

**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, 1997**

*Prepared by the Financial Management Division
under the supervision of
Douglas N. Beatty, Chief Accountant*

STATE OF NEVADA

BOB MILLER

Governor

FRANKIE SUE DEL PAPA

Attorney General

DARREL R. DAINES

Controller

ROBERT L. SEALE

Treasurer

DEAN HELLER

Secretary of State

COLORADO RIVER COMMISSION

RICHARD W. BUNKER

Chairman

JAY D. BINGHAM

Commissioner

PAULA L. BROWN

Commissioner

AMANDA M. CYPHERS

Commissioner

LAMOND R. MILLS

Commissioner

ROLAND D. WESTERGARD

Commissioner

BRUCE L. WOODBURY

Commissioner

GEORGE M. CAAN

Director

GERALD L. EDWARDS

Division Chief Water

DOUGLAS N. BEATTY

Division Chief Finance and Administration

GERALD A. LOPEZ

Deputy Attorney General

POSITION UNFILLED

Division Chief Power

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Mountains where the major supply tunnel is currently under construction, and facilities close to the city of Henderson.

The project is a phased project, with the first component being energized in July of 1998. Future phases will be tied to the Authority's construction schedule for the water treatment and transmission facilities.

This project will be financed through the sale of State of Nevada General Obligation (Limited Tax - Revenue Supported) Bonds. These bonds have been approved by the Commission and the Legislature in the amount of \$75,000,000.

Of important note is the teamwork that has been achieved among all the major players associated with this project. It is this teamwork between state, local and federal agencies that assures this project's successful conclusion.

With respect to power marketing activities, the Commission's share of power from the federal dams, which is an amount that equals the annual energy needs of approximately 96,000 homes, is vitally important for any future economic development in rural areas of southern Nevada. It is anticipated that the number of people who benefit from hydropower in southern Nevada will triple by 2016. In addition, without federal hydropower the continued existence of the industrial complex near Henderson, Nevada would be threatened. As a result, the employment of thousands of southern Nevadans depends upon the continued availability of low cost federal hydropower.

In addition to the economic benefits, power purchased by the Commission from federal dams avoided the need by Nevada utilities to burn hundreds of thousands of tons of coal in 1996. With rising levels of air contamination in southern Nevada, the use of non-polluting energy sources is becoming increasingly important. Consequently, the Commission also stepped up its efforts to ensure the continued availability of hydropower. To achieve this goal, the Commission continues to participate with environmental groups, recreational interests, federal agencies and others to develop and monitor operating procedures for federal hydropower projects that will protect the Grand Canyon and the downstream ecosystem while maintaining maximum power generation output levels.

The future will likely see the emergence of new challenges to Nevada's share of electric power generated from dams on the Colorado River. Given the importance of federal hydropower to Nevada, the Commission will continue to respond to these emerging challenges in order to protect and ensure the availability of low cost federal hydropower.

Also of important note is the increased activity of the Commission with respect to the environmental concerns of the Colorado River. In a revolutionary attempt to bring together all of the interested parties in the lower basin, the Commission has joined with agencies in our sister states of Arizona and California, and also with representatives of the Bureau of Reclamation, Fish and Wildlife, major environmental groups and Indian tribes, to form the Lower Colorado River Multi-Species Conservation Program Steering Committee. This committee is working together to develop an overall habitat program that will provide, in a comprehensive way, for all

of the listed and endangered species in the lower Colorado River area. This effort has brought together diverse interests with potential for an economical long term solution to environmental concerns, that recovers endangered species and continues water and power development projects.

FINANCIAL INFORMATION

General governmental activity of the Commission is recorded in the general fund in the Commission's comprehensive annual financial report. In the state's financial report it is reported in a special revenue fund entitled "Colorado River Commission Fund".

Revenues of the Commission general fund totaled \$1,498,610 in 1996-97, \$961,288 more than the \$537,322 realized in 1995-96. The increase in revenues in the general fund was a result of the recording of water administrative charges in this fund as a result of the transfer of the water system to the Southern Nevada Water Authority during the fiscal year.

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

	<u>1996 - 1997</u>		<u>1995 - 1996</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Power administrative charge	\$ 413,764	13.65	\$ 438,780	31.19
Water administrative charge	1,057,058	34.86	46,724	3.32
Allocated salaries and overhead	1,533,258	50.57	869,684	61.81
Miscellaneous income	1,125	0.04	320	0.02
Interest income	26,663	0.88	51,498	3.66
Total	<u><u>\$ 3,031,868</u></u>	<u><u>100.00</u></u>	<u><u>\$ 1,407,006</u></u>	<u><u>100.00</u></u>

Net expenditures (legal basis) of the general fund totaled \$1,514,564, \$962,316 more than the \$552,248 expended during 1995-96. Change in levels of expenditures for the preceding year are as follows:

	<u>1996-97</u>	<u>1995-96</u>	<u>Increase Decrease</u>
General Administration			
Personnel	\$ 1,837,139	\$ 906,126	\$ 931,013
Travel	39,460	15,270	24,190
Operating	1,108,448	485,731	622,717
Equipment	62,775	14,805	47,970
Total general administration	3,047,822	1,421,932	1,625,890

Less allocated salaries and overhead expenditures	1,533,258	869,684	663,574
Net expenditures	<u>\$ 1,514,564</u>	<u>\$ 552,248</u>	<u>\$ 962,316</u>

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

<u>Fund</u>	Fund Balance 6/30/97	Fund Balance 6/30/96	Increase Decrease
General Fund	\$ 674,063	\$ 690,017	\$ -15,954
Research and Development Fund	195,006	192,515	2,491
Ft. Mohave Development Fund	1,289,340	3,318,898	-2,029,558

The research and development fund balance of \$195,006 is available for engineering studies, analyses, negotiations and other efforts in protecting the interests of the State in the development of water and power.

The Fort Mohave development fund balance of \$1,289,340 represents unspent money from the sale of land and easements. These funds are available for planning and managing the development of the area. Assembly bill number 494, enacted as chapter 822, Statutes of Nevada, 1987, establishes priority uses of the money in the fund. It was used first to purchase the remaining land in the transfer area from the federal government. After paying the Commission's administrative expenses related to Fort Mohave, money will be used to pay for state and local capital improvements in accordance with programs proposed by Clark County and approved by the legislature.

Appropriations totaling \$1,134,881 from the state general fund are being repaid from the power marketing fund at the rate of \$120,000 per year. The appropriations were for the purpose of paying legal and related expenditures associated with contract negotiations for power from Hoover Dam. The negotiations culminated in a new 30-year contract that includes an approximate 100% increase in capacity and 63% increase in energy from the previous Hoover contract which expired May 31, 1987. The repayment is being collected from those entities receiving allocations of the additional power. Payment was completed in this fiscal year.

The Commission furnishes federal hydropower to the Silver State Pool (consisting of Lincoln County Power District, Overton Power District, Valley Electric, and Boulder City), Nevada Power Company and some industrial concerns in Henderson (collectively referred to as the Basic Management Incorporated group). The combined load of those contractors exceeds their total available hydro-energy, and the Commission purchases supplemental energy from several sources to fulfill their needs.

The state self-insures against certain property and liability claims. The state's risk management division manages a self-insurance fund for group health insurance, and an insurance premium

fund to provide fidelity insurance, property insurance and worker's compensation. The state's comprehensive annual financial report provides more information relative to the state's risk management activities.

As of June 30, 1997, outstanding long term obligations of the Commission consisted of the following:

<u>Date of Issue or Incurrence</u>	<u>Type of Debt</u>	<u>Average Interest Rate (%)</u>	<u>Last Payment Due</u>	<u>Outstanding</u>
5-1-87	State g.o. bonds	7.9	10-1-17	\$ 8,410,000
3-25-92	State g.o. bonds	6.3	10-1-16	53,350,000
Various	Accrued compensated absences	N/A	N/A	98,616

OTHER INFORMATION

The Commission's general obligation (g.o.) bonds are rated Aa by Moody's Investors Service and AA by Standard and Poor's Corporation. Although all Commission debt is a general obligation of the State of Nevada, it has always been, and will continue to be, self-supporting debt payable from revenues from the sale of power.

Cash in the water related enterprise funds is deposited in the State Treasurer's account. Interest income is received from the State Treasurer on all Commission cash. Income from investment of cash restricted for construction is deposited in the acquisition funds and is used to finance the related construction.

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 financial report for the fiscal year ended June 30, 1996. In order to be awarded a certificate of achievement, a governmental unit must publish an easily readable and efficiently organized financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. This is the twentieth consecutive year the Commission has received this recognition.

A certificate of achievement is valid for a period of one year only. We believe this current report continues to conform to certificate of achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The financial statements were audited by Piercy, Bowler, Taylor and Kern Certified Public Accountants. Their reports are included in the body of this report.

Adequate internal accounting controls are necessary to provide reasonable assurances that assets are guarded against loss and financial records and financial statements are reliable. We believe the State's and Commission's internal accounting controls provide these assurances. Budget control is maintained by the State Budget Division. No vouchers are processed for payment unless adequate budget authority exists.

The preparation of this report could not have been accomplished without the dedicated and competent services of the entire Commission staff. The planning and conducting of the Commission's financial operations have been carried out in a responsible and progressive manner under your guidance and direction.

Sincerely,

A handwritten signature in cursive script that reads "George M. Caan".

George M. Caan
Executive Director

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, 1996

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 M. Savitsky
President

Jeffrey L. Esser
Executive Director

INTRODUCTION

**THE
COMMISSION**

The Colorado River Commission of Nevada 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. The Commission office is located in Las Vegas, Nevada. 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 Commission appoints an executive director who is responsible for carrying out its policies.

The Commission is responsible for the acquisition, management, utilization and development of designated water, electric power and land resources of the state. It is empowered to receive, protect, safeguard and hold in trust all rights, interests and benefits in and to the waters of the Colorado River and such power generated thereon to which Nevada is entitled. The Commission may make compacts or contracts and cooperate with other entities, states, and the federal government in fulfilling its statutory responsibilities.

The members of the Colorado River Commission are:

<u>Name</u>	<u>Initial Appointment</u>	<u>Current Term</u>
Richard W. Bunker Chairman	1993	7/1/96 - 6/30/99
Jay D. Bingham, Vice Chairman	1997	7/1/97 - 6/30/00
Hon. Paula L. Brown North Las Vegas City Councilwoman*	1997	7/1/97 - 6/30/98
Hon. Amanda M. Cyphers City of Henderson Councilwoman*	1997	7/1/97 - 6/30/98
Lamond R. Mills	1996	9/23/96 - 6/30/99
Roland D. Westergard	1996	10/1/96 - 6/30/99
Hon. Bruce L. Woodbury Clark County Commissioner*	1997	7/1/97 - 6/30/98

* - 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.

