

**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, 2007**

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

STATE OF NEVADA

JIM GIBBONS

Governor

CATHERINE CORTEZ MASTO

Attorney General

KIM WALLIN

Controller

KATE MARSHALL

Treasurer

ROSS MILLER

Secretary of State

COLORADO RIVER COMMISSION

JAY D. BINGHAM

Chairman

ACE I. ROBISON

Vice Chairman

ANDREA ANDERSON

Commissioner

MARYBEL BATJER

Commissioner

CHIP MAXFIELD

Commissioner

GEORGE F. OGILVIE III

Commissioner

LOIS TARKANIAN

Commissioner

COMMISSION STAFF

GEORGE M. CAAN

Executive Director

GAIL A. BATES

Energy Services Manager

JAMES D. SALO

Deputy Executive Director

DOUGLAS N. BEATTY

Division Chief Finance and Administration

**COLORADO RIVER COMMISSION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007**

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Title page	I
List of elected and appointed officials	II
Letter of transmittal	V
GFOA Certificate of Achievement	X
Organization chart	XI

FINANCIAL SECTION

Independent auditors' report on financial statements and supplementary Information	3
Management's discussion and analysis	7
Basic financial statements:	
Government-wide financial statements:	
Statement of net assets	19
Statement of activities	20
Fund financial statements:	
Balance sheet – governmental funds	21
Statement of revenues, expenditures, and changes in fund balances – governmental funds	22
Reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities	22
Statement of revenues, expenditures, and changes in fund balances – budget and actual – general fund	23
Balance sheet – proprietary funds	24
Statement of revenues, expenses, and changes in fund net assets – proprietary funds	26

**COLORADO RIVER COMMISSION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007**

TABLE OF CONTENTS (continued)

FINANCIAL SECTION (continued)

Basic financial statements (continued):	
Statement of cash flows – proprietary funds	27
Notes to financial statements	31
Combining and individual fund statements and schedules:	
Combining balance sheet – nonmajor governmental funds	45
Combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds	46
Schedule of revenues, expenditures, and changes in fund balances – budget and actual:	
Fort Mohave Valley development special revenue fund	47
Research and development special revenue fund	48
Capital assets used in the operation of governmental funds:	
Comparative schedules by source	49
Schedule of changes by function and activity	50

STATISTICAL SECTION 53

ADDITIONAL REPORT OF INDEPENDENT AUDITORS

Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	71
---	----

JIM GIBBONS, *Governor*

JAY D. BINGHAM, *Chairman*

ACE I. ROBISON, *Vice Chairman*

GEORGE M. CAAN, *Executive Director*

STATE OF NEVADA



ANDREA ANDERSON, *Commissioner*

MARYBEL BATJER, *Commissioner*

CHIP MAXFIELD, *Commissioner*

GEORGE F. OGILVIE III, *Commissioner*

LOIS TARKANIAN, *Commissioner*

COLORADO RIVER COMMISSION OF NEVADA

December 18, 2007

Honorable Chairman and Members of the Colorado River Commission of Nevada

It is a pleasure for us to present the Comprehensive Annual Financial Report (CAFR) of the Colorado River Commission (the Commission) for the year ended June 30, 2007, 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. The Commission is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that it has established for this purpose. The Commission's internal controls have been developed with the assistance of the State of Nevada Controller's office. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Piercy Bowler Taylor and Kern, Certified Public Accountants and Business Advisors, audited the Commission's fiscal 2007 financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Commission are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Commission's basic financial statements for the fiscal year ended June 30, 2007, are fairly presented, in all material respects, in conformity with generally accepted accounting principles (GAAP). The independent auditors' report is presented in the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and

should be read in conjunction with it. The Commission's MD&A is presented in the financial section of this report.

THE COMMISSION

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

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

Name	Initial Appointment	Current Term
Jay D. Bingham, Chairman	1997	7/1/06 – 6/30/09
Ace I. Robison, Vice Chairman	2004	7/1/05 – 6/30/08
Honorable Andrea Anderson, Boulder City Councilwoman	2004	7/1/06 – 6/30/08 *
Marybel Batjer	2005	7/1/05 – 6/30/08
Honorable Chip Maxfield, Clark County Commissioner	2007	7/1/07 – 6/30/08 *
George F. Ogilvie III	2007	7/1/07 – 6/30/10
Honorable Lois Tarkanian, Las Vegas City Councilwoman	2007	7/1/07 – 6/30/08 *

The Commission is responsible for the acquisition, management, utilization and development of designated water, electric power and land resources of the State. It is empowered to receive, protect, safeguard and hold in trust all rights, interests and benefits in and to the waters of the Colorado River and such power generated thereon to which

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

Nevada is entitled. The Commission has the authority to make and enter into compacts or contracts and cooperate with other entities, states, and/or the federal government in fulfilling its statutory responsibilities. The Commission's main office is located in Las Vegas, Nevada.

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

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

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

Land. As a result of legislation passed by the State, the Commission transferred all of its approximately 15,000 acres in the Fort Mohave Valley (at the southern tip of the State), and the related monies to Clark County. The County is now the authorized entity empowered to sell the Fort Mohave Valley land.

