

**COLORADO RIVER COMMISSION**

**OF  
N  
E  
V  
A  
D  
A**



**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE**

**FISCAL YEAR ENDED  
JUNE 30, 2017**

*A Component Unit of the State of Nevada*

**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, 2017

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

## STATE OF NEVADA

BRIAN SANDOVAL

*Governor*

ADAM PAUL LAXALT

*Attorney General*

RON KNECHT

*Controller*

DAN SCHWARTZ

*Treasurer*

BARBARA K. CEGAVSKE

*Secretary of State*

## COLORADO RIVER COMMISSION

PUOY K. PREMSRIRUT

*Chairwoman*

KARA J. KELLEY

*Vice Chairwoman*

MARILYN KIRKPATRICK

*Commissioner*

JOHN F. MARZ

*Commissioner*

STEVE SISOLAK

*Commissioner*

DAN H. STEWART

*Commissioner*

CODY T. WINTERTON

*Commissioner*

## COMMISSION STAFF

JAYNE HARKINS

*Executive Director*

ERIC P. WITKOSKI

*Deputy Executive Director*

GAIL A. BATES

*Assistant Director — Energy Services*

DOUGLAS N. BEATTY

*Chief, Finance and Administration*

ANGELA K. SLAUGHTER

*Natural Resources Program Manager*

CRAIG N. PYPER

*Hydropower Program Manager*

ROBERT D. REESE

*Assistant Director Engineering & Operation*

Introductory Section

Title Page .....	i
List of elected and appointed officials .....	ii
Letter of transmittal.....	iii
GFOA Certificate of Achievement .....	viii
Organization chart.....	ix

Financial Section

Independent Auditor's Report.....	1
Management's discussion and analysis .....	4
Basic financial statements:	
Government-wide financial statements:	
Statement of net position.....	14
Statement of activities .....	15
Fund financial statements	
Balance sheet - governmental fund .....	16
Reconciliation of the balance sheet of the governmental funds to the statement of net position.....	16
Statement of revenues, expenditures and changes in fund balances - governmental funds .....	17
Reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities.....	17
Statement of revenues, expenditures and changes in fund balances - budget and actual - general fund .....	18
Statement of revenues, expenditures and changes in fund balances - budget and actual - research and development special revenue fund .....	19
Statement of net position - proprietary funds.....	20
Statement of revenues, expenses and changes in net position - proprietary funds.....	21
Statement of cash flows - proprietary funds.....	22
Notes to Financial Statements .....	23

Required Supplementary Information

Proportionate Share of the Collective Net Pension Liability Information	
Multiple – Employer Cost-Sharing Defined Benefit Pension Plan.....	42
Statutorily Required Employer Contribution Information	
Multiple-Employer Cost-Sharing Defined Benefit Pension Plan .....	43

Statistical Section

Statistical Section (Unaudited).....	44
Net position by Component - last ten fiscal years.....	45
Changes in net position - last ten fiscal years .....	46
Fund balances, governmental funds - last ten fiscal years .....	48
Changes in fund balances, governmental funds - last ten fiscal years .....	49

Principal revenue payers .....	50
Ratios of outstanding debt - last ten fiscal years.....	51
Available revenue debt coverage - last ten fiscal years .....	52
Demographic statistics, Clark County, Nevada - last ten fiscal years.....	53
Principal employers, Clark County, Nevada.....	54
Employees by department - last ten fiscal years .....	55
Capital asset statistics by function - last ten fiscal years .....	56
Operating indicators, June 30, 2017.....	57
Risk Management, June 30, 2017 .....	58
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	59
Schedule of Findings and Responses .....	61



STATE OF NEVADA

BRIAN SANDOVAL, *Governor*  
PUOY K. PREMSRIRUT, *Chairwoman*  
KARA J. KELLEY, *Vice Chairwoman*  
JAYNE HARKINS, P.E., *Executive Director*



MARILYN KIRKPATRICK, *Commissioner*  
JOHN F. MARZ, *Commissioner*  
STEVE SISOLAK, *Commissioner*  
DAN H. STEWART, *Commissioner*  
CODY T. WINTERTON, *Commissioner*

**COLORADO RIVER COMMISSION**  
OF NEVADA

March 8, 2018

**Honorable Chairwoman and  
Members of the  
Colorado River Commission of Nevada**

It is a pleasure for us to present the Comprehensive Annual Financial Report (CAFR) of the Colorado River Commission of Nevada (the Commission) for the year ended June 30, 2017, prepared by the financial and administrative division staff. This CAFR is published to fulfill state law and bond covenants requiring such within six months of the close of each fiscal year. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that was established for this purpose. The Commission's controls have been developed in accordance with the State of Nevada Controller's office state-wide internal control system. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Eide Bailly, LLP, Certified Public Accountants and Business Advisors, audited the Commission's fiscal 2017 basic financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Commission are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Commission's basic financial statements for the fiscal year ended June 30, 2017, are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States (GAAP). The independent auditors' report is presented in the financial section of this report.

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

---

## THE COMMISSION

---

The Commission has broad statutory authority to establish policy for the management of the State of Nevada's (the State or Nevada) allocation of power and water resources from the Colorado River. As a state agency, it comprises a discretely presented component unit of the State for financial reporting purposes. Basic financial information presented herein is also included in the State's Comprehensive Annual Financial Report.

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

<u>Name</u>	<u>Initial Appointment</u>	<u>Current Term</u>
Puoy K. Premsrut, <b>Chairwoman</b>	2013	7/1/17 – 6/30/20
Kara J. Kelley, <b>Vice-Chairwoman</b>	2015	7/1/17 – 6/30/20
Honorable Marilyn Kirkpatrick Clark County Commissioner	2016	7/1/16 – 6/30/18 *
Honorable John F. Marz, City of Henderson Councilman	2017	7/1/17 – 6/30/18 *
Honorable Steve Sisolak, Clark County Commissioner	2013	7/1/16 – 6/30/18 *
Dan H. Stewart	2016	12/21/16 – 6/30/19
Cody T. Winterton	2015	7/13/15 – 6/30/18

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

---

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

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

**Power** - Nevada's allocation of hydropower from Hoover, Parker and Davis Dams, and the Salt Lake City Area Integrated Projects is purchased by the Commission from the federal government and sold to several contracting entities in southern Nevada, including three rural electrification associations, one municipal and one investor-owned utility, and an industrial complex near Henderson, Nevada. The Commission also seeks and contracts for available capacity and energy from alternative sources in order to meet the needs of the entities it serves. The Commission is also responsible for developing power delivery facilities and providing power, including hydropower to SNWA's treatment facilities and the Basic Industrial Complex in Henderson. The Commission's customer base is limited by state law to its current existing customers (including the power load to serve the water pumping needs of SNWA and its member agencies) and those who received a hydropower allocation under certain allocation processes.

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

---

## FACTORS AFFECTING FINANCIAL CONDITION

---

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

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

The County encompasses 7,927 square miles, an area larger than the entire state of New Jersey. It includes five incorporated cities: Las Vegas, Henderson, North Las Vegas, Boulder City, and Mesquite; fourteen unincorporated towns; one school district; four library districts; one urban and two rural fire districts; one sanitation district; one urban and three rural water districts; and eleven judicial townships.



Clark County's population continues to increase at a moderate rate following declines in population reported in 2009 through 2011. The increases in reported population began in 2012 and continue at very moderate rates. The current Five-Year Report of the State Demographer indicates that the County's estimated 2017 population of 2,126,099 represents approximately 72.5% of the State's 2017 population (virtually unchanged from the prior year's percentage). Current projections forecast the County population to be 2,145,354 in 2018 and 2,164,799 in 2019. Nevada's estimated 2017 population was 2,930,654, with the 2016 estimated population being 2,900,442. This reflects an increase of 30,212 or 1.0%. This compares to an overall 1.0% increase reported in 2014 and 2015, (a 1.4% decrease was reported for 2011). The current demographic estimate indicates continued growth over the next two years also at a rate of approximately 1% annually.

The State experienced financial concerns as economic indicators in the State and County declined over the last several years, however indicators since 2012 show some increases. During this period state and local governments have taken steps to decrease expenditures to maintain balanced budgets. On October 24, 2017 the Nevada Department of Employment, Training, and Rehabilitation reported that unemployment rates in Nevada's metro areas varied from the previous report, but decreased over the year. The Las Vegas unemployment rate stayed the same from August at 5.2 percent, but is down 0.4 of a percentage point from September of last year. For 13 consecutive months, unemployment rates have declined on an over-the-year basis in all 17 of the State's counties. Rate declines ranged from 1.8 percentage points to 0.2 of a percentage point. All counties remained at or below 6.5 percent unemployment in September, with the statewide rate at 4.9 percent. Over this period, the revenues of the Commission have been stable, and are projected to remain so over the next biennium. This is primarily due to the nature of Commission resources and the very low cost of those resources to its customers.

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

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

with all of its customers. Some staff members of the Commission's Energy Services group are housed full-time at the SNWA offices and all customers have access to Commission records and operational information including real time power purchasing and invoicing amounts.

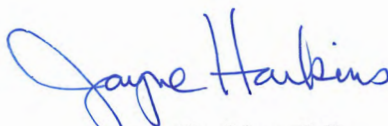
Cash in all funds is deposited in the State Treasurer's account, and the Treasurer acts as the exclusive financial institution for the Commission. Interest income is received from the State Treasurer on all Commission cash. The Commission has no direct control over the investing activities of these resources. Interest income is not significant and is not used in budgeting and cash needs analysis.

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

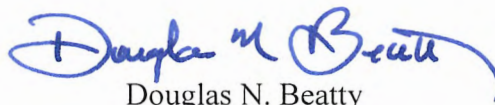
**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commission for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the 40<sup>th</sup> consecutive year that the Commission has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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

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



Jayne Harkins, P.E.  
Executive Director



Douglas N. Beatty  
Division Chief, Finance & Administration



Government Finance Officers Association

**Certificate of  
Achievement for  
Excellence in  
Financial Reporting**

Presented to

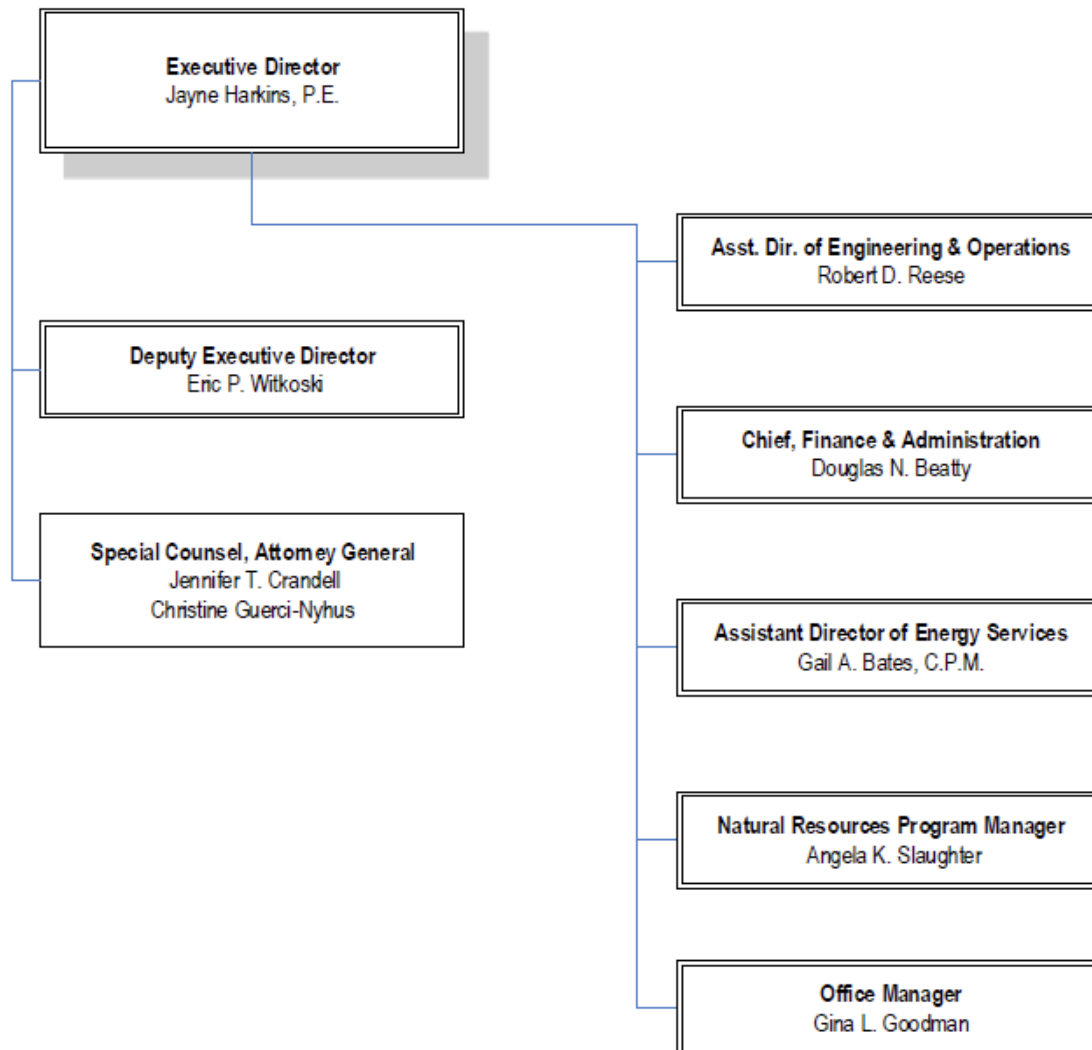
**Colorado River Commission of  
Nevada**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**



Executive Director/CEO





## **Independent Auditor's Report**

To the Members of the Colorado River Commission of Nevada  
Colorado River Commission  
Las Vegas, Nevada

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Colorado River Commission of Nevada (the Commission), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Commission as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund and the Research and Development Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

#### **Adoption of New Accounting Standard**

As discussed in Notes 1 and 14 to the financial statements, the Commission has adopted the provisions of GASB Statement No. 82, *Pension Issues – An Amendment of GASB No. 67, No. 68, and No. 73*, which has resulted in a restatement of the net position as of July 1, 2016. Our opinions are not modified with respect to this matter.

#### **Correction of an Error**

As described in Note 14 to the financial statements, the Commission applied an adjustment to beginning net position to correct balances reported as prepaid power and unearned revenue. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and pension trend data on pages 4 through 13 and 42 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and pension trend data, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2018 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Las Vegas, Nevada  
March 8, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

This section of the Comprehensive Annual Financial Report (CAFR) of the Colorado River Commission of Nevada (the Commission) presents management's overall analysis of financial activities for the fiscal year ended June 30, 2017. This information will provide a more complete picture of Commission activities when read in conjunction with the financial statements, notes to the financial statements and letter of transmittal.