**FUNDING
SOURCES**

Activities of the Commission are funded from revenue received from power and water contractors. An administrative charge of .372 mills per kilowatt hour is included in power sales. Administrative cost reimbursements are received from the Southern Nevada Water Authority. Interest income earned from investments by the state treasurer contributes to revenues. The Commission does not request or receive any state tax allocations or federal funds to support its administrative and operating functions.

COMMISSION ACTIVITIES

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 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.

LAND

As a result of special legislation passed by Congress and the State of Nevada, the Commission was empowered to purchase from the federal government, on behalf of the state, approximately 105,000 acres in Eldorado Valley directly south of Boulder City, and approximately 15,000 acres in Ft. Mohave Valley at the southern tip of the state.

During 1995, the Commission completed negotiations with the federal government at the request of Boulder City for the purchase of the Eldorado Valley. On July 9, 1995 the Commission purchased and then immediately resold the land to Boulder City at cost upon receipt from the federal government. Boulder City dedicated the majority of the land to Clark County for use as an endangered species preserve. The dry lake area, currently popular as a recreation site, will continue to be available for public use. While the legislature had approved the sale of up to \$2,000,000 in general obligation or revenue bonds for the purpose of acquiring Eldorado Valley, the Commission did not issue any bonds for this transaction.

All of the approximately 15,000 available acres in the Ft. Mohave Valley have been purchased by the Commission. About 4,000 acres have been sold or optioned to various entities, including a utility company for an electric generation plant site, three private developers, and the Boy Scouts for a camping and recreational area, leaving approximately 9,000 available for development, depending upon the availability of water.

The 1987 Nevada legislature adopted A.B. 494, which recognizes the demands for public facilities created by the sale and development of state land. The law requires the Colorado River Commission, among other things, to follow established priorities for the use of money in the Fort Mohave Valley development fund. This fund accrues revenue from the sale of state land in the Fort Mohave transfer area. A.B. 494 also authorizes certain grants from the fund for public facilities. Any remaining money shall be used to pay for state and local capital improvements in accordance with programs proposed by Clark County and approved by the legislature.

**COLORADO
RIVER
WATER
RESOURCES**

The Colorado River Commission represents Nevada's interests on all state and interstate matters dealing with the management, operations and administration of the water resources of the Colorado River. The importance of these resources are clear: Colorado River water constitutes over 80% of the municipal and industrial water supply used in southern Nevada. The Commission works directly with the U.S. Bureau of Reclamation, representing the Secretary of the Interior as the water master of the Colorado River; the other six Colorado River Basin states consisting of Arizona, California, Colorado, New Mexico, Utah, and Wyoming; and the Southern Nevada Water Authority 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.

**SMALL
WATER
USERS**

The Commission has executed several individual contracts for diversion and use of a relatively minor portion of Nevada's total annual 300,000 acre feet consumptive use allocation from the Colorado River. Deliveries are made through facilities other than the Southern Nevada Water System. The major contractor is an industrial complex in Henderson. The remaining small contractors are individuals located along the river south of Davis Dam and the Big Bend Water District which serves Laughlin, Nevada. This water is sold at cost plus an administrative charge at varying unit rates depending upon the individual contract.

ACCOUNTING SYSTEM

**FUND
TYPES**

The following funds and account groups have been established by the Commission:

Governmental fund types:

General fund

Special revenue funds:

1. Research and development fund
2. Ft. Mohave Valley development fund

- Proprietary fund types:
Enterprise fund:
1. Power marketing fund

- Account groups:
General fixed assets
General long-term obligations

**INTERNAL
CONTROLS**

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. The Commission maintains its own computerized revenue, expense and general journals and a general ledger. The accounting policies of the Commission conform to generally accepted accounting principles as more fully explained in Note 1 to the financial statements. The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (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 Federal Energy Regulatory Commission or the Nevada Public Service Commission. However, the chart of accounts and accounting procedures for the water treatment and water transmission enterprise funds generally follow the guidelines contained in the uniform system of accounts published by the National Association of Regulatory Utility Commissioners for class A & B water utilities. Practices and procedures suggested in Water Utility Accounting published by the Municipal Finance Officers Association and the American Water Works Association are also followed to the extent legally and practically possible.

PERSONNEL

**ORGANIZATION
AND
STAFFING**

The Commission is divided into four functional areas. The Power Delivery Project is organized to design, construct and operate the transmission and distribution system being constructed for the Southern Nevada Water Authority. The hydropower operations group is responsible for purchasing, scheduling and billing hydropower to the Commission's eleven hydropower customers. The Water Division is responsible for working with intra and interstate groups to enhance Nevada's ability to obtain reliable and affordable future water supplies. The Administration and Finance Division is responsible for financing, accounting, purchasing, data processing and operating the local area network. In addition to these line divisions there is an environmental

program manager reporting to the director responsible for the Commission's participation in environmental issues including the Lower Colorado River Multi-Species Program (LCRMSCP).

STAFFING:

1. Executive Division

Director - George M. Caan
Deputy Director - Vacant
Special Assistant to the Director - Vacant
Management Assistant I - Vacant

2. Power Delivery Project Personnel

Project Manager - Electric Utility Consultants
David Luttrell, P.E.
Project Engineer - Thomas R. Hardin
Power Facilities Manager - Ronald Lunt, P.E.
Power Technician (2) - Vacant
Power Supply Manager - Vacant

3. Hydropower Operations

Division Chief - Vacant
Chief Power Marketing Administrator - Malvin R. Ware
Power Marketing Specialist I - David L. White
Management Assistant II - Vacant
Management Assistant I - Wanda L. Manner

4. Water Division (Engineering/Resource Management)

Division Chief - Gerald L. Edwards
Engineering Technician - Andrew Burns
Management Assistant II - Brenda L. Haymore

5. Financial/Administrative Division

Chief Accountant - Douglas N. Beatty
Accountant II - Patricia Zach
Accountant Technician II - Julie De Mayo
Accounting Specialist - Celta Hannig
Management Assistant IV - Deanna Bruno
Management Assistant I - Arlene Hayden
Administrative Aide - Jackie Ward

6. Environmental Program Manager - Phil Lehr

The Nevada Attorney General provides legal counsel to the Commission. Two deputy attorneys general have been assigned to the Commission. Gerald A. Lopez and James H. Davenport are currently assigned to the Commission. The deputies are located at the Commission office and provide full time legal counsel.

**EXPERIENCE
AND
QUALIFICATIONS**

The following biographical sketches summarize the educational levels, experience and other qualifications of Commission senior administrative, professional and supervisory staff.

Executive Director. George M. Caan currently serves as the executive director of the Colorado River Commission where his responsibility lies in managing the operations of the Commission and helping guide it into the 21st century. Prior to joining the Commission in May of 1996, Mr. Caan was the Deputy Director of the Washington State Energy Office in Olympia, Washington. He was responsible for managing the day to day operations of the office with a staff of 150 and an annual budget of \$25 million. The energy office was charged with providing energy policy support to the governor and legislature and running technical assistance programs for a variety of clients in the State of Washington. He spent a great deal of time as Deputy Director dealing with hydropower resource issues arising out of the changes to Columbia River Operations and the Bonneville Power Administration. Since 1985 Mr. Caan held a variety of positions with the energy office culminating in the position as Deputy Director. From 1980 to 1985 Mr. Caan was the energy manager for the City of Boston responsible for planning and implementing a comprehensive energy management plan for municipal facilities.

Mr. Caan graduated in 1980 from the Massachusetts Institute of Technology with a B.S. in Mechanical Engineering. He received a Master of Business Administration from Northeastern University in 1983. He is a registered professional mechanical engineer in Nevada and Washington.

Water Division Chief. Gerald L. Edwards graduated from San Diego State University in June 1969, with a B.S. degree in civil engineering. He spent five years with the Washington State Department of Highways where he was involved in various facets of field engineering and projects coordination. He joined the Commission in October 1974 as a civil engineer. His primary responsibility has been the planning and coordination of the design and construction of the second stage of the Southern Nevada Water System. Upon promotion to the position of chief engineer on October 17, 1979, Mr. Edwards' responsibilities were expanded to include water quality and resource management of the state's interest in the Colorado River. Mr. Edwards is a registered civil engineer in the states of Nevada and Washington.

Hydropower Division Chief. This position is currently vacant.

Financial and Administrative Division Chief. Douglas N. Beatty received a B.S. degree from the University of Utah in December 1983 majoring in accounting. He spent four years with the Las Vegas office of a national public accounting firm. While with the firm he completed the necessary requirements and received his Certified Public Accounting certificate in January 1986. While in public accounting, he was responsible for audit and attest work on varied clients. In 1985, he was assigned to the governmental audit team and spent the majority of his time in the governmental auditing area. The duties and assignments related to his governmental work included all aspects of the audit function, from preliminary investigation and proposal preparation, planning, conducting and review of financial statements.

In 1988, he left public accounting to take the assistant financial manager position with the Commission. In 1991 he was promoted to the chief accountant position.