FACTORS AFFECTING FINANCIAL CONDITION

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

Clark County. The area served by the Commission, principally the Clark County area, continues to grow at a steady rate. Overall, Nevada grew by an estimated 112,188 persons or 4.5% from 2005 to 2006, as reported by the State Demographer. This compares to 3.2% growth over the previous year. Clark County (the County) accounted for 86% of that growth. The County encompasses 7,927 square miles, an area larger than the entire state of New Jersey. It includes five incorporated cities: Las Vegas, Henderson, North Las Vegas, Boulder City, and Mesquite; fourteen unincorporated towns; one school district; four library districts; one urban and two rural fire districts; one sanitation district; one urban and three rural water districts; and eleven judicial townships. The State Demographer reports that the County's estimated population for 2006 is 1,892,391, which represents approximately 72% of the State's population (estimated to be approximately 2,631,057). Current projections by the State Demographer place the County population at 2,281,997 in 2010 and 3,045,813 in 2020. The U.S. Census Bureau projects the County population to reach over 4,000,000 in about 2030, which is over double the population that existed in 2000.

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

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

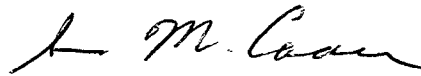
Pension benefits. The Nevada Public Employee Retirement System (PERS) is a cost-sharing, multiple employer defined benefit plan covering essentially all of the employees of state and local Nevada governments. Employees of the Commission are eligible to participate upon employment. Note 11 to the financial statements discusses the plan specifics. In addition to providing pension benefits, the Commission provides certain health care benefits for retired employees. All of the Commission's employees may become eligible if they reach normal retirement age while working for the Commission.

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, 2006. This was the 30th consecutive year that the Commission has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive

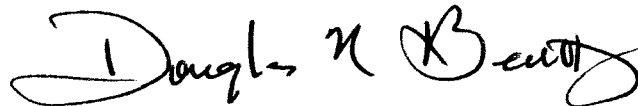
annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate for the fiscal year ended June 30, 2007.

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



George M. Caan
Executive Director



Douglas N. Beatty
Division Chief, Finance & Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Colorado River Commission of Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

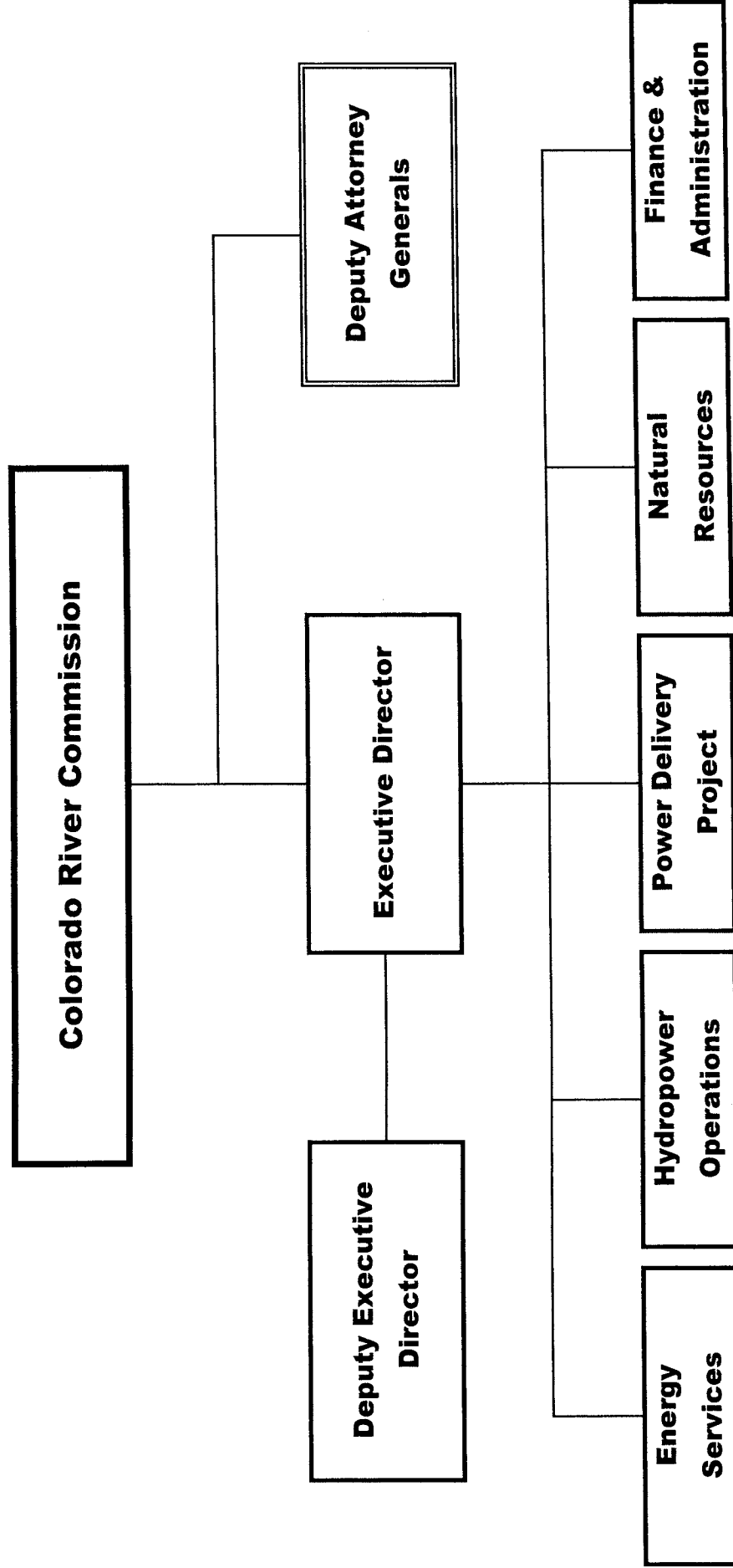
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CRC Functional Organization