### Financial Highlights

- ❖ The assets and deferred outflows of the Commission's governmental activities exceed the liabilities and deferred inflows at the close of the fiscal year by \$6,154,473 (net position). However, the restricted net position related to the Research and Development Fund is \$10,276,431. Thus the Commission's unrestricted net position is (\$4,121,958).
- ❖ The net position in the enterprise funds increased this year by \$147,514 from \$1,520,126 (as restated) to \$1,667,640 as expected due to interest income and miscellaneous income.
- ❖ Cash balances in the governmental funds decreased slightly during the year, from a reported balance of \$12,686,671 in fiscal 2016, to \$12,383,490 in 2017. This was due to the use of operating cash reserves to fund general fund operations and scheduled contractual collections of reserves in the Research and Development fund for habitat conservation. The reserves are part of the Lower Colorado River Multi-Species Conservation Program which is described in more detail later in this analysis.
- ❖ Revenues from the power administrative charge decreased by \$215,218 as compared to the last fiscal year. This was due to decreased Hydropower available to the Commission as a result of lower lake levels due to the continued drought. The administrative charge is fixed based on power deliveries and does not change as actual power resource costs increase or decrease.
- ❖ Total power revenues and the cost of electric service provided to the Commission's customers decreased this year, however, analysis of each fund individually indicates that the power revenues and costs in the Power Marketing Fund increased slightly (revenues by 3.7% and expenses by 7.9%) while they both decreased significantly in the Power Delivery Fund (revenues by 38.5% and expenses by 44.3%). The decrease represents lower demand for Commission resources from the fund's customers as the Silver State Energy Association (SSEA – see item below) now provides the majority of electric resources for customers who previously received non-hydropower resources from the Commission. Revenues of the Power Marketing Fund increased from \$16,495,222 (as restated) in 2016 to \$25,899,868 this year. Power purchases increased from \$17,549,763 to \$19,074,142 respectively. Revenues of the Power Delivery Fund decreased from \$21,243,667 in 2016 to \$15,269,914 this year. Power purchases decreased from \$17,931,162 to \$9,988,660. We expect the power revenues and purchases to continue to drop slightly as the customer load and base for the Commission stabilizes. The role of the SSEA is further described below.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

- ❖ Approximately ten years ago the Commission, the City of Boulder City, Overton Power District No. 5, Lincoln County Power District No 1, and the Southern Nevada Water Authority formed a joint action agency with the goal of aggregating power load requirements and resources to take advantage of economies of scale and to participate collectively in potential electric power projects. The organization is named the Silver State Energy Association (SSEA) and information on the SSEA can be found at [www.silverstateenergy.org](http://www.silverstateenergy.org). The organization has been slowly growing and taking on new roles in the power procurement arena. The SSEA has undertaken a number of projects. SSEA first began serving the City of Boulder City as a full service provider. In April of 2013 the SSEA became the service provider for the Southern Nevada Water Authority (SNWA). This milestone resulted in a major change to the financial statements of the Commission now and in the future as the purchase and sale of the electric power resources needed to supply the Southern Nevada Water Authority will now be a function of the SSEA and not a part of the Commission. As part of the full service program, Commission personnel now serve as contract staff for the SSEA. Thus the Power Delivery Fund will provide for activities related to the transmission assets of the Power Delivery Project, for some power purchase and sales activity not related to the SNWA move, and for costs associated with staffing the SSEA but the level of the power purchases and sales seen in the past will decrease. The levels of activity reported in this fiscal year should be indicative of levels going forward with smaller changes anticipated.

### Overview of the Financial Statements

The Commission is a special-purpose State of Nevada (the State) government entity. It is empowered primarily to administer the Colorado River water resources allocated to the State by the Federal Government, and to provide electric power resources to specific legislatively approved entities. Through the Commission, most of the water resources have been allocated to a regional governmental entity, SNWA, and the power resources are provided mostly to governmental or quasi-governmental entities with a limited number of industrial end users grandfathered in to the Commission's service authority. Thus, the enterprise funds have a statutorily limited customer base. The Commission was not empowered to seek or serve any additional entities during the fiscal year, but pursuant to Assembly Bill 199 enacted during the 2013 legislative session, began to serve new customers a limited amount of hydropower (approximately 21 megawatts) from Hoover Dam subsequent to the fiscal year end, beginning in October of 2017. This power was made available as part of a 5% reduction in power allocations to existing customers pursuant to Federal Legislation. The authorization related to new customers is limited to only the small hydropower energy pool created at Hoover Dam (Hoover "schedule D" power). The water function is not intended to serve as an enterprise-type activity, and is accounted for in the Commission's general (administrative) fund. The electric power function, contractually not intended to generate a profit, is accounted for through the use of two enterprise funds. One of the funds (the power delivery fund) records the transactions related to the Commission's major customer, SNWA. The resources of this fund provide electric power for SNWA's water pumping needs. The other enterprise fund (the Power Marketing Fund) records the transactions related to the purchase and sale of hydropower resources allocated to the State. These resources are generated from Federal Hydropower Projects (Hoover Dam, Parker Dam, and others) on the Colorado River. In addition to these funds, the Commission administers one special revenue type governmental fund to account for the Lower Colorado River Multi-Species Program (LCRMSCP).

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

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

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

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

The functions reported on the Commission's basic financial statements are principally supported by user fees and charges. The water-related activities are supported by an administrative fee assessed on SNWA, and the power-related activities are supported through administrative charges assessed as part of the sale of electric resources. Environmental activities are supported through administrative fees assessed on the SNWA and on hydropower customers.

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

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

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

The Commission maintains only two governmental funds, the general fund and the research and development fund. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances for the general fund and the special revenue fund.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

### Government-wide Financial Analysis

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

<b>Colorado River Commission's Net Position</b>						
	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	2017	2016 (as restated)	Change	2017	2016 (as restated)	Change
<b>Current assets:</b>	\$12,805,518	\$ 13,530,439	\$ (724,921)	\$ 7,648,461	\$ 10,683,364	\$(3,034,903)
Non-current restricted cash and cash equivalents				7,294,438	8,900,397	(1,605,959)
Capital assets, net	-	2,102	(2,102)	50,398,692	52,621,510	(2,222,818)
Prepaid power, net	-			25,523,545	26,747,591	(1,224,046)
<i>Total Assets</i>	<u>12,805,518</u>	<u>13,532,541</u>	<u>(727,023)</u>	<u>90,865,136</u>	<u>98,952,862</u>	<u>(8,087,726)</u>
Deferred Outflows of Resources	997,811	415,584	582,227		163,767	(163,767)
<i>Total assets and deferred outflows</i>	<u>13,803,329</u>	<u>13,948,125</u>	<u>(144,796)</u>	<u>90,865,136</u>	<u>99,116,629</u>	<u>(8,251,493)</u>
<b>Current liabilities:</b>	391,316	892,656	(501,340)	13,743,666	14,286,956	(543,290)
Long-term bonds				28,059,134	34,024,134	(5,965,000)
Unearned revenue net of current portion				47,394,696	49,285,413	(1,890,717)
Net Pension liability	6,596,117	5,597,589	998,528			
Other noncurrent liabilities	131,785	139,961	(8,176)			
<i>Total Liabilities</i>	<u>7,119,218</u>	<u>6,630,206</u>	<u>489,012</u>	<u>89,197,496</u>	<u>97,596,503</u>	<u>(8,399,007)</u>
Deferred Inflows of Resources	529,638	783,822	(254,184)			
<i>Total liabilities and deferred inflows</i>	<u>7,648,856</u>	<u>7,414,028</u>	<u>234,828</u>	<u>89,197,496</u>	<u>97,596,503</u>	<u>(8,399,007)</u>
<b>Net position:</b>						
Net investment in capital assets	-	2,102	(2,102)	50,398,692	52,621,510	(2,222,818)
Restricted	10,276,431	9,882,973	393,458	929,332	714,403	214,929
Unrestricted	(4,121,958)	(3,350,978)	(770,980)	(49,660,384)	(51,815,787)	2,155,403
<i>Total net position</i>	<u>\$ 6,154,473</u>	<u>\$ 6,534,097</u>	<u>\$ (379,624)</u>	<u>\$ 1,667,640</u>	<u>\$ 1,520,126</u>	<u>\$ 147,514</u>

Note that the total assets in the governmental activities decreased slightly from the previous year, with the majority of the change reflected in a decrease in cash, as expected based on decreased hydropower availability. Cash reserves in the research and development fund increased slightly over the previous year and are contractually restricted for use only in the Lower Colorado River Multi-species Conservation Program. This reserve should build at a decreased rate for the next few years until needed for program purposes.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Total assets in the business-type activities decreased from the previous year. The most significant portion of the decrease reflects the decrease in the prepaid power balance with a decrease in capital assets due to depreciation.

The Commission has a significant amount of capital assets in its enterprise funds. The acquisition or construction of these assets has been fully funded through the issuance of General Obligation Revenue Supported Bonds. The contracts with Commission customers provide for collections equal to the bond debt payments only. In 2011 and again in 2015 a significant customer prepaid the debt obligation and ultimately extinguished the Commission's Bond liability. This extinguishment constituted a prepayment for a portion of the future cost of the electric resources related to facility use as power will be delivered in the future. The Commission recorded the prepayment and was recognizing the revenue as it delivered power over the system in accordance with the original bond payment schedule. Beginning this year the Commission reassessed the revenue recognition and has begun recognizing the revenue from the prepayment in concert with the depreciation of the fiscal assets to match the revenue to the related depreciation costs as the facilities are used.

<b>Colorado River Commission's Changes in Net Position</b>						
	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b>2017</b>	<b>2016 (as restated)</b>	<b>Change</b>	<b>2017</b>	<b>2016 (as restated)</b>	<b>Change</b>
Revenues:						
Program revenues:						
Administrative charges	\$ 2,162,854	\$ 3,000,450	\$ (837,596)			
Multi-species surcharge	673,629	668,686	4,943			
Power sales revenue:						
Power marketing				\$ 25,899,868	\$ 16,495,222	\$ 9,404,646
Power delivery				15,269,914	31,753,902	(16,483,988)
General revenues:						
Investment income (loss)	95,846	91,125	4,721	41,680	55,232	(13,552)
Miscellaneous	59,255	55,778	3,477	-	8,984	(8,984)
Total revenues	<u>2,991,584</u>	<u>3,816,039</u>	<u>(824,455)</u>	<u>41,211,462</u>	<u>48,313,340</u>	<u>(7,101,878)</u>
Expenses:						
General government	3,371,208	2,620,776	750,432			
Power purchase expenses:						
Power marketing				25,967,737	24,642,788	1,324,949
Power delivery				15,096,211	23,277,768	(8,181,557)
Total expenses	<u>3,371,208</u>	<u>2,620,776</u>	<u>750,432</u>	<u>41,063,948</u>	<u>47,920,556</u>	<u>(6,856,608)</u>
Change in net assets	(379,624)	1,195,263	(1,574,887)	147,514	392,784	(245,270)
Net position, beginning (as restated)	<u>6,534,097</u>	<u>5,338,834</u>	<u>1,195,263</u>	<u>1,520,126</u>	<u>1,127,342</u>	<u>392,784</u>
Net position, ending	<u>\$ 6,154,473</u>	<u>\$ 6,534,097</u>	<u>\$ (379,624)</u>	<u>\$ 1,667,640</u>	<u>\$ 1,520,126</u>	<u>\$ 147,514</u>

The governmental activities of the Commission are small in comparison to the capital and power purchasing activities. The Commission's water-related efforts and hydropower support activities form the bulk of the governmental programs. These activities are funded on a current basis through administrative assessments, and the Commission carries minimal necessary cash balances for these activities. Governmental fund revenues decreased this year from last year due to decreased Hydropower availability. Governmental expenses increased from the prior year and reflect overall increases in goods and services only.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

The activities related to the electric power utility function are large and generate millions of dollars in both revenues and expenses. However, as the Commission's contracts for power allow only for recovery of cost in the enterprise funds, these activities do not contribute significant amounts to net position. In fact, based on timing differences between collections from customers and payment to vendors, the contributions to net position from these activities may be negative in any given year. For the fiscal year ended June 30, 2017, both the revenues and expenses of the Power Delivery Fund decreased substantially due to the continued migration of non-hydropower service to the SSEA and some overall decreases in demand for the remaining non-hydropower load. Note that a prior period adjustment to recognize previously deferred revenue from the payment of bonds related to the Power Delivery Project fund and additional corrections increased the net position of the enterprise funds significantly. See footnote 14 for a complete description of the accounting restatements and amounts.

### Financial Analysis of Government Funds.

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

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

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

Funding sources for the Commission's general administrative functions are detailed below:

	2017		2016	
	Amount	Percent	Amount	Percent
Power administrative charge	\$ 926,483	20.03%	\$ 1,141,701	20.12%
Water administrative charge	1,236,371	26.73%	1,858,749	32.76%
Investment income	17,399	0.38%	20,298	0.36%
Miscellaneous income	59,255	1.28%	55,776	0.98%
Total revenues	2,239,508	48.41%	3,076,524	54.22%
Allocated salaries and overhead	2,386,477	51.59%	2,597,763	45.78%
All funding sources	\$ 4,625,985	100.00%	\$ 5,674,287	100.00%

Revenues of the Commission's general fund totaled \$3,076,524 in fiscal 2016, \$837,016 more than the \$2,239,508 realized in fiscal 2017. Again, the decrease is from decreased available Hydropower resources and the suspension of one of the quarterly Water Administrative charges based on cash reserve levels. This suspension happens nearly every year. Investment income decreased insignificantly as the cash balances dropped due to decreased cash reserves.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

A comparison of Revenues changes from the prior fiscal year is detailed below:

	2017	2016	Change
Power administrative charge	\$ 926,483	\$ 1,141,701	\$ (215,218)
Water administrative charge	1,236,371	1,858,749	(622,378)
Investment income	17,399	20,298	(2,899)
Miscellaneous income	59,255	55,776	3,479
Total Revenues	<u>\$ 2,239,508</u>	<u>\$ 3,076,524</u>	<u>\$ (837,016)</u>

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

	2017	2016	Change
Personnel	\$ 3,772,983	\$3,645,052	\$ 127,931
Travel	75,904	90,296	(14,392)
Operating	1,354,400	1,025,203	329,197
Equipment	34,947	16,683	18,264
Total expenditures	5,238,234	4,777,234	461,000
Less allocated salaries and overhead	(2,386,477)	(2,597,763)	211,286
Net expenditures	<u>\$ 2,851,757</u>	<u>\$2,179,471</u>	<u>\$ 672,286</u>

Net expenditures of the general fund totaled \$2,851,757 which is \$672,286 more than the \$2,179,471 expended during fiscal 2016. The overall increase can be attributed to increases in operating charges in general and attorney general charges as the prior year included a credit for overcharges in the past biennium, and increased personnel cost as agency staffing levels were higher than during the previous year.

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

Fund	Fund Balance June 30		
	2017	2016	Change
General Fund	\$2,325,767	\$ 2,938,016	\$ (612,249)
Research and Development Fund	10,276,431	9,882,973	393,458

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

There were no significant changes to the budget for fiscal 2017. The budget to actual comparisons for the Commission's governmental funds is detailed below:

	2017 Authorized Budget			
	Original	Final	Actual	Variance
General Fund:				
Revenues:				
Power Administrative Charge	\$ 2,241,845	\$2,241,845	\$ 926,483	\$(1,315,362)
Water Charges	2,094,491	2,094,491	1,236,371	(858,120)
Investment Income	10,209	10,209	17,399	7,190
Miscellaneous	52,845	52,845	59,255	6,410
Total Revenues	<u>\$ 4,399,390</u>	<u>\$ 4,399,390</u>	<u>\$ 2,239,508</u>	<u>\$(2,159,882)</u>
Expenses:				
Personnel Services	\$ 5,039,866	\$5,039,866	\$ 3,772,983	\$ 1,266,883
Travel	104,524	104,524	75,904	28,620
General Operating Costs	431,813	431,813	498,029	(66,216)
Contractual Services	964,191	964,191	280,629	683,562
Legal Costs	563,545	563,545	562,801	744
Equipment and Software	48,444	56,667	34,947	21,720
Water Purchases	15,074	15,074	12,941	2,133
Total Expenditures	<u>\$ 7,167,457</u>	<u>\$ 7,175,680</u>	<u>5,238,234</u>	<u>1,937,446</u>
Cost Allocation	<u>(2,962,761)</u>	<u>(2,962,761)</u>	<u>(2,386,477)</u>	<u>(576,284)</u>
Net Expenditures	<u>\$ 4,204,696</u>	<u>\$ 4,212,919</u>	<u>\$ 2,851,757</u>	<u>\$ 1,361,162</u>

Review of revenue budget to actual comparisons show both administrative charges were below budget. The hydropower administrative charge was projected based on average water year lake levels, however, as the drought continues and the lake levels, primarily at Lake Mead, continued to drop, actual power generation did not meet projections. In addition, the power revenues included projections of customer power demand, which, while recovering from the recent economic downturn, also did not meet projections. The water charges were estimated to include significant utilization of outside consultants. While contract services increased over the past year, these contract services were not fully utilized and cash reserves were adequate, the billings were reduced to reflect this.

