expended during fiscal 2010.

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

| | 2011 | 2010 | Increase/ (Decrease) |
|--------------------------------------|--------------|--------------|-------------------------|
| Personnel | \$ 3,365,164 | \$ 3,448,674 | \$ (83,510) |
| Travel | 66,061 | 73,504 | (7,443) |
| Operating | 1,442,913 | 1,816,274 | (373,361) |
| Equipment | 39,083 | 14,465 | 24,618 |
| Total expenditures | 4,913,221 | 5,352,917 | (439,696) |
| Less allocated salaries and overhead | (2,676,584) | (2,779,536) | 102,952 |
| Net expenditures | \$ 2,236,637 | \$ 2,573,381 | \$ (336,744) |

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

| Fund | Fund Balance June 30 | | Increase/ (Decrease) |
|-------------------------------|----------------------|--------------|-------------------------|
| | 2011 | 2010 | |
| General Fund | \$ 2,222,770 | \$ 2,398,073 | \$ (175,303) |
| Research and Development Fund | 2,139,130 | 827,863 | 1,311,267 |

There were no significant changes to the budget for fiscal 2010. The budget to actual comparisons indicate that the personnel costs overall were below budget, this is due to unfilled positions, and lower than expected outside contractual costs due to budgeted water augment and quality contractual costs that were never realized. This is in line with previous fiscal years and reflects the budget process which includes budgeting for all

authorized positions and total allowed contract costs, which traditionally have never been fully utilized.

The research and development fund records the transactions related to the LCRMSCP. The goals of the program are to work toward the recovery of listed species through habitat and species conservation, and attempt to reduce the likelihood of additional species listings under the Endangered Species Act. The program will also accommodate current water diversions and power production and optimize opportunities for future water and power development. This program is a 50-year program and this is the sixth year of operations under the program. In accordance with the funding contracts, current payments related to the program are now depositing substantial amounts into a reserve account for use related to species habitat in the future. This will continue for the next few years until appropriate expenditures will be directed by the United States Bureau of Reclamation. All charges to Commission customers are pursuant to contract.

Capital Assets

The Commission's investment in capital assets for its governmental and business-type activities as of June 30, 2011, amounts to \$54,534,970 (net of accumulated depreciation). This investment includes the power delivery system, automobiles and equipment (both administrative vehicles and power delivery project utility vehicles) and office furniture. 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 | | |
|-------------------------------|----------------------------|------------------|--------------------|-----------------------------|----------------------|-----------------------|
| | 2011 | 2010 | Change | 2011 | 2010 | Change |
| Power transmission system | | | | \$ 54,456,418 | \$ 56,472,118 | \$ (2,015,700) |
| Automobiles and equipment | \$ 35,121 | \$ 46,103 | \$ (10,982) | 43,431 | 58,365 | (14,934) |
| Office furniture and fixtures | | | | | | |
| Total | <u>\$ 35,121</u> | <u>\$ 46,103</u> | <u>\$ (10,982)</u> | <u>\$ 54,499,849</u> | <u>\$ 56,530,483</u> | <u>\$ (2,030,634)</u> |

Debt Administration

As of June 30, 2011, outstanding long-term obligations of the Commission consisted of the following:

| <u>Bond Description</u> | <u>Average Interest Rate (%)</u> | <u>Maturity Date</u> | <u>Balance Outstanding</u> |
|--|--|--------------------------|--------------------------------|
| Hoover Uprating refunding, series 2001 | 5.4 | 2017 | \$ 6,305,000 |
| Hoover Uprating refunding, series 2002 | 5.4 | 2016 | 26,165,000 |
| Power Delivery refunding series 2005I | 4.8 | 2030 | 60,330,000 |

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 is not involved in any litigation at this time.

Additional 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 on all issues discussed in this analysis, on many other programs and projects of the Commission, and information related to customers and staff 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, 2011**

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|-----------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents, unrestricted | \$ 4,475,158 | \$ 2,713,656 | \$ 7,188,814 |
| Receivables: | | | |
| Accounts | 162,294 | 17,119,733 | 17,282,027 |
| Accrued interest | 7,607 | 6,318 | 13,925 |
| Due from other funds* | 320,354 | | |
| Current portion of prepaid power | | 5,663,109 | 5,663,109 |
| Total current assets | <u>4,965,413</u> | <u>25,502,816</u> | <u>30,147,875</u> |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | | 10,026,463 | 10,026,463 |
| Capital assets: | | | |
| Depreciable property and equipment, net | 35,121 | 54,499,849 | 54,534,970 |
| Prepaid power, net of current portion | | 23,840,031 | 23,840,031 |
| Total noncurrent assets | <u>35,121</u> | <u>88,366,343</u> | <u>88,401,464</u> |
| Total assets | <u>\$ 5,000,534</u> | <u>\$ 113,869,159</u> | <u>\$ 118,549,339</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 225,026 | \$ 10,882,998 | \$ 11,108,024 |
| Deferred revenue | 378,487 | 323,170 | 701,657 |
| Payable to customers | | 1,621,027 | 1,621,027 |
| Customer collateral and other deposits | | 3,354,265 | 3,354,265 |
| Current portion of accrued compensated absences | 205,279 | | 205,279 |
| Current portion of bonds payable | | 5,964,001 | 5,964,001 |
| Due to other funds* | | 320,354 | |
| Accrued interest | | 1,280,892 | 1,280,892 |
| Total current liabilities | <u>808,792</u> | <u>23,746,707</u> | <u>24,235,145</u> |
| Noncurrent liabilities: | | | |
| Bonds payable, net of current portion | | 85,146,208 | 85,146,208 |
| Accrued compensated absences, net of current portion | 92,519 | | 92,519 |
| Total noncurrent liabilities | <u>92,519</u> | <u>85,146,208</u> | <u>85,238,727</u> |
| Total liabilities | <u>901,311</u> | <u>108,892,915</u> | <u>109,473,872</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 35,121 | (4,219,164) | (4,184,043) |
| Restricted for certain operations and maintenance | | 710,738 | 710,738 |
| Restricted for research and development | 2,139,130 | | 2,139,130 |
| Unrestricted | 1,924,972 | 8,484,670 | 10,409,642 |
| Total net assets | <u>4,099,223</u> | <u>4,976,244</u> | <u>9,075,467</u> |
| Total liabilities and net assets | <u>\$ 5,000,534</u> | <u>\$ 113,869,159</u> | <u>\$ 118,549,339</u> |

* All interfund balances are eliminated in the total column. Accordingly, total balances will not foot.

COLORADO RIVER COMMISSION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

| Functions/Programs | Expenses | Program Revenues | Net (Expenses) Revenue and Changes in Net Assets | | Total |
|---------------------------|----------------------|-------------------------|---|-----------------------------|---------------------|
| | | Charges for Services | Governmental Activities | Business-type Activities | |
| Governmental activities: | | | | | |
| General government | \$ 2,306,101 | \$ 1,972,751 | \$ (333,350) | | \$ (333,350) |
| Business-type activities: | | | | | |
| Power marketing | 41,483,124 | 41,436,582 | | \$ (46,542) | (46,542) |
| Power delivery | 45,904,714 | 46,077,938 | | 173,224 | 173,224 |
| | <u>87,387,838</u> | <u>87,514,520</u> | | <u>126,682</u> | <u>126,682</u> |
| Total | <u>\$ 89,693,939</u> | <u>\$ 89,487,271</u> | <u>(333,350)</u> | <u>126,682</u> | <u>(206,668)</u> |
| General revenues: | | | | | |
| Investment income | | | 12,432 | 2,841 | 15,273 |
| Multi-species surcharge | | | 1,375,160 | | 1,375,160 |
| Miscellaneous | | | 82,409 | 34,163 | 116,572 |
| | | | <u>1,470,001</u> | <u>37,004</u> | <u>1,507,005</u> |
| Change in net assets | | | 1,136,651 | 163,686 | 1,300,337 |
| Net assets, beginning | | | <u>2,962,572</u> | <u>4,812,558</u> | <u>7,775,130</u> |
| Net assets, ending | | | <u>\$ 4,099,223</u> | <u>\$ 4,976,244</u> | <u>\$ 9,075,467</u> |

COLORADO RIVER COMMISSION

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

| | <u>General Fund</u> | <u>Nonmajor Governmental Fund Research and Development Special Revenue Fund</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---|---|
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,382,976 | \$ 2,092,182 | \$ 4,475,158 |
| Receivables: | | | |
| Accounts | 118,903 | 43,391 | 162,294 |
| Accrued interest | 4,050 | 3,557 | 7,607 |
| Due from other funds | 320,354 | | 320,354 |
| Total assets | <u>\$ 2,826,283</u> | <u>\$ 2,139,130</u> | <u>\$ 4,965,413</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 225,026 | | \$ 225,026 |
| Deferred revenue | 378,487 | | 378,487 |
| Total liabilities | <u>603,513</u> | | <u>603,513</u> |
| Fund balances: | | | |
| Unassigned | 2,222,770 | | 2,222,770 |
| Restricted for research and development | | \$ 2,139,130 | 2,139,130 |
| Total fund balances | <u>2,222,770</u> | <u>2,139,130</u> | <u>4,361,900</u> |
| Total liabilities and fund balances | <u>\$ 2,826,283</u> | <u>\$ 2,139,130</u> | |