THIS PAGE INTENTIONALLY BLANK

**FINANCIAL
SECTION**

THIS PAGE INTENTIONALLY BLANK

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Colorado River Commission of Nevada
Las Vegas, Nevada

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the Colorado River Commission of Nevada (the Commission), a component unit of the State of Nevada as of and for the year ended June 30, 2007, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

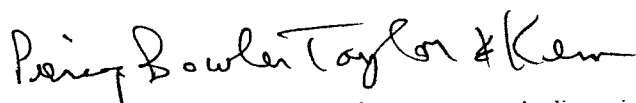
We conducted our audit in accordance with auditing standards generally accepted in the United States, and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Commission, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2007, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 7 through 15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information, and therefore, express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The combining and individual fund financial statements and schedules on pages 45-50 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



November 26, 2007, except as to the management's discussion and analysis and the introductory and statistical sections, which are as of December 18, 2007

THIS PAGE INTENTIONALLY BLANK

**MANAGEMENT'S DISCUSSION
AND
ANALYSIS**

THIS PAGE INTENTIONALLY BLANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the comprehensive annual financial report of the Colorado River Commission (the Commission) presents management's overall analysis of the Commission's financial activities for the fiscal year ended June 30, 2007. This information will provide a more complete picture of Commission activities when read in conjunction with the financial statements, notes to the financial statements and letter of transmittal.

Financial Highlights

- ❖ The assets of the Commission exceeded its liabilities at the close of the fiscal year by \$7,712,497 (net assets).
- ❖ As more fully reported in footnote 10 to the financial statements, the Commission no longer has any liability for the remaining above market energy contracts entered into in 2002. The last contract was completely extinguished with the December 2006 payment. In addition, as part of the extinguishment of the power contracts, the Commission has transferred its land interests and associated cash balances to Clark County pursuant to legislation. The Fort Mohave Valley Development Fund was effectively closed in this fiscal year. There are some small remaining liabilities that will be closed in fiscal 2008, but the Commission is no longer involved in any land activities in the Laughlin, Nevada area.
- ❖ The cost of electric service provided to the Southern Nevada Water Authority (SNWA) through the Power Delivery Fund decreased dramatically due to the extinguishment of certain long term power contracts in December of 2006. The contracts were entered into in 2002 as the cost of power in the western united states escalated due to the attempted deregulation of the power markets. The contracts provided for power that was priced higher than resources currently available to the SNWA through the Commission. The power contracts provided the SNWA with resources as needed for water pumping loads through the period and the costs of the energy were paid as the energy was delivered.
- ❖ Power administrative revenues in the Commission's general fund increased slightly, by \$13,466, for the current fiscal year. The deliverable Hydropower remained at levels experienced in the prior fiscal year. Water revenues in the general fund decreased by \$715,106 due to excess reserve balances and a decrease in billings for water charges. The expenditures of the general fund increased \$658,168 as the Commission used the reserves to provide a rebate to the customers based on the accumulated reserves. The Commission does not anticipate a continuing rebate, but evaluates the cash reserve balances each year. The net result of the fiscal year's water and hydropower activities provided the Commission with

healthy carry forward balance in the general fund of \$2,015,540 which is a reduction from fiscal 2006 of only \$115,128.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

Colorado River Commission's Net Assets						
	Governmental Activities			Business-type Activities		
	2007	2006	Change	2007	2006	Change
Current and other assets	\$ 4,503,368	\$ 17,707,520	\$(13,204,152)	\$30,427,368	\$36,495,735	\$(6,068,367)
Non-current restricted cash				6,797,273	8,003,845	(1,206,572)
Capital assets	97,911	118,006	(20,095)	101,491,687	103,532,165	(2,040,478)
Total assets	<u>4,601,279</u>	<u>17,825,526</u>	<u>(13,224,247)</u>	<u>138,716,328</u>	<u>148,031,745</u>	<u>(9,315,417)</u>
Current liabilities	2,176,728	6,725,144	(4,548,416)	26,262,211	33,868,510	(7,606,299)
Long-term bonds				109,260,000	110,965,000	(1,705,000)
Bond related charges				(5,511,094)	(5,878,958)	367,864
Other noncurrent liabilities	19,930	48,155	(28,225)	3,394,334	3,644,139	(249,805)
Total liabilities	<u>2,196,658</u>	<u>6,773,299</u>	<u>(4,576,641)</u>	<u>133,405,451</u>	<u>142,598,691</u>	<u>(9,193,240)</u>
Net assets:						
Invested in capital assets						
net of related debt	97,911	118,006	(20,095)	(3,661,965)		(3,661,965)
Restricted				717,664	716,284	1,380
Unrestricted	2,306,710	10,934,221	(8,627,511)	8,252,177	4,716,722	3,535,455
Total net assets	<u>\$ 2,404,621</u>	<u>\$ 11,052,227</u>	<u>\$ (8,647,606)</u>	<u>\$ 5,307,876</u>	<u>\$ 5,433,006</u>	<u>\$ (125,130)</u>