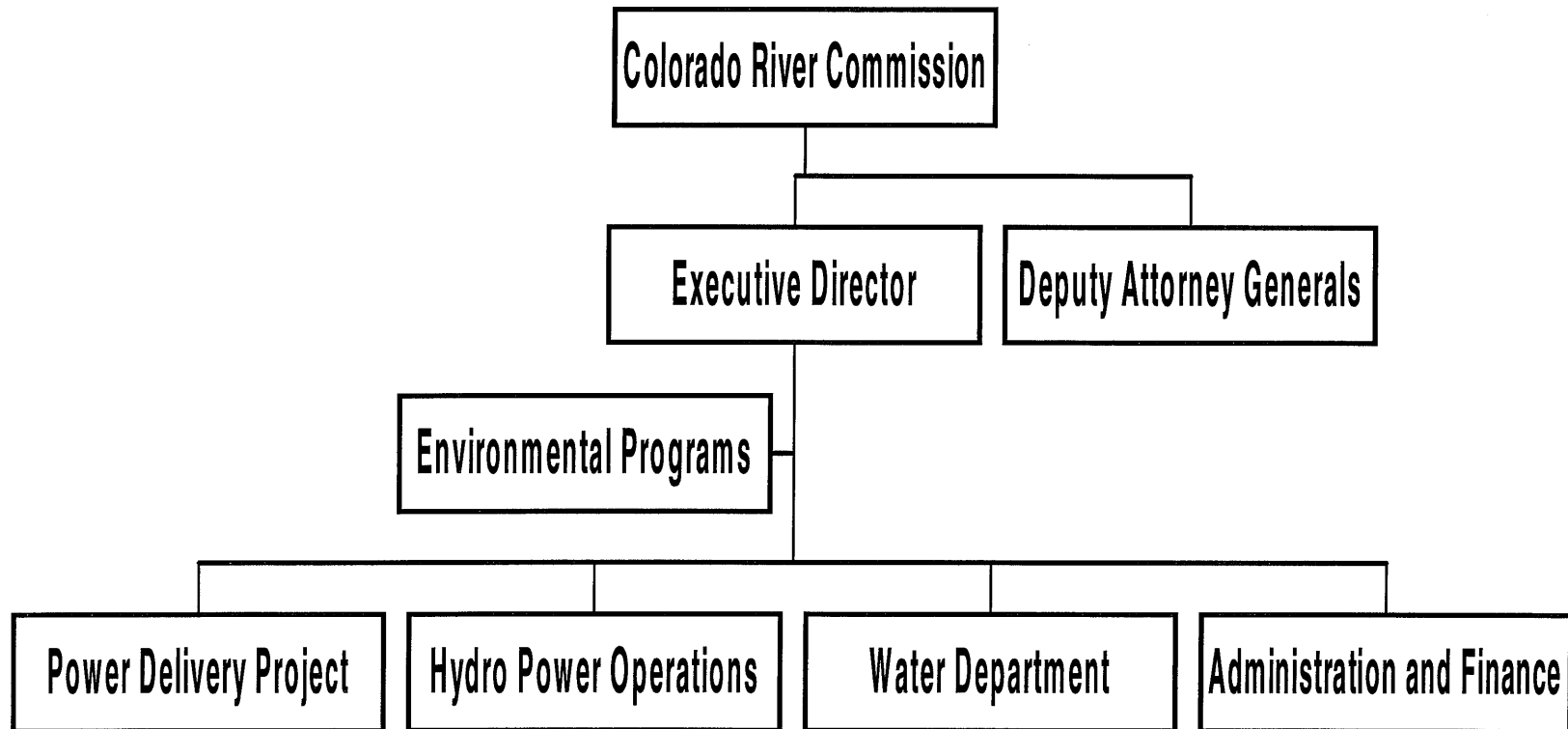
He is a member of the American Institute of Certified Public Accountants and the Nevada Society of Certified Public Accountants. He has served on the State and Local Government Committee for the Nevada Society and is an active member of the Government Finance Officers Association.

Deputy Attorneys General. Gerald A. Lopez received a B.A. degree in history and languages in 1964 and an M.A. degree in international affairs in 1965, from Florida State University. After serving four years as an Air Force intelligence officer, which included duty in Vietnam, Mr. Lopez returned to Florida State University to study law. He received a Juris Doctorate degree in 1973. During his 3 years in law school, Mr. Lopez worked part-time for the Florida legislature drafting legislation and codifying the state statutes. He was admitted to the Florida bar in October 1973. In September of that year, Mr. Lopez moved to Carson City to begin nearly 10 years of work for the Nevada Legislative Counsel Bureau. In September 1975, he was admitted to the state bar of Nevada. Mr. Lopez served first as a deputy legislative counsel and later as a principal deputy. He trained and supervised bill drafters and legal indexers. He drafted and reviewed legislation and operated the bill conflict control system. He had overall responsibility for codifying the state law in Nevada Revised Statutes and state regulations in the Nevada Administrative Code. He also drafted legal opinions, engaged in legal research, defended legislative agencies in a civil rights action brought by state prisoners, and conducted the staff work of several interim legislative studies. Mr. Lopez left the counsel bureau in August 1983 to take his present position as a deputy attorney general (IV) with the State of Nevada. In that position Mr. Lopez serves as legal counsel to the Colorado River Commission of Nevada.

James H. Davenport received his juris doctorate from Willamette University College of Law, Salem, Oregon in 1977. He is licensed to practice law in Nevada and Washington State and is a member of the bars of the Supreme Court of the United States, the Supreme Courts of Washington and Nevada, the United States Court of Appeals for the Ninth Circuit, the United States Court of Federal Claims and the United States District Courts of Western and Eastern Washington and Nevada. He has served as Assistant Attorney General for the State of

Washington, Associate Counsel to the Environment and Public Works Committee of the United States Senate, Special Deputy Attorney General to the State of Nevada regarding siting of high-level nuclear waste repositories and now Deputy Attorney General and counsel to the Colorado River Commission of Nevada. He is a contributing author to *Powell on Real Property* and *Cavitch on Business Organizations* (both Matthew Bender) on various subjects including land use and zoning, clean air, clean water, water rights, Superfund, solid waste, hazardous waste, radioactive materials regulation and disposal, international law of the sea, energy, and administrative law. His public practice has included eminent domain, public lands management, nuclear facilities licensing, contracts negotiation and administration, personnel administration and statutory compliance. His private practice has included environmental compliance, defense of eminent domain, permitting, commercial leasing, real estate transactions and financing, hospital administration. His clerkships included the United States Attorney for the District of Oregon, the Attorney General of the State of Washington, and the Judiciary Committee of the Oregon State Legislature.

Colorado River Commission Functional Organization



**FINANCIAL
SECTION**

**INDEPENDENT AUDITORS' REPORT ON
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

Colorado River Commission of Nevada
Las Vegas, Nevada

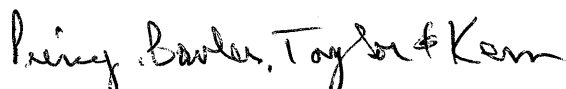
We have audited the general purpose financial statements of the Colorado River Commission of Nevada, component unit of the State of Nevada, as of and for the year ended June 30, 1997, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the management of the Colorado River Commission of Nevada. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Colorado River Commission of Nevada, as of June 30, 1997, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 1997, on our consideration of the Commission's internal control over financial reporting, and our tests of its compliance with certain provisions, laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Colorado River Commission of Nevada. Such information for 1997 has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.



October 24, 1997

**COMBINED STATEMENTS
("LIFTABLE" GENERAL PURPOSE FINANCIAL STATEMENTS)**

The combined statements, consisting of Exhibits 1 through 5, and the notes to the financial statements comprise the Commission's general purpose financial statements (GPFS). The GPFS present aggregate data for all Commission funds by fund type and account group plus notes which, together, are essential to fair presentation in conformity with generally accepted accounting principles. The GPFS provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. The GPFS also serve as an introduction to the more detailed statements and schedules that follow.

COLORADO RIVER COMMISSION
COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1997

COLORADO RIVER COMMISSION

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1997

EXHIBIT 1

	Governmental Fund Types		Proprietary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Enterprise	General Fixed Assets	General Long-term Obligations	June 30, 1997	June 30, 1996
ASSETS AND OTHER DEBITS							
Cash	\$ 639,826	\$ 2,845,602	\$ 4,519,021			\$ 4,387,449	\$ 5,784,800
Receivables:							
Accounts	48,839	29,195	2,242,374			2,320,408	2,097,663
Accrued interest	8,047	41,141	227,033			276,221	566,772
Due from other funds	413,487	2,382				415,869	279,420
Prepaid power-current			4,627,795			4,627,795	6,962,132
Restricted cash			17,200,877			17,200,877	82,629,271
Fixed assets			4,700,455	\$ 167,805		4,868,260	229,812
Deferred charges			746,223			746,223	54,881
Prepaid power-noncurrent			45,774,745			45,774,745	45,482,674
Amount to be provided for future compensated absences					\$ 98,616	98,616	81,311
TOTAL ASSETS AND OTHER DEBITS	\$ 1,110,199	\$ 2,918,320	\$ 476,421,523	\$ 167,805	\$ 98,616	\$ 80,716,463	\$ 144,168,736

LIABILITIES, EQUITY AND OTHER CREDITS	Governmental Fund Types		Proprietary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Enterprise	General	General	June 30, 1997	June 30, 1996
				Fixed Assets	Long-term Obligations		
LIABILITIES:							
Accounts payable	\$ 108,795	\$ 1,349,496	\$ 2,256,712			\$ 3,715,003	\$ 2,428,011
Due to other funds		84,478	331,391			415,869	279,421
Due to Southern Nevada Water Authority							52,947,510
Payable from restricted assets:							
Accounts payable			1,242,364			1,242,364	62,500
Bonds payable (within 1 year)			1,900,000			1,900,000	1,785,000
Due to state general fund (within 1 year)							54,881
Accrued interest			990,970			990,970	1,298,639
General obligation bonds payable			59,860,000			59,860,000	78,995,000
Advance from local government			7,766,028			7,766,028	842,078
Advance for basic substation			669,237			669,237	
Accrued compensated absences					\$ 98,616	98,616	81,311
Deferred income	<u>327,341</u>		<u>314,475</u>			<u>641,816</u>	<u>95,295</u>
Total liabilities	<u>436,136</u>	<u>1,433,974</u>	<u>75,331,177</u>		<u>98,616</u>	<u>77,299,903</u>	<u>138,869,646</u>
EQUITY AND OTHER CREDITS:							
Investment in general fixed assets				\$ 167,805		167,805	140,549
Retained earnings:							
Reserved for operation and maintenance			893,209			893,209	841,012
Unreserved			197,137			197,137	116,099
Fund balances:							
Unreserved	<u>674,063</u>	<u>1,484,346</u>				<u>2,158,409</u>	<u>4,201,430</u>
Total equity and other credits	<u>674,063</u>	<u>1,484,346</u>	<u>1,090,346</u>	<u>167,805</u>		<u>3,416,560</u>	<u>5,299,090</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$ 1,110,199</u>	<u>\$ 2,918,320</u>	<u>\$ 76,421,523</u>	<u>\$ 167,805</u>	<u>\$ 98,616</u>	<u>\$ 80,716,463</u>	<u>\$ 144,168,736</u>

COLORADO RIVER COMMISSION

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1997

EXHIBIT 2

	Governmental Fund Types		Totals (Memorandum Only)	
	General	Special Revenue	1997	1996
REVENUES:				
Administrative charge	\$ 413,764	\$ 96,423	\$ 510,187	\$ 521,791
Power and water charges	1,057,058		1,057,058	46,724
Interest	26,663	180,151	206,814	334,265
Miscellaneous	1,125	177,483	178,608	74,910
Total revenues	<u>1,498,610</u>	<u>454,057</u>	<u>1,952,667</u>	<u>977,690</u>
EXPENDITURES:				
Current:				
General administration	3,025,165	271,124	3,296,289	1,783,730
Less allocated salaries and overhead	(1,533,258)		(1,533,258)	(869,684)
Net general administration expenditures	1,491,907	271,124	1,763,031	914,046
Water purchases	22,657		22,657	20,782
Intergovernmental		2,210,000	2,210,000	1,105,617
Total expenditures	<u>1,514,564</u>	<u>2,481,124</u>	<u>3,995,688</u>	<u>2,040,445</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(15,954)	(2,027,067)	(2,043,021)	(1,062,755)
FUND BALANCE - JULY 1	<u>690,017</u>	<u>3,511,413</u>	<u>4,201,430</u>	<u>5,264,185</u>
FUND BALANCE - JUNE 30	<u>\$ 674,063</u>	<u>\$ 1,484,346</u>	<u>\$ 2,158,409</u>	<u>\$ 4,201,430</u>

See notes to financial statements.