Review of expenditures indicates that personnel costs overall were below budget. The significant positive variances were in personnel; this is due to unfilled positions; outside contractual costs, which were below budgeted amounts due to less activity relating to river related functions that would have required the use of outside experts. The cost allocation amount also reflects unfilled positions.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

There were no changes to this budget for fiscal 2017 as detailed below:

	2017 Authorized Budget			
	Original	Final	Actual	Variance
Research & Development Fund				
Revenues:				
Investment Income	\$ 45,771	\$ 45,771	\$ 78,447	\$ 32,676
Multi-Species Surcharge	711,340	711,340	673,629	(37,711)
Total Revenues	<u>\$ 757,111</u>	<u>\$ 757,111</u>	<u>\$ 752,076</u>	<u>\$ (5,035)</u>
Expenses:				
Multi Species Assessment	<u>\$ 1,132,905</u>	<u>\$1,132,905</u>	<u>\$ 358,618</u>	<u>\$ 774,287</u>
Total Expenditures	<u>\$ 1,132,905</u>	<u>\$1,132,905</u>	<u>\$ 358,618</u>	<u>\$ 774,287</u>

The only significant variance is in the expenditure budget, which included an anticipated call on the program reserves kept in this fund. The potential call on the reserves is always included in the budget but, once again, as in past years there were no calls on the reserve.

### Capital Assets

The Commission's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounts to \$50,398,692 (net of accumulated depreciation). This investment includes the power delivery system, automobiles and equipment (both administrative vehicles and power delivery project utility vehicles) and office furniture. The depreciable lives related to the Commission's automobiles and equipment are dictated by the policies and standards adopted by the State. The Commission does not have the ability to change the policies and standards related to the depreciable lives or methods on its own. Please refer to Note 5 to the financial statements for more detailed information related to the capital assets of the Commission.

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

	Governmental Activities			Business-type Activities		
	2017	2016	Change	2017	2016 (as restated)	Change
Power transmission system				\$ 50,202,961	\$ 52,536,529	\$ (2,333,568)
Automobiles and equipment	\$ -	\$ 2,102	\$ (2,102)	195,731	84,981	110,750
Total	<u>\$ -</u>	<u>\$ 2,102</u>	<u>\$ (2,102)</u>	<u>\$ 50,398,692</u>	<u>\$ 52,621,510</u>	<u>\$ (2,222,818)</u>

### Debt Administration

As of June 30, 2017, outstanding long-term obligations of the Commission consisted of the following:

Bond Description	Average Interest Rate (%)	Maturity Date	Balance Outstanding
Hoover uprating refunding, series 2011B	5.0	2017	\$ 5,545,000
Hoover visitor center, series 2014E	3.8	2043	28,635,000

## MANAGEMENT'S DISCUSSION AND ANALYSIS

---

All of the Commission's outstanding bonds are both general obligation and revenue supported (double-barreled) bonds. The Hoover visitor center bonds are taxable bonds; all other bonds are tax exempt. The bonds are backed by the full faith and credit of the State; however, they have always been, and will continue to be, self-supporting debt payable from revenues from the sale of power. Please refer to Note 8 to the financial statements for more detailed information related to debt activity of the Commission.

### **Economic Factors and Next Year's Budget**

The Commission's revenues relate to the sale of power and administrative charges on Colorado River water resources allocated to the State for use in southern Nevada, primarily in Clark County. (Specific revenue and customer information can be seen on table 5 in this report.) Over the past several years, the State economy as a whole has shown steady growth. The economy in Southern Nevada continues to improve, at an accelerating rate, which is a sign of long-term recovery. Real estate prices are on the rise, and employment continues to improve. For 13 consecutive months, unemployment rates have declined on an over-the-year basis in all 17 of the State's counties. Rate declines ranged from 1.8 percentage points to 0.2 of a percentage point. All counties remained at or below 6.5 percent unemployment in September, with the statewide rate at 4.9 percent. Over this period, the revenues of the Commission have been stable, and are projected to remain so over the near future. This is primarily due to the nature of Commission resources and the very low cost of those resources to its customers. This revenue forecast is strengthened based on the improving economy of southern Nevada. As long as the County continues to be healthy the resources of the Commission will continue to be in demand.

The Commission's budget is part of the overall Governor's budget and is enacted by the State Legislature during the legislative sessions in odd numbered years. The budget is enacted in two year cycles. The upcoming budget (fiscal 2018) will be the first year of the budget cycle enacted in the 2017 Session. The 2018 budget, as approved, was a flat budget with only anticipated resource cost increases allowed. The Commission does not currently have an approved capital improvement component to the budget, nor does it anticipate issuing long term bonds or other obligations in the near future. Bond issues would need legislative approval and none has been sought or given.

### **Additional Information**

This financial report is designed to provide a general overview of the Commission's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Division Chief, Finance and Administration, Colorado River Commission, 555 East Washington Avenue, Suite 3100, Las Vegas, NV 89101. In addition, the Commission maintains a website that provides additional information on all issues discussed in this analysis, on many other programs and projects of the Commission, and information related to customers and staff contacts. The website address is <http://crc.nv.gov>.



Basic Financial Statements  
June 30, 2017

# Colorado River Commission of Nevada



Colorado River Commission of Nevada  
Statement of Net Position  
June 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents, unrestricted	\$ 12,383,490	\$ 1,149,438	\$ 13,532,928
Receivables			
Accounts	141,593	3,494,273	3,635,866
Accrued interest	25,146	16,920	42,066
Internal balances	255,289	(255,289)	-
Prepaid items	-	448,924	448,924
Current portion of prepaid power	-	2,794,195	2,794,195
Total current assets	<u>12,805,518</u>	<u>7,648,461</u>	<u>20,453,979</u>
Noncurrent assets			
Restricted cash and cash equivalents	-	7,294,438	7,294,438
Capital assets being depreciated, net of accumulated depreciation	-	50,398,692	50,398,692
Prepaid power, net of current portion	-	25,523,545	25,523,545
Total noncurrent assets	<u>-</u>	<u>83,216,675</u>	<u>83,216,675</u>
Total assets	<u>12,805,518</u>	<u>90,865,136</u>	<u>103,670,654</u>
Deferred Outflows of Resources			
Deferred amounts related to pensions	997,811	-	997,811
Total assets and deferred outflows of resources	<u>\$ 13,803,329</u>	<u>\$ 90,865,136</u>	<u>\$ 104,668,465</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 76,002	\$ 2,108,205	\$ 2,184,207
Accrued payroll	127,318	-	127,318
Unearned revenue	-	2,535,025	2,535,025
Payable to customers	-	2,363,237	2,363,237
Customer collateral and other deposits	-	435,019	435,019
Current portion of accrued compensated absences	187,996	-	187,996
Current portion of bonds payable	-	5,965,000	5,965,000
Accrued interest	-	337,180	337,180
Total current liabilities	<u>391,316</u>	<u>13,743,666</u>	<u>14,134,982</u>
Noncurrent liabilities			
Bonds payable, net of current portion	-	28,059,134	28,059,134
Unearned revenue, net of current portion	-	47,394,696	47,394,696
Accrued compensated absences, net of current portion	131,785	-	131,785
Net pension liability	6,596,117	-	6,596,117
Total noncurrent liabilities	<u>6,727,902</u>	<u>75,453,830</u>	<u>82,181,732</u>
Deferred Inflows of Resources			
Deferred amounts related to pensions	529,638	-	529,638
Total liabilities and deferred inflows of resources	<u>7,648,856</u>	<u>89,197,496</u>	<u>96,846,352</u>
Net Position			
Net Investment in Capital Assets	-	50,398,692	50,398,692
Restricted Contractually for Certain Operations and Maintenance	-	929,332	929,332
Restricted for Research and Development	10,276,431	-	10,276,431
Unrestricted	(4,121,958)	(49,660,384)	(53,782,342)
Total net position	<u>6,154,473</u>	<u>1,667,640</u>	<u>7,822,113</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 13,803,329</u>	<u>\$ 90,865,136</u>	<u>\$ 104,668,465</u>

Colorado River Commission of Nevada  
Statement of Activities  
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues	Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Governmental Activities	Business-type Activities	Total
Governmental Activities					
General government	\$ 3,012,590	\$ 2,162,854	\$ (849,736)	\$ -	\$ (849,736)
Research and development	358,618	673,629	315,011	-	315,011
	<u>3,371,208</u>	<u>2,836,483</u>	<u>(534,725)</u>	<u>-</u>	<u>(534,725)</u>
Business-type Activities					
Power marketing	25,967,737	25,899,868	-	(67,869)	(67,869)
Power delivery	15,096,211	15,269,914	-	173,703	173,703
	<u>41,063,948</u>	<u>41,169,782</u>	<u>-</u>	<u>105,834</u>	<u>105,834</u>
Total	<u>\$ 44,435,156</u>	<u>\$ 44,006,265</u>	<u>(534,725)</u>	<u>105,834</u>	<u>(428,891)</u>
	General Revenues				
	Investment income		95,846	41,680	137,526
	Miscellaneous		59,255	-	59,255
			<u>155,101</u>	<u>41,680</u>	<u>196,781</u>
	Change in net position		(379,624)	147,514	(232,110)
	Net position, beginning		6,423,813	(1,160,411)	5,263,402
	Prior period adjustment		<u>110,284</u>	<u>2,680,537</u>	<u>2,790,821</u>
	Net position, beginning (as restated)		<u>6,534,097</u>	<u>1,520,126</u>	<u>8,054,223</u>
	Net position, ending		<u>\$ 6,154,473</u>	<u>\$ 1,667,640</u>	<u>\$ 7,822,113</u>

Colorado River Commission of Nevada  
Balance Sheet  
Governmental Funds  
June 30, 2017

	General Fund	Research and Development Special Revenue Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	\$ 2,182,202	\$ 10,201,288	\$ 12,383,490
Receivables			
Accounts	87,181	54,412	141,593
Accrued interest	4,415	20,731	25,146
Due from Other Funds	255,289	-	255,289
Total assets	<u>\$ 2,529,087</u>	<u>\$ 10,276,431</u>	<u>\$ 12,805,518</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 76,002	\$ -	\$ 76,002
Accrued payroll	127,318	-	127,318
Total liabilities	<u>203,320</u>	<u>-</u>	<u>203,320</u>
Fund Balances			
Unassigned	2,325,767	-	2,325,767
Restricted for research and development	-	10,276,431	10,276,431
Total fund balances	<u>2,325,767</u>	<u>10,276,431</u>	<u>12,602,198</u>
Total liabilities and fund balances	<u>\$ 2,529,087</u>	<u>\$ 10,276,431</u>	
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position			
Amounts reported for governmental activities in the statement of net position are different because			
long-term liabilities that are not due and payable in the current			
period are not reported in the funds			
Accrued compensated absences		\$ (319,781)	
Net pension liability		<u>(6,596,117)</u>	
			(6,915,898)
Deferred outflows and inflows or resources related to pensions are			
applicable to future periods and, therefore, are not reported in			
the funds.			
Deferred inflows of resources related to pensions		(529,638)	
Deferred outflows of resources related to pensions		<u>997,811</u>	
Net position of governmental activities			<u>468,173</u> <u>\$ 6,154,473</u>

Colorado River Commission of Nevada  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2017

	General Fund	Research and Development Special Revenue Fund	Total Governmental Funds
Revenues			
Charges for services	\$ 2,162,854	\$ -	\$ 2,162,854
Investment income	17,399	78,447	95,846
Multi-species surcharge	-	673,629	673,629
Miscellaneous	59,255	-	59,255
Total revenues	<u>2,239,508</u>	<u>752,076</u>	<u>2,991,584</u>
Expenditures			
Current			
General administration	5,225,293	-	5,225,293
Less salaries and overhead recovered by allocation	<u>(2,386,477)</u>	<u>-</u>	<u>(2,386,477)</u>
Net general administration expenditures	2,838,816	-	2,838,816
Multi-species assessment	-	358,618	358,618
Water Purchases	<u>12,941</u>	<u>-</u>	<u>12,941</u>
Total expenditures	<u>2,851,757</u>	<u>358,618</u>	<u>3,210,375</u>
Excess (deficiency) of revenues over (under) expenditures and change in fund balances	(612,249)	393,458	(218,791)
Fund balances, beginning	<u>2,938,016</u>	<u>9,882,973</u>	<u>12,820,989</u>
Fund balances, ending	<u><u>\$ 2,325,767</u></u>	<u><u>\$ 10,276,431</u></u>	<u><u>\$ 12,602,198</u></u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

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

Change in fund balances, governmental funds \$ (218,791)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was greater than capital outlays in the current period. (2,102)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Change in accrued compensated absences	3,384	
Change in net pension liability and related deferred outflows and inflows of resources	<u>(162,115)</u>	<u>(158,731)</u>

Change in net position of governmental activities \$ (379,624)

Colorado River Commission of Nevada  
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual  
General Fund  
Year Ended June 30, 2017

	Budget			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Power administrative charge	\$ 2,241,845	\$ 2,241,845	\$ 926,483	\$ (1,315,362)
Water charges	2,094,491	2,094,491	1,236,371	(858,120)
Investment income	10,209	10,209	17,399	7,190
Miscellaneous	52,845	52,845	59,255	6,410
Total revenues	4,399,390	4,399,390	2,239,508	(2,159,882)
Expenditures				
Current				
General government				
Personnel services	5,039,866	5,039,866	3,772,983	1,266,883
Travel				
Out-of-state	62,090	62,090	53,250	8,840
In-state	42,434	42,434	22,654	19,780
Operating				
Rent and insurance	134,846	134,846	138,597	(3,751)
Dues and registration fees	61,000	61,000	72,611	(11,611)
Contractual services	964,191	964,191	280,629	683,562
Other	235,967	235,967	286,821	(50,854)
Legal	563,545	563,545	562,801	744
Equipment, furniture and software	48,444	56,667	34,947	21,720
Water purchases	15,074	15,074	12,941	2,133
Total expenditures	7,167,457	7,175,680	5,238,234	1,937,446
Less salaries and overhead recovered by allocation	(2,962,761)	(2,962,761)	(2,386,477)	(576,284)
Net expenditures	4,204,696	4,212,919	2,851,757	1,361,162
Excess (deficiency) of revenues over (under) expenditures and change in fund balance	194,694	186,471	(612,249)	(798,720)
Fund balance, beginning	2,591,616	2,845,973	2,938,016	92,043
Fund balance, ending	\$ 2,786,310	\$ 3,032,444	\$ 2,325,767	\$ (706,677)

Colorado River Commission of Nevada  
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and  
Actual Research and Development Special Revenue Fund  
Year Ended June 30, 2017

---

	Budget			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Investment income	\$ 45,771	\$ 45,771	\$ 78,447	\$ 32,676
Multi-species surcharge	711,340	711,340	673,629	(37,711)
Total revenues	757,111	757,111	752,076	(5,035)
Expenditures				
Multi-species assessment	1,132,905	1,132,905	358,618	774,287
Net expenditures	1,132,905	1,132,905	358,618	774,287
Excess (deficiency) of revenues over (under) expenditures and change in fund balance	(375,794)	(375,794)	393,458	769,252
Fund balance, beginning	8,512,798	9,491,305	9,882,973	391,668
Fund balance, ending	\$ 8,137,004	\$ 9,115,511	\$ 10,276,431	\$ 1,160,920



Colorado River Commission of Nevada  
Statement of Net Position  
Proprietary Funds  
June 30, 2017