Note that the current assets in the governmental funds decreased significantly from the previous year. This was due to new legislation passed in 2007 directing the Commission to transfer all of its land activities, including approximately \$10,000,000 to the government of Clark County. The transfer of the cash was accomplished before June 30, 2007. In addition, the collateral for loaned securities decreased by over \$3,000,000 in the current year as compared to 2006. The total assets of the enterprise funds also decreased, current assets decreased approximately \$3,000,000 in current cash, approximately \$2,300,000 in collateral for loaned securities, and receivables decreased by approximately \$830,000. The cash and receivables decreased due to the decrease in power costs as the long-term higher-priced contracts were extinguished in 2006. Note that the liabilities also decreased due to the same reasons. The non-current restricted cash also decreased due to uses of bond monies for capital projects.

Colorado River Commission's Changes in Net Assets

	Governmental Activities			Business-type Activities		
	2007	2006	Change	2007	2006	Change
Revenues:						
Program revenues:						
Administrative charges	\$ 2,212,557	\$ 2,914,197	\$ (701,640)			
Power sales revenue:						
Power marketing				\$ 57,246,095	\$ 62,764,886	\$ (5,518,791)
Power delivery				15,130,974	57,900,598	(42,769,624)
General revenues:						
Investment income	773,632	786,729	(13,097)	754,968	625,020	129,948
Multi-Species surcharge	547,450	525,144	22,306			
Miscellaneous income	26,947	66,095	(39,148)			
Total revenues	<u>3,560,586</u>	<u>4,292,165</u>	<u>(731,579)</u>	<u>73,132,037</u>	<u>121,290,504</u>	<u>(48,158,467)</u>
Expenses:						
General government	12,208,192	2,641,024	9,567,168			
Power purchase expenses:						
Power marketing				57,473,246	62,986,316	(5,513,070)
Power delivery				15,783,971	58,929,523	(43,145,552)
Total expenses	<u>12,208,192</u>	<u>2,641,024</u>	<u>9,567,168</u>	<u>73,257,217</u>	<u>121,915,839</u>	<u>(48,658,622)</u>
Change in net assets	(8,647,606)	1,651,141	(10,298,747)	(125,180)	(625,335)	500,155
Net assets, beginning	<u>11,052,227</u>	<u>9,401,086</u>	<u>1,651,141</u>	<u>5,433,056</u>	<u>6,058,391</u>	<u>(625,335)</u>
Net assets, ending	<u>\$ 2,404,621</u>	<u>\$ 11,052,227</u>	<u>\$ (8,647,606)</u>	<u>\$ 5,307,876</u>	<u>\$ 5,433,056</u>	<u>\$ (125,180)</u>

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

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

Financial Analysis of Government Funds.

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

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

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

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

Revenues of the Commission's general fund totaled \$2,566,241 in fiscal 2007, \$470,200 less than the \$3,036,441 realized in fiscal 2006. The decrease in revenues was a result of excess reserves related to the water administrative fees, which allowed for decreased billings in the current fiscal year. In addition to these two direct revenue charges, the general fund receives salary and overhead reimbursements from other Commission funds for work performed related to activities of those funds. The reimbursement remained at approximately fiscal 2006 levels, as did the related expenses. These reimbursements are for labor charges and overhead expenses. Note that all personnel-related charges are recorded in the general fund.

Funding sources for the Commission's general administrative functions are detailed in the following table:

	2007		2006	
	Amount	Percent	Amount	Percent
Power administrative charge	\$ 1,323,837	26.85%	\$ 1,310,371	24.18%
Water administrative charge	888,720	18.03%	1,603,826	29.60%
Interest income	351,127	7.12%	122,244	2.26%
Miscellaneous income	2,557	0.05%		
Total revenues	2,566,241	52.05%	3,036,441	56.04%
Allocated salaries and overhead	2,364,082	47.95%	2,382,287	43.96%
All funding sources	\$ 4,930,323	100.00%	\$ 5,418,728	100.00%

Net expenditures of the general fund totaled \$2,681,369, which is \$658,168 more than the \$2,023,201 expended during fiscal 2006. This was primarily due to increased personnel costs including additional staff and salary increases, equipment purchases, and overall increases in operating costs.

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

	2007	2006	Increase/ (Decrease)
General administration			
Personnel	\$ 3,208,935	\$ 3,122,445	\$ 86,490
Travel	59,423	59,996	(573)
Operating	1,550,156	1,184,536	365,620
Equipment	226,937	38,511	188,426
Total general administration	5,045,451	4,405,488	639,963
Less allocated salaries and overhead	(2,364,082)	(2,382,287)	18,205
Net expenditures	\$ 2,681,369	\$ 2,023,201	\$ 658,168

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

Fund	Fund Balance June 30		Increase/ (Decrease)
	2007	2006	
General Fund	\$ 2,015,540	\$ 2,130,668	\$ (115,128)
Research and Development Fund	559,810	380,965	178,845
Ft. Mohave Development Fund	(14,162)	8,705,291	(8,719,453)

The general fund budget for the current fiscal year was adjusted to reflect a continuation of power administrative charges at 2006 levels, when the original budget had anticipated a decrease due to decreased river flow, and additional investment income. There were no other changes to the budget. The budget to actual comparisons indicate that the personnel costs overall were below budget, this is due to unfilled positions, and that the anticipated legal and insurance costs were also lower than budgeted due to a decrease in legal activity. Contractual and equipment purchases were higher, but within the overall budget.