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

| | |
|--|---------------------|
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds | 35,121 |
| Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds: | |
| Compensated absences | <u>(297,798)</u> |
| Net assets of governmental activities | <u>\$ 4,099,223</u> |

COLORADO RIVER COMMISSION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

| | <u>General Fund</u> | <u>Nonmajor Governmental Fund Research and Development Special Revenue Fund</u> | <u>Total Governmental Funds</u> |
|---|---------------------|---|---|
| REVENUES | | | |
| Charges for services | \$ 1,972,751 | | \$ 1,972,751 |
| Investment income | 6,174 | \$ 6,258 | 12,432 |
| Multi-species surcharge | | 1,375,160 | 1,375,160 |
| Miscellaneous | 82,409 | | 82,409 |
| Total revenues | <u>2,061,334</u> | <u>1,381,418</u> | <u>3,442,752</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General administration | 4,898,951 | 44,833 | 4,943,784 |
| Less salaries and overhead recovered by allocation | <u>(2,676,584)</u> | | <u>(2,676,584)</u> |
| Net general administration expenditures | 2,222,367 | 44,833 | 2,267,200 |
| Water purchases | 14,270 | | 14,270 |
| Other | | 25,318 | 25,318 |
| Total expenditures | <u>2,236,637</u> | <u>70,151</u> | <u>2,306,788</u> |
| Excess (deficiency) of revenues over (under) expenditures and change in fund balances | (175,303) | 1,311,267 | 1,135,964 |
| Fund balances, beginning | <u>2,398,073</u> | <u>827,863</u> | <u>3,225,936</u> |
| Fund balances, ending | <u>\$ 2,222,770</u> | <u>\$ 2,139,130</u> | <u>\$ 4,361,900</u> |

**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 | \$ 1,135,964 |
| 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 was greater than capital outlays in the current period. | (10,983) |
| 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: | |
| Change in accrued compensated absences | <u>11,670</u> |
| Change in net assets of governmental activities | <u>\$ 1,136,651</u> |

COLORADO RIVER COMMISSION

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011**

| | Budget | | Actual | Variance with Final Budget |
|---|---------------------|--------------------|---------------------|----------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Power administrative charge | \$ 1,350,000 | \$ 1,377,205 | \$ 1,219,897 | \$ (157,308) |
| Water charges | 2,692,330 | 2,692,330 | 752,854 | (1,939,476) |
| Investment income | 123,000 | 123,000 | 6,174 | (116,826) |
| Miscellaneous | | | 82,409 | 82,409 |
| Total revenues | <u>4,165,330</u> | <u>4,192,535</u> | <u>2,061,334</u> | <u>(2,131,201)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General administration: | | | | |
| Personnel services | 4,419,622 | 4,419,622 | 3,365,164 | 1,054,458 |
| Travel: | | | | |
| Out-of-state | 79,720 | 79,720 | 54,999 | 24,721 |
| In-state | 24,679 | 24,679 | 11,062 | 13,617 |
| Water purchases | 50,000 | 50,000 | 14,270 | 35,730 |
| Operating: | | | | |
| Rent | 137,043 | 137,043 | 120,992 | 16,051 |
| Dues and registration fees | 39,154 | 39,154 | 69,294 | (30,140) |
| Contractual services | 1,253,000 | 1,253,000 | 252,622 | 1,000,378 |
| Refunds of power administration charges | | | 318,093 | (318,093) |
| Other | 524,004 | 524,004 | 290,312 | 233,692 |
| Legal | 378,104 | 378,104 | 377,330 | 774 |
| Equipment, furniture and software | 57,501 | 57,501 | 39,083 | 18,418 |
| Total expenditures | <u>6,962,827</u> | <u>6,962,827</u> | <u>4,913,221</u> | <u>2,049,606</u> |
| Less salaries and overhead recovered by allocation | <u>(2,588,673)</u> | <u>(2,676,584)</u> | <u>(2,676,584)</u> | |
| Net expenditures | <u>4,374,154</u> | <u>4,286,243</u> | <u>2,236,637</u> | <u>2,049,606</u> |
| Excess (deficiency) of revenues over (under) expenditures and change in fund balance | (208,824) | (93,708) | (175,303) | (81,595) |
| Fund balance, beginning | <u>1,961,053</u> | <u>1,054,492</u> | <u>2,398,073</u> | <u>1,343,581</u> |
| Fund balance, ending | <u>\$ 1,752,229</u> | <u>\$ 960,784</u> | <u>\$ 2,222,770</u> | <u>\$ 1,261,986</u> |

COLORADO RIVER COMMISSION

**BALANCE SHEET
PROPRIETARY FUNDS
JUNE 30, 2011**

| | Business-type Activities Enterprise Funds | | |
|---|--|----------------------|-----------------------|
| | Power Marketing | Power Delivery | Totals |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents, unrestricted | \$ 485,503 | \$ 2,228,153 | \$ 2,713,656 |
| Receivables: | | | |
| Accounts | 8,366,912 | 8,752,821 | 17,119,733 |
| Accrued interest | 5,023 | 1,295 | 6,318 |
| Current portion of prepaid power | 5,663,109 | | 5,663,109 |
| Total current assets | <u>14,520,547</u> | <u>10,982,269</u> | <u>25,502,816</u> |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | 8,638,045 | 1,388,418 | 10,026,463 |
| Capital assets: | | | |
| Power transmission system, net | | 54,456,418 | 54,456,418 |
| Automobiles and equipment, net | | 43,431 | 43,431 |
| Prepaid power, net of current portion | 23,840,031 | | 23,840,031 |
| Total noncurrent assets | <u>32,478,076</u> | <u>55,888,267</u> | <u>88,366,343</u> |
| Total assets | <u>\$ 46,998,623</u> | <u>\$ 66,870,536</u> | <u>\$ 113,869,159</u> |
| LIABILITIES: | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 1,671,073 | \$ 9,211,925 | \$ 10,882,998 |
| Deferred revenue | 297,670 | 25,500 | 323,170 |
| Payable to customers | | 1,621,027 | 1,621,027 |
| Customer collateral and other deposits | 3,354,265 | | 3,354,265 |
| Current portion of bonds payable | 3,782,224 | 2,181,777 | 5,964,001 |
| Due to other funds | 8,228 | 312,126 | 320,354 |
| Accrued interest | 436,316 | 844,576 | 1,280,892 |
| Total current liabilities | <u>9,549,776</u> | <u>14,196,931</u> | <u>23,746,707</u> |
| Noncurrent liabilities: | | | |
| Bonds payable, net of current portion | <u>28,604,376</u> | <u>56,541,832</u> | <u>85,146,208</u> |
| Total liabilities | <u>38,154,152</u> | <u>70,738,763</u> | <u>108,892,915</u> |
| NET ASSETS: | | | |
| Invested in capital assets, net of related debt | | (4,219,164) | (4,219,164) |
| Restricted for certain operations and maintenance | 710,738 | | 710,738 |
| Unrestricted | 8,133,733 | 350,937 | 8,484,670 |
| Total net assets | <u>8,844,471</u> | <u>(3,868,227)</u> | <u>4,976,244</u> |
| Total liabilities and net assets | <u>\$ 46,998,623</u> | <u>\$ 66,870,536</u> | <u>\$ 113,869,159</u> |

COLORADO RIVER COMMISSION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011

| | Business-type Activities Enterprise Funds | | |
|--|--|-----------------------|---------------------|
| | Power Marketing | Power Delivery | Totals |
| OPERATING REVENUES: | | | |
| Power sales | \$ 41,436,582 | \$ 46,077,938 | \$ 87,514,520 |
| Miscellaneous | 34,163 | | 34,163 |
| Total revenues | <u>41,470,745</u> | <u>46,077,938</u> | <u>87,548,683</u> |
| OPERATING EXPENSES: | | | |
| Power purchases | 35,492,151 | 37,623,339 | 73,115,490 |
| Prepaid power advances | 5,652,250 | | 5,652,250 |
| Depreciation | | 2,030,633 | 2,030,633 |
| General administration | 326,344 | 3,335,384 | 3,661,728 |
| Total operating expenses | <u>41,470,745</u> | <u>42,989,356</u> | <u>84,460,101</u> |
| Operating income | | 3,088,582 | 3,088,582 |
| NONOPERATING REVENUES (EXPENSES): | | | |
| Investment income | 4,445 | (1,604) | 2,841 |
| Interest expense | (12,379) | (2,915,358) | (2,927,737) |
| Changes in net assets | (7,934) | 171,620 | 163,686 |
| Net assets, beginning | <u>8,852,405</u> | <u>(4,039,847)</u> | <u>4,812,558</u> |
| Net assets, ending | <u>\$ 8,844,471</u> | <u>\$ (3,868,227)</u> | <u>\$ 4,976,244</u> |