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents, unrestricted	\$ 835,776	\$ 313,662	\$ 1,149,438
Receivables			
Accounts	2,062,662	1,431,611	3,494,273
Accrued interest	15,715	1,205	16,920
Prepaid items	410,773	38,151	448,924
Current portion of prepaid power	2,794,195	-	2,794,195
<b>Total current assets</b>	<b>6,119,121</b>	<b>1,784,629</b>	<b>7,903,750</b>
<b>Noncurrent Assets</b>			
Restricted cash and cash equivalents	6,997,982	296,456	7,294,438
Capital assets			
Power transmission system, net	7,840,743	42,362,218	50,202,961
Automobiles and equipment, net	-	195,731	195,731
Prepaid power, net of current portion	25,523,545	-	25,523,545
<b>Total non current assets</b>	<b>40,362,270</b>	<b>42,854,405</b>	<b>83,216,675</b>
<b>Total assets</b>	<b>\$ 46,481,391</b>	<b>\$ 44,639,034</b>	<b>\$ 91,120,425</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 1,414,240	\$ 693,965	\$ 2,108,205
Unearned revenue	820,138	1,714,887	2,535,025
Payable to customers	1,441,084	922,153	2,363,237
Customer collateral and other deposits	363,922	71,097	435,019
Current portion of bonds payable	5,965,000	-	5,965,000
Due to other funds	4,316	250,973	255,289
Accrued interest	337,180	-	337,180
<b>Total current liabilities</b>	<b>10,345,880</b>	<b>3,653,075</b>	<b>13,998,955</b>
<b>Noncurrent Liabilities</b>			
Bonds payable, net of current portion	28,059,134	-	28,059,134
Unearned revenue	6,709,213	40,685,483	47,394,696
<b>Total noncurrent liabilities</b>	<b>34,768,347</b>	<b>40,685,483</b>	<b>75,453,830</b>
<b>Total liabilities</b>	<b>45,114,227</b>	<b>44,338,558</b>	<b>89,452,785</b>
<b>Net Position</b>			
Net investment in capital assets	7,840,743	42,557,949	50,398,692
Restricted contractually for certain operations and maintenance	929,332	-	929,332
Unrestricted	(7,402,911)	(42,257,473)	(49,660,384)
<b>Total net position</b>	<b>1,367,164</b>	<b>300,476</b>	<b>1,667,640</b>
<b>Total liabilities and net position</b>	<b>\$ 46,481,391</b>	<b>\$ 44,639,034</b>	<b>\$ 91,120,425</b>

Colorado River Commission of Nevada  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
Year Ended June 30, 2017

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
Operating Revenues			
Power sales	\$ 25,899,868	\$ 15,269,914	\$ 41,169,782
Operating Expenses			
Power purchases	19,074,142	9,988,660	29,062,802
Prepaid power advances	6,117,927	-	6,117,927
Depreciation	317,868	2,034,330	2,352,198
General administration	457,800	3,073,221	3,531,021
Total operating expenses	25,967,737	15,096,211	41,063,948
Operating income (loss)	(67,869)	173,703	105,834
Nonoperating Revenues (Expenses)			
Investment income	39,098	2,582	41,680
Change in Net Position	(28,771)	176,285	147,514
Net Position, Beginning	9,225,633	(10,386,044)	(1,160,411)
Prior Period Adjustment	(7,829,698)	10,510,235	2,680,537
Net Position, Beginning (as Restated)	1,395,935	124,191	1,520,126
Net Position, Ending	\$ 1,367,164	\$ 300,476	\$ 1,667,640

Colorado River Commission of Nevada  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2017

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
Cash Flows from Operating Activities			
Cash received from customers	\$ 25,825,610	\$ 14,715,363	\$ 40,540,973
Cash paid for goods and services	(21,234,645)	(15,035,140)	(36,269,785)
Net cash provided by (used in) operating activities	4,590,965	(319,777)	4,271,188
Cash Flows from Noncapital Financing Activities			
Cash used for debt service:			
Principal	(5,015,000)	-	(5,015,000)
Interest	(1,464,645)	-	(1,464,645)
Net cash used from noncapital financing activities	(6,479,645)	-	(6,479,645)
Cash Flows From Capital Financing Activities			
Acquisition of property, plant and equipment	-	(129,384)	(129,384)
Net cash used in capital financing activities	-	(129,384)	(129,384)
Cash Flows from Investing Activities			
Interest received	37,965	2,955	40,920
Net change in cash and cash equivalents (restricted and unrestricted)	(1,850,715)	(446,206)	(2,296,921)
Cash and Cash Equivalents, Beginning	9,684,473	1,056,324	10,740,797
Cash and Cash Equivalents, Ending	<u>\$ 7,833,758</u>	<u>\$ 610,118</u>	<u>\$ 8,443,876</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used In) Operating Activities			
Operating income (loss)	\$ (67,869)	\$ 173,703	\$ 105,834
Depreciation	317,868	2,034,330	2,352,198
Amortization of prepaid power	6,936,728	-	6,936,728
Amortization of unearned revenue	(283,488)	(2,015,700)	(2,299,188)
Amortization of bond premiums and discounts	(17,179)	-	(17,179)
(Increase) decrease in operating assets			
Accounts receivable	(104,455)	(554,551)	(659,006)
Prepaid items	(35,269)	-	(35,269)
Increase (decrease) in operating liabilities			
Accounts payable	86,430	(270,871)	(184,441)
Unearned revenue	30,197	-	30,197
Payable to customers	(23,267)	232,375	209,108
Customer collateral and other deposits	(2,186,009)	48,014	(2,137,995)
Due to other funds	(4,760)	32,923	28,163
Accrued interest	(57,962)	-	(57,962)
Net cash provided by (used in) operating activities	<u>\$ 4,590,965</u>	<u>\$ (319,777)</u>	<u>\$ 4,271,188</u>

## **Note 1 - Summary of Significant Accounting Policies**

### **Reporting Entity**

The Colorado River Commission of Nevada (the Commission) is responsible for managing the State of Nevada's interests in the water and power resources available from the Colorado River.

Seven commissioners have broad statutory authority to govern the Commission, which constitutes the reporting entity. The Commission, as a component unit of the State of Nevada (Nevada or the State), is also an integral part of that reporting entity. There are no other entities for which the Commission is financially accountable, thus requiring them to be reported as component units of the Commission.

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

### **Basis of Presentation, Measurement Focus, and Basis of Accounting**

#### **Basis of Presentation**

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

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

*Government-wide financial statements:* The statement of net position and the statement of activities display information on all of the activities of the Commission. Eliminations have been made where appropriate to minimize the double counting of internal activities. These statements distinguish between the Commission's *governmental* and *business-type* activities. Governmental activities generally are financed through inter-governmental revenues and other exchange transactions. Business-type activities are financed primarily by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to that particular program or function. Certain indirect costs are included in the program expense reported for individual functions and activities. Program revenues consist of charges paid by the recipients of services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues.

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

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

The Commission reports the following major governmental funds:

*General fund* – The general fund is the Commission's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Research and Development fund* – This fund is used to account for the Lower Colorado River Multi-Species Conservation Program (LCRMSCP or MSCP), a fifty (50) year program that provides for Endangered Species Act (ESA) compliance. The program is administered by the United States Bureau of Reclamation (USBR) and the Fish and Wildlife Service. Program costs are paid by the USBR, and the States of Nevada, California and Arizona. Nevada's share of Program funding is paid partially by the Southern Nevada Water Authority (paid directly to the USBR), and partially by the Commission's hydropower customers. The fund accounts for the collection and remittance of the Hydropower customers' portion of the program. In addition, certain program reserves are maintained in the fund for future MSCP needs. These reserves are contractually committed to the MSCP program.

Additionally the Commission reports the following major enterprises funds:

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

*Power delivery enterprise fund.* This fund is used to account for the construction and operation of power transmission equipment for the Southern Nevada Water Authority (SNWA).

### **Measurement Focus and Basis of Accounting**

*Government-wide and proprietary fund financial statements.* The government-wide and proprietary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. For the year ended June 30, 2017, there were no non-exchange transactions (those for which the Commission gives, or receives, value without directly receiving, or giving, equal value in exchange) reported in the accompanying financial statements.

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

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

### **Assets, Liabilities, and Equity**

#### **Cash Equivalents**

The Commission's restricted and unrestricted cash is deposited with the State Treasurer (the Treasurer) in a fund similar to an external investment pool (Notes 3 and 4). Because the amounts deposited with the Treasurer are sufficiently liquid to permit withdrawals in the form of cash at any time without prior notice or penalty, they are deemed to be cash equivalents.

State statutes authorize the Treasurer to invest the Commission's deposits in certain obligations of the United States of America, or its agencies or instrumentalities, and of state and local governments, as well as other financial instruments specified in Section 355.170 of Nevada Revised Statutes (NRS). The Treasurer is also permitted by statute to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Commission had no outstanding securities lending transactions as of June 30, 2017.

Deposit values reflect unrealized gains and losses on invested funds as reported by the Treasurer.

#### **Receivables and Payables**

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

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

#### **Prepaid Power**

The Commission has participated with the State in funding the improvement and renovation ("uprating") of the electrical power generation plant and visitors' center at Hoover Dam, which supplies the majority of the power sold through the power marketing fund. These costs are to be reimbursed in the form of power consumption and charged to expense over the estimated useful life of 30 years.

### Restricted Cash and Cash Equivalents

The various resources that are limited as to use by bond covenants for debt service, operation and maintenance (O&M), and capital improvement and construction (acquisition) are classified as restricted cash and cash equivalents. Net position is restricted to the extent restricted assets exceed related liabilities and contractually with regard to certain operations and maintenance costs.

### Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets are reported at acquisition value. The capitalization threshold is \$5,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

Capital assets of the Commission are depreciated using the straight-line method over their useful lives currently estimated as follows:

<b><u>Governmental Activities</u></b>	<b>Years</b>
Office equipment	5
Office furniture and fixtures	5
Automobiles	4 – 6
 <b><u>Business-type activities</u></b>	 <b>Years</b>
Power transmission systems	10 – 50
Office equipment	5
Automobiles	4 – 6

Estimated useful lives are determined by the State and the Commission has no authority to alter the estimated useful lives prescribed by the State.

### Compensated Absences

It is the Commission's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### Multiple-Employer Cost-Sharing Defined Benefit Pension Plan

The Commission uses the same basis used in the Public Employees' Retirement System of Nevada's (PERS) Comprehensive Annual Financial Report, for reporting its proportionate share of the PERS collective net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, including information related to PERS fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized by PERS when due and payable in accordance with the benefit terms. PERS investments are reported at fair value.

### **Deferred Inflows and Outflows of Resources**

Deferred outflows of resources represent a consumption of net position or fund balance that applies to future periods; and therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The government-wide statement of net position reports 1) unamortized bond refunding charges, 2) the changes in proportion and differences between actual contributions and proportionate share of contributions related to pensions, which will be amortized over the average expected remaining service life of all employees that are provided with pension benefits, and 3) contributions made subsequent to the measurement date, which will be recognized in the subsequent year.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government-wide statement of net position reports 1) the differences between expected and actual experience and changes of assumptions, which will be amortized over the average expected remaining service life of all employees that are provided with pension benefits, and 2) the net difference between projected and actual earnings on investments, which will be amortized over five years.

### **Unearned Revenue**

Unearned revenue represents advanced funding to the Commission from certain customers for the construction of electric power facilities to provide power for the customer's operations. These facilities are dedicated to the exclusive use of those customers and are the only existing method of delivery of electrical resources for their operations. Recovery of the cost of the facilities is a component of the cost of power resources provided and is being recognized over the life of the assets as the assets are consumed (depreciated).

### **Long-term Obligations**

In the accompanying government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Issuance costs are expensed as incurred.

### **Fund Equity or Net Position**

In the fund financial statements, governmental funds report five classifications of fund balance. Nonspendable are amounts that are not spendable form or are legally or contractually required to be maintained intact. Restricted is the result of constraints placed on assets that are externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation. Committed are amounts set aside by formal action of the Commission's members. Formal Commission action is also required to modify or rescind an established commitment. Assigned is the result of constraints on amounts imposed by the government's intent to be used for specific purposes, but are neither restricted nor committed.

In the government-wide statements, equity is classified as net position and displayed in the following three components:

Net Investments in Capital Assets - This is the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.



Restricted - The component of net position that reports the constraints placed on the use of assets by either external parties and/or enabling legislation.

Unrestricted - The difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that is not reported in Net Investment in Capital Assets and Restricted Net Position.

### **Change in Accounting Principle and Restatements**

For the year ended June 30, 2017, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – An Amendment of GASB No. 67, No. 68, and No. 73*. This statement requires payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions to be classified as employee contributions. The effect of implementation of this standard on beginning net position is disclosed in Note 14 and the additional disclosures required by these standards are included in Note 11.

As of July 1, 2016, the Commission adopted GASB Statement No. 77, Tax Abatement Disclosures. The implementation of this standard requires governments that enter into tax abatement agreements to disclose certain information. The Commission was not party to any significant tax abatement agreements at June 30, 2017.

## **Note 2 - Stewardship, Compliance, and Accountability**

### **Budgetary Information**

Biennial budgets are adopted on a basis consistent with the accounting policies applied for financial reporting purposes by the Commission under GAAP except that encumbrances for goods and services not received by fiscal year end are considered expenditures of the current period solely for budgetary purposes. There were no encumbrances outstanding at the beginning or end of the year. Although budgets are adopted on a biennial basis, each year is treated separately and unexpended budget authorizations lapse at each year end.

Prior to September 1 of each even-numbered year, the State's Director of Administration submits proposed operating budgets to the Nevada Budget Division covering the biennium beginning the following July 1. After review of the budgets by the Nevada Budget Division between September 1 and November 15, hearings involving the Commission, the Director of Administration and the Governor are held between November 15 and December 22, each budget year. The biennium budgets are transmitted to the State Legislature no later than the 10<sup>th</sup> day of the legislative session held in odd-numbered years and, for adjourning, the Legislature enacts the budgets.

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

Management of the Commission cannot amend any budget categories. However, the Director of Administration is authorized to approve requests for changes in the budget involving transfers between expenditure categories not exceeding 10% of originally budgeted expenditures, or \$30,000 in the aggregate, of the respective budget categories. Any changes exceeding 10% or \$30,000 require approval of the State Legislature's Interim Finance Committee.

### **Budgetary Information**

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

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

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

Classes of users – The power marketing fund serves two classes of users, retail utility customers and industrial customers. The power delivery fund serves the SNWA and its customers.

Other – Other requirements of the bond covenants include maintaining bond funds in separate depository accounts with the State Treasurer and an audit of the Commission's financial statements by an independent certified public accountant.

During the fiscal year ended June 30, 2017, the Commission complied with all requirements of the bond covenants.

### **Note 3 - Cash Deposits**

At June 30, 2017, the Commission's carrying amount ("book value") of restricted and unrestricted cash and cash equivalents was \$20,827,366. These deposits with the Treasurer are not categorized as to credit risk, but are fully insured by the FDIC or collateralized by the State's financial institutions. Securities used as such collateral must total 102 percent of the deposits with each financial institution.