COLORADO RIVER COMMISSION

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP
BUDGETARY BASIS) AND ACTUAL (LEGAL BASIS)
GENERAL AND SPECIAL REVENUE FUNDS (NOTE 6)
FOR THE YEAR ENDED JUNE 30, 1997

EXHIBIT 3

	General Fund			Special Revenue Funds		
	Budget	Actual (Legal Basis)	Variance- Favorable (Unfavorable)	Budget	Actual (Legal Basis)	Variance- Favorable (Unfavorable)
REVENUES:						
Administrative charge	\$ 1,160,390	\$ 413,764	(\$ 746,626)	\$ 363,739	\$ 96,423	(\$ 267,316)
Power and water charges	1,370,023	1,057,058	(312,965)			
Interest	150,000	26,663	(123,337)	160,189	180,151	19,962
Miscellaneous		1,125	1,125	178,681	177,483	(1,198)
Total revenues	<u>2,680,413</u>	<u>1,498,610</u>	<u>(1,181,803)</u>	<u>702,609</u>	<u>454,057</u>	<u>(248,552)</u>
EXPENDITURES:						
Current:						
General administration	1,583,546	1,491,907	91,639	516,232	271,124	245,108
Water purchases	26,330	22,657	3,673			
Intergovernmental				3,413,733	2,210,000	1,203,733
Total expenditures	<u>1,609,876</u>	<u>1,514,564</u>	<u>95,312</u>	<u>3,929,965</u>	<u>2,481,124</u>	<u>1,448,841</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,070,537	(15,954)	1,086,491	(3,227,356)	(2,027,067)	1,200,289
FUND BALANCE - JULY 1	<u>690,017</u>	<u>690,017</u>		<u>3,511,413</u>	<u>3,511,413</u>	
FUND BALANCE - JUNE 30	<u>\$ 1,760,554</u>	<u>\$ 674,063</u>	<u>\$ 1,086,491</u>	<u>\$ 284,057</u>	<u>\$ 1,484,346</u>	<u>\$ 1,200,289</u>

See notes to financial statements.

COLORADO RIVER COMMISSION

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS (DEFICIT)
ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1997

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1996

EXHIBIT 4

	<u>Proprietary Fund Types</u>	
	<u>Enterprise</u>	
	1997	1996 Combined
OPERATING REVENUES:		
Power sales	\$ 24,720,367	\$ 24,556,298
Miscellaneous service	<u>54,881</u>	<u>120,000</u>
Total operating revenues	<u>24,775,248</u>	<u>24,676,298</u>
OPERATING EXPENSES:		
Power purchases	19,494,973	17,577,676
Prepaid power advances	<u>5,225,394</u>	<u>6,988,622</u>
Total operating expenses	<u>24,720,367</u>	<u>24,566,298</u>
OPERATING INCOME	<u>54,881</u>	<u>110,000</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	133,235	93,752
Amortization	<u>(54,881)</u>	<u>(120,000)</u>
Total nonoperating revenues (expenses)	<u>78,354</u>	<u>(26,248)</u>
INCOME FROM CONTINUING OPERATIONS	133,235	83,752
INCOME FROM DISCONTINUED OPERATIONS	<u> </u>	<u>590,063</u>
NET INCOME	133,235	673,815
TRANSFER OF NET LIABILITIES TO SOUTHERN NEVADA WATER AUTHORITY		59,299,186
RETAINED EARNINGS (DEFICIT) - JULY 1	<u>957,111</u>	<u>(59,015,890)</u>
RETAINED EARNINGS - JUNE 30	<u>\$ 1,090,346</u>	<u>\$ 957,111</u>

Continuing operations are limited to the power marketing fund.

See notes to financial statements.

**COLORADO RIVER COMMISSION
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1997
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1996**

COLORADO RIVER COMMISSION

STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1997

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1996

EXHIBIT 5

	<u>Proprietary Fund Types</u>	
	Enterprise*	
	1997	1996
	Combined	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 24,471,952	\$ 48,050,189
Cash paid to suppliers	(17,600,025)	(32,053,043)
Cash paid to other funds for expense allocations		(915,875)
Miscellaneous operating revenues	<u>54,881</u>	<u>134,967</u>
Net cash provided by operating activities	<u>6,926,808</u>	<u>15,216,238</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments to Federal government for prepaid power		(149,503)
Payments to state general fund for Hoover negotiation expenses	(54,881)	(120,000)
Interest capitalized to prepaid power	(4,579,217)	(5,276,750)
Principal payments on bonds and federal obligation	(1,785,000)	(1,675,000)
Other	<u>(43,786)</u>	<u>(7,636)</u>
Net cash used by noncapital financing activities	<u>(6,462,884)</u>	<u>(7,228,889)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Advance from local government	6,923,950	842,078
Advance for basic substation	669,237	
Bond proceeds		118,590,000
Deposit to escrow for refunding	(17,981,223)	(116,266,376)
Bond expenses		(3,123,329)
Transfers to local government		(85,186,408)
Transfer to agency fund		(53,068,652)
Acquisition of property, plant and equipment	(4,611,192)	(22,339,167)
Principal payments on bonds and federal obligation		(3,120,000)
Interest payments on bonds and federal obligation		<u>(6,094,914)</u>
Net cash used by capital financing activities	<u>(14,999,228)</u>	<u>(169,766,768)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments		409,335
Interest earned	<u>1,236,729</u>	<u>5,921,420</u>
Net cash provided by investing activities	<u>1,236,729</u>	<u>6,330,755</u>
NET (DECREASE) IN CASH (RESTRICTED AND UNRESTRICTED)	(13,298,575)	(155,448,664)
CASH, JULY 1	<u>31,401,473</u>	<u>186,850,137</u>
CASH, JUNE 30	<u>\$ 18,102,898</u>	<u>\$ 31,401,473</u>

* See next page

(continued)

COLORADO RIVER COMMISSION

STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 1997

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1996

EXHIBIT 5

	<u>Proprietary Fund Types</u>	
	Enterprise*	
	1997	1996 Combined
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income:		
Continuing operations	\$ 113,235	\$ 110,000
Discontinued operations		6,409,495
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		2,941,575
Decrease (increase) in operating assets:		
Accounts receivable	(248,415)	5,084,919
Inventories		66,443
Prepaid power	5,433,510	6,988,622
Prepaid expenses		(205,834)
Increase (decrease) in operating liabilities:		
Accounts payable and contract retentions	1,120,599	(3,797,271)
Due to/from other funds	288,699	(108,842)
Deferred income	<u>219,180</u>	<u>(2,272,869)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,926,808</u>	<u>\$ 15,216,238</u>

* Current year amounts are limited to the Power Marketing Fund.

See notes to financial statements.

**NOTES TO
FINANCIAL STATEMENTS**

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1997

1. Summary of significant accounting policies:

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

Seven commissioners have broad statutory authority to govern the Commission, which comprises the reporting entity. The Commission, as a component unit of the State of Nevada (the "State"), is an integral part of that reporting entity. The Commission's financial statements are included on a "blended" basis in the State's comprehensive annual financial report.

All cash receipts and disbursements are processed and recorded by the State Controller. Budgetary and cash control are imposed by the State Controller on the general and special revenue funds, while cash control only is required for the enterprise funds. The Commission maintains its own revenue, expense and general journals and a general ledger. The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (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.

Following is a summary of significant policies.

A. Fund Accounting

The accounts of the Commission are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. The Commission's financial resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Commission's four funds are grouped into two generic fund types and three fund categories in the accompanying financial statements as follows:

Governmental Funds

General Fund - This fund is used to account for the Commission's general administrative activities. In the State's comprehensive annual financial report, it is included as a special revenue fund entitled "Colorado River Commission Fund."

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1997

1. Summary of significant accounting policies (continued):

A. Fund Accounting (continued)

Proprietary Fund

Enterprise Fund - This fund is used to account for operations of the Power Marketing Fund, which is a public utility, financed and operated in a manner similar to private business enterprise. It is intended that the costs of providing electrical power to the public on a continuing basis be financed or recovered through user charges. Periodic determination of revenues earned, expenses incurred and net income is appropriate for capital maintenance, public policy, management control, accountability and compliance with debt covenants. In implementing GASB Statement No. 20, the Commission elected not to adopt pronouncements of the Financial Accounting Standards Board issued after November 30, 1989, for its proprietary fund.

B. Fixed Assets and Long-term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost. The Commission does not acquire or own buildings or public domain ("infrastructure") assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

Long-term obligations expected to be financed from governmental funds are accounted for in the General Long-Term Obligations Account Group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1997

1. Summary of significant accounting policies (continued):

B. Fixed Assets and Long-term Liabilities (continued)

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. Instead, they are reported as liabilities in the General Long-Term Obligations Account Group.

The proprietary fund is accounted for using a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included in the balance sheet. Reported fund equity (net assets) is segregated into contributed capital and retained earnings (deficit) components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net assets.

The enterprise fund services its own long-term obligations. Long-term obligations presented in the general long-term obligations account group are serviced from the general fund.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for under GAAP using a modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets, that is, when they become "susceptible to accrual." All general and special revenue fund revenues of the Commission billed in July for services or commodities furnished through June 30, are considered "susceptible to accrual." Under the modified accrual basis of accounting in use, expenditures are recognized generally when the related fund liability is incurred. Exceptions to this general rule are principal and interest on general long-term obligations, which are recognized only when due.