COLORADO RIVER COMMISSION

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011**

| | Business-type Activities Enterprise Funds | | |
|---|--|---------------------|----------------------|
| | Power Marketing | Power Delivery | Totals |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Cash received from customers | \$ 40,533,639 | \$ 48,580,922 | \$ 89,114,561 |
| Cash paid for goods and services | (35,416,330) | (42,595,227) | (78,011,557) |
| Net cash provided by operating activities | <u>5,117,309</u> | <u>5,985,695</u> | <u>11,103,004</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | | |
| Interest paid (charged to prepaid power) | (1,867,167) | | (1,867,167) |
| Principal payments reimbursed on bonds payable (charged to prepaid power) | (3,587,224) | | (3,587,224) |
| Net cash used in noncapital financing activities | <u>(5,454,391)</u> | | <u>(5,454,391)</u> |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES: | | | |
| Interest paid | | (2,858,781) | (2,858,781) |
| Principal payments on bonds payable | | (2,170,000) | (2,170,000) |
| Net cash used in capital financing activities | | <u>(5,028,781)</u> | <u>(5,028,781)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest received | 9,140 | | 9,140 |
| Net cash provided by investing activities | <u>9,140</u> | | <u>9,140</u> |
| Net increase in cash and cash equivalents (Restricted and unrestricted) | (327,942) | 956,914 | 628,972 |
| Cash and cash equivalents, beginning | 9,451,490 | 2,659,657 | 12,111,147 |
| Cash and cash equivalents, ending | <u>\$ 9,123,548</u> | <u>\$ 3,616,571</u> | <u>\$ 12,740,119</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | |
| Operating income | | \$ 3,088,582 | \$ 3,088,582 |
| Depreciation | | 2,030,633 | 2,030,633 |
| Amortization of prepaid power | \$ 5,652,250 | | 5,652,250 |
| (Increase) decrease in operating assets: | | | |
| Accounts receivable | (1,245,594) | 856,457 | (389,137) |
| Other | | 438,495 | 438,495 |
| Increase (decrease) in operating liabilities: | | | |
| Accounts payable | 337,406 | (631,691) | (294,285) |
| Deferred revenue | 71,595 | 25,500 | 97,095 |
| Customer collateral and other deposits | | (1,152,823) | (1,152,823) |
| Due to other funds | (6,836) | (290,485) | (297,321) |
| Payable to customers | 308,488 | 1,621,027 | 1,929,515 |
| Net cash provided by operating activities | <u>\$ 5,117,309</u> | <u>\$ 5,985,695</u> | <u>\$ 11,103,004</u> |

NOTES TO FINANCIAL STATEMENTS

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COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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.

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 (Nevada or the State), is also an integral part of that reporting entity. There are no other entities for which the Commission is financially accountable, and thus requiring them to be reported as component units of the Commission.

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, measurement focus, and basis of accounting

Basis of presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States (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*, as amended, 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.

The preparation of financial statements in accordance with GAAP requires the use of estimates and assumptions that affect certain reported amounts and disclosures, some of which may require revisions in future periods. Accordingly, actual results could differ from these estimates and assumptions.

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 inter-governmental revenues and other exchange transactions. Business-type activities are financed primarily by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to that particular program or function. Certain indirect costs are included in the program expense reported for individual functions and 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.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2011

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues 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 and 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, 2011, there were 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

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2011

capital leases are reported as other financing sources.

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

C. Assets, liabilities, and equity

Cash equivalents

The Commission's restricted and unrestricted cash is deposited with the State Treasurer (the Treasurer) in a fund similar to an external investment pool (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 Commission had no outstanding securities lending transactions as of June 30, 2011.

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" (Note 6).

Since sales are made only to customers who are known to have acceptable credit and no bad debts have ever been sustained, an allowance for uncollectible accounts is not considered to be necessary.

Prepaid power

The Commission has participated with the State in funding (Note 7) 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 and 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 and cash equivalents (Note 4). Net assets are restricted to the extent restricted assets exceed related liabilities.

Capital assets

Purchased or constructed capital assets (Note 5) are recorded at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value on the date of donation. The capitalization threshold is \$5,000.

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

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2011

the capitalized value of the assets constructed. However, during the fiscal year ended June 30, 2011, none of the total interest expense incurred by the Commission (\$2,927,737) 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 |
| Office equipment | 5 |
| Automobiles | 4-6 |

Compensated absences

It is the Commission's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and 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 and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

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. There were no encumbrances outstanding at the beginning or 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 legislative 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 by budget categories (personnel services, travel in-state, travel out-of-state, operating expenses, and capital outlay for the general fund; and general and administrative and intergovernmental for the special revenue fund).

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

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 State 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 services 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 payment.

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, 2011, 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 2010-2011.

3. Cash deposits:

At June 30, 2011, the Commission's carrying amount ("book value") of restricted and unrestricted cash and cash equivalents was \$17,215,277 and the State Treasurer's balance was \$16,407,425. These deposits with the Treasurer are not categorized as to credit risk.

4. Restricted cash and cash equivalents:

Cash and cash equivalents restricted at June 30, 2011, by bond covenants or contractual agreements are summarized as follows:

| | Power Marketing Fund | Power Delivery Fund |
|------------------------------------|----------------------------|-----------------------------|
| Restricted for: | | |
| Debt service | \$ 3,282,566 | |
| Construction reserve | | \$ 1,388,418 |
| Reserve for revenue insufficiency | 2,767,523 | |
| Cash held by contractual agreement | <u>2,587,958</u> | <u> </u> |
| Total restricted | <u>\$ 8,638,045</u> | <u>\$ 1,388,418</u> |

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

5. Capital assets:

Capital asset activity for the year ended June 30, 2011, was as follows:

| | Beginning Balances | Increase | Decrease | Ending Balances |
|--|-----------------------|-----------------------|-----------------|----------------------|
| Governmental activities: | | | | |
| Capital assets being depreciated: | | | | |
| Office equipment | \$ 110,927 | | | \$ 110,927 |
| Office furniture and fixtures | 28,539 | | | 28,539 |
| Automobiles | 153,602 | | \$ 25,085 | 128,517 |
| Total capital assets being depreciated | <u>293,068</u> | | <u>25,085</u> | <u>267,983</u> |
| Less accumulated depreciation for: | | | | |
| Office equipment | 110,927 | | | 110,927 |
| Office furniture and fixtures | 28,539 | | | 28,539 |
| Automobiles | 107,499 | \$ 10,983 | 25,085 | 93,397 |
| Total accumulated depreciation | <u>246,965</u> | <u>10,983</u> | <u>25,085</u> | <u>232,863</u> |
| Governmental activities capital assets, net | <u>\$ 46,103</u> | <u>\$ (10,983)</u> | <u>\$ -</u> | <u>\$ 35,120</u> |
| Business-type activities: | | | | |
| Capital assets being depreciated: | | | | |
| Power transmission system | \$ 75,722,481 | | | \$ 75,722,481 |
| Office equipment | 65,089 | | | 65,089 |
| Automobiles | 224,172 | | \$ 37,123 | 187,049 |
| Total capital assets being depreciated | <u>76,011,742</u> | | <u>37,123</u> | <u>75,974,619</u> |
| Less accumulated depreciation for: | | | | |
| Power transmission system | 19,250,363 | \$ 2,011,103 | | 21,261,466 |
| Office equipment and automobiles | 230,896 | 14,932 | 32,524 | 213,304 |
| Total accumulated depreciation | <u>19,481,259</u> | <u>2,026,035</u> | <u>32,524</u> | <u>21,474,770</u> |
| Business-type activities capital assets, net | <u>\$ 56,530,483</u> | <u>\$ (2,026,035)</u> | <u>\$ 4,599</u> | <u>\$ 54,499,849</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|----------------------------|---------------------|
| Governmental activities: | |
| General government | \$ 10,983 |
| Business-type activities: | |
| Power delivery | <u>2,026,035</u> |
| Total depreciation expense | <u>\$ 2,037,018</u> |

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

6. Balances due to/from other funds

The composition of interfund balances, representing the net of short-term working capital advances and repayments, as of June 30, 2011, is as follows:

| Funds: | Due from | Due to |
|-----------------|-------------------|-------------------|
| General | \$ 320,354 | |
| Power marketing | | \$ 8,228 |
| Power delivery | | 312,126 |
| | <u>\$ 320,354</u> | <u>\$ 320,354</u> |

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.

In 2001, the Commission sold the \$6,305,000 Series 2001 bonds. Proceeds from these bonds were used to advance refund the Series 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%.

Business-type activities:

Hoover uprating refunding, series 2001
Hoover uprating refunding, series 2002
Power delivery refunding, series 2005I

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 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 2029, with interest payable semi-annually on March 15 and September 15 at the annual rates of 4.75% to 5%.

The Series 2005I bonds principal and interest payments are being made by a significant customer of the Commission as partial payment for power delivery services.

The Commission has provided to a third-party borrower conduit debt with an outstanding balance of \$126,595,000 as of June 30, 2011. Pursuant to an agreement with the third-party borrower, the Commission has no obligation for the debt.