The Research and Development fund records the transactions related to the Lower Colorado River Multi-Species Program. This program is currently underway and this is the second year of operations under the program. Payments related to the program will continue for the next 50 years.

Capital Assets

The Commission's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to \$62,696,689 (net of accumulated depreciation). This investment includes the power delivery system, automobiles (both administrative vehicles and power delivery project utility vehicles) and office furniture and equipment. Please refer to Note 5 to the financial statements for more detailed information related to the capital assets of the Commission.

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

	Governmental Activities			Business-type Activities		
	2007	2006	Change	2007	2006	Change
Power transmission system				\$ 62,519,217	\$ 64,534,917	\$ (2,015,700)
Automobiles and related	\$ 16,043	\$ 23,662	\$ (7,619)	79,561	117,116	(37,555)
Office equipment	81,411	94,006	(12,595)			
Office furniture and fixtures	457	338	119			
Total	<u>\$ 97,911</u>	<u>\$ 118,006</u>	<u>\$ (20,095)</u>	<u>\$ 62,598,778</u>	<u>\$ 64,652,033</u>	<u>\$ (2,053,255)</u>

Debt Administration

As of June 30, 2007, outstanding long-term obligations of the Commission consisted of the following:

Bond Description	Average Interest Rate (%)	Maturity Date	Balance Outstanding
Hoover Uprating refunding, series 2001	5.4	2017	\$ 6,305,000
Hoover Uprating refunding, series 2002	5.4	2016	36,420,000
Power Delivery refunding series 2005I	4.8	2030	65,300,000
Power Delivery Project, series 1997	5.6	2027	1,135,000
Power Delivery Project, series 1999A	5.5	2030	1,805,000

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

Litigation and Arbitration

The Commission had in past fiscal years been involved in a number of regulatory and legal actions resulting from recent problems in the electric power industry. However, all of the active litigation was concluded in the prior fiscal year. There were concerns related to the completion of the power contracts that were addressed in the legislative session in 2007, but with the transfer of the land activities to Clark County, all legal activity related to the electric contracts is completed.

Requests for Information

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

THIS PAGE INTENTIONALLY BLANK

BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY BLANK

COLORADO RIVER COMMISSION

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents, unrestricted	\$ 2,722,314	\$ 3,864,140	\$ 6,586,454
Receivables:			
Accounts	129,112	19,442,551	19,571,664
Accrued interest	65,122	70,420	135,542
Due from other funds (internal balances are eliminated in the total column)	128,101		
Collateral for loaned securities	1,458,719	4,750,788	6,209,507
Current portion of prepaid power		2,299,469	2,299,469
Total current assets	<u>4,503,368</u>	<u>30,427,368</u>	<u>34,802,636</u>
Noncurrent assets:			
Restricted cash and cash equivalents		6,797,273	6,797,273
Capital assets:			
Depreciable buildings, property and equipment, net	97,911	62,598,779	62,696,690
Prepaid power, net of current portion		38,892,908	38,892,908
Total noncurrent assets	<u>97,911</u>	<u>108,288,960</u>	<u>108,386,871</u>
Total assets	<u>\$ 4,601,279</u>	<u>\$ 138,716,328</u>	<u>\$ 143,189,507</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 161,955	\$ 12,434,250	\$ 12,596,206
Deferred revenue	321,506		321,506
Payable to customers		2,655,967	2,655,968
Customer collateral deposits		3,039,538	3,039,538
Current portion of accrued compensated absences	234,548		234,548
Bonds payable within 1 year		1,705,000	1,705,000
Due to other funds (internal balances are eliminated in the total column)		128,101	
Accrued interest		1,548,565	1,548,565
Obligations under securities lending	1,458,719	4,750,788	6,209,507
Total current liabilities	<u>2,176,728</u>	<u>26,262,211</u>	<u>28,310,839</u>
Noncurrent liabilities:			
General obligation bonds payable, noncurrent		109,260,000	109,260,000
Unamortized bond discount		(19,975)	(19,975)
Unamortized deferred refunding charge		(5,491,119)	(5,491,119)
Unamortized bond premium		3,397,334	3,397,335
Accrued compensated absences	19,930		19,930
Total noncurrent liabilities	<u>19,930</u>	<u>107,146,241</u>	<u>107,166,171</u>
Total liabilities	<u>2,196,658</u>	<u>133,408,452</u>	<u>135,477,010</u>
NET ASSETS			
Invested in capital assets, net of related debt	97,911	(3,661,965)	(3,564,054)
Restricted for certain operations and maintenance		717,664	717,664
Unrestricted	2,306,710	8,252,177	10,558,887
Total net assets	<u>2,404,621</u>	<u>5,307,876</u>	<u>7,712,497</u>
Total liabilities and net assets	<u>\$ 4,601,279</u>	<u>\$ 138,716,328</u>	<u>\$ 143,189,507</u>