### **Note 4 - Restricted Cash and Cash Equivalents**

Cash and cash equivalents restricted at June 30, 2017, by bond covenants or contractual agreements are summarized as follows:

Restricted for	
Debt service	\$ 5,706,394
Reserve for revenue insufficiency	1,153,025
Cash held by contractual agreement	435,019
	<hr/>
Total restricted	<u>\$ 7,294,438</u>

**Note 5 - Capital Assets**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increase	Decrease	Ending Balances
<b>Governmental Activities</b>				
Capital assets being depreciated				
Office equipment	\$ 85,645	\$ -	\$ 35,973	\$ 49,672
Office furniture and fixtures	28,539	-	-	28,539
Automobiles	108,527	-	-	108,527
Total capital assets being depreciated	222,711	-	35,973	186,738
Less accumulated depreciation				
Office equipment	85,645	-	35,973	49,672
Office furniture and fixtures	28,539	-	-	28,539
Automobiles	106,425	2,102	-	108,527
Total accumulated depreciation	220,609	2,102	35,973	186,738
Capital assets, net	\$ 2,102	\$ (2,102)	\$ -	\$ -
<b>Business type Activities</b>				
Capital assets being depreciated				
Power transmission system	\$ 88,278,263	\$ -	\$ -	\$ 88,278,263
Office equipment	92,190	-	-	92,190
Automobiles	243,191	129,384	-	372,575
Total capital assets being depreciated	88,613,644	129,384	-	88,743,028
Less accumulated depreciation				
Power transmission system	35,741,737	2,333,565	-	38,075,302
Office equipment	78,787	5,572	-	84,359
Automobiles	171,614	13,061	-	184,675
Total accumulated depreciation	35,992,138	2,352,198	-	38,344,336
Capital assets, net	\$ 52,621,506	\$ (2,222,814)	\$ -	\$ 50,398,692

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities</u>	
General government	\$ 2,102
<u>Business-type Activities</u>	
Power marketing	317,868
Power delivery	<u>2,034,330</u>
	<u>\$ 2,354,300</u>

#### **Note 6 - Balances Due to/from Other Funds**

The composition of interfund balances, representing the net of short-term working capital advances and repayments, as of June 30, 2017, was as follows:

<u>Funds</u>	<u>Due From</u>	<u>Due To</u>
General	\$ -	\$ 255,289
Power marketing	4,316	-
Power delivery	<u>250,973</u>	<u>-</u>
	<u>\$ 255,289</u>	<u>\$ 255,289</u>

#### **Note 7 - Unearned Revenue**

The Commission has recognized two different liabilities for unearned revenue, one each in the two enterprise funds. One liability is recorded in Power Delivery Project Fund (PDP) and is related to the electric power transformation and transmission facilities serving the SNWA water treatment and distribution facilities at Lake Mead and in Henderson, Nevada. The other liability is recorded in the Power Marketing Fund and is related to the Basic Step-down Yard facilities serving the Commission's retail Hydropower customers at the industrial complex also in Henderson at a different location. These liabilities represent customer advance funding for Commission owned and operated facilities to provide power for their operations.

The PDP facilities were constructed through the issuance of State of Nevada General Obligation Bonds in September of 1997, September of 1999 and in April of 2005. The facilities constructed are dedicated to the SNWA water related assets and are being used to deliver electric power to the water operations. The cost of the facilities in the form of the bond payment obligation was a component of the charges for power as the Commission delivered electricity to the SNWA. In 2011 and again in 2015 the SNWA prepaid the debt obligation and ultimately extinguished the Commission's Bond liability. This extinguishment constituted a prepayment for a portion of the future cost of the electric resources related to facility use as power will be delivered in the future. The Commission recorded the prepayment and was recognizing the revenue as it delivered power over the system in accordance with the original bond payment schedule. Beginning this year the Commission reassessed the revenue recognition and has begun recognizing the revenue from the prepayment in concert with the depreciation of the fiscal assets to match the revenue to the related depreciation costs as the facilities are used.

The Basic Step-Down yard facilities were constructed beginning in 1999 through 2002 and were funded through assessments on the retail customers as the facilities were built. Due to the number of customers involved there was no need to enter into debt to fund the construction and the project was completed through customer advance funding. The facilities and a liability in the form of unearned revenues were recorded and the depreciation and revenue have been recognized over the life of the assets from the beginning.

The unearned revenue balance of \$49,354,918 related to construction and facilities is being amortized over various useful lives as determined during construction for Phase I, Phase II and River Mountains, and over an average life of the 39.5 years for the Basic Step-down Yard.

Amortization of Unearned Revenue at Year End is summarized as follows:

2018	\$ 1,960,224
2019	1,960,224
2020	1,960,224
2021	1,960,224
2022	1,960,224
2023-2027	9,757,318
2028-2032	9,703,437
2033-2037	9,349,237
2038-2042	6,917,108
2043-2047	2,711,332
2048-2052	1,115,366
	<u>\$ 49,354,918</u>

During the year ended June 30, 2017, the Commission recognized total revenue of \$2,299,188 related to the amortization of unearned revenue.

## **Note 8 - Long-term Debt**

### General Obligation Bonds

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

In November 2011, the Commission sold the \$5,545,000 Series 2011B General Obligation Refunding bonds. Proceeds from these bonds were used to advance refund the Series 2001 bonds. The bonds mature on October 1, 2017, with interest payable semi-annually on April 1 and October 1 at the annual rate of 5%.

On March 12, 2014, because of delays in determining a final allocation of shared costs, interim bonds of \$28,425,000 were issued to fund the Commission's expected share of the cost of construction of the visitor's center at Hoover Dam, with expenditures charged to prepaid power. In June 2014, the Commission sold the \$29,475,000 Series 2014E General Obligation Refunding bonds, proceeds from which were used to pay off the interim bonds. These bonds mature annually on October 1, 2015 through 2043, with interest payable semi-annually on October 1 and April 1 at the annual rates of .50% to 4.25%.

Colorado River Commission of Nevada  
Notes to Financial Statements  
Year Ended June 30, 2017

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

<u>Business-type Activities</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Outstanding at June 30, 2017</u>
General obligation refunding series 2011B	2011 - 2017	5.00%	\$ 5,545,000
General obligation refunding series 2014E	2015 - 2043	0.50 to 4.25%	28,635,000
			<u>\$ 34,180,000</u>

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

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	\$ 5,970,000	\$ 1,208,183	\$ 7,178,183
2019	730,000	1,062,535	1,792,535
2020	740,000	1,049,840	1,789,840
2021	755,000	1,033,573	1,788,573
2022	770,000	1,014,880	1,784,880
2023 - 2027	4,215,000	4,712,075	8,927,075
2028 - 2032	5,000,000	3,899,985	8,899,985
2033 - 2037	6,090,000	2,774,613	8,864,613
2038 - 2042	6,830,000	1,390,812	8,220,812
2043 - 2044	3,080,000	132,175	3,212,175
	<u>\$ 34,180,000</u>	<u>\$ 18,278,671</u>	<u>\$ 52,458,671</u>

### Changes in Long-term Obligations

Changes in long-term obligations during the year-ended June 30, 2017, are summarized below:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Current</u>
Governmental Activities					
Accrued compensated absences	\$ 323,167	\$ 206,182	\$ 209,568	\$ 319,781	\$ 187,996
Business-type Activities					
General obligation bonds	39,195,000	-	5,015,000	34,180,000	5,965,000
Unamortized bond premium	186,940	-	186,940	-	-
Unamortized bond discount	(161,861)	-	(5,995)	(155,866)	-
Total	<u>\$39,543,246</u>	<u>\$ 206,182</u>	<u>\$5,405,513</u>	<u>\$34,343,915</u>	<u>\$6,152,996</u>

Accrued compensated absences are paid from the general fund.

The Commission has provided to a third-party borrower conduit debt, related to the water treatment and transmission assets transferred to the third party on January 1, 1996, with an outstanding balance of \$2,310,000 as of June 30, 2017. Pursuant to an agreement with the third-party borrower, the Commission has no obligation for the debt.

#### **Note 9 - Risk Management**

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

#### **Note 10 - Commitments and Contingencies**

##### **Litigation**

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

##### **Arbitrage Rebate Requirement**

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

#### **Note 11 - Multiple-Employer Cost-Sharing Defined Benefit Pension Plan**

The Commission's employees are covered by the Public Employees' Retirement System of Nevada (PERS), which was established by the Nevada Legislature in 1947, effective July 1, 1948, and is governed by the Public Employees Retirement Board (the PERS Board) whose seven members are appointed by the governor. The Commission does not exercise any control over PERS.

PERS is a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both regular and police/fire members. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits, as required by NRS, are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the system on or after January 1, 2010. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the system on or after January 1, 2010, there is a 2.5% multiplier, and for regular members entering the System on or after July 1, 2015, there is a 2.25% factor. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - .579, which for members entering the system before January 1, 2010, is equal to the lesser of:

1. 2% per year following the third anniversary of the commencement of benefits, 3% per year following the sixth anniversary, 3.5% per year following the ninth anniversary, 4% per year following the twelfth anniversary and 5% per year following the fourteenth anniversary, or
2. The average percentage increase in the Consumer Price Index (or the PERS Board approved index) for the three preceding years.

In any event, a member's benefit must be increased by the percentages in paragraph 1, above, if the benefit of a member has not been increased at a rate greater than or equal to the average of the Consumer Price Index (All Items) (or other PERS Board approved index) for the period between retirement and the date of increase.

For members entering the system on or after January 1, 2010, the post-retirement increases are the same as above, except that the increases do not exceed 4% per year.

Regular members are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with thirty years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, or age 62 with 10 years of service, or any age with thirty years of service. Regular members entering the System on or after July 1, 2015, are eligible for retirement at age 65 with five years of service, or at age 62 with ten years of service or at age 55 with thirty years of service or any age with thirty three and one-third years of service. Police/fire members are eligible for retirement at age 65 with five years of service, at age 55 with ten years of service, at age 50 with twenty years of service, or at any age with twenty-five years of service. Police/Fire members entering the System on or after January 1, 2010, are eligible for retirement at 65 with five years of service, or age 60 with ten years of service, or age 50 with twenty years of service, or at any age with thirty years of service. Only service performed in a position as a police officer or firefighter may be counted toward the eligibility for retirement as police/fire accredited service.

The normal ceiling limitation on the monthly benefit allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both regular and police/fire members become fully vested as to benefits upon completion of five years of service.



The authority of establishing and amending the obligation to make contributions and member contribution rates rests with NRS. New hires, in agencies which did not elect the employer-pay contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two alternative contribution plans. Contributions are shared equally by employer and employee in which employees can take a reduced salary and have contributions made by the employer or can make contributions by a payroll deduction matched by the employer.

PERS's basic funding policy provides for periodic contributions at a level pattern of cost as of percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due. PERS receives an actuarial valuation on an annual basis for determining the prospective funding contribution rates required to fund the system on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by NRS. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450. The actuarial funding method used is the entry age normal cost method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

For the fiscal year ended June 30, 2016, the required employer/employee matching rate was 14.5% for regular and 20.75% for police/fire members. The EPC rate was 28% for regular and 40.50% for police/fire members.

For the fiscal year ended June 30, 2017, the required contribution rates for regular members and police/fire members remained the same.

PERS collective net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. For this purpose, certain actuarial valuation assumptions are stipulated by GASB and may vary from those used to determine the prospective funding contribution rates.

The total PERS pension liability was determined using the following actuarial assumptions (based on the results of an experience review completed in 2013), applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2016
Inflation rate	3.50%
Payroll growth	5.00%, including inflation
Investment rate of return	8.00%,
Discount rate	8.00%
Productivity pay increase	0.75%
Consumer price index	3.50%
Actuarial cost method	Entry age normal
Projected salary increases	Regular: 4.60% to 9.75%, depending on service Police/Fire: 5.25% to 14.50%, depending on service Rates include inflation and productivity increases

PERS's policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of PERS. The Following target asset allocation policy was adopted as of June 30, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Geometric Expected Real Rate of Return *</u>
Domestic equity	42%	5.50%
International equity	18%	5.75%
Domestic fixed income	30%	0.25%
Private markets	10%	6.80%

\* These geometric return rates are combined to produce the long-term expected rate of return by adding the long-term expected inflation rate of 3.5%.

The discount rate used to measure the total pension liability was 8.00% as of June 30, 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified by NRS. Based on the assumption, PERS's fiduciary net position at June 30, 2016, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments (8%) was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

The Commission's proportionate share of the net pension liability at year end, calculated using the discount rate of 8.00%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current discount rate was as follows:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Net pension liability	\$ 9,668,619	\$ 6,596,117	\$ 4,039,833

Detailed information about PERS fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website, [www.nvpers.org](http://www.nvpers.org) under publications. PERS fiduciary net position and additions to/deductions from it have been determined on the same basis used in the PERS Comprehensive Annual Financial Report. PERS financial statements are prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental accounting for fiduciary funds. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Commission's proportionate share (amount) of the collective net pension liability was \$6,596,117, which represents 0.04902% of the collective net pension liability. Contributions for employer pay dates within the fiscal year ended June 30, 2016, were used as the basis for determining each employer's proportionate share. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2016.

For the year ended June 30, 2017, the Commission's pension expense was \$819,471 and its reported deferred outflows and inflows of resources related to pensions were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 441,693
Net difference between projected and actual earnings on investments	613,191	
Changes in proportion and differences between actual contributions and proportionate share of contributions	-	87,945
Contributions subsequent to measurement date	384,620	-
	<u>\$ 997,811</u>	<u>\$ 529,638</u>

At June 30, 2016, the average expected remaining service life was 6.48 years.

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$384,620 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years ending June 30,</u>	
2018	\$ (150,299)
2019	(150,299)
2020	112,102
2021	11,147
2022	(100,283)
2023	(27,283)

## Note 12 - Employee Benefit Plans

*Plan Description* – The State Retirees Health and Welfare Benefits Fund, Public Employees' Benefits Program (PEBP) of the State of Nevada (Retirees Fund) was created in 2007 by the Nevada Legislature to account for the financial assets designated to offset the portion of current and future costs of health and welfare benefits paid on behalf of State retirees. The Retirees' Fund is a multiple-employer, cost-sharing defined benefit plan with several participating employers, and is administered by the Board of Public Employees' Benefits Program of the State of Nevada. The Retirees' Fund provides benefits other than pensions to eligible retirees and their dependents through the payment of subsidies to the PEBP. PEBP administers a group health and life insurance program for covered employees, both active and retired, of the State, and certain other participating public employers within the State, including the Commission. Nevada Administrative Code (NAC) 287.530 establishes this benefit upon the retiree. All State public employees who retire with at least five years of public service and who have State service are eligible to receive benefits from the Retirees' Fund. State service is defined as employment with any State agency, the Nevada System of Higher Education and any State Board or Commission. A portion of the monthly premiums are deducted from pension checks and paid to the PEBP. The cost varies depending on which health plan the retiree chooses, as well as the amount of subsidy they receive.

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

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

*Contributions and Funding Policy* – NRS 287.046 establishes a subsidy to pay the contributions for the persons retired from the State. Contributions to the Retirees' Fund are paid by the State through an assessment of actual payroll paid by each State entity. For the period from July 1, 2016 through June 30, 2017, the rate assessed was .0236 of annual covered payroll. The assessment is based on an amount prescribed by the State Legislature. For the years ended June 30, 2017, 2016, and 2015, the Commission contributed \$63,483, \$66,092, and \$65,679, respectively, to the plan. These contributions equaled 100% of the required contributions each year.

### **Note 13 - Joint Venture**

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

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

As appropriate projects are selected for development, the Members involved in each project enter into a project service agreement (PSA) indicating each participating Member's allocation of project costs.

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

Financial information regarding SSEA can be obtained by writing:

Manager of Energy Accounting for  
the Silver State Energy Association  
P.O. Box 99956, MS 115  
Las Vegas, NV 89193-9956

The Silver State Energy Association (SSEA) website is [www.silverstateenergy.org/](http://www.silverstateenergy.org/).

**Note 14 - Change in Accounting Principle and Restatements**

As of July 1, 2016, the Commission adopted GASB Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, No. 73. This statement requires payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions be classified as employee contributions. Accordingly, net position as of July 1, 2016 has been restated for the cumulative effect of this change.

The Commission participated with the State of Nevada in funding the improvements and renovation of the electrical power generation plant and visitors' center at Hoover Dam. These costs are reimbursed in the form of power consumption and charged to expense over the estimated useful life of 30 years. Due to a number of refundings of the related debt, amortization of prepaid power in prior years was overstated resulting in prepaid power at June 30, 2016 being understated by \$172,813. Accordingly prepaid power as of June 30, 2016 has been restated.