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

| Maturity Dates | Interest Rates | Outstanding June 30, 2011 |
|----------------|----------------|---------------------------|
| 2017 | 5.375% | \$ 6,305,000 |
| 2008-2016 | 5.375% | 26,165,000 |
| 2008-2030 | 4.75 to 5% | 60,330,000 |
| | | <u>\$ 92,800,000</u> |

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

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

| Year Ending June 30, | Business-type Activities | |
|-------------------------|--------------------------|----------------------|
| | Principal | Interest |
| 2012 | \$ 6,065,000 | \$ 4,482,209 |
| 2013 | 6,400,000 | 4,155,959 |
| 2014 | 6,735,000 | 3,812,144 |
| 2015 | 7,100,000 | 3,449,975 |
| 2016 | 7,470,000 | 3,068,541 |
| 2017-2021 | 27,240,000 | 10,122,466 |
| 2022-2026 | 20,035,000 | 5,257,656 |
| 2027-2030 | 11,755,000 | 767,006 |
| Total | <u>\$ 92,800,000</u> | <u>\$ 35,115,956</u> |

Changes in long-term obligations

Changes in long-term obligations during the year-ended June 30, 2011, are summarized below:

| | Balance July 1, 2010 | Additions | Reductions | Balance June 30, 2011 | Current |
|----------------------------------|-------------------------|-------------------|---------------------|--------------------------|---------------------|
| Governmental activities: | | | | | |
| Accrued compensated absences | \$ 309,467 | \$ 246,301 | \$ 257,970 | \$ 297,798 | \$ 205,279 |
| Business-type activities: | | | | | |
| General obligation bonds | 98,570,000 | | 5,770,000 | 92,800,000 | 6,065,000 |
| Unamortized bond premium | 2,656,919 | | 246,805 | 2,410,114 | 246,805 |
| Unamortized refunding charges | (4,447,708) | | (347,804) | (4,099,904) | (347,804) |
| Total | <u>\$ 97,088,678</u> | <u>\$ 246,301</u> | <u>\$ 5,926,971</u> | <u>\$ 91,408,008</u> | <u>\$ 6,169,280</u> |

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

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2011

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; and natural disasters. 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 insurance deductible.

The United States is experiencing a widespread recession accompanied by declines in residential real estate sales, mortgage lending and related construction activity, higher energy costs and other inflationary trends and weakness in the commercial and investment banking systems, and is engaged in a war, all of which are likely to continue to have far-reaching effects on the economic activity in the country for an indeterminate period. The near and long-term impact of these factors on the Nevada economy and the Commission's operations cannot be predicted at this time but may be substantial.

Through the State Treasurer, the Commission may carry cash and cash equivalents on deposit with financial institutions in excess of federally insured limits, and the risk of losses related to such concentrations may be increasing as a result of current economic instability discussed in the foregoing paragraph. The extent of a future loss to be sustained as a result of uninsured deposits in the event of a future failure of a financial institution, if any, is not subject to estimation at this time.

10. Commitments and contingencies

Litigation

The Commission may from time to time be a party in various litigation matters. It is management's opinion, based upon advice from legal counsel, that the risk of financial losses to the Commission from such litigation, if any, will not have a material adverse effect on the Commission's future financial position, results of operations or cash flows. Accordingly, no provision has been made for any such losses.

The Commission does not accrue for estimated future legal and defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters but rather, records such as period costs when the services are rendered.

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. Rebateable 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.

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

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

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 2.67% of their final average salary for each year of credited service up to a maximum of 90% 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 10.25% of their salary and the Commission contributing 11.25%, or, under the employer paid option, taking an 11.25% reduction in gross pay with the Commission contributing 21.50% 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, which was paid in full by the Commission, for fiscal years 2009-2011 was as follows:

| <u>Year Ended</u> | <u>Contribution Rate</u> | | <u>Covered Payroll</u> | | <u>Annual Required Contribution Paid by the Commission</u> | |
|-------------------|--------------------------|-----------------------|------------------------|-----------------------|--|-----------------------|
| | <u>Regular Members</u> | | | | | |
| | | Employer/ Employee | Employer | Employer/ Employee | Employer | Employer/ Employee |
| June 30, 2009 | 20.25% | 10.50% | \$ 1,659,746 | \$ 1,019,904 | \$ 443,188 | \$ 107,090 |
| 2010 | 21.50% | 11.25% | 1,667,308 | 944,445 | 470,346 | 111,875 |
| 2011 | 21.50% | 11.25% | 1,666,599 | 922,948 | 462,150 | 103,832 |

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
(775) 687-4200

12. Other Postemployment Benefits

Plan Description - The State Retirees Health and Welfare Benefits Fund, Public Employees' Benefits Program ("PEBP") of the State of Nevada ("Retirees Fund") was created in 2007 by the Nevada Legislature to account for the financial assets designated to offset the portion of current and future costs of health and welfare benefits paid on behalf

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2011

of State retirees. The Retirees' Fund is a multiple-employer, cost-sharing defined postemployment benefit plan with three participating employers, and is administered by the Board of Public Employees' Benefits Program of the State of Nevada. The Retirees' Fund provides benefits other than pensions to eligible retirees and their dependents through the payment of subsidies to the PEBP. PEBP administers a group health and life insurance program for covered employees, both active and retired, of the State, and certain other participating public employers within the State of Nevada, including the Commission. Nevada Administrative Code (NAC) 287.530 establishes this benefit upon the retiree. All State public employees who retire with at least five years of public service and who have State service are eligible to receive benefits from the Retirees' Fund. State service is defined as employment with any State agency, the Nevada System of Higher Education and any State Board or Commission. A portion of the monthly premiums are deducted from pension checks and paid to the PEBP. The cost varies depending on which health plan the retiree chooses, as well as the amount of subsidy they receive.

Implementation of GASB 45 – This Statement was implemented prospectively by the State beginning with the fiscal year ended June 30, 2008. Legislation effective July 1, 2007, amended the NRS making various changes regarding the management of the PEBP. NRS 287.0436 established an irrevocable trust fund, the Retiree's Fund, for the purpose of providing retirement benefits other than a pension. The Retirees' Fund issues a stand-alone financial report that includes financial statements and required supplementary information. The State reports the Retiree's Fund as a trust fund. The Retirees' Fund financial report

may be obtained from the PEBP at the following address:

Public Employees' Benefits Program
901 South Stewart Street, Suite 1001
Carson City, NV 89701

Contributions and Funding Policy – NRS 287.046 establishes a subsidy to pay the contributions for the persons retired from the State. Contributions to the Retirees' Fund are paid by the State through an assessment of actual payroll paid by each State entity. For the period from July 1, 2010 through June 30, 2011, the rate assessed was .658% of annual covered payroll. The assessment is based on an amount prescribed by the State Legislature. For the years ended June 30, 2011, 2010, and 2009, the Commission contributed \$17,279, \$57,702, and \$56,635 respectively, to the plan. These contributions equaled 100% of the required contributions each year.

13. Joint Venture

CRC is a member of the Silver State Energy Association (SSEA). SSEA was established as a joint venture through an interlocal agreement among the member agencies (Members), which, in addition to CRC, include the City of Boulder City, Lincoln Power District No. 1, Overton Power District No. 5 and the Southern Nevada Water Authority.

SSEA is an association of public agencies with the common goal of jointly planning, developing, owning and operating power resources to meet their own needs and those of their customers. The economies of scale produced by the SSEA offer improved project development opportunities and power purchasing capabilities, the sharing of resources and expertise, and the opportunity for jointly managed energy needs.

As appropriate projects are selected for development, the Members involved in each

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011**

project enter into a project service agreement (PSA) indicating each participating Member's allocation of project costs.

The business and other affairs of the SSEA are conducted by a Board of Directors consisting of one director appointed by each Member. The appointed director may, but need not be, a member of the governing body of the Member.

Financial information regarding SSEA can be obtained by writing or emailing at:

Manager of Energy Services for the
Colorado River Commission
P.O. Box 99956, MS 115
Las Vegas, NV 89193-9956

The Silver State Energy Association (SSEA)
website is www.silverstateenergy.org/.

INDIVIDUAL FUND SCHEDULES

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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, 2011**

| | Budget | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Investment income | \$ 46,345 | \$ 46,345 | \$ 6,258 | \$ (40,087) |
| Multi-species surcharge | 1,700,325 | 1,700,325 | 1,375,160 | (325,165) |
| Total revenues | <u>1,746,670</u> | <u>1,746,670</u> | <u>1,381,418</u> | <u>(365,252)</u> |
| EXPENDITURES | | | | |
| Multi-species assessment | 814,418 | 814,418 | | 814,418 |
| Refunds of power administration charges | | | 44,833 | (44,833) |
| Other | | | 25,318 | (25,318) |
| | <u>814,418</u> | <u>814,418</u> | <u>70,151</u> | <u>744,267</u> |
| Excess of revenues over expenditures and change in fund balance | 932,252 | 932,252 | 1,311,267 | 379,015 |
| Fund balance, beginning | <u>275,219</u> | <u>321,030</u> | <u>827,863</u> | <u>506,833</u> |
| Fund balance, ending | <u>\$ 1,207,471</u> | <u>\$ 1,253,282</u> | <u>\$ 2,139,130</u> | <u>\$ 885,848</u> |

COLORADO RIVER COMMISSION

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE*
JUNE 30, 2011 AND 2010**

| | <u>2011</u> | <u>2010</u> |
|---|-------------------|-------------------|
| GOVERNMENTAL FUNDS CAPITAL ASSETS: | | |
| Office equipment | \$ 110,927 | \$ 110,927 |
| Office furniture and fixtures | 28,539 | 28,539 |
| Automobiles | <u>128,517</u> | <u>153,602</u> |
| Total governmental funds capital assets | <u>\$ 267,983</u> | <u>\$ 293,068</u> |
| Investment in governmental funds capital assets by source - general fund | <u>\$ 267,983</u> | <u>\$ 293,068</u> |

*All governmental fund capital assets are used in the general government function.