COLORADO RIVER COMMISSION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:					
General government	\$ 12,208,192	\$ 2,212,557	\$ (9,995,635)		\$ (9,995,635)
Business-type activities:					
Power marketing	57,473,246	57,246,095		\$ (227,151)	(227,151)
Power delivery	15,783,971	15,130,974		(652,997)	(652,997)
	<u>73,257,217</u>	<u>72,377,069</u>		<u>(880,148)</u>	<u>(880,148)</u>
Total	<u>\$ 85,465,409</u>	<u>\$ 74,589,626</u>	<u>(9,995,635)</u>	<u>(880,148)</u>	<u>(10,875,783)</u>
General revenues:					
Investment income			773,632	754,968	1,528,600
Multi-Species surcharge			547,450		547,450
Miscellaneous			26,947		26,947
			<u>1,348,029</u>	<u>754,968</u>	<u>2,102,997</u>
Change in net assets			(8,647,606)	(125,180)	(8,772,786)
Net assets, beginning			<u>11,052,227</u>	<u>5,433,056</u>	<u>16,485,283</u>
Net assets, ending			<u>\$ 2,404,621</u>	<u>\$ 5,307,876</u>	<u>\$ 7,712,497</u>

COLORADO RIVER COMMISSION

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 2,183,562	\$ 538,752	\$ 2,722,314
Receivables:			
Accounts	107,436	21,676	129,112
Accrued interest	50,512	14,610	65,122
Collateral for loaned securities	1,131,455	327,264	1,458,719
Due from other funds (offset by due to other funds in the total column)	139,018	3,245	128,101
Total assets	<u>\$ 3,611,983</u>	<u>\$ 905,547</u>	<u>\$ 4,503,368</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 143,482	\$ 18,473	\$ 161,955
Deferred revenue	321,506		321,506
Obligations under securities lending	1,131,455	327,264	1,458,719
Due to other funds (eliminated in the total column)		14,162	
Total liabilities	<u>1,596,443</u>	<u>359,899</u>	<u>1,942,180</u>
Fund balances:			
Reserved for Multi-Species habitat maintenance		182,131	182,131
Unreserved	2,015,540	363,517	2,379,057
	<u>2,015,540</u>	<u>545,648</u>	<u>2,561,188</u>
Total liabilities and fund balances	<u>\$ 3,611,983</u>	<u>\$ 905,547</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	97,911
Long-term liabilities that are not due and payable in the current period are not reported in the funds	<u>(254,478)</u>
Net assets of governmental activities	<u>\$ 2,404,621</u>

COLORADO RIVER COMMISSION

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Charges for services	\$ 2,212,557		\$ 2,212,557
Investment income	351,127	\$ 422,505	773,632
Multi-Species surcharge		547,451	547,451
Miscellaneous	2,557	24,390	26,947
Total revenues	<u>2,566,241</u>	<u>994,346</u>	<u>3,560,587</u>
EXPENDITURES			
Current:			
General administration	4,803,121	9,063,510	13,866,631
Less salaries and overhead recovered by allocation	<u>(2,364,082)</u>		<u>(2,364,082)</u>
Net general administration expenditures	2,439,039	9,063,510	11,502,549
Multi-Species assessment		405,803	405,803
Water purchases	15,393		15,393
Investment expenditure	226,937	65,640	292,577
Total expenditures	<u>2,681,369</u>	<u>9,534,953</u>	<u>12,216,322</u>
Changes in fund balances	(115,128)	(8,540,607)	(8,655,735)
Fund balances, beginning	<u>2,130,668</u>	<u>9,086,255</u>	<u>11,216,923</u>
Fund balances, ending	<u>\$ 2,015,540</u>	<u>\$ 545,648</u>	<u>\$ 2,561,188</u>

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

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

Change in fund balances, total governmental funds	\$ (8,655,735)
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 (\$51,346) was more than net capital outlays (\$31,251) in the current period.	(20,095)
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	<u>28,225</u>
Change in net assets of governmental activities	<u>\$ (8,647,605)</u>

COLORADO RIVER COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2007

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Power administrative charge	\$ 1,251,141	\$ 1,352,432	\$ 1,323,837	\$ (28,595)
Water charges	1,684,963	1,684,963	888,720	(796,243)
Investment income	25,000	83,286	351,127	267,841
Miscellaneous		2,557	2,557	
Total revenues	<u>2,961,104</u>	<u>3,123,238</u>	<u>2,566,241</u>	<u>(556,997)</u>
EXPENDITURES				
Current:				
General administration	4,954,081	4,954,081	3,208,935	1,745,146
Personnel services				
Travel:				
Out-of-state	100,144	100,144	49,098	51,046
In-state	19,957	19,957	10,325	9,632
Operating:				
Water purchases	19,010	19,010	15,393	3,617
Insurance	15,479	15,479	10,335	5,144
Legal	456,112	456,112	242,666	213,446
Contractual services	1,045,198	1,045,198	325,210	719,988
Other	513,391	513,391	423,975	89,416
Equipment, furniture and software	118,884	118,884	532,577	(413,693)
Investment expenditures			226,937	(226,937)
Total expenditures	<u>7,242,256</u>	<u>7,242,256</u>	<u>5,045,451</u>	<u>2,196,805</u>
Less salaries and overhead recovered by allocation	<u>(3,671,111)</u>	<u>(2,364,082)</u>	<u>(2,364,082)</u>	
Net expenditures	<u>3,571,145</u>	<u>4,878,174</u>	<u>2,681,369</u>	<u>2,196,805</u>
Change in fund balance	(610,041)	(1,754,936)	(115,128)	1,639,808
Fund balance, beginning	<u>2,017,144</u>	<u>2,106,429</u>	<u>2,130,668</u>	<u>24,239</u>
Fund balance, ending	<u>\$ 1,407,103</u>	<u>\$ 351,493</u>	<u>\$ 2,015,540</u>	<u>\$ 1,664,047</u>