The proprietary fund is accounted for using a full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when they are incurred. Unbilled enterprise fund service receivables are recorded at year end if any accrued debt service reserve requirements or operation and maintenance expenses at year end have not been billed to customers.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1997

1. Summary of significant accounting policies (continued):

D. Budget and Budgetary Accounting (see also Note 6)

The Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

Governmental Funds:

- (a) Prior to September 1 of each even-numbered year, the director submits proposed operating budgets to the Nevada Budget division covering the biennium beginning the following July 1.
- (b) After review of the budgets by the Nevada Budget Division between September 1 and November 15, hearings between the Commission, the Director of Administration and the governor are held between November 15 and December 22.
- (c) The biennium budgets are transmitted to the Legislature no later than the 10th day of the session held in odd numbered years.
- (d) Before adjourning, the Legislature legally enacts the budgets.
- (e) Net expenditures of the general fund (gross expenditures less amounts allocated to other funds) are controlled to budget categories (personnel services, travel instate, travel out-of-state, operating expenses, and capital outlay for the general fund; and general and administrative, purchase of land and intergovernmental for the special revenue funds). The account captions reported in the separate budgetary statements is the lowest level at which appropriations are adopted for the special revenue funds. The net amount budgeted for each category may not be exceeded. Management of the Commission cannot amend any budget categories. However, the Nevada Director of Administration is authorized to approve requests for changes in the budget involving transfers between expenditure categories not exceeding 10% of originally budgeted expenditures, or \$25,000 in the aggregate, of the respective budget categories. Any changes exceeding 10% or \$25,000 require approval of the Legislature's Interim Finance Committee.
- (f) No net budgeted amounts were exceeded in any category during 1996-97.

Proprietary (Enterprise) Fund:

The same budgetary procedures outlined above for governmental funds are utilized for the enterprise fund; however, all expenses are budgeted under one category, operating expenses. The amount budgeted for each enterprise fund equals estimated revenues for each year of the biennium.

Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds. Formal budgetary integration is not employed for the enterprise fund and that budget is utilized as management guidelines.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1997

1. Summary of significant accounting policies (continued):

D. Budget and Budgetary Accounting (continued)

Governmental Funds (continued):

Budgets for the general, special revenue and enterprise funds are adopted on a basis consistent with GAAP with the exception of encumbrances (Note 1E) for goods and services not received by fiscal year end, which are considered an expenditure of the current period solely for budgetary purposes.

Although biennium budgets are adopted, each year is treated separately and unexpended budget authorizations lapse at year end. Actual amounts in the budgetary comparison statements are presented on a budgetary basis. Because this basis differs from GAAP, a reconciliation between the budgetary and GAAP basis is presented in Note 6.

Budgeted amounts for 1996-97 are as originally adopted or amended by either the Commission, Nevada Director of Administration or Interim Financial Committee. Individual amendments were not material in relation to original authorizations.

E. Encumbrances

Encumbrance accounting, wherein purchase orders, contracts, and other commitments are recorded in order to reserve a corresponding portion of fund balances, is employed as an extension of formal budgetary integration in the general and special revenue funds. For financial statement purposes, under GAAP, encumbrances outstanding at June 30, for which the goods or services have not been received, are considered as expenditures in the following fiscal year.

F. Allocation of Administrative Salaries and Overhead

Appropriate portions of the Commission's administrative expenditures recorded in the general fund are allocated monthly to other special revenue and enterprise funds. Allocations are based upon time records maintained by all administrative and professional personnel. Allocations are recorded as expenditures or expenses in the proper fund and as a reduction of expenditures in the general fund.

G. Accounts Receivable

No provision is made for uncollectible accounts receivable. The Commission has never had an uncollected account.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1997

1. Summary of significant accounting policies (continued):

H. Restricted Assets

Specified "funds" required by bond covenants and the reserves required or allowed by the federal repayment contract are accounted for as restricted assets within the enterprise fund.

I. Other Assets

The Commission is participating in funding the 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 will be reimbursed in the form of power 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 reclassified as a prepaid expense in the fund.

J. Unamortized Debt Expense

Debt expense, including discounts, representing costs incurred in connection with the sale of bonds, is amortized over the life of the bonds using the bonds outstanding method.

K. Accrued Unpaid Compensated Absences

Amounts of vested vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term obligations account group. No expenditure is reported for these amounts. No liability is recorded for unvested accumulated rights to receive sick pay benefits.

L. Comparative Data

Comparative totals data for the prior year have been presented in the accompanying financial statements to provide an understanding of changes in the Commission's financial position and operations. Detailed comparative data (*i.e.*, presentation of prior year totals by fund type) and certain disclosures have not been presented since their inclusion would make the statements unduly complex and difficult to read. Accordingly, this data do not purport to present financial position, results of operation, or cash flows of the enterprise fund for the prior year in accordance with GAAP.

M. Reclassification:

Certain amounts in the Commission's prior year's financial data have been reclassified to conform to the 1997 presentation.

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1997**

1. Summary of significant accounting policies (continued):

N. Total Columns

Total columns are captioned "Memorandum Only". Data in these columns are not necessary to present financial position, results of operations, or cash flows in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

2. Cash deposits:

All cash (restricted and unrestricted) is deposited with the state treasurer or operating agent. At June 30, 1997, cash on deposit was as follows:

Carrying Value	Treasurer's Balance
<u>\$ 21,588,326</u>	<u>\$ 21,588,075</u>

3. Restricted assets:

The various debt service, operation and maintenance (O&M), capital improvement and construction (acquisition) funds required by bond covenants and the federal repayment contract are recorded as restricted assets on the enterprise fund's balance sheet. These restricted assets are established either from bond proceeds or retained earnings. Retained earnings are reserved to the extent restricted assets established from retained earnings exceed related restricted liabilities. The restrictions upon these assets at June 30, 1997, are summarized as follows:

	Power Marketing Fund
Restricted for:	
Debt service	\$ 1,717,439
Debt service reserve	362,757
Construction reserve	14,227,472
Revenue insufficiency reserve	<u>893,209</u>
 Total restricted assets	 <u>\$ 17,200,877</u>

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1997**

4. Changes in fixed assets:

Changes in fixed assets during 1996-97 were as follows:

	Balance July 1, 1996	Additions	Retirements	Balance June 30, 1997
General fixed assets account group:				
Office equipment	\$ 106,793	\$ 26,377	\$ 5,215	\$ 127,955
Office furniture and fixtures	1,165			1,165
Automobiles	<u>32,591</u>	<u>15,747</u>	<u>9,653</u>	<u>38,685</u>
 Total general fixed assets	 <u>\$ 140,549</u>	 <u>\$ 42,124</u>	 <u>\$ 14,868</u>	 <u>\$ 167,805</u>
 Enterprise fund fixed assets:				
	Balance July 1, 1996	Additions		Balance June 30, 1997
Construction work in progress	<u>\$ 89,263</u>	<u>\$ 4,611,192</u>		<u>\$ 4,700,455</u>

5. Long-term debt:

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

General obligation bonds (series May 1, 1987B) in the amount of \$79,500,000 were sold May 21, 1987, to provide the money needed to fund the State's share of the cost of financing the uprating of electrical generating facilities at Hoover Dam. The bonds mature annually on October 1 through 2017. Interest rates vary from 6.0 to 10.8% per annum. Interest is payable semi-annually on April 1 and October 1.

General obligation bonds (Hoover Uprating Refunding Bonds 1992 Series) in the amount of \$72,310,000 were sold March 25, 1992. Proceeds were used to advance refund \$65,845,000 of the 1987B Hoover uprating bonds which amount is still outstanding. The bonds mature annually on October 1 through 2016. Interest rates vary from 6.0 to 6.6% per annum. Interest is payable semi-annually on April 1 and October 1.

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1997**

5. Long-term debt (continued):

Long-term debt obligations outstanding at year end are summarized as follows:

	Maturity Dates	Interest Rates	Outstanding June 30, 1997
General obligations bonds:			
Hoover uprating, series 1987B	1987-2017	6 to 10.8%	\$ 8,410,000
Hoover uprating refunding, series 1992	1992-2016	6 to 6.6%	<u>53,350,000</u>
			61,760,000
Accrued compensated absences			<u>98,616</u>
			61,858,616
Less current portion			<u>(1,998,616)</u>
			<u>\$ 59,860,000</u>

Changes in long-term debt during fiscal 1997 are summarized below:

	Balance July 1, 1996	Additions	Retirements	Balance June 30, 1997
General obligation bonds	\$ 80,780,000		\$ 19,020,000 ¹	\$ 61,760,000
Accrued compensated absences	<u>81,331</u>	<u>\$ 17,285</u>		<u>98,616</u>
Total	<u>\$ 80,861,331</u>	<u>\$ 17,285</u>	<u>\$ 19,020,000</u>	<u>\$ 61,858,616</u>

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

Fiscal Years Ending June 30:

1997	\$ 5,799,230
1998	5,803,680
1999	5,798,280
2000	5,795,380
2001	5,784,680
Thereafter	<u>88,776,190</u>
Total	<u>\$117,757,440</u>
Principal	61,760,000
Interest	<u>55,997,440</u>
Total	<u>\$117,757,440</u>

¹Includes \$17,235,000 face value of series 4/1/92 bonds that were advance refunded (defeased). (See next page.)

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1997

5. Long-term debt (continued):

Refunded Debt and Redemptions

On December 12, 1996, the Commission deposited with First Bank, N.A. \$17,999,649 to advance refund term bonds in Series 1992 with a face value of \$17,235,000. The total amount deposited included refunding costs of \$764,649. To accomplish the advanced refunding (defeasance), the Commission used the \$17,999,066 to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. The advance refunding met the GAAP requirements for treatment as an "in-substance" debt defeasance, and the liability for those bonds has been removed from the Commission's balance sheet.

The advance refunding resulted in no economic gain or loss, since there was no new debt involved.

6. Budgetary Basis of Accounting

The combined statement of revenue, expenditures, encumbrances, and changes in fund balances -- budget and actual -- has been prepared on the budgetary basis of accounting. This basis differs from GAAP because of the inclusion of unexpended encumbrances with reported expenditures.

There were no changes in encumbrances outstanding during the current year.

7. Other required fund disclosures:

A. Interfund Receivable and Payable Balances

The interfund receivable and payable balances at June 30, 1997, were:

	Interfund Receivables	Interfund Payables
Funds:		
General fund	\$ 413,487	
Special revenue funds:		
Research and development	2,382	\$ 73,554
Ft. Mohave Valley development		10,924
Power Marketing fund		<u>331,391</u>
	<u>\$ 415,869</u>	<u>\$ 415,869</u>

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1997

7. Other required fund disclosures (continued):

B. Interest Incurred in the Enterprise Fund

Total interest incurred for the year ended June 30, 1997 was \$4,271,549, all of which was paid from power marketing operations.

8. Defined benefit pension plan:

All Commission employees participate in the Nevada Public Employees Retirement System (PERS), a cost-sharing, multiple-employer, public employee retirement system. The Commission's total payroll of \$1,109,872 for the year ended June 30, 1997, was paid to employees covered by PERS.