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, 2011

| | <u>Capital Assets July 1, 2010</u> | <u>Additions</u> | <u>Deletions</u> | <u>Capital Assets June 30, 2011</u> |
|-------------------------------|--|------------------|------------------|---|
| GENERAL GOVERNMENT: | | | | |
| Office equipment | \$ 110,927 | | | \$ 110,927 |
| Office furniture and fixtures | 28,539 | | | 28,539 |
| Automobiles | 153,602 | \$ - | \$ 25,085 | 128,517 |
| Total capital assets | <u>\$ 293,068</u> | <u>\$ -</u> | <u>\$ 25,085</u> | <u>\$ 267,983</u> |

*All governmental fund capital assets are used in the general government function.

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STATISTICAL SECTION

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STATISTICAL SECTION

(UNAUDITED)

This section of the Commission's comprehensive annual financial report presents detailed information as a context for 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.

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.

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

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

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.

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.

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**COLORADO RIVER COMMISSION
NET ASSETS BY COMPONENT**

LAST TEN FISCAL YEARS (UNAUDITED)

Table 1

| | Fiscal Year | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|--------------|---------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Governmental activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 35,121 | \$ 46,102 | \$ 33,762 | \$ 14,045 | \$ 97,911 | \$ 118,006 | \$ 109,064 | \$ 107,230 | \$ 122,638 | \$ 170,115 |
| Unrestricted | 1,924,972 | 2,916,470 | 3,143,590 | 3,090,809 | 2,306,710 | 10,934,221 | 9,292,022 | 2,393,362 | 1,929,113 | 2,601,629 |
| Total governmental activities net assets | 1,960,093 | 2,962,572 | 3,179,352 | 3,104,854 | 2,404,621 | 11,052,227 | 9,401,086 | 2,500,592 | 2,051,751 | 2,771,744 |
| Business-type activities | | | | | | | | | | |
| Invested in capital assets, net of related debt | (4,219,164) | (4,270,307) | (3,967,588) | (3,850,234) | (3,661,965) | | | | | |
| Restricted | 710,738 | 710,482 | 713,088 | 716,319 | 717,664 | 716,284 | 713,004 | 707,485 | 705,049 | 707,007 |
| Unrestricted | 8,484,670 | 8,372,383 | 8,345,585 | 8,355,522 | 8,252,177 | 4,716,772 | 5,345,387 | 5,676,526 | 6,251,496 | 7,845,864 |
| Total business-type activities net assets | 4,976,244 | 4,812,558 | 5,091,085 | 5,221,607 | 5,307,876 | 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 | (4,184,043) | (4,224,205) | (3,933,826) | (3,836,189) | (3,564,054) | 118,006 | 109,064 | 107,230 | 122,638 | 170,115 |
| Restricted | 710,738 | 710,482 | 713,088 | 716,319 | 717,664 | 716,284 | 713,004 | 707,485 | 705,049 | 707,007 |
| Unrestricted | 10,409,642 | 11,288,853 | 11,491,175 | 11,446,331 | 10,558,887 | 15,650,993 | 14,637,409 | 8,069,888 | 8,180,609 | 10,447,493 |
| Total entity-wide net assets | \$ 6,936,337 | \$ 7,775,130 | \$ 8,270,437 | \$ 8,326,461 | \$ 7,712,497 | \$ 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 TEN FISCAL YEARS (UNAUDITED)

Table 2

| | Fiscal Year | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Expenses | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| General government | \$ 2,306,101 | \$ 3,275,830 | \$ 2,810,030 | \$ 2,730,697 | \$ 12,208,192 | \$ 2,641,024 | \$ 2,253,266 | \$ 2,062,826 | \$ 2,968,732 | \$ 1,888,664 |
| Business-type activities | | | | | | | | | | |
| Power marketing | 41,483,124 | 40,226,984 | 46,050,417 | 55,744,898 | 57,473,246 | 62,986,316 | 70,038,951 | 127,942,758 | 117,616,074 | 135,697,615 |
| Power delivery | 45,904,714 | 41,633,751 | 38,006,772 | 10,678,035 | 15,783,971 | 58,929,523 | 37,159,924 | 13,504,249 | 27,387,791 | 24,653,645 |
| Total business-type activities expenses | 87,387,838 | 81,860,735 | 84,057,189 | 66,422,933 | 73,257,217 | 121,915,839 | 107,198,875 | 141,447,007 | 145,003,865 | 160,351,260 |
| Total entity-wide expenses | \$ 89,693,939 | \$ 85,136,565 | \$ 86,867,219 | \$ 69,153,630 | \$ 83,465,409 | \$ 124,556,863 | \$ 109,452,141 | \$ 143,509,833 | \$ 147,972,597 | \$ 162,239,924 |
| Program revenues | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Charges for services | \$ 1,219,897 | \$ 1,121,162 | \$ 1,167,254 | \$ 1,296,412 | \$ 1,323,837 | \$ 1,310,371 | \$ 1,049,704 | \$ 968,238 | \$ 978,394 | \$ 983,039 |
| Water charges | 752,854 | 1,285,018 | 1,046,787 | 1,311,351 | 888,720 | 1,603,826 | 1,015,940 | 1,496,859 | 1,176,446 | 551,290 |
| Total governmental activities program revenues | 1,972,751 | 2,406,180 | 2,214,041 | 2,607,763 | 2,212,557 | 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 | 41,436,582 | 40,217,943 | 45,845,877 | 55,601,491 | 57,246,095 | 62,764,886 | 64,003,861 | 127,826,226 | 117,233,246 | 135,200,158 |
| Power delivery | 46,077,938 | 41,711,572 | 37,897,186 | 10,242,168 | 15,130,974 | 57,900,598 | 36,513,222 | 12,756,303 | 26,699,508 | 26,766,833 |
| Total business-type activities program revenues | 87,514,520 | 81,929,515 | 83,743,063 | 65,843,659 | 72,377,069 | 120,665,484 | 100,517,083 | 140,582,529 | 143,932,754 | 161,966,991 |
| Total entity-wide program revenues | \$ 89,487,271 | \$ 84,355,695 | \$ 85,957,104 | \$ 68,451,422 | \$ 74,589,626 | \$ 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 TEN FISCAL YEARS (UNAUDITED)

| | Fiscal Year | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|-----------------|--------------|----------------|--------------|----------------|--------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Net expense | | | | | | | | | | |
| Governmental activities | \$ (333,350) | \$ (869,650) | \$ (595,989) | \$ (122,933) | \$ (9,995,635) | \$ 273,173 | \$ (187,622) | \$ 402,271 | \$ (813,892) | \$ (354,335) |
| Business-type activities | 126,682 | 65,780 | (314,126) | (579,274) | (880,148) | (1,250,555) | (6,681,792) | (864,478) | (1,271,111) | 1,615,731 |
| Total entity-wide net expense | \$ (206,668) | \$ (800,870) | \$ (910,115) | \$ (702,207) | \$ (10,875,783) | \$ (977,182) | \$ (6,869,414) | \$ (462,207) | \$ (2,085,003) | \$ 1,261,396 |
| General revenues and other changes in net assets | | | | | | | | | | |
| Governmental activities | \$ 12,432 | \$ 27,057 | \$ 87,325 | \$ 227,944 | \$ 773,632 | \$ 786,729 | \$ 46,142 | \$ 24,350 | \$ 69,509 | \$ 122,439 |
| Investment income | 1,375,160 | 625,814 | 583,162 | 595,223 | 547,450 | 525,144 | 17,584 | | | |
| Multi-species surcharge | | | | | | | 13,000,000 | | | |
| Land sales | | | | | 26,947 | 66,095 | 24,390 | 22,220 | 24,390 | 48,781 |
| Miscellaneous | | | | | | | (6,000,000) | | | |
| Transfers | | | | | | | | 46,570 | 93,899 | 171,220 |
| Total governmental activities | \$ 1,387,592 | \$ 652,871 | \$ 670,487 | \$ 823,167 | \$ 1,348,029 | \$ 1,377,968 | \$ 7,088,116 | \$ 46,570 | \$ 93,899 | \$ 171,220 |
| Business-type activities | 2,841 | 22,495 | 183,604 | 493,005 | 754,968 | 625,020 | 356,172 | 291,944 | 1,573,273 | 2,897,929 |
| Investment income | | | | | | | 6,000,000 | | | |
| Abandonment loss | | (369,802) | | | | | 6,356,172 | 291,944 | 1,573,273 | 2,897,929 |
| Transfers | 2,841 | (347,307) | 183,604 | 493,005 | 754,968 | 625,020 | | | | |
| Total business-type activities | \$ 1,390,433 | \$ 305,564 | \$ 854,091 | \$ 1,316,172 | \$ 2,102,997 | \$ 2,002,988 | \$ 13,444,288 | \$ 338,514 | \$ 1,667,172 | \$ 3,069,149 |
| Change in net assets | | | | | | | | | | |
| Governmental activities | \$ 1,054,242 | \$ (216,779) | \$ 74,498 | \$ 700,234 | \$ (8,647,606) | \$ 1,651,141 | \$ 6,900,494 | \$ 448,841 | \$ (719,993) | \$ (183,115) |
| Business-type activities | 129,523 | (278,527) | (130,522) | (86,269) | (125,180) | (625,335) | (325,620) | (572,534) | 302,162 | 4,513,660 |
| Total entity-wide | \$ 1,183,765 | \$ (495,306) | \$ (56,024) | \$ 613,965 | \$ (8,772,786) | \$ 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)