Based on the Commission's authorizing statute (NRS 538) and contractual provisions, the Commission is not allowed to profit from the sale of power in the Power Delivery Fund and Power Marketing Fund. The statute and contracts specifically indicate items the Commission can include in power invoices. The charges must be directly related to costs incurred in providing the resources to Commission customers and the revenues collected must be for those items only. For financial reporting purposes, an adjustment is made to recognize revenue earned and expenses paid or owed that relate to the power resources in accordance with the statute and contracts. This adjustment recognizes over or under collections from the customers as liabilities or receivables as necessary. Thus, revenues of the funds equate to expenses with the only exception of interest income and other miscellaneous non-resource related items reported as revenue or expense. Therefore, the balance of payable to customers at June, 30 2016 were corrected to reflect the authorizing statute and contractual provisions.

In addition, as of June 30, 2016, the Commission's statement of net position included unearned revenue related to the refunding of certain Commission bonds by a significant customer. When these bonds were refunded by the Commission's customer, the Commission recorded a liability and recognized revenue over the life of the bonds. The recognition of revenue has been adjusted to reflect recognition over the life of the underlying assets.

Colorado River Commission of Nevada  
Notes to Financial Statements  
Year Ended June 30, 2017

	Business-type Activities		
	June 30, 2016 (as previously reported)	Correction of Errors	Adjusted Balance June 30, 2016
Accounts receivable	\$ 9,373,426	\$ (8,002,510)	\$ 1,370,916
Prepaid power	\$ 33,617,010	\$ 172,813	\$ 33,789,823
Unearned revenue	\$ 61,603,897	\$ (9,405,185)	\$ 52,198,712
Payable to customers	\$ 1,813,635	\$ (1,123,852)	\$ 689,783
Customer collateral and other deposits	\$ 2,554,211	\$ 18,803	\$ 2,573,014
Total net position	\$ (1,160,411)	\$ 2,680,537	\$ 1,520,126
	Governmental-type Activities		
	June 30, 2016 (as previously reported)	Correction of Errors	Adjusted Balance June 30, 2016
Deferred outflows related to pensions	\$ 577,115	\$ (161,533)	\$ 415,582
Deferred inflows related to pensions	\$ 1,055,639	\$ (271,817)	\$ 783,822
Total net position	\$ 6,423,813	\$ 110,284	\$ 6,534,097

**Note 15 - Related Party**

The Commission is governed by seven commissioners three of whom are appointed by the Southern Nevada Water Authority (SNWA) and four, including the board Chair, appointed by the Governor. The Commission and SNWA do not share staff members or members of management. The SNWA, a local governmental organization is also one of the Commission's principal revenue payers (see Table 5). In fiscal 2017, the Commission received revenues from the SNWA for power and water resources in the amount of but made no payments to the SNWA for any purpose. The SNWA publishes a Comprehensive Annual Financial Report which can be seen on their website at SNWA.com. In addition, the Commission's capacities work with other public entities, SNWA, other states, and various governmental entities in fulfilling its statutory responsibilities, however, no other entity has representatives on the board. In fiscal 2017, SNWA accounted for revenue of \$12,203,473 and had an accounts receivable balance of \$132,423 as of June 30, 2017.



Required Supplementary Information  
June 30, 2017

# Colorado River Commission of Nevada

Colorado River Commission of Nevada  
Proportionate Share of the Collective Net Pension Liability Information  
Multiple – Employer Cost-Sharing Defined Benefit Pension Plan  
For the Fiscal Year Ended June 30, 2017 and Prior Nine Fiscal Years\*

---

Valuation Date June 30,	Proportion of the collective net pension liability	Proportionate share of the collective net pension liability (asset)	Covered payroll	Proportionate share of the collective net pension liability as a percentage of covered payroll	PERS fiduciary net position as a percentage of the total pension liability
2014	0.04795%	\$ 6,305,091	\$ 2,348,229	268.50%	76.31%
2015	0.04795%	4,997,140	2,531,235	197.42%	75.13%
2016	0.04902%	6,596,117	2,575,317	256.13%	72.23%

\* Information for the multiple-employer cost-sharing defined benefit pension plan is not available for years prior to the year ended June 30, 2014. As the information becomes available this schedule will ultimately present information for the ten most recent fiscal years.



Colorado River Commission of Nevada  
Statutorily Required Employer Contribution Information  
Multiple-Employer Cost-Sharing Defined Benefit Pension Plan  
For the Fiscal Year Ended June 30, 2017 and Prior Nine Fiscal Years \*

---

<u>Fiscal Year</u>	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required Contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
2014	\$ 527,504	\$ 527,504	\$ -	\$ 2,348,299	22.46%
2015	507,091	507,091	-	2,531,235	20.03%
2016	523,411	523,411	-	2,575,317	20.32%
2017	769,240	769,240	-	2,701,732	28.47%

\* Information for the multiple-employer cost-sharing defined benefit pension plan is not available for years prior to the year ended June 30, 2014. As the information becomes available this schedule will ultimately present information for the ten most recent fiscal years.



Statistical Section  
June 30, 2017

# Colorado River Commission of Nevada

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

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

**Financial Trends**

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

**Revenue Capacity**

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

**Debt Capacity**

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

**Demographic and Economic Information**

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

**Operating Information**

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

Colorado River Commission of Nevada  
Net position by Component  
Last Ten Fiscal Years (Unaudited) – Table 1

	Fiscal Year									
	2017	2016 (as restated)	2015	2014	2013	2012	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ -	\$ 2,102	\$ 4,887	\$ 7,673	\$ 10,925	\$ 19,196	\$ 35,121	\$ 46,102	\$ 33,762	\$ 14,045
Restricted for research and development	10,276,431	9,882,973	9,537,522	8,125,768	5,203,611	3,468,550	2,139,130	-	-	-
Unrestricted	(4,121,958)	(3,350,978)	(4,203,575)	2,712,559	2,955,658	2,573,169	1,924,972	2,916,470	3,145,590	3,090,809
Total Governmental Activities Net Position	<u>\$ 6,154,473</u>	<u>\$ 6,534,097</u>	<u>\$ 5,338,834</u>	<u>\$ 10,846,000</u>	<u>\$ 8,170,194</u>	<u>\$ 6,060,915</u>	<u>\$ 4,099,223</u>	<u>\$ 2,962,572</u>	<u>\$ 3,179,352</u>	<u>\$ 3,104,854</u>
Business-type Activities										
Net investment in capital assets	\$ 50,398,692	\$ 52,621,510	\$ 46,451,402	\$ 1,728,620	\$ 3,854,233	\$ 5,979,847	\$ (4,219,164)	\$ (4,270,307)	\$ (3,967,588)	\$ (3,850,234)
Restricted for operations and maintenance	929,332	714,403	712,991	712,019	711,215	711,014	710,738	710,482	713,088	716,319
Unrestricted	(49,660,384)	(51,815,787)	(46,037,051)	(5,470,443)	(3,137,388)	(1,108,611)	8,484,670	8,372,383	8,345,585	8,355,522
Total Business-type Activities Net Position	<u>\$ 1,667,640</u>	<u>\$ 1,520,126</u>	<u>\$ 1,127,342</u>	<u>\$ (3,029,804)</u>	<u>\$ 1,428,060</u>	<u>\$ 5,582,250</u>	<u>\$ 4,976,244</u>	<u>\$ 4,812,558</u>	<u>\$ 5,091,085</u>	<u>\$ 5,221,607</u>
Total Entity-wide										
Net Investment in capital assets	\$ 50,398,692	\$ 52,623,612	\$ 46,456,289	\$ 1,736,293	\$ 3,865,158	\$ 5,999,043	\$ (4,184,043)	\$ (4,224,205)	\$ (3,933,826)	\$ (3,836,189)
Restricted	11,205,763	10,597,376	10,250,513	8,837,787	5,914,826	4,179,564	2,849,868	710,482	713,088	716,319
Unrestricted	(53,782,342)	(55,166,765)	(50,240,626)	(2,757,884)	(181,730)	1,464,558	10,409,642	11,288,853	11,491,175	11,446,331
Total Entity-wide Net Position	<u>\$ 7,822,113</u>	<u>\$ 8,054,223</u>	<u>\$ 6,466,176</u>	<u>\$ 7,816,196</u>	<u>\$ 9,598,254</u>	<u>\$ 11,643,165</u>	<u>\$ 9,075,467</u>	<u>\$ 7,775,130</u>	<u>\$ 8,270,437</u>	<u>\$ 8,326,461</u>

Colorado River Commission of Nevada  
Changes in Net Position  
(Accrual basis of accounting)  
Last Ten Fiscal Years (Unaudited) – Table 2

	Fiscal Year									
	2017	2016 (as restated)	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental Activities										
General government	\$ 3,371,208	\$ 2,620,776	\$ 2,637,347	\$ 2,595,457	\$ 2,058,890	\$ 1,901,012	\$ 2,306,101	\$ 3,275,830	\$ 2,810,030	\$ 2,730,697
Business-type Activities										
Power marketing	25,967,737	24,642,788	25,179,606	27,386,283	41,041,108	40,490,639	41,483,124	40,226,984	46,050,417	55,744,898
Power delivery	15,096,211	23,277,768	32,812,396	36,891,400	39,959,001	46,921,205	45,904,714	41,633,751	38,006,772	10,678,035
Total business-type activities	41,063,948	47,920,556	57,992,002	64,277,683	81,000,109	87,411,844	87,387,838	81,860,735	84,057,189	66,422,933
Total Entity-wide Expenses	<u>\$44,435,156</u>	<u>\$50,541,332</u>	<u>\$60,629,349</u>	<u>\$66,873,140</u>	<u>\$83,058,999</u>	<u>\$89,312,856</u>	<u>\$89,693,939</u>	<u>\$85,136,565</u>	<u>\$86,867,219</u>	<u>\$69,153,630</u>
Program Revenues										
Governmental Activities										
Charges for service										
Power administrative charge	\$ 926,483	\$ 1,141,701	\$ 220,817	\$ 1,140,050	\$ 1,167,674	\$ 1,259,804	\$ 1,219,897	\$ 1,121,162	\$ 1,167,254	\$ 1,296,412
Water charges	1,236,371	1,858,749	1,153,359	1,060,171	1,229,732	1,169,246	752,854	1,285,018	1,046,787	1,311,351
Multi-species surcharge	673,629	668,686	1,263,002	3,000,783	1,741,478	1,362,759	1,375,160	625,814	583,162	595,223
Total Governmental Activities Program Revenues	2,836,483	3,669,136	2,637,178	5,201,004	4,138,884	3,791,809	3,347,911	3,031,994	2,797,203	3,202,986
Business-type Activities										
Charges for service										
Power sales										
Power marketing	25,899,868	16,495,222	24,861,738	27,386,283	41,041,108	40,374,094	41,436,582	40,217,943	45,845,877	55,601,491
Power delivery	15,269,914	31,753,902	30,783,323	32,595,571	35,726,333	47,562,794	46,077,938	41,711,572	37,897,186	10,242,168
Total business-type activities	41,169,782	48,249,124	55,645,061	59,981,854	76,767,441	87,936,888	87,514,520	81,929,515	83,743,063	65,843,659
Total Entity-wide Program Revenues	<u>\$44,006,265</u>	<u>\$51,918,260</u>	<u>\$58,282,239</u>	<u>\$65,182,858</u>	<u>\$80,906,325</u>	<u>\$91,728,697</u>	<u>\$90,862,431</u>	<u>\$84,961,509</u>	<u>\$86,540,266</u>	<u>\$69,046,645</u>

Colorado River Commission of Nevada  
Changes in Net Position  
(Accrual basis of accounting)  
Last Ten Fiscal Years (Unaudited) – Table 2 cont.

	Fiscal Year									
	2017	2016 (as restated)	2015	2014	2013	2012	2011	2010	2009	2008
Net Expenses										
Governmental activities	\$ (534,725)	\$ 1,048,360	\$ (169)	\$ 2,605,547	\$ 2,079,994	\$ 528,038	\$ (333,350)	\$ (869,650)	\$ (595,989)	\$ (122,933)
Business-type activities	105,834	328,568	(2,346,941)	(4,295,829)	(4,232,668)	525,044	126,682	68,780	(314,126)	(579,274)
Total entity-wide expense	<u>\$ (428,891)</u>	<u>\$ 1,376,928</u>	<u>\$ (2,347,110)</u>	<u>\$ (1,690,282)</u>	<u>\$ (2,152,674)</u>	<u>\$ 1,053,082</u>	<u>\$ (206,668)</u>	<u>\$ (800,870)</u>	<u>\$ (910,115)</u>	<u>\$ (702,207)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities										
Investment income	\$ 95,846	\$ 91,125	\$ 202,937	\$ 14,672	\$ 29,285	\$ 29,677	\$ 12,432	\$ 27,057	\$ 87,325	\$ 227,944
Miscellaneous	59,255	55,778	67,653	55,587	-	41,218	82,409	-	-	-
Total Governmental Activities	<u>155,101</u>	<u>146,903</u>	<u>270,590</u>	<u>70,259</u>	<u>29,285</u>	<u>70,895</u>	<u>94,841</u>	<u>27,057</u>	<u>87,325</u>	<u>227,944</u>
Business-type Activities										
Investment income	41,680	55,232	171,238	12,063	78,478	12,635	2,841	22,495	183,604	493,005
Abandonment loss	-	-	-	-	-	-	-	(369,802)	-	-
Miscellaneous	-	8,984	-	4,065	-	68,327	34,163	-	-	-
Total business-type activities	<u>41,680</u>	<u>64,216</u>	<u>171,238</u>	<u>16,128</u>	<u>78,478</u>	<u>80,962</u>	<u>37,004</u>	<u>(347,307)</u>	<u>183,604</u>	<u>493,005</u>
Total Entity-wide	<u>\$ 196,781</u>	<u>\$ 211,119</u>	<u>\$ 441,828</u>	<u>\$ 86,387</u>	<u>\$ 107,763</u>	<u>\$ 151,857</u>	<u>\$ 131,845</u>	<u>\$ (320,250)</u>	<u>\$ 270,929</u>	<u>\$ 720,949</u>
Change in Net Position										
Governmental activities	\$ (379,624)	\$ 1,195,263	\$ 270,421	\$ 2,675,806	\$ 2,109,279	\$ 598,933	\$ (238,509)	\$ (842,593)	\$ (508,664)	\$ 105,011
Business-type activities	147,514	392,784	(2,175,703)	(4,279,701)	(4,154,190)	606,006	163,686	(278,527)	(130,522)	(86,269)
Total Entity-wide	<u>\$ (232,110)</u>	<u>\$ 1,588,047</u>	<u>\$ (1,905,282)</u>	<u>\$ (1,603,895)</u>	<u>\$ (2,044,911)</u>	<u>\$ 1,204,939</u>	<u>\$ (74,823)</u>	<u>\$ (1,121,120)</u>	<u>\$ (639,186)</u>	<u>\$ 18,742</u>

Colorado River Commission of Nevada  
Fund Balances, Governmental Funds  
(Modified accrual basis of accounting)  
Last Ten Fiscal Years (Unaudited) – Table 3

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Fund Unassigned	<u>\$ 2,325,767</u>	<u>\$ 2,938,016</u>	<u>\$ 2,040,963</u>	<u>\$ 3,051,126</u>	<u>\$ 3,304,782</u>	<u>\$ 2,878,917</u>	<u>\$ 2,222,770</u>	<u>\$ 2,398,074</u>	<u>\$ 2,545,592</u>	<u>\$ 2,582,644</u>
All Other Governmental Funds										
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 182,131
Reported in special revenue funds:										
Fort Mohave Development	-	-	-	-	-	-	-	-	-	(14,162)
Research and Development	<u>10,276,431</u>	<u>9,882,973</u>	<u>9,537,522</u>	<u>8,125,768</u>	<u>5,203,611</u>	<u>3,468,550</u>	<u>2,139,130</u>	<u>827,864</u>	<u>872,912</u>	<u>377,679</u>
Total all Other Governmental Funds	<u>\$10,276,431</u>	<u>\$ 9,882,973</u>	<u>\$ 9,537,522</u>	<u>\$ 8,125,768</u>	<u>\$ 5,203,611</u>	<u>\$ 3,468,550</u>	<u>\$ 2,139,130</u>	<u>\$ 827,864</u>	<u>\$ 872,912</u>	<u>\$ 545,648</u>