All persons employed in positions considered to be one-half time or more must participate in PERS. Employees who retire at age 65 with at least 5 years of credited service, at age 60 with at least 10 years of credited service, or at any age with 30 years of credited service are entitled to a retirement benefit, payable monthly for life. The benefit is equal to 2½% of their final average salary for each year of credited service up to a maximum of 90 percent if hired before July 1, 1985, and up to a maximum of 75% if hired on or after that date. Final average salary is the employee's average compensation for the 36 consecutive months of highest compensation. Benefits fully vest on reaching 5 years of service. Vested employees who have the necessary years of credited service, but have not attained the required age, may retire at any age with the benefit actuarially reduced by 2% of the unmodified benefit for each year the member is under the appropriate retirement age. PERS also provides death and disability benefits. Benefits are established by state statute.

Employees have the option of either contributing 10% of their salary, which is matched by the Commission, or, under the employer-paid option, taking a 9.5% reduction in gross pay with the Commission contributing 19% of salary to PERS. The contribution requirement for the year ended June 30, 1997, was \$118,634 which consisted of \$83,312 from the Commission and \$35,322 from employees. This contribution represented 0.03% of all contributions made by participants in the PERS. The Commission has no further liability to PERS pursuant to Nevada Revised Statutes, Chapter 286.110.

All public employers have the same actuarially determined contribution requirement. For the employee/employer plan, the actuarially required contribution rate for regular members is 9.91% and for police/fire members, 14.095%. For the employer-pay plan, the actuarially determined contribution rate is 18.76% for regular members and 27.38% for police/fire members.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1997

8. Defined benefit pension plan (continued):

The "pension benefit obligation" is a standardized disclosure measure that is independent of the actuarial funding method used to determine the contribution rates required to fund PERS on an actuarial reserve basis. The pension benefit obligation is the actuarial present value of credited projected benefits (adjusted for the effects of salary increases) estimated to be payable in the future as a result of employee service to date. It is intended to help users assess the funding status of PERS on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other retirement systems and employers. PERS does not make separate measurements of assets and pensions benefit obligations for individual employers.

The most recent actuarial valuation of PERS was conducted as of June 30, 1996.

Pension benefit obligation and related financial information at June 30, 1996, is as follows:

	Regular Members	Police and Firemen	All Members
Total pension benefit obligation	\$ 6,936,913,100	\$ 1,671,856,300	\$ 8,608,769,400
Net assets at market value	<u>6,411,448,800</u>	<u>1,301,108,400</u>	<u>7,712,557,200</u>
Unfunded pension benefit obligation	<u>\$ 525,464,300</u>	<u>\$ 370,747,900</u>	<u>\$ 896,212,200</u>

Net assets at market value represented 89.6% of the total pension benefit obligations based on the projected unit credit method. PERS uses the "entry-age-normal" actuarial method to amortize the unfunded liability over a period of 30 years from July 1, 1996.

Ten-year historical trend information showing the progress of PERS in accumulating sufficient assets to pay benefits when due is presented in the audited annual financial statements prepared by PERS for the year ended June 30, 1996.

In addition to providing pension benefits, the Commission allows retired employees to continue their health care and life insurance coverage, with the Commission contributing a portion of the monthly premiums. The Commission recognizes the cost of providing these benefits by expensing the employee contributions in the year the premiums are paid. The cost of this benefit for the year ended June 30, 1997 was \$7,452.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1997

9. Bond covenants:

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

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

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

Classes of Users - The power marketing fund serves two classes of users, retail utility customers and industrial customers.

Other - Other requirements of the bond covenants include maintaining bond funds in separate depository accounts with the State Treasurer, and an audit of the facility's financial statements by an independent certified public accountant. During the fiscal year ended June 30, 1997, the Commission complied with all requirements of the bond covenants.

10. Contingency:

Arbitrage Rebate Requirement - The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the Commission. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a), is required to be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. Temporary regulations implementing the rebate requirement were released by the Internal Revenue Service on May 12, 1989. Rebatable arbitrage is computed as of each installment computation date. The arbitrage rebate calculation as of that date indicates that no rebate requirement is due and, therefore, no accrued liability is recorded at June 30, 1997. Future calculations might result in arbitrage rebate requirements on the computation dates.

11. Risk management:

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

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1997**

12. Subsequent event:

On September 25, 1997, the Commission issued General Obligation (limited tax) (revenue supported) Power Delivery Project Bonds, series September 15, 1997A, in the amount of \$49,270,000. The bonds were issued to finance the costs of acquiring constructing and equipping certain electric power transmission and distribution facilities to serve the planned expansion of the Southern Nevada Water System.

**FINANCIAL STATEMENTS
OF
INDIVIDUAL FUNDS
AND
GENERAL FIXED ASSETS
ACCOUNT GROUP**

GENERAL FUND
(A-1 through A-3)

The general fund is used to record all general administrative activity (personnel services, travel, operating and equipment and furniture expenditures) of the Commission not directly attributable to power marketing, land activities or research and development. Revenues consist of an administrative charge on power and water sales and interest income. By law, the general fund is recorded in the State Comprehensive Annual Financial Report as a special revenue fund entitled, "Colorado River Commission" fund.

COLORADO RIVER COMMISSION

GENERAL FUND

COMPARATIVE BALANCE SHEETS
 JUNE 30, 1997 AND 1996

A-1

ASSETS	1997	1996
Cash	\$ 639,826	\$ 448,777
Receivables:		
Accounts	48,839	45,103
Accrued interest	8,047	8,792
Due from other funds	<u>413,487</u>	<u>230,397</u>
Total assets	<u>\$ 1,110,199</u>	<u>\$ 733,069</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 108,795	\$ 43,052
Deferred income	<u>327,341</u>	
Total liabilities	<u>436,136</u>	<u>43,052</u>
FUND BALANCE - unreserved	<u>674,063</u>	<u>690,017</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,110,199</u>	<u>\$ 733,069</u>

COLORADO RIVER COMMISSION

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED JUNE 30, 1997 AND 1996

A-2

	1997	1996
REVENUES:		
Administrative charge	\$ 413,764	\$ 438,780
Power and water charges	1,057,058	46,724
Interest	26,663	51,498
Miscellaneous	<u>1,125</u>	<u>320</u>
Total revenues	<u>1,498,610</u>	<u>537,322</u>
EXPENDITURES:		
Current:		
General administration		
Personnel services:		
Salaries	1,627,787	724,870
Employee benefits	209,352	181,256
Travel:		
Out-of-state	35,489	13,080
In-state	3,971	2,190
Operating:		
Water purchases	22,657	20,782
Office supplies and expense	10,916	11,794
Printing and copying	4,415	4,583
Insurance	6,662	10,453
Contractual services	313,275	85,351
Legal	216,886	219,202
Equipment repair	5,394	2,581
Rent	54,841	54,749
Vehicle operation	1,574	1,481
Postage	8,125	13,688
Telephone	21,478	19,770
Dues and registration	25,021	3,180
Publications	3,779	2,234
Professional services	1,677	1,268
Miscellaneous	411,748	34,624
Equipment, furniture and software	<u>62,775</u>	<u>20,779</u>
Total expenditures	3,047,822	1,427,915
Less allocated salaries and overhead	<u>1,533,258</u>	<u>869,684</u>
Net expenditures	<u>1,514,564</u>	<u>558,231</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(15,954)	(20,909)
FUND BALANCE - JULY 1	<u>690,017</u>	<u>710,926</u>
FUND BALANCE - JUNE 30	<u>\$ 674,063</u>	<u>\$ 690,017</u>

COLORADO RIVER COMMISSION

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET (NON-GAAP
 BUDGETARY BASIS) AND ACTUAL (LEGAL BASIS)
 FOR THE YEAR ENDED JUNE 30, 1997

A-3

	Budget	Actual (Legal Basis)	Variance- Favorable (Unfavorable)
REVENUES:			
Administrative charge	\$ 1,160,390	\$ 413,764	(\$ 746,626)
Power and water charges	1,370,023	1,057,058	(312,965)
Interest	150,000	26,663	(123,337)
Miscellaneous		1,125	1,125
Total revenues	<u>2,680,413</u>	<u>1,498,610</u>	<u>(1,181,803)</u>
EXPENDITURES:			
Current:			
General administration:			
Personnel services	1,226,316	1,837,139	(610,823)
Travel:			
Out-of-state	39,482	35,489	3,993
In-state	4,647	3,971	676
Operating:			
Water purchases	26,330	22,657	3,673
Office supplies and expense	25,576	10,916	14,660
Printing and copying	3,350	4,415	(1,065)
Insurance	7,157	6,662	495
Contractual services	968,217	313,275	654,942
Legal	253,889	216,886	37,003
Equipment repair	4,300	5,394	(1,094)
Rent	54,767	54,841	(74)
Vehicle operation	6,720	1,574	5,146
Postage	18,022	8,125	9,897
Telephone	17,937	21,478	(3,541)
Dues and registration	22,403	25,021	(2,618)
Publications	3,930	3,779	151
Professional services	150	1,677	(1,527)
Miscellaneous	46,630	411,748	(365,118)
Allocations out	(1,270,446)	(1,533,258)	262,812
Net operating	1,459,377	1,451,789	7,588
Equipment, furniture and software	150,499	62,775	87,724
Net expenditures	<u>1,609,876</u>	<u>1,514,564</u>	<u>95,312</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,070,537	(15,954)	(1,086,491)
FUND BALANCE - JULY 1	<u>690,017</u>	<u>690,017</u>	
FUND BALANCE - JUNE 30	<u>\$ 1,760,554</u>	<u>\$ 674,063</u>	<u>(\$ 1,086,491)</u>

SPECIAL REVENUE FUNDS
(B-1 through B-4)

Two special revenue funds have been established by the Commission.

The research and development fund is used to record the costs of engineering studies, analyses, negotiations and other efforts in protecting the interests of the state in the development and acquisition of power. The administrative charge collected from power contractors plus interest income provide the necessary revenues to maintain this fund.

The Ft. Mohave Valley development fund is used to record sales and purchases of land and other related income and expenditures.