| | Fiscal Year | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| General fund | | | | | | | | | | |
| Unrestricted | \$ 2,222,770 | \$ 2,398,074 | \$ 2,545,592 | \$ 2,582,644 | \$ 2,015,840 | \$ 2,130,668 | \$ 1,117,428 | \$ 1,216,761 | \$ 719,660 | \$ 731,737 |
| All other governmental funds | | | | | \$ 182,131 | \$ 182,131 | \$ 4,550 | | | |
| Restricted | | | | | | | | | | |
| Unrestricted, reported in special revenue funds: | | | | | | | | | | |
| Fort Mohave Development | | | | | (14,162) | 8,705,291 | 8,242,169 | \$ 1,234,722 | \$ 1,234,840 | \$ 1,770,844 |
| Research and Development | \$ 2,139,130 | \$ 827,864 | \$ 872,912 | \$ 732,616 | 377,679 | 198,834 | 184,256 | 182,928 | 181,901 | 270,232 |
| Total all other governmental funds | \$ 2,139,130 | \$ 827,864 | \$ 872,912 | \$ 732,616 | \$ 545,648 | \$ 9,086,256 | \$ 8,430,975 | \$ 1,417,650 | \$ 1,416,741 | \$ 2,041,076 |

COLORADO RIVER COMMISSION

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

LAST TEN FISCAL YEARS (UNAUDITED)

Table 4

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|-------------------|-------------------|-----------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
| Revenues | | | | | | | | | | |
| Charges for services | \$ 1,972,751 | \$ 2,406,180 | \$ 2,214,041 | \$ 2,607,763 | \$ 2,212,557 | \$ 2,914,197 | \$ 2,065,644 | \$ 2,465,097 | \$ 2,154,840 | \$ 1,534,329 |
| Investment income | 12,432 | 27,057 | 87,325 | 227,944 | 773,632 | 786,729 | 46,142 | 24,350 | 69,509 | 122,439 |
| Multi-Species surcharge | 1,375,160 | 625,814 | 583,162 | 595,223 | 547,451 | 525,144 | 17,584 | | | |
| Land sales | | | | | | | 13,000,000 | | | |
| Miscellaneous | | | | | 26,947 | 66,095 | 24,390 | 22,220 | 24,390 | 48,781 |
| Total revenues | <u>3,360,343</u> | <u>3,059,051</u> | <u>2,884,528</u> | <u>3,430,930</u> | <u>3,560,587</u> | <u>4,292,165</u> | <u>15,153,760</u> | <u>2,511,667</u> | <u>2,248,739</u> | <u>1,705,549</u> |
| Expenditures | | | | | | | | | | |
| General administration | 2,267,200 | 2,768,497 | 2,232,083 | 2,180,003 | 11,502,549 | 1,998,993 | 2,206,332 | 1,994,647 | 2,865,085 | 1,950,697 |
| Multi-Species assessment | - | 459,851 | 443,603 | 441,215 | 405,803 | 389,269 | 13,035 | | | |
| Water purchases | 14,270 | 15,277 | 15,889 | 15,411 | 15,393 | 18,017 | 20,401 | 19,010 | 20,066 | 20,861 |
| Intergovernmental | | | | | | | | | | |
| Investment expenses | 25,318 | 7,992 | 89,709 | 40,230 | 292,577 | 217,365 | | | | |
| Total expenditures | <u>2,306,788</u> | <u>3,251,617</u> | <u>2,781,284</u> | <u>2,676,859</u> | <u>12,216,322</u> | <u>2,623,644</u> | <u>2,239,768</u> | <u>2,013,657</u> | <u>2,885,151</u> | <u>1,971,558</u> |
| Excess of revenue over (under) expenditures | 1,053,555 | (192,566) | 103,244 | 754,071 | (8,655,735) | 1,668,521 | 12,913,992 | 498,010 | (636,412) | (266,009) |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers out | | | | | | | 6,000,000 | | | |
| Net changes in fund balances | <u>\$ 1,053,555</u> | <u>\$ (192,566)</u> | <u>\$ 103,244</u> | <u>\$ 754,071</u> | <u>\$ (8,655,735)</u> | <u>\$ 1,668,521</u> | <u>\$ 6,913,992</u> | <u>\$ 498,010</u> | <u>\$ (636,412)</u> | <u>\$ (266,009)</u> |

**COLORADO RIVER COMMISSION
PRINCIPAL REVENUE PAYERS**

JUNE 30, 2011 with total comparisons for 2010, 2009, 2008, 2007 and 2006 (UNAUDITED)

Table 5

| Customer | FY 2011 | | | | | | | | | | F/Y 2006 Total |
|---|---------------------------|---------------------------|-----------------------|-----------------------|-----------------------------------|----------------------|----------------------|-------------------------------|----------------------|----------------------|-----------------------|
| | Water | | Power | | LCRMSCP ⁽¹⁾ Charges | Power | | Power Delivery Revenues | (4) | | |
| | Administrative Charges | Administrative Charges | Marketing Revenues | Marketing Revenues | | F/Y 2010 Total | F/Y 2009 Total | | F/Y 2008 Total | F/Y 2007 Total | |
| Southern Nevada Water Authority | \$ 721,597 | \$ 78,055 | \$ 803,553 | \$ 1,805,623 | \$ 46,077,938 | \$ 49,486,766 | \$ 83,298,697 | \$ 40,881,604 | \$ 13,306,629 | \$ 16,925,120 | \$ 61,399,486 |
| Basic Water Company | 7,489 | 22,946 | 23,863 | 720,789 | 53,516 | 775,087 | 53,516 | 1,131,591 | 1,119,996 | 938,905 | 638,342 |
| Trinet Metals Corporation | - | 196,516 | 57,310 | 6,003,360 | 219,602 | 6,257,186 | 219,602 | 11,549,026 | 13,527,584 | 9,700,300 | 10,218,016 |
| Olin Chlor Alkaline (formerly Pioneer) | - | 167,994 | - | 8,584,528 | 160,464 | 8,752,522 | 160,464 | 10,453,427 | 17,225,025 | 17,312,427 | 21,826,569 |
| Chemical Lime Company | - | 1,995 | 1,070 | 59,466 | 3,305 | 62,531 | 3,305 | 65,921 | 81,741 | 90,499 | 87,458 |
| Tronox, LLC | - | 80,605 | 51,362 | 1,628,783 | 134,319 | 1,760,750 | 134,319 | 1,466,649 | 1,827,270 | 1,594,947 | 889,720 |
| American Pacific Corporation | - | 70,193 | 16,634 | 2,540,861 | 88,143 | 2,627,688 | 88,143 | 2,460,584 | 4,215,683 | 4,655,125 | 5,647,039 |
| Lincoln County Power District No. 1 | - | 63,255 | 36,019 | 1,629,618 | 98,341 | 1,728,892 | 98,341 | 1,538,006 | 1,339,248 | 1,360,833 | 1,134,141 |
| Overton Power District #5 | - | 75,117 | 28,970 | 2,458,072 | 96,390 | 2,562,159 | 96,390 | 2,286,563 | 3,038,977 | 3,021,368 | 4,019,864 |
| Valley Electric Association | - | 82,486 | 32,392 | 2,556,489 | 116,804 | 2,671,367 | 116,804 | 3,142,087 | 3,118,421 | 3,004,013 | 3,650,590 |
| NV Energy (formerly Nevada Power Company) | - | 316,909 | 252,027 | 10,038,953 | 567,906 | 10,607,889 | 567,906 | 10,404,959 | 9,218,722 | 9,289,897 | 8,527,374 |
| City of Boulder City | - | 63,826 | 37,408 | 3,487,244 | 98,075 | 3,588,478 | 98,075 | 1,139,321 | 1,001,428 | 1,757,733 | 955,528 |
| Las Vegas Valley Water District | 6,301 | - | - | - | - | 6,301 | - | 20,563 | 534 | 697 | 9,117 |
| City of Henderson | 16,804 | - | - | - | - | 16,804 | - | 966 | 17,986 | 18,635 | 15,935 |
| Raw water sales ⁽²⁾ | 663 | - | - | - | - | 663 | - | 966 | 7,400 | 7,824 | 7,540 |
| Other power sales ⁽³⁾ | - | - | - | - | - | - | - | - | - | - | - |
| Total | \$ 752,854 | \$ 1,219,897 | \$ 1,375,160 | \$ 4,513,786 | \$ 46,077,938 | \$ 90,939,635 | \$ 84,968,885 | \$ 86,541,267 | \$ 69,046,644 | \$ 75,137,136 | \$ 123,821,825 |

(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 not collected by the Commission.

(2) Raw water sales include administrative charges on a number of very small water user contracts.