COLORADO RIVER COMMISSION

**BALANCE SHEET
 PROPRIETARY FUNDS
 JUNE 30, 2007**

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,862,604	\$ 2,001,536	\$ 3,864,140
Receivables:			
Accounts	11,622,122	7,820,429	19,442,551
Accrued interest	45,253	25,167	70,420
Collateral for loaned securities	3,052,963	1,697,825	4,750,788
Current portion of prepaid power	2,299,469		2,299,469
Total current assets	<u>18,882,411</u>	<u>11,544,957</u>	<u>30,427,368</u>
Noncurrent assets:			
Restricted cash and cash equivalents	5,004,274	1,792,999	6,797,273
Capital assets:			
Power transmission system, net		62,519,218	62,519,218
Automobiles and equipment, net		79,561	79,561
Prepaid power, net of current portion	38,892,908		38,892,908
Total noncurrent assets	<u>43,897,182</u>	<u>64,391,778</u>	<u>108,288,960</u>
TOTAL ASSETS	<u>\$ 62,779,593</u>	<u>\$ 75,936,735</u>	<u>\$ 138,716,328</u>

(Continued)

COLORADO RIVER COMMISSION

**BALANCE SHEET
PROPRIETARY FUNDS (CONTINUED)
JUNE 30, 2007**

	Business-type Activities		
	Enterprise Funds		
	Power Marketing	Power Delivery	Totals
LIABILITIES:			
Current liabilities:			
Accounts payable	\$ 4,847,986	\$ 7,586,264	\$ 12,434,250
Payable to customers		2,655,967	2,655,967
Customer collateral deposits	3,039,538		3,039,538
Bonds payable within 1 year		1,705,000	1,705,000
Due to other funds	3,126	124,975	128,101
Accrued interest	574,117	974,448	1,548,565
Obligations under securities lending	3,052,963	1,697,825	4,750,788
Total current liabilities	<u>11,517,730</u>	<u>14,744,481</u>	<u>26,262,211</u>
Noncurrent liabilities:			
State of Nevada general obligation bonds payable	42,725,000	66,535,000	109,260,000
Unamortized discount on bonds		(19,975)	(19,975)
Unamortized deferred refunding charge	(1,820,445)	(3,670,674)	(5,491,119)
Unamortized premium on bonds	1,685,942	1,711,392	3,397,334
Total noncurrent liabilities	<u>42,590,497</u>	<u>64,555,744</u>	<u>107,146,241</u>
TOTAL LIABILITIES	<u>54,108,227</u>	<u>79,300,225</u>	<u>133,408,452</u>
NET ASSETS:			
Invested in capital assets, net of related debt		(3,661,965)	(3,661,965)
Restricted for certain operations and maintenance	717,664		717,664
Unrestricted	7,953,702	298,475	8,252,177
TOTAL NET ASSETS	<u>8,671,366</u>	<u>(3,363,490)</u>	<u>5,307,876</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 62,779,593</u>	<u>\$ 75,936,735</u>	<u>\$ 138,716,328</u>

COLORADO RIVER COMMISSION

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2007**

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
OPERATING REVENUES:			
Power sales	\$ 57,246,095	\$ 15,130,974	\$ 72,377,069
OPERATING EXPENSES:			
Power purchases	53,475,153	7,119,813	60,594,966
Prepaid power advances	2,296,469		2,296,469
Depreciation		2,064,375	2,064,375
General administration	1,474,473	3,005,649	4,480,122
Total operating expenses	<u>57,246,095</u>	<u>12,189,837</u>	<u>69,435,932</u>
OPERATING INCOME		2,941,137	2,941,137
NONOPERATING REVENUES (EXPENSES):			
Investment income	438,641	316,326	754,967
Interest expense	<u>(227,151)</u>	<u>(3,594,134)</u>	<u>(3,821,285)</u>
CHANGE IN NET ASSETS	211,490	(336,670)	(125,180)
TOTAL NET ASSETS, BEGINNING	<u>8,459,876</u>	<u>(3,026,820)</u>	<u>5,433,056</u>
TOTAL NET ASSETS, ENDING	<u>\$ 8,671,366</u>	<u>\$ (3,363,490)</u>	<u>\$ 5,307,876</u>

COLORADO RIVER COMMISSION

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Business-type Activities		
	Power Marketing	Power Delivery	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 55,342,811	\$ 17,413,119	\$ 72,755,930
Cash paid for goods and services	(53,749,197)	(14,876,835)	(68,626,032)
Net cash provided by operating activities	<u>1,593,614</u>	<u>2,536,284</u>	<u>4,129,898</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interest paid (charged to prepaid power in the Power Marketing fund)	<u>(2,296,469)</u>	<u>(3,511,838)</u>	<u>(5,808,307)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Customer collateral deposits received	(1,383,747)		(1,383,747)
Principal payments on bonds payable		(1,620,000)	(1,620,000)
Acquisition of property, plant and equipment		(11,117)	(11,117)
Net cash used in capital financing activities	<u>(1,383,747)</u>	<u>(1,631,117)</u>	<u>(3,014,864)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	<u>225,125</u>	<u>302,425</u>	<u>527,550</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS (RESTRICTED AND UNRESTRICTED)	<u>(1,861,477)</u>	<u>(2,304,246)</u>	<u>(4,165,723)</u>
CASH AND CASH EQUIVALENTS, BEGINNING	<u>8,728,355</u>	<u>6,098,780</u>	<u>14,827,135</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 6,866,878</u>	<u>\$ 3,794,534</u>	<u>\$ 10,661,412</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income		\$ 2,941,137	\$ 2,941,137
Depreciation		2,064,375	2,064,375
Amortization of prepaid power	\$ 2,296,469		2,296,469
(Increase) decrease in operating assets:			
Accounts receivable	(1,903,284)	2,733,038	829,754
Increase (decrease) in operating liabilities:			
Accounts payable	1,204,785	(4,704,813)	(3,500,028)
Due to other funds	(4,356)	(46,560)	(50,916)
Payable to customers		(450,893)	(450,893)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,593,614</u>	<u>\$ 2,536,284</u>	<u>\$ 4,129,898</u>

THIS PAGE INTENTIONALLY BLANK

NOTES TO FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY BLANK

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007

1. Summary of significant accounting policies:

A. Reporting entity

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

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

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

B. Basis of presentation and measurement focus, basis of accounting

Basis of presentation

The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to government units as prescribed by the Governmental Accounting Standards Board (GASB), principally GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, along with related pronouncements. The GASB is

the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission is not subject to regulation by federal or state utility regulatory bodies such as the Federal Energy Regulatory Commission or the Nevada Public Service Commission.

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

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

Fund financial statements: The fund financial statements provide information about the Commission's funds. Separate statements for each fund category – *governmental* and *proprietary* – are presented. The emphasis of fund financial statements is on major governmental and

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2007

enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

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

The Commission reports the following major enterprise funds:

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

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

Measurement focus, 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, 2007, there are no nonexchange transactions – those for which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange – reported in the accompanying financial statements.

As permitted under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*, the Commission has elected not to follow private-sector guidance for accounting and financial reporting standards issued after November 30, 1989, in reporting business-type activities in enterprise funds.

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

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

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2007

C. Assets, liabilities, and equity

Cash equivalents

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

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

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

Receivables and payables

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

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

Prepaid power

The Commission has participated with the State (Note 7) in funding the improvement

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

Restricted cash and cash equivalents

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

Capital assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. However, during the fiscal year ended June 30, 2007, none of the total interest expense incurred by the Commission of \$5,658,994, was capitalized and included as part of the cost of assets under construction.

Capital assets of the Commission are depreciated using the straight-line method

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

over their useful lives currently estimated as follows:

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

Compensated absences

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

Long-term obligations

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

2. Stewardship, compliance, and accountability

Budgetary information

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

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

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

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

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

Bond covenants

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

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

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

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

Other – Other requirements of the bond covenants include maintaining bond funds in separate depository accounts with the State Treasurer, and an audit of the Commission's financial statements by an independent certified public accountant. During the fiscal year ended June 30, 2007, the Commission

complied with all requirements of the bond covenants.

Excess of expenditures over appropriations

No net budget amounts were exceeded in any category during fiscal year 2006-2007.

3. Cash deposits:

At June 30, 2007, the Commission's carrying amount ("book value") of restricted and unrestricted cash deposits was \$13,383,721 and the State Treasurer's balance was \$13,161,257. These deposits with the Treasurer are not categorized as to credit risk.

4. Restricted cash and cash equivalents:

Cash and cash equivalents restricted at June 30, 2007, by bond covenants is summarized as follows:

	Power Marketing Fund	Power Delivery Fund
Restricted for:		
Debt service	\$ 717,664	
Construction reserve		\$ 1,792,998
Reserve for revenue insufficiency	4,286,610	
	<hr/>	<hr/>
Total restricted	<u>\$ 5,004,274</u>	<u>\$ 1,792,998</u>

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

5. Capital assets:

Capital asset activity for the year ended June 30, 2007, was as follows:

	Beginning Balances	Increase	Decrease	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Office equipment	\$ 295,719	\$ 31,251	\$ 1,055	\$ 325,915
Office furniture and fixtures	28,539			28,539
Automobiles	157,997		13,740	144,257
Total capital assets being depreciated	<u>482,255</u>	<u>31,251</u>	<u>14,795</u>	<u>498,711</u>
Less accumulated depreciation for:				
Office equipment	201,713	43,846	1,055	244,504
Office furniture and fixtures	28,201	(119)		28,082
Automobiles	134,335	7,619	13,740	128,214
Total accumulated depreciation	<u>364,249</u>	<u>51,346</u>	<u>14,795</u>	<u>400,800</u>
Governmental activities capital assets, net	<u>\$ 118,006</u>	<u>\$ (20,095)</u>	<u>\$ -</u>	<u>\$ 97,911</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets being depreciated:				
Power transmission system	\$ 75,722,480			\$ 75,722,480
Office equipment	99,201	\$ 4,575		103,776
Automobiles	169,412	6,545		175,957
Total capital assets being depreciated	<u>75,991,093</u>	<u>11,120</u>	<u>-</u>	<u>76,002,213</u>
Less accumulated depreciation for:				