Colorado River Commission of Nevada  
Changes in Fund Balances, Governmental Funds  
(Modified accrual basis of accounting)  
Last Ten Fiscal Years (Unaudited) – Table 4

	Fiscal Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues										
Charges for services	\$ 2,162,854	\$ 3,000,450	\$ 1,374,176	\$ 2,200,221	\$ 2,397,406	\$ 2,429,050	\$ 1,972,751	\$ 2,406,180	\$ 2,214,041	\$ 2,607,763
Investment income	95,846	91,125	202,937	14,672	29,285	29,677	12,432	27,057	87,325	227,944
Multi-species surcharge	673,629	668,686	1,263,002	3,000,783	1,741,478	1,362,759	1,375,160	625,814	583,162	595,223
Miscellaneous	59,255	55,778	67,653	55,587	-	41,218	82,409	-	-	-
Total revenues	2,991,584	3,816,039	2,907,768	5,271,263	4,168,169	3,862,704	3,442,752	3,059,051	2,884,528	3,430,930
Expenditures										
General administration	2,838,816	2,165,754	2,491,039	2,514,358	1,974,816	1,812,067	2,267,200	2,768,497	2,232,083	2,180,003
Multi-species assessment	358,618	394,061	-	-	-	-	-	459,851	443,603	441,215
Water purchases	12,941	13,717	15,138	15,074	14,244	15,134	14,270	15,277	15,889	15,411
Other	-	-	-	73,330	18,183	49,936	25,318	7,992	89,709	40,230
Total expenditures	3,210,375	2,573,532	2,506,177	2,602,762	2,007,243	1,877,137	2,306,788	3,251,617	2,781,284	2,676,859
Excess (Deficiency) of Revenue Over (Under)										
Expenditures and Net Changes in										
Fund Balances	\$ (218,791)	\$ 1,242,507	\$ 401,591	\$ 2,668,501	\$ 2,160,926	\$ 1,985,567	\$ 1,135,964	\$ (192,566)	\$ 103,244	\$ 754,071



Colorado River Commission of Nevada  
Principal Revenue Payers  
Last Ten Fiscal Years (Unaudited) – Table 5

Customer	F/Y 2017						(4) F/Y 2016 Total	(4) F/Y 2015 Total	(4) F/Y 2014 Total	(4) F/Y 2013 Total	(4) F/Y 2012 Total	(4) F/Y 2011 Total	(4) F/Y 2010 Total	(4) F/Y 2009 Total	(4) F/Y 2008 Total
	Water Administrative Charges	Power Administrative Charges	(1) LCRMSCP Charges	Power Marketing Revenues	Power Delivery Revenues	Total									
Southern Nevada Water Authority	\$ 1,208,412	\$ 71,615	\$ 45,674	\$ 1,754,715	\$ 9,123,057	\$ 12,203,473	\$ 12,179,218	\$ 14,358,251	\$ 15,461,521	\$ 39,874,221	\$ 51,300,955	\$ 49,486,766	\$ 83,298,697	\$ 40,881,604	\$ 13,306,629
Basic Water Company	5,364	18,553	27,910	488,356	283,453	823,636	759,596	1,010,474	927,791	762,502	675,012	775,087	53,516	1,131,591	1,119,996
Timet Metals Corporation	-	246,567	67,009	3,642,884	5,625,890	9,582,350	9,358,046	11,426,000	12,140,825	8,644,733	8,467,095	6,257,186	219,602	11,549,026	13,527,584
Olin Chlor Alkaine (formerly Pioneer)	-	6,478	-	143,406	233,463	383,347	5,976,246	10,207,738	11,692,303	7,932,926	7,733,604	8,752,522	160,464	10,453,427	17,225,025
Chemical Lime Company	-	2,079	1,251	67,142	4,051	74,523	70,022	52,184	60,153	60,431	53,158	62,531	3,305	65,921	81,741
Tronox, LLC	-	77,082	60,055	1,836,376	-	1,973,513	2,018,316	1,856,809	1,869,709	1,777,310	1,698,155	1,760,750	134,319	1,466,649	1,827,270
American Pacific Corporation	-	2	4,858	37,026	-	41,886	2,087,232	2,882,906	3,454,082	2,467,512	2,461,818	2,627,688	88,143	2,460,584	4,215,683
Lincoln County Power District No. 1	-	49,225	42,114	1,369,331	-	1,460,670	1,403,957	1,372,495	1,531,438	1,700,354	1,684,446	1,728,892	98,341	1,538,006	1,339,248
Overton Power District #5	-	62,957	33,873	2,254,382	-	2,351,212	2,174,710	2,040,250	2,453,914	2,301,447	2,534,041	2,562,159	96,390	2,286,563	3,038,977
Valley Electric Association	-	96,963	52,466	3,527,327	-	3,676,756	2,286,746	2,639,510	3,094,859	2,632,025	2,493,361	2,671,367	116,804	3,142,087	3,118,421
NV Energy (formerly Nevada Power Company)	-	269,263	294,680	9,570,333	-	10,134,276	9,814,515	9,234,032	11,217,704	11,497,753	11,306,542	10,607,889	567,906	10,404,959	9,218,722
City of Boulder City	-	25,699	43,739	1,208,588	-	1,278,026	1,258,457	1,175,756	1,251,852	1,204,679	1,294,400	3,588,478	98,075	1,139,321	1,001,428
Las Vegas Valley Water District	-	-	-	-	-	-	-	5,976	6,044	6,669	6,293	6,301	-	-	534
City of Henderson	16,089	-	-	-	-	16,089	16,947	19,070	19,831	17,961	19,143	16,804	19,810	20,563	17,986
Raw Water Sales (2)	6,506	-	-	-	-	6,506	6,529	787	832	802	674	17,939	13,513	966	7,400
Other power sales (3)	-	-	-	-	-	-	-	-	-	-	-	17,276	-	-	-
	<u>\$ 1,236,371</u>	<u>\$ 926,483</u>	<u>\$ 673,629</u>	<u>\$ 25,899,868</u>	<u>\$ 15,269,914</u>	<u>\$ 44,006,265</u>	<u>\$ 49,410,537</u>	<u>\$ 58,282,238</u>	<u>\$ 65,182,858</u>	<u>\$ 80,881,325</u>	<u>\$ 91,728,697</u>	<u>\$ 90,939,635</u>	<u>\$ 84,968,885</u>	<u>\$ 86,541,267</u>	<u>\$ 69,046,644</u>

(1) LCRMSCP charges are the charges for the Lower Colorado River Multi-Species Conservation Program. These charges are for the State of Nevada's participation in this species recovery program. The revenues collected from the water and power customers are paid to the federal government for the conservation program. Note that the Southern Nevada Water Authority also pays an additional charge directly to the federal government not collected by the Commission

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

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

(4) The current year details are provided to allow the user to see the relative amounts of revenue sources to the Commission paid by the classes of customers. Only totals will be compared for past fiscal periods as inclusion of detail would make the table unreadable. For additional detail please see the annual financial report for the specific year at the Commission website at [crrc.nv.gov](http://crrc.nv.gov).

Colorado River Commission of Nevada  
Ratios of Outstanding Debt  
Last Ten Fiscal Years (Unaudited) – Table 6

Fiscal Year	General Obligation Refunding Series 2014E	General Obligation Refunding Series 2012E	General Obligation Refunding 2011B	Power Delivery Refunding Series 20051	Power Uprating Refunding Series 2002	Hoover Uprating Refunding Series 2001	Power Delivery Series 1999A	Unamortized Premium	Unamortized Discount	Unamortized Adjustments	Total Outstanding Debt	Charges for Services	Revenue in Debt Ratio	Debt as a Percentage of Personal Income	Debt per Capita In Dollars
2008	\$ -	\$ -	\$ -	\$65,300,000	\$36,420,000	\$ 6,305,000	\$ 1,235,000	\$ 3,150,529	\$ (9,543)	\$ (5,143,314)	\$107,257,672	\$68,451,422	0.64	1.44%	2,620
2009	-	-	-	63,940,000	33,180,000	6,305,000	635,000	2,903,724	(1,646)	(4,795,510)	102,166,568	85,957,104	0.84	1.46%	2,539
2010	-	-	-	62,500,000	29,765,000	6,305,000	-	2,656,917	-	(4,447,707)	96,779,210	84,335,695	0.87	1.37%	2,621
2011	-	-	-	60,330,000	26,165,000	6,305,000	-	2,410,113	-	(4,099,904)	91,110,209	89,487,271	0.98	1.27%	2,468
2012	-	-	5,545,000	47,755,000	22,370,000	-	-	2,620,239	-	(3,319,228)	74,971,011	90,365,938	1.21	0.97%	1,986
2013	-	17,085,000	5,545,000	47,755,000	-	-	-	2,915,211	-	(2,859,522)	70,440,689	80,966,325	1.15	0.91%	1,786
2014	29,475,000	13,110,000	5,545,000	47,755,000	-	-	-	2,255,216	(173,851)	-	97,966,365	65,182,858	0.67	1.20%	2,498
2015	29,475,000	8,960,000	5,545,000	-	-	-	-	758,899	(167,856)	-	44,571,043	58,282,239	1.31	0.52%	1,094
2016 (as restated)	29,055,000	4,595,000	5,545,000	-	-	-	-	186,942	(161,861)	-	39,220,080	51,918,260	1.32	0.44%	930
2017	28,635,000	-	5,545,000	-	-	-	-	-	(155,866)	-	34,024,134	44,006,265	1.29	N/A <sup>1)</sup>	N/A

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

For addition information related to the Commission's debt see footnote 7 in the Notes to the Financial Statements.

Colorado River Commission of Nevada  
Available Revenue Debt Coverage  
Last Ten Fiscal Years (Unaudited) – Table 7

Fiscal Year	Gross Revenues	Less: Operating Expenses	Add: Depreciation	Net Available Revenues	Debt Service			(1) Coverage
					Principal	Interest	Total	
2008	\$69,046,645	\$65,577,632	\$ 2,041,430	\$ 5,510,443	\$ 1,420,000	\$ 5,517,972	\$ 6,937,972	0.79
2009	86,540,266	80,649,088	2,036,989	7,928,167	1,705,000	5,579,181	7,284,181	1.09
2010	84,961,509	78,825,046	2,031,355	8,167,818	5,200,000	5,305,610	10,505,610	0.78
2011	90,862,431	84,460,101	2,030,633	8,432,963	5,770,000	4,791,950	10,561,950	0.80
2012	91,728,697	84,921,105	2,024,827	8,832,419	5,490,000	5,012,438	10,502,438	0.84
2013	80,906,325	78,792,267	2,024,826	4,138,884	6,065,000	4,416,732	10,481,732	0.39
2014	65,182,858	62,010,746	2,024,827	5,196,939	4,005,000	3,242,334	7,247,334	0.72
2015	58,282,239	55,799,470	2,346,941	4,829,710	3,975,000	3,279,188	7,254,188	0.67
2016	49,410,536	48,093,319	2,351,919	3,669,136	4,785,000	1,690,220	6,475,220	0.57
2017	44,006,265	41,063,948	2,352,198	5,294,515	5,015,000	1,464,645	6,479,645	0.82

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

Colorado River Commission of Nevada  
Demographic Statistics  
Clark County, Nevada<sup>(1)</sup>  
Last Ten Fiscal Years (Unaudited) – Table 8

Year	Population <sup>(2)</sup>	Personal Income <sup>(3)</sup> (in thousands)	Per Capita Income <sup>(3)</sup>	Total Labor Force <sup>(4)</sup>	Unemployment Rate <sup>(4)</sup>
2008	1,967,716	\$ 74,494,913	\$ 40,939	983,657	6.3%
2009	1,952,040	70,129,464	40,243	969,122	11.8%
2010	1,968,831	70,428,593	36,931	986,342	13.8%
2011	1,967,722	71,777,369	36,918	995,209	13.4%
2012	1,988,855	77,373,382	37,745	1,001,608	11.4%
2013	2,031,723	77,298,937	39,436	1,009,941	9.9%
2014	2,069,450	81,821,005	39,223	1,023,712	8.2%
2015	2,118,353	86,305,938	40,742	1,049,522	7.1%
2016	2,107,031	88,885,102	42,185	1,059,667	6.4%
2017	2,205,207	N/A <sup>(5)</sup>	N/A <sup>(5)</sup>	1,077,435	5.2%

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

(2) Source: Southern Nevada Consensus Population Estimate, August 2016

(3) Source: U.S. Bureau of Economic Analysis. For calendar year ended during fiscal year.

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

(5) Information not currently available

Colorado River Commission of Nevada  
Principal Employers  
Clark County, Nevada<sup>(1)</sup>  
Current Year and Nine Years Ago – Table 9

Employer	Employees <sup>(2)</sup>	June 30, 2017	Rank
		Percentage of Total Employment	
Clark County School District	30,000 to 39,999	3.49%	1
Clark County, Nevada	8,500 to 8,999	0.85%	2
Wynn Las Vegas	8,000 to 8,499	0.82%	3
Bellagio LLC	7,500 to 7,999	0.77%	4
MGM Grand Hotel/Casino	7,500 to 7,999	0.77%	5
Aria Resort and Casino, LLC	7,000 to 7,499	0.72%	6
Mandalay Bay Resort & Casino	7,000 to 7,499	0.72%	7
Venetian Casino Resorts, LLC	6,000 to 6,499	0.62%	8
University of Nevada, Las Vegas	5,500 to 5,999	0.57%	9
Caesars Palace	5,000 to 5,499	0.52%	10

Employer	Employees <sup>(2)</sup>	June 30, 2008	Rank
		Total Employment	
Clark County School District	30,000 to 39,999	3.79%	1
Clark County, Nevada	10,000 to 19,999	1.63%	2
Bellagio LLC	9,000 to 9,499	1.00%	3
MGM Grand Hotel/Casino	8,500 to 8,999	0.95%	4
Wynn Las Vegas	8,500 to 8,999	0.95%	5
Mandalay Bay Resort & Casino	6,500 to 6,999	0.73%	6
University of Nevada, Las Vegas	6,000 to 6,499	0.68%	7
Desert Palace Inc	5,500 to 5,999	0.62%	8
Las Vegas Metropolitan Police	5,500 to 5,999	0.62%	9
GNS Corporation	5,000 to 5,499	0.57%	10

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

Source: Nevada Department of Employment

- (2) Note that Nevada Law prohibits the publishing of exact employment numbers

Colorado River Commission of Nevada

Employees by Department

Last Ten Fiscal Years (Unaudited) – Table 10

<u>Fiscal Year</u>	<u>Executive and Administrative</u>	<u>Water Department</u>	<u>Hydropower Department</u>	<u>SNWS Energy Services</u>	<u>Power Delivery O &amp; M</u>	<u>Total</u>
2008	13	3	3	9	6	34
2009	15	4	3	9	6	37
2010	13	3	3	9	6	34
2011	13	3	3	9	6	34
2012	13	3	3	9	6	34
2013	14	3	3	8	6	34
2014	13	2	3	8	7	33
2015	15	1	2	7	7	32
2016	12	3	3	7	7	32
2017	13	3	3	8	7	34

# Colorado River Commission of Nevada

## Capital Asset Statistics by Function<sup>(1)</sup> Last Ten Fiscal Years (Unaudited) – Table 11

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
CRC Power Delivery Project and Basic Industries System (2)										
Miles of Transmission Lines:										
230-kV overhead lines	34	34	34	34	34	34	34	34	34	34
69-kV overhead lines	5	5	5	5	5	5	5	5	5	5
69-kV underground transmission lines	15	15	15	15	15	15	15	15	15	15
High-Voltage Substations:										
Transmission Substations (230-kV to 69-kV)	2	2	2	2	2	2	2	2	2	2
Distribution Substations (230-kV to 14.4-kV)	3	3	3	3	3	3	3	3	3	3
Distribution Substations (69-kV to 13.8-kV)	6	6	6	6	6	6	6	6	6	6
Distributions Substations (69-kV to 41.6-kV)	6	6	6	6	6	6	6	6	6	6
Total substations	17	17	17	17	17	17	17	17	17	17
Metered Facilities (3)	120	120	120	107	95	82	70	70	68	59
Total System Capacity in Megawatts	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
System Support Information:										
Communication network										
Miles of fiber optic cable	58	58	58	58	58	58	58	58	58	58
Microwave radio sites	3	3	3	3	3	3	3	3	3	3

(1) Note all power related assets are owned and used in to deliver power to the Commission's customers only.