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

(4) Comparison totals are provided for the past five years due to the changes in Commission activities pursuant to legislative action making older comparisons not relevant to ongoing operations. Total comparisons will be added each year until ten years of data are accumulated. The current year details are provided to allow the user to see the relative amounts of revenue sources to the Commission paid by the classes of customers. Only totals will be compared for past fiscal periods as inclusion of detail would make the table unreadable. Total comparisons are anticipated to be useful as the charges to each customer for the various services remain stable each year. For additional detail please see the annual financial report for the specific year at the Commission website at: crr.nv.gov

COLORADO RIVER COMMISSION

RATIOS OF OUTSTANDING DEBT

LAST TEN FISCAL YEARS (UNAUDITED)

Table 6

| Fiscal Year | Power Delivery Refunding Series 2005I | Power Upgrading Refunding Series 2002 | Hoover Upgrading Refunding Series 2001 | Power Delivery Series 1999A | Power Delivery Series 1997 | Hoover Upgrading Refunding Series 1992 | Hoover Upgrading Series 1987B | Total Outstanding Debt | Charges for Services | Revenue to Debt Ratio | Debt as a Percentage of Personal Income | Debt per Capita In Dollars |
|-------------|---------------------------------------|---------------------------------------|--|-----------------------------|----------------------------|--|-------------------------------|------------------------|----------------------|-----------------------|---|----------------------------|
| 2002 | | | \$ 6,305,000 | 25,630,000 | 47,600,000 | 44,015,000 | | 123,550,000 | 163,501,320 | 1.32 | 2.73% | 4,138 |
| 2003 | | \$ 36,420,000 | 6,305,000 | 25,480,000 | 46,705,000 | | | 114,910,000 | 145,887,594 | 1.27 | 2.36% | 3,713 |
| 2004 | | 36,420,000 | 6,305,000 | 25,280,000 | 45,770,000 | | | 113,775,000 | 143,047,626 | 1.26 | 2.19% | 3,400 |
| 2005 | \$ 65,300,000 | 36,420,000 | 6,305,000 | 2,735,000 | 3,245,000 | | | 114,005,000 | 102,582,727 | 0.90 | 1.78% | 3,036 |
| 2006 | 65,300,000 | 36,420,000 | 6,305,000 | 2,345,000 | 2,215,000 | | | 112,585,000 | 123,579,681 | 1.10 | 1.63% | 2,907 |
| 2007 | 65,300,000 | 36,420,000 | 6,305,000 | 1,805,000 | 1,135,000 | | | 110,965,000 | 74,589,626 | 0.67 | 1.51% | 2,778 |
| 2008 | 65,300,000 | 36,420,000 | 6,305,000 | 1,235,000 | | | | 109,260,000 | 68,451,423 | 0.63 | 1.46% | 2,737 |
| 2009 | 63,940,000 | 33,180,000 | 6,305,000 | 635,000 | | | | 104,060,000 | 85,957,104 | 0.83 | 1.30% | 2,605 |
| 2010 | 62,500,000 | 29,765,000 | 6,305,000 | | | | | 98,570,000 | 84,335,695 | 0.86 | 1.21% | 2,463 |
| 2011 | 60,330,000 | 26,165,000 | 6,305,000 | | | | | 92,800,000 | 89,487,271 | 0.96 | NA | NA |

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 through 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 | Less: | | Add Back | Net Available | Debt Service | | Coverage ⁽¹⁾ |
|-------------|----------------|--------------------|-----------|---------------|--------------|-----------|-------------------------|
| | Gross Revenues | Operating Expenses | | | Principal | Interest | |
| 2002 | 163,501,320 | 161,659,639 | 1,319,306 | 3,160,987 | 3,365,000 | 9,766,982 | 0.24 |
| 2003 | 145,887,594 | 143,425,328 | 1,791,183 | 4,253,449 | 1,045,000 | 5,886,215 | 0.61 |
| 2004 | 143,047,626 | 139,406,539 | 1,835,466 | 5,476,553 | 1,135,000 | 4,023,431 | 1.06 |
| 2005 | 102,582,727 | 105,445,842 | 2,061,753 | (801,362) | 1,225,000 | 6,487,791 | (0.10) |
| 2006 | 123,579,681 | 120,712,590 | 2,064,492 | 4,931,583 | 1,420,000 | 5,517,972 | 0.71 |
| 2007 | 74,589,626 | 81,652,254 | 2,064,375 | (4,998,253) | 1,420,000 | 5,517,972 | (0.72) |
| 2008 | 68,451,423 | 65,577,632 | 2,041,430 | 4,915,221 | 1,705,000 | 5,579,181 | 0.67 |
| 2009 | 85,957,104 | 80,649,088 | 2,036,989 | 7,345,005 | 5,200,000 | 5,305,610 | 0.70 |
| 2010 | 84,335,695 | 78,825,046 | 2,031,355 | 7,542,004 | 5,770,000 | 4,791,950 | 0.71 |
| 2011 | 89,487,271 | 84,460,101 | 2,030,633 | 7,057,803 | 5,490,000 | 5,012,438 | 0.67 |

(1) 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. Note that operating expenses for fiscal 2007 include \$9,500,000 in expenses to transfer the Fort Mohave Development Fund monies to Clark County, Nevada.

COLORADO RIVER COMMISSION

DEMOGRAPHIC STATISTICS

CLARK COUNTY, NEVADA ⁽¹⁾

LAST TEN FISCAL YEARS (UNAUDITED)

Table 8

| Year | Population ⁽²⁾ | Personal Income ⁽³⁾ | Per Capita Income ⁽³⁾ | Total Labor Force ⁽⁴⁾ | Unemployment Rate ⁽⁴⁾ |
|-------------|----------------------------------|---|---|---|---|
| 2002 | 1,549,657 | \$ 45,202,600 | \$ 29,854 | 781,800 | 6.1% |
| 2003 | 1,620,748 | 48,600,900 | 30,949 | 805,300 | 5.8% |
| 2004 | 1,715,337 | 51,976,200 | 33,463 | 834,230 | 4.8% |
| 2005 | 1,796,380 | 64,175,200 | 37,555 | 875,710 | 4.3% |
| 2006 | 1,874,837 | 68,866,800 | 38,730 | 915,440 | 4.3% |
| 2007 | 1,954,319 | 73,444,400 | 39,945 | 936,950 | 4.7% |
| 2008 | 1,967,716 | 75,012,600 | 39,920 | 968,980 | 6.3% |
| 2009 | 1,952,040 | 80,147,500 | 39,947 | 986,350 | 12.4% |
| 2010 | 1,968,831 | 81,602,800 | 40,021 | 970,653 | 15.3% |
| 2011 | 1,934,871 | N/A | N/A | 941,961 | 14.9% |

(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: U.S. Bureau of Economic Analysis.

(4) Source: Nevada Department of Employment Training and Rehabilitation, Clark County.

**COLORADO RIVER COMMISSION
PRINCIPAL EMPLOYERS
CLARK COUNTY, NEVADA ⁽¹⁾
JUNE 30, 2011 and 2002 (UNAUDITED)**

Table 9

| Employer | June 30, 2011 | | | June 30, 2002 | | |
|----------------------------------|--------------------------|-----------------------------------|------|------------------|-----------------------------------|------|
| | Employees ⁽²⁾ | Percentage of Total Employment | Rank | Employees | Percentage of Total Employment | Rank |
| Clark County School District | 30,000 to 40,000 | 4.20% | 1 | 25,000 to 26,999 | 3.59% | 1 |
| Clark County | 9,000 to 10,000 | 1.05% | 2 | 9,000 to 10,000 | 1.22% | 2 |
| Wynn Las Vegas | 9,000 to 10,000 | 0.99% | 3 | | | |
| Bellagio LLC | 9,000 to 10,000 | 0.93% | 4 | | | |
| MGM Grand Hotel/ Casino | 8,000 to 8,999 | 0.93% | 5 | | | |
| ARIA Resort & Casino | 8,000 to 8,999 | 0.87% | 6 | | | |
| Mandalay Bay Resort & Casino | 7,000 to 7,999 | 0.75% | 7 | | | |
| Las Vegas Metropolitan Police | 6,000 to 6,999 | 0.69% | 9 | 8,500 to 8,999 | 1.15% | 3 |
| University of Nevada - Las Vegas | 6,000 to 6,999 | 0.69% | 8 | 8,000 to 8,499 | 1.08% | 5 |
| Caesars Palace | 5,000 to 5,999 | 0.63% | 10 | 8,000 to 8,499 | 1.08% | 4 |
| Mirage Casino-Hotel | | | | 7,000 to 7,999 | 0.87% | 6 |
| Rio Suite Hotel and Casino | | | | 6,000 to 6,999 | 0.87% | 7 |
| State of Nevada | | | | 6,000 to 6,999 | 0.87% | 8 |
| Luxor | | | | 5,000 to 5,999 | 0.73% | 9 |
| Treasure Island | | | | 5,000 to 5,999 | 0.73% | 10 |
| <i>Total Labor Force</i> | <i>941,961</i> | | | <i>745,800</i> | | |

(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/>.

Source: Nevada Department of Employment.