COLORADO RIVER COMMISSION

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1997 WITH COMPARATIVE TOTALS FOR JUNE 30, 1996

B-1

	Research and Development	Ft. Mohave Valley Development	<u>Totals</u>	
ASSETS			1997	1996
Cash	\$ 386,257	\$ 2,459,345	\$ 2,845,602	\$3,495,169
Receivables:				
Accounts	29,195		29,195	58,601
Accrued interest	4,162	36,979	41,141	64,411
Due from other funds	<u>2,382</u>	<u> </u>	<u>2,382</u>	<u>533</u>
TOTAL ASSETS	<u>\$ 421,996</u>	<u>\$ 2,496,324</u>	<u>\$ 2,918,320</u>	<u>\$3,618,714</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 153,436	\$ 1,196,060	\$ 1,349,496	\$ 43,825
Due to other funds	<u>73,554</u>	<u>10,924</u>	<u>84,478</u>	<u>48,673</u>
Total liabilities	226,990	1,206,984	1,433,974	92,498
 FUND BALANCES - Unreserved	 <u>195,006</u>	 <u>1,289,340</u>	 <u>1,484,346</u>	 <u>4,553,259</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 421,996</u>	 <u>\$ 2,496,324</u>	 <u>\$ 2,918,320</u>	 <u>\$4,645,757</u>

COLORADO RIVER COMMISSION

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1997
WITH COMPARATIVE TOTALS FOR JUNE 30, 1996

B-2

	Research and Development	Ft. Mohave Valley Development	<u>Totals</u>	
			1997	1996
REVENUES:				
Administrative charge	\$ 96,423		\$ 96,423	\$ 83,011
Interest	13,023	\$ 167,128	180,151	282,767
Miscellaneous	<u>153,093</u>	<u>24,390</u>	<u>177,483</u>	<u>74,590</u>
Total revenues	<u>262,539</u>	<u>191,518</u>	<u>454,057</u>	<u>440,368</u>
EXPENDITURES:				
Current:				
General administration	260,048	11,076	271,124	376,597
Intergovernmental	<u> </u>	<u>2,210,000</u>	<u>2,210,000</u>	<u>1,105,617</u>
Total expenditures	<u>260,048</u>	<u>2,221,076</u>	<u>2,481,124</u>	<u>1,482,214</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,491	(2,029,558)	(2,027,067)	(1,041,846)
FUND BALANCE - JULY 1	<u>192,515</u>	<u>3,318,898</u>	<u>3,511,413</u>	<u>4,553,259</u>
FUND BALANCE - JUNE 30	<u>\$ 195,006</u>	<u>\$ 1,289,340</u>	<u>\$ 1,484,346</u>	<u>\$3,511,413</u>

COLORADO RIVER COMMISSION

RESEARCH AND DEVELOPMENT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1997

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 1996

B-3

	<u>1997</u>		Variance- Favorable (Unfavorable)	1996 Actual
	Budget	Actual		
REVENUES:				
Administrative charge	\$ 363,739	\$ 96,423	(\$ 267,316)	\$ 83,011
Interest	40,853	13,023	(27,830)	20,700
Miscellaneous	<u>153,093</u>	<u>153,093</u>		<u>50,000</u>
Total revenues	557,685	262,539	(295,146)	153,711
EXPENDITURES -				
Current - General administration	<u>466,143</u>	<u>260,048</u>	<u>206,095</u>	<u>353,892</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	91,542	2,491	(89,051)	(200,181)
FUND BALANCE - JULY 1	<u>192,515</u>	<u>192,515</u>		<u>392,696</u>
FUND BALANCE - JUNE 30	<u>\$ 284,057</u>	<u>\$ 195,006</u>	<u>(\$ 89,051)</u>	<u>\$ 192,515</u>

COLORADO RIVER COMMISSION

FT. MOHAVE VALLEY DEVELOPMENT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1997

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 1996

B-4

	<u>1997</u>		Variance- Favorable (Unfavorable)	1996 Actual
	Budget	Actual		
REVENUES:				
Interest	\$ 119,336	\$ 167,128	\$ 47,792	\$ 262,067
Miscellaneous	<u>25,588</u>	<u>24,390</u>	(1,198)	<u>24,590</u>
Total revenues	<u>144,924</u>	<u>191,518</u>	<u>46,594</u>	<u>286,657</u>
EXPENDITURES:				
Current:				
General administration	50,089	11,076	39,013	22,705
Intergovernmental	<u>3,413,733</u>	<u>2,210,000</u>	<u>1,203,733</u>	<u>1,105,617</u>
Total expenditures	<u>3,463,822</u>	<u>2,221,076</u>	<u>1,242,746</u>	<u>1,128,322</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,318,898)	(2,029,558)	1,289,340	(841,665)
FUND BALANCE - JULY 1	<u>3,318,898</u>	<u>3,318,898</u>	_____	<u>4,160,563</u>
FUND BALANCE - JUNE 30	<u>\$ _____</u>	<u>\$ 1,289,340</u>	<u>\$ 1,289,340</u>	<u>\$3,318,898</u>

ENTERPRISE FUND
(C-1 through C-3)

The Power Marketing Fund is required by the bond resolution authorizing the financing of Nevada's share of the cost of uprating the generating facilities at Hoover Dam. It is used to record purchases and sales of electrical power and other power marketing related activities.

COLORADO RIVER COMMISSION
ENTERPRISE FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1997 AND 1996

COLORADO RIVER COMMISSION

POWER MARKETING FUND

COMPARATIVE BALANCE SHEET
 JUNE 30, 1997 AND 1996

C-1

ASSETS	1997	1996
Current assets:		
Cash	\$ 902,021	\$ 524,335
Receivables:		
Accounts	2,242,374	1,993,959
Accrued interest	227,033	464,791
Prepaid power	<u>4,627,795</u>	<u>6,962,132</u>
	7,999,223	9,945,217
Restricted cash	17,200,877	30,877,138
Property, plant and equipment:		
Construction in progress	4,700,455	89,263
Deferred charges:		
Unamortized debt and charge on refunding bonds	746,223	54,881
Prepaid power	<u>45,774,745</u>	<u>45,482,674</u>
TOTAL ASSETS	<u>\$ 76,421,523</u>	<u>\$ 86,449,173</u>

(continued)

COLORADO RIVER COMMISSION

POWER MARKETING FUND

COMPARATIVE BALANCE SHEET (CONTINUED)
 JUNE 30, 1997 AND 1996

C-1

LIABILITIES AND FUND EQUITY	1997	1996
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 2,256,712	\$ 2,328,477
Due to other funds	<u>331,391</u>	<u>42,692</u>
	<u>2,588,103</u>	<u>2,371,169</u>
Payable from restricted assets:		
Accounts payable	1,242,364	50,000
Bonds payable (within 1 year)	1,900,000	1,785,000
Due to state general fund (within 1 year)		54,881
Accrued interest	<u>990,970</u>	<u>1,298,639</u>
	<u>4,133,334</u>	<u>3,188,520</u>
Long-term debt:		
Advance from State of Nevada general obligation bonds payable	59,860,000	78,995,000
Advance from local government	7,766,028	842,078
Advance for basic substation	<u>669,237</u>	<u> </u>
	<u>68,295,265</u>	<u>79,837,078</u>
Deferred credits:		
Deferred income	<u>314,475</u>	<u>95,295</u>
TOTAL LIABILITIES	<u>75,331,177</u>	<u>85,492,062</u>
FUND EQUITY:		
Retained earnings:		
Reserved for operation and maintenance	893,209	841,012
Unreserved	<u>197,137</u>	<u>116,099</u>
	<u>1,090,346</u>	<u>957,111</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 76,421,523</u>	<u>\$ 86,449,173</u>

COLORADO RIVER COMMISSION

POWER MARKETING FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS (DEFICIT) - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1997

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 1996

C-2

	1997		Variance- Favorable (Unfavorable)	1996 Actual
	Budget	Actual		
OPERATING REVENUES:				
Power sales	\$ 41,902,559	\$ 24,720,367	(\$ 17,182,192)	\$ 24,556,298
Miscellaneous service	54,881	54,881		120,000
Total operating revenues	<u>41,957,440</u>	<u>24,775,248</u>	<u>(17,182,192)</u>	<u>24,676,298</u>
OPERATING EXPENSES:				
Power purchases	41,743,860	19,494,973	22,248,887	17,577,676
Miscellaneous expenses	<u>5,225,394</u>	<u>5,225,394</u>		<u>6,988,622</u>
Total operating expenses	<u>46,969,254</u>	<u>24,720,367</u>	<u>22,248,887</u>	<u>24,566,298</u>
OPERATING INCOME (LOSS)	<u>(5,011,814)</u>	<u>54,881</u>	<u>5,066,695</u>	<u>110,000</u>
NONOPERATING REVENUES (EXPENSES):				
Interest income	24,380	133,235	108,855	93,752
Amortization	<u>(54,881)</u>	<u>(54,881)</u>		<u>(120,000)</u>
Total nonoperating revenues (expenses)	<u>(30,501)</u>	<u>78,354</u>	<u>108,855</u>	<u>(26,248)</u>
NET INCOME (LOSS)	<u>(5,042,315)</u>	<u>133,235</u>	<u>5,175,550</u>	<u>83,752</u>
RETAINED EARNINGS - JULY 1	<u>957,111</u>	<u>957,111</u>		<u>873,359</u>
RETAINED EARNINGS (DEFICIT) - JUNE 30	<u>(\$ 4,085,204)</u>	<u>\$ 1,090,346</u>	<u>\$ 5,175,550</u>	<u>\$ 957,111</u>

COLORADO RIVER COMMISSION

POWER MARKETING FUND

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS -
 RESTRICTED ACCOUNTS REQUIRED BY BOND RESOLUTIONS AND CONTRACTS
 FOR THE YEAR ENDED JUNE 30, 1997

C-3

	General Operating Funds	Debt Service	All Purpose Reserve	Insufficiency Reserve	Basic Sub- station Fund	Acquisition Fund	Power Supply Fund	Total
CASH RECEIPTS:								
Power sales	\$ 24,471,952							\$ 24,471,952
Interest income	370,993			\$ 52,197		\$ 1,405,302	\$ 34,982	1,863,474
Transfers in		\$ 5,225,393			\$ 267,692		6,870,459	12,363,544
Total cash receipts	<u>24,842,945</u>	<u>5,225,393</u>		<u>52,197</u>	<u>267,692</u>	<u>1,405,302</u>	<u>6,905,441</u>	<u>38,698,970</u>
CASH DISBURSEMENTS:								
Power purchased	17,600,025							17,600,025
Capital improvements					1,550	18,712	3,148,158	3,168,420
Transfers out	6,810,353					764,648		7,575,001
Repayment to state general fund	54,881							54,881
Principal payments		1,785,000				17,235,000		19,020,000
Interest payments		4,579,218						4,579,218
Total cash disbursements	<u>24,465,259</u>	<u>6,364,218</u>			<u>1,550</u>	<u>18,018,360</u>	<u>3,148,158</u>	<u>51,997,545</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	377,686	(1,138,825)		52,197	266,142	(16,613,058)	3,757,283	(13,298,575)
CASH AND INVESTMENTS - JULY 1	<u>524,335</u>	<u>3,219,021</u>	<u>7,440,326</u>	<u>841,012</u>		<u>18,541,779</u>	<u>835,000</u>	<u>31,401,473</u>
CASH AND INVESTMENTS - JUNE 30	<u>\$ 902,021</u>	<u>\$ 2,080,196</u>	<u>\$ 7,440,326</u>	<u>\$ 893,209</u>	<u>\$ 266,142</u>	<u>\$ 1,928,721</u>	<u>\$ 4,592,283</u>	<u>\$ 18,102,898</u>

GENERAL FIXED ASSETS
ACCOUNT GROUP
(D-1 and D-2)

Fixed assets (equipment, furniture, fixtures and automobiles) purchased with general fund revenues are recorded in the general fixed assets account group and not as assets of the general fund. They do not represent financial resources available for expenditure, but are items for which financial resources have been used and for which accountability is maintained. The general fixed assets account group is a management control and accountability listing of the Commission's general fixed assets -- those assets not employed in enterprise fund activities -- balanced by an account showing the sources from which such assets were financed.