(2) The Power Delivery System (System) is a dedicated power transmission and delivery system that provides electric power resources to the facilities of the Southern Nevada Water Authority. With a total system capacity of 1,000 megawatts of transformer capacity the System is the 3rd largest transmission and distribution system within the State of Nevada. In addition, the System was designed with 100% redundancy including twin transformers. The System is normally operated at 50% capacity on each of the twin facilities in each substation. In the event of catastrophic failure, the remaining system can fully serve the load while repairs are effected. In addition, the transmission lines are a looped (circular) design allowing for feed to all facilities in either direction in the event of a break somewhere in the loop. This design is provided to ensure reliable delivery of water to the residents of Southern Nevada under almost any circumstances. Power facilities dedicated to the Basic Industries provide power to the industrial complex located in Henderson. The total capacity of the Basic Industries system is 150 Megawatts.

(3) In addition to the metered facilities indicated in this table, Commission staff operates and maintains additional metered facilities of the SNWA.

# Colorado River Commission of Nevada

## Operating Indicators

### Last Ten Fiscal Years (Unaudited) – Table 12

#### Power Purchases in Megawatt Hours

Customer	F/Y 2017 Total	F/Y 2016 Total	F/Y 2015 Total	F/Y 2014 Total	F/Y 2013 Total	F/Y 2012 Total	F/Y 2011 Total	F/Y 2010 Total	F/Y 2009 Total	F/Y 2008 Total
Southern Nevada Water Authority (2)	2,253,405	2,177,152	2,172,526	2,321,270	2,486,443	2,643,331	2,637,577	2,776,341	2,151,774	2,202,554
Basic Water Company	26,685	27,754	32,517	31,788	29,886	32,010	32,456	30,352	33,865	77,675
Timet Metals Corporation	349,788	382,280	400,530	401,072	343,173	368,939	277,949	219,606	343,587	741,855
Olin Chlor Alkaine (formerly Pioneer Americas, LLC)	9,242	180,019	243,017	272,761	222,273	237,558	248,713	236,483	193,307	259,847
Lhoist North America, Inc. (formerly Chemical Lime Co.)	2,964	2,904	2,650	2,516	2,496	2,540	2,948	2,894	3,179	6,782
Tronox, LLC	108,027	121,041	128,496	119,634	114,593	112,392	113,884	97,351	117,699	257,916
American Pacific Corporation	2	69,382	97,607	108,715	89,874	94,495	99,283	97,813	79,975	212,508
Lincoln County Power District No. 1	68,127	74,362	85,067	77,581	81,905	90,337	88,844	80,681	83,314	166,604
Overton Power District #5	89,471	90,775	87,381	94,964	90,653	101,289	105,334	95,426	91,013	219,304
Valley Electric Association	137,139	102,225	100,105	117,806	109,780	114,131	115,119	113,166	121,726	248,682
NV Energy (formerly Nevada Power Company)	379,049	412,535	416,850	444,593	435,809	470,882	448,303	393,541	439,276	898,294
City of Boulder City	36,336	37,110	37,951	37,851	33,060	46,135	88,723	71,844	43,062	86,716
	<u>3,460,235</u>	<u>3,677,539</u>	<u>3,804,697</u>	<u>4,030,551</u>	<u>4,039,945</u>	<u>4,314,039</u>	<u>4,259,135</u>	<u>4,215,500</u>	<u>3,701,777</u>	<u>5,378,737</u>

#### Power Purchases in Percentages

Customer	F/Y 2017 Total	F/Y 2016 Total	F/Y 2015 Total	F/Y 2014 Total	F/Y 2013 Total	F/Y 2012 Total	F/Y 2011 Total	F/Y 2010 Total	F/Y 2009 Total	F/Y 2008 Total
Southern Nevada Water Authority (2)	65.12%	59.20%	57.08%	57.59%	61.55%	61.26%	61.93%	65.87%	58.13%	40.95%
Basic Water Company	0.77%	0.75%	0.85%	0.79%	0.74%	0.74%	0.76%	0.72%	0.91%	1.44%
Timet Metals Corporation	10.11%	10.39%	10.53%	9.95%	8.49%	8.55%	6.53%	5.21%	9.28%	13.79%
Olin Chlor Alkaine (formerly Pioneer Americas, LLC)	0.27%	4.90%	6.39%	6.77%	5.50%	5.51%	5.84%	5.61%	5.22%	4.83%
Lhoist North America, Inc. (formerly Chemical Lime Co.)	0.09%	0.08%	0.07%	0.06%	0.06%	0.06%	0.07%	0.07%	0.09%	0.13%
Tronox, LLC	3.12%	3.29%	3.38%	2.97%	2.84%	2.61%	2.67%	2.31%	3.18%	4.80%
American Pacific Corporation	0.00%	1.89%	2.57%	2.70%	2.22%	2.19%	2.33%	2.32%	2.16%	3.95%
Lincoln County Power District No. 1	1.97%	2.02%	2.24%	1.92%	2.03%	2.09%	2.09%	1.91%	2.25%	3.10%
Overton Power District #5	2.59%	2.47%	2.30%	2.36%	2.24%	2.35%	2.47%	2.26%	2.46%	4.08%
Valley Electric Association	3.96%	2.78%	2.63%	2.92%	2.72%	2.65%	2.70%	2.68%	3.29%	4.62%
NV Energy (formerly Nevada Power Company)	10.95%	11.22%	10.96%	11.03%	10.79%	10.92%	10.53%	9.34%	11.87%	16.70%
City of Boulder City	1.05%	1.01%	1.00%	0.94%	0.82%	1.07%	2.08%	1.70%	1.16%	1.61%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

(1) Includes Megawatt Hour purchases for loads of all Commission customers. The Commission owns and operates electric transmission and distribution capital assets for the exclusive use of the SNWA and the Basic Industries complex in Henderson, NV. The Commission's major power deliveries are accomplished using these systems. These total comparisons are anticipated to be indicative of future sales as the Commission's customer base is anticipated to remain relatively stable. It is possible that some additional customers could utilize the Commission for electric power resource, but the remaining probable customers available to the Commission under the changed legislative mandate must be part of the SNWA base and are not anticipated to materially change the reported megawatt usage amounts.

(2) SNWA sales include water purveyor related purchases brokered by CRC employees acting on behalf of the SSEA to provide continuity of data related to Commission customers.



Colorado River Commission of Nevada  
Risk Management  
Last Ten Fiscal Years (Unaudited) – Table 13

Customer	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Collateral Posted	Cash Posted	Other Posted	Estimated Requirement Fiscal 2017
Basic Water Company	\$ 183,942	\$ 337,066	\$ 201,641	\$ 149,367	\$ 173,867	\$ 163,009	\$ 201,006	\$ 237,115	\$ 236,944	\$ 180,079	\$ 180,079	\$ 180,079	\$ -	\$ 180,079
Titanium Metals Corporation (Timet)	2,685,984	3,945,963	1,979,587	1,365,778	1,684,321	2,234,054	2,293,921	3,062,094	2,841,318	2,133,149	2,133,149	-	2,133,149	2,133,149
Olin Chlor Alkaine (Pioneer)	4,328,112	4,701,868	3,388,053	2,540,320	2,217,086	1,755,462	2,251,738	2,968,251	2,260,932	115,011	115,011	115,011	-	115,011
Lhoist North America, Inc. (formerly Chemical Lime Co.)	21,984	21,186	16,032	21,186	13,572	14,189	14,404	14,810	17,305	18,064	18,064	18,064	-	18,064
Tronox, LLC	415,167	431,842	406,215	406,215	440,232	444,940	466,570	450,793	550,515	508,162	508,162	-	508,162	508,162
American Pacific Corporation	1,163,267	1,085,224	945,817	765,495	649,990	595,928	715,446	815,289	772,170	-	-	-	-	-
* Southern Nevada Water Authority	-	-	-	-	-	-	-	-	-	-	-	-	-	-
* Lincoln County Power District No. 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
* Overton Power District #5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
* Valley Electric Association	-	-	-	-	-	-	-	-	-	-	-	-	-	-
* Nevada Energy (Nevada Power Company)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
* Las Vegas Valley Water District	-	-	-	-	-	-	-	-	-	-	-	-	-	-
* City of Boulder City	-	-	-	-	-	-	-	-	-	-	-	-	-	-
* City of Henderson	-	-	-	-	-	-	-	-	-	-	-	-	-	-
* City of Las Vegas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
* City of North Las Vegas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 8,798,456</u>	<u>\$10,523,149</u>	<u>\$ 6,937,345</u>	<u>\$ 5,248,361</u>	<u>\$ 5,179,068</u>	<u>\$ 5,207,582</u>	<u>\$ 5,943,085</u>	<u>\$ 7,548,352</u>	<u>\$ 6,679,184</u>	<u>\$ 2,954,465</u>	<u>\$ 2,954,465</u>	<u>\$ 313,154</u>	<u>\$ 2,641,311</u>	<u>\$ 2,954,465</u>

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

As of June 30, 2017 all of the customers required to post collateral have done so in the amounts required. Three customers have posted cash (for two of these customers, cash collateral is required by specific bilateral contract, one has elected to post cash), all other customers have posted letters of credit or performance bonds as approved by the Nevada State Board of Examiners.

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

\* Governmental and utility entities are exempt from collateral requirements.



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

To the Members of the Colorado River Commission of Nevada  
Colorado River Commission  
Las Vegas, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Colorado River Commission of Nevada (the Commission) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 8, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as finding 2017-A, that we consider to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of the Commission are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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*.

**Colorado River Commission's Response to the Finding**

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Las Vegas, Nevada  
March 8, 2018

**FINDING 2017-A**

**Financial Close and Reporting Process**

Criteria:	Governmental entities are required to follow generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board.
Condition:	The Commission's financial close and reporting process over the comprehensive annual financial report (CAFR) did not detect certain items that were identified during our audit process. During our testing of prepaid power and unearned revenue, we noted instances in which the Commission's accounting for recording these items was not consistently applied resulting in material adjustments. Additionally, during our testing of customer advances and payables, we noted that the Commission had not reversed the prior year accrual for these items in the current year. We also noted that the accrual for customer advances and payables as of June 30, 2017 had not been recorded.
Cause:	Historically, adjustments related to each of the above items were calculated and proposed by the Commission's previous audit firm. This was the case for a number of years. Over the years there have been a number of refundings of the related debt. Each refunding resulted in the requirement to recalculate the amortization of the related asset or liability. Since the adjustments were calculated by the auditors, the accounting department at CRC did not maintain documentation of the accounting theory supporting the calculations or of the actual calculations themselves.
Effect:	The absence of certain controls over the preparation of financial statements increases the possibility that a misstatement of the financial statements could occur and not be prevented, or detected and corrected, by the entity's internal control for financial statement preparation and the need for these adjustments indicates that the Commission's year-end financial information is not materially correct.
Recommendation:	We recommend that management strengthen the financial close and reporting procedures over significant account balances at year-end by adding the preparation of reconciliations related to prepaid power, unearned revenue and customer advances/payables and ensuring that all records related to significant account balances and reconciliations, including year-end adjustments and calculations are maintained.
Management's Response:	<p>Over the years, the debt related to prepaid power has been subject to numerous refundings resulting in changes to the amortization of the related asset or liability. Both the Commission staff and the previous audit firm have proposed and prepared updates as these changes have occurred. The Uprating Bond is the largest portion of the prepaid power asset and is now in its' final year of amortization.</p> <p>In the past, the Commission's amortization of the unearned revenue balance, which results in annual recognition of revenue, has been accomplished in accordance with the related debt schedules. The change from the prior treatment to the current treatment, for unearned revenue, is a change based on an improved and updated estimate which creates more consistency within related financial items.</p>

During the Commission's internal review of customer advances, it was determined that previous audit entries were not reflective of the substance of the underlying transactions and needed to be addressed. At that time, it was determined that only a portion of the customer advance/payables were not recorded.

The Commission acknowledges and agrees with the finding and recommendation. We will adopt stronger reporting and fiscal year end closing procedures. Additionally, the Commission will ensure that reconciliations and records relating to significant account balances, year-end adjustments, and calculations are maintained and agree to financial statement balances.



March 8, 2018

To the Governing Body of the  
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, 2017, and have issued our report thereon dated March 8, 2018. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards**

As communicated in our letter dated July 28, 2017, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Commission solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

**What inspires you, inspires us. Let's talk. | [eidebailly.com](http://eidebailly.com)**

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Commission is included in Note 1 to the financial statements. As described in Note 13, the Commission changed accounting policies related to accounting for pensions to adopt the provisions of GASB Statement No. 82 *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73* which clarifies presentation of payroll-related measures in required supplementary information and clarifies payments that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement No. 67 and as employee contributions for purposes of Statement No. 68. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of pension-related liabilities is based on calculations performed by the state defined benefit pension plan, Nevada PERS. We evaluated the key factors and assumptions used to develop the pension-related liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

## **Significant Difficulties Encountered during the Audit**

The completion of the audit was delayed due to the unusual transactions related to unearned revenue and prepaid power identified during the audit, which resulted in additional time to research the errors and to correct the financial statement balances.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

- Correction of Power Delivery (Fund 502) balances as a result of analysis of the recognition methodology used to account for unearned revenue as well as amounts due from/to customers. The overall impact of the journal entries on the Power Delivery fund as of and for the year ended June 30, 2017, was as follows:

\$820,660 reduction in payable to customers  
\$9,335,679 reduction in unearned revenue  
\$10,510,235 increase to beginning of year net position  
\$353,896 reduction in power sales revenue

- Correction of Power Marketing (Fund 505) balances as a result of analysis of the recognition methodology used to account for prepaid expenses as well as amounts due from/to customers. The overall impact of the journal entries on the Power Marketing fund as of and for the year ended June 30, 2017, was as follows:

\$868,805 increase to prepaid expenses  
\$7,979,242 increase to payable to customers  
\$7,829,697 reduction in beginning of year net position  
\$205,047 reduction in power sales revenue  
\$924,307 reduction in prepaid power advances

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- |  |          |
|--|----------|
| • Overstatement accumulated amortization of bond premium | \$35,545 |
| • Understatement of bond premium amortization            | 35,545   |

The effect of these uncorrected misstatements, including the effect of the reversal of prior year uncorrected misstatements as of and for the year ended June 30, 2017, is an overstatement of net position of \$35,545.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. We were in disagreement regarding the appropriate recognition methodology of unearned revenue and jointly consulted with the staff of GASB to help us reach a consensus, resulting in an adjustment to unearned revenue in the Power Delivery fund as mentioned above.

### **Representations Requested from Management**

We have requested certain written representations from management that are included in the management representation letter dated March 8, 2018.



#### Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

#### Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Colorado River Commission of Nevada, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Colorado River Commission of Nevada's auditors.

This report is intended solely for the information and use of the board of directors and management of Colorado River Commission of Nevada and is not intended to be and should not be used by anyone other than these specified parties.



Las Vegas, Nevada