(2) 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 | <u>Executive & Administrative</u> | <u>Water Department</u> | <u>Hydropower Department</u> | <u>SNWS Energy Services</u> | <u>Power Delivery O & M</u> | <u>Total</u> |
|--------------------|--|------------------------------------|---|--|--|---------------------|
| 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 |
| 2007 | 13 | 4 | 3 | 9 | 6 | 35 |
| 2008 | 13 | 3 | 3 | 9 | 6 | 34 |
| 2009 | 15 | 4 | 3 | 9 | 6 | 37 |
| 2010 | 13 | 3 | 3 | 9 | 6 | 34 |
| 2011 | 13 | 3 | 3 | 9 | 6 | 34 |

COLORADO RIVER COMMISSION

CAPITAL ASSET STATISTICS BY FUNCTION ⁽¹⁾

Table 11

| LAST TEN FISCAL YEARS | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|-----------------------|------|------|------|------|------|------|------|------|------|------|
|-----------------------|------|------|------|------|------|------|------|------|------|------|

CRC POWER DELIVERY PROJECT SYSTEM ⁽²⁾

Miles of Transmission Lines:

| | | | | | | | | | | |
|--------------------------------------|----|----|----|----|----|----|----|----|----|----|
| 230-kV overhead lines | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 |
| 69-kV overhead lines | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| 69-kV underground transmission lines | 15 | 15 | 15 | 15 | 15 | 15 | 14 | 12 | 10 | 10 |

High-Voltage Substations:

| | | | | | | | | | | |
|--|----|----|----|----|----|----|----|----|---|---|
| Transmission Substations (230-kV to 69-kV) | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Distribution Substations (230-kV to 14.4-kV) | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Distribution Substations (69-kV to 13.8-kV) | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | - | - |
| Distribution Substations (69-kV to 41.6-kV) | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | - | - |
| Total Substations | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 5 | 5 |

Metered Facilities (SNWA treatment and delivery facilities) ⁽³⁾

| | | | | | | | | | | |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total System Capacity in Megawatts | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|

System Support Information:

| | | | | | | | | | | |
|----------------------------|----|----|----|----|----|----|----|----|----|----|
| Communication Network | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 58 | 24 |
| Miles of fiber optic cable | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Microwave radio sites | | | | | | | | | | |

(1) Note all power related assets are owned by and used in the Power Delivery Fund and are used in the power delivery function.

(2) The Power Delivery System (System) is a dedicated power transmission and delivery system that provides electric power resources to the facilities of the Southern Nevada Water Authority. With a total system capacity of 1,000 megawatts of transformer capacity the System is the 3rd largest transmission and distribution system within the State of Nevada. In addition, the System was designed with 100% redundancy. The System is normally operated at 50% capacity on each of the twin facilities in each substation. In the event of a catastrophic failure, the remaining system can fully serve the load while repairs are effected. In addition, the transmission lines are a looped (circular) design allowing for feed to all facilities in either direction in the event of a break somewhere in the loop. Therefore, reliable design is provided to ensure reliable delivery of water to the residents of Southern Nevada under almost any circumstances.

(3) In addition to the metered facilities indicated in this table, the staff of the Commission provides operation and maintenance to an additional 10 power related facilities of the SNWA.

COLORADO RIVER COMMISSION

OPERATING INDICATORS

JUNE 30, 2011, 2010, 2009, 2008, 2007 and 2006 (UNAUDITED) ⁽¹⁾

Table 12

| Customer | Power Purchases in Megawatt Hours | | | | | Power Purchases in Percentages | | | | | | |
|-------------------------------------|-----------------------------------|------------------|------------------|------------------|------------------|--------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | F/Y 2011 | F/Y 2010 | F/Y 2009 | F/Y 2008 | F/Y 2007 | F/Y 2006 | F/Y 2011 | F/Y 2010 | F/Y 2009 | F/Y 2008 | F/Y 2007 | F/Y 2006 |
| | Total | Total | Total | Total | Total | Total | Total | Total | Total | Total | Total | Total |
| Southern Nevada Water Authority | 2,637,577 | 2,776,341 | 2,151,774 | 202,554 | 2,599,998 | 3,715,976 | 61.93% | 65.87% | 58.13% | 5.99% | 60.26% | 54.14% |
| Basic Water Company | 32,456 | 30,352 | 33,865 | 77,675 | 36,213 | 96,370 | 0.76% | 0.72% | 0.91% | 2.30% | 0.84% | 1.40% |
| Timet Metals Corporation | 277,949 | 219,606 | 343,587 | 741,855 | 311,154 | 610,202 | 6.53% | 5.21% | 9.28% | 21.96% | 7.21% | 8.89% |
| Olin Chlor Alkaline | 248,713 | 236,483 | 193,307 | 259,847 | 292,920 | 311,815 | 5.84% | 5.61% | 5.22% | 7.69% | 6.79% | 4.54% |
| Chemical Lime Company | 2,948 | 2,894 | 3,179 | 6,782 | 3,778 | 7,834 | 0.07% | 0.07% | 0.09% | 0.20% | 0.09% | 0.11% |
| Tronox, LLC | 113,884 | 97,351 | 117,699 | 257,916 | 113,660 | 167,243 | 2.67% | 2.31% | 3.18% | 7.63% | 2.63% | 2.44% |
| American Pacific Corporation | 99,283 | 97,813 | 79,975 | 212,508 | 121,826 | 260,936 | 2.33% | 2.32% | 2.16% | 6.29% | 2.82% | 3.80% |
| Lincoln County Power District No. 1 | 88,844 | 80,681 | 83,314 | 166,604 | 83,917 | 164,795 | 2.09% | 1.91% | 2.25% | 4.93% | 1.95% | 2.40% |
| Overtown Power District #5 | 105,334 | 95,426 | 91,013 | 219,304 | 111,624 | 255,002 | 2.47% | 2.26% | 2.46% | 6.49% | 2.59% | 3.71% |
| Valley Electric Association | 115,119 | 113,166 | 121,726 | 248,682 | 122,552 | 261,170 | 2.70% | 2.68% | 3.29% | 7.36% | 2.84% | 3.80% |
| NV Energy | 448,303 | 393,541 | 439,276 | 898,294 | 462,847 | 931,246 | 10.53% | 9.34% | 11.87% | 26.59% | 10.73% | 13.56% |
| City of Boulder City | 88,723 | 71,844 | 43,062 | 86,716 | 53,869 | 82,822 | 2.08% | 1.70% | 1.16% | 2.57% | 1.25% | 1.21% |
| Total | 4,259,133 | 4,215,498 | 3,701,777 | 3,378,737 | 4,314,358 | 6,865,411 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

(1) Includes Megawatt Hour purchases for loads of all Commission customers. The Commission owns and operates only one major capital asset. That asset is the Power Delivery System transmission system. The Commission's major power deliveries are accomplished using the system. **Comparison totals are provided for the current and past five years due to the changes in Commission activities pursuant to legislative action making older comparisons not relevant to ongoing operations. Total comparisons will be added each year until ten years of data are accumulated.** These total comparisons are anticipated to be indicative of future sales as the Commission's customer base is anticipated to remain relatively stable. It is possible that some additional customers could utilize the Commission for electric power resource, but the remaining probable customers available to the Commission under the changed legislative mandate must be part of the SNWA base and are not anticipated to materially change the reported megawatt usage amounts.

COLORADO RIVER COMMISSION

RISK MANAGEMENT

JUNE 30, 2010 (UNAUDITED)

Table 13

| Customer | Collateral Required Fiscal 2009 | Collateral Required Fiscal 2010 | Collateral Posted | Cash Posted | Other Posted |
|---|--|--|------------------------------|------------------------|-------------------------|
| Basic Water Company | \$ 337,066 | \$ 201,641 | \$ 201,641 | | \$ 201,641 |
| Titanium Metals Corporation (TIMET) | 3,945,963 | 1,979,587 | 1,979,587 | | 1,979,587 |
| Olin Chlor Alkaline (Pioneer) | 4,701,868 | 3,388,053 | 3,388,053 | \$ 3,000,000 | 388,053 |
| Chemical Lime Company | 21,186 | 16,032 | 16,032 | | 16,032 |
| Tronox, LLC | 431,842 | 406,215 | 406,215 | | 406,215 |
| American Pacific Corporation | 1,085,224 | 945,817 | 945,817 | | 945,817 |
| * Southern Nevada Water Authority | | | | | |
| * Lincoln County Power District No. 1 | | | | | |
| * Overton Power District #5 | | | | | |
| * Valley Electric Association | | | | | |
| * NV Energy (formerly Nevada Power Company) | | | | | |
| * City of Boulder City | | | | | |
| * Las Vegas Valley Water District | | | | | |
| * City of Henderson | | | | | |
| Total | \$ 10,523,149 | \$ 6,937,345 | \$ 6,937,345 | \$ 3,000,000 | \$ 3,937,345 |

Nevada Revised Statutes 538.181(2) requires that the Colorado River Commission’s power customers, except for 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 preceding year.

As of June 30, 2010, 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.

* Governmental entities are exempt from collateral requirements

**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, 2011, and have issued our report thereon dated November 7, 2011. 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. Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the Commission's basic financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other matters. As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, (including bond resolutions and ordinances of the General Obligation Hoover Uprating Bonds, series 2001 and 2002, and the Power Delivery 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 and use of management and the governing body of the Commission and the State of Nevada. However, this report is a matter of public record, and its distribution is not limited.

Piercy Bowler Taylor & Kern

November 7, 2011