COLORADO RIVER COMMISSION

SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE
JUNE 30, 1997

D-1

GENERAL FIXED ASSETS:

Equipment:

Office equipment	\$ 127,955
Office furniture and fixtures	1,165
Automobiles	<u>38,685</u>

TOTAL GENERAL FIXED ASSETS \$ 167,805

INVESTMENT IN GENERAL FIXED ASSETS
BY SOURCE - General fund \$ 167,805

COLORADO RIVER COMMISSION

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS -
 BY FUNCTION AND ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 1997

D-2

	General Fixed Assets July 1, 1996	Additions	Retirements	General Fixed Assets June 30, 1997
GENERAL GOVERNMENT:				
Colorado River Commission:				
Office equipment	\$ 106,793	\$ 26,377	\$ 5,215	\$ 127,955
Office furniture and fixtures	1,165			1,165
Automobiles	<u>32,591</u>	<u>15,747</u>	<u>9,653</u>	<u>38,685</u>
TOTAL GENERAL FIXED ASSETS	<u>\$ 140,549</u>	<u>\$ 42,124</u>	<u>\$ 14,868</u>	<u>\$ 167,805</u>

SCHEDULES
(Supplemental Financial Information and Data)

The following supplemental financial information is included as additional analytical data.

COLORADO RIVER COMMISSION

COMBINED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
 ALL FUNDS
 FOR THE YEAR ENDED JUNE 30, 1997

E-1

	June 30, 1996	Receipts	Disbursements	June 30, 1997
GENERAL FUND	\$ 448,777	\$ 1,639,870	\$ 1,448,821	\$ 639,826
SPECIAL REVENUE FUND:				
Research and development	230,852	289,711	134,306	386,257
Ft. Mohave Valley development	3,264,317	215,173	1,020,145	2,459,345
ENTERPRISE FUNDS:				
SNWS state	412,898		412,898	
SNWS federal	903,621		903,621	
Power Marketing	<u>524,335</u>	<u>24,842,945</u>	<u>24,465,259</u>	<u>902,021</u>
TOTAL - ALL FUNDS	<u>\$ 5,784,800</u>	<u>\$ 26,987,699</u>	<u>\$ 28,385,050</u>	<u>\$ 4,387,449</u>
DEPOSITORY:				
Petty cash				\$ 250
Nevada State Treasurer				<u>4,387,199</u>
TOTAL				<u>\$ 4,387,449</u>

COLORADO RIVER COMMISSION

COMBINED SCHEDULE OF BONDS AND CONTRACTS PAYABLE
 ALL FUNDS
 FOR THE YEAR ENDED JUNE 30, 1997

E-2

	Interest Rates	Interest Payment Dates	Issue Date	Final Maturity Date	Annual Serial Payments	Authorized	Issued	Retired	Outstanding
GENERAL OBLIGATION (REVENUE SUPPORTED) BONDS:									
Hoover uprating, series 1987B	6.0 to 10.75%	4/1/; 10/1	5/1/87	10/1/17	\$1,530,000 to 6,880,000	\$ 79,500,000	\$ 79,500,000	\$71,090,000	\$ 8,410,000
Hoover uprating refunding, 1992 series	6.0 to 6.6%	4/1/; 10/1	4/1/92	10/1/16	370,000 to 6,170,000	<u>72,310,000</u>	<u>72,310,000</u>	<u>18,960,000</u>	<u>53,350,000</u>
Total general obligation debt						<u>\$ 151,810,000</u>	<u>\$151,810,000</u>	<u>\$90,050,000</u>	<u>\$ 61,760,000</u>

COLORADO RIVER COMMISSION

DEBT SERVICE REQUIREMENTS TO MATURITY
FOR THE YEARS ENDING JUNE 30, 1997 THROUGH 2018

E-3

	Series 1987B	Series 1992	Total All Funds
1998	\$ 1,996,350	\$ 3,802,880	\$ 5,799,230
1999	412,800	5,390,880	5,803,680
2000	412,800	5,385,480	5,798,280
2001	412,800	5,382,580	5,795,380
2002	412,800	5,371,880	5,784,680
2003	412,800	2,889,580	3,302,380
2004	412,800	2,889,580	3,302,380
2005	412,800	2,889,580	3,302,380
2006	412,800	2,889,580	3,302,380
2007	412,800	2,889,580	3,302,380
2008	412,800	3,528,130	3,940,930
2009	412,800	6,416,755	6,829,555
2010	412,800	6,409,105	6,821,905
2011	412,800	6,400,368	6,813,168
2012	412,800	6,394,405	6,807,205
2013	412,800	6,389,917	6,802,717
2014	412,800	6,387,905	6,800,705
2015	412,800	6,376,900	6,789,700
2016	412,800	6,372,795	6,785,595
2017	412,800	6,373,610	6,786,410
2018	<u>7,086,400</u>	<u> </u>	<u>7,086,400</u>
	<u>\$ 16,925,950</u>	<u>\$ 100,831,490</u>	<u>\$ 117,757,440</u>

STATISTICAL SECTION
(Not covered by auditors' report)

COLORADO RIVER COMMISSION

EXPENDITURES BY FUNCTION

LAST TEN FISCAL YEARS (NOT COVERED BY AUDITORS' REPORT)

Table 1

Years	General Administration (1)	Power and Water Purchased (2)	Research and Development	Ft. Mohave Development	Southern Nevada Water System (3)		Total
					Operation Maintenance	Debt Service	
1987-88	\$ 321,865	\$ 22,423,903	\$ 6,072	\$ 356,461	\$ 19,309,862	\$ 12,067,211	\$ 54,485,374
1988-89	320,689	19,327,175	29,102	8,095,308	22,374,152	13,537,835	63,684,261
1989-90	442,229(4)	17,488,194	4,783	2,060,026	25,934,706	13,993,280	59,923,218
1990-91	603,622(4)	18,091,608	3,334	194,862	28,717,169	16,748,572	64,359,167
1991-92	557,018(4)	22,729,814	13,155	1,425,430	31,441,964	14,846,249	71,013,630
1992-93	578,925(4)	22,052,142	312,479	2,518,283	31,104,383	15,257,935	71,824,147
1993-94	662,045(4)	24,526,546	191,470	15,616	35,334,770	15,456,001	76,186,448
1994-95	569,303(4)	20,633,171	161,904	1,268,737	35,967,162	16,853,360	75,453,637
1995-96	552,248(4)	17,557,676	353,892	1,128,322	14,616,221	9,154,819	43,363,178
1996-97	1,514,564(4)	19,494,973	260,048	2,221,076			23,490,661

(1) General Fund - Expenditures are net after salary and overhead allocations to other funds.

(2) Power and water fund prior to 1987-88 and power marketing fund thereafter.

(3) Water treatment fund and water transmission fund combined. Fiscal year 1995-96 is only through December 31, 1995, after which the system was transferred to the Southern Nevada Water Authority.

(4) Expenditures shown are on a legal basis.

COLORADO RIVER COMMISSION

REVENUES BY SOURCE

LAST TEN FISCAL YEARS (NOT COVERED BY AUDITORS' REPORT)

Table 2

	Water Development Charge General Fund	Administrative Charge General Fund	Research and Development Fund	Power and Water Sales (1)	Interest Income (2)	Land Sales (3)	Water System Operating Revenues (4)	Total
1987-88		\$ 498,587	\$ 22,524	\$ 22,423,903	\$ 240,802	\$ 3,450,000	\$ 25,503,151	\$ 52,138,967
1988-89		460,176	20,596	21,453,136	394,704	4,793,438	28,860,009	55,982,059
1989-90		436,102	19,950	21,390,896	376,387	4,895,538	32,772,200	59,891,073
1990-91		440,323	20,149	22,947,249	504,451		36,519,538	60,431,710
1991-92		207,403	202,523	23,993,467	371,196		39,443,873	64,218,462
1992-93	\$ 224,246	209,127	202,526	28,424,687	169,029		41,020,637	70,250,252
1993-94	254,666	359,445	259,757	31,564,355	102,445		45,167,068	77,707,736
1994-95	275,300	454,585	165,803	27,705,888	160,234	4,908,279	48,158,882	81,828,971
1995-96	46,724	438,780	83,011	24,556,298	334,265		20,696,808	46,155,886
1996-97	1,057,058	413,764	96,423	24,720,367	206,814			26,494,426

(1) Power and water fund prior to 1987-88 and Power Marketing Fund thereafter.

(2) General fund and all special revenue funds.

(3) Fort Mohave Valley Development Fund and Eldorado Valley Development Fund.

(4) Water treatment fund and water transmission fund combined. Fiscal year 1995-96 is only through December 31, 1995, after which the system was transferred to the Southern Nevada Water Authority.

COLORADO RIVER COMMISSION

SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 1997 (NOT COVERED BY AUDITORS' REPORT)

Table 3

Type of Coverage	Expiration Date	Details of Coverage
Property and contents Arkwright Insurance Company	7/1/97	All risk (with specific exclusions) on State-owned buildings and contents in leased buildings. \$1,000 deductible per occurrence. Buildings and contents at replacement cost. Employee's personal property if used in performance of the job.
Employee Dishonesty Bond Fidelity and Deposit Company	7/1/97	Blanket dishonesty bond for State of Nevada employees. \$500,000 limit. \$75,000 deductible per occurrence.

ADDITIONAL REPORT OF INDEPENDENT AUDITORS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING 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 financial statements of the Colorado River Commission of Nevada (the Commission), as of and for the year ended June 30, 1997, and have issued our report thereon dated October 24, 1997. We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants (including the bond resolutions and ordinances of the General Obligation Hoover Uprating Bonds, Series May 1, 1987B, and the General Obligation Hoover Uprating Bonds, 1992 series), 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financing Reporting

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

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

Beiny, Bowler, Taylor & Kern

October 24, 1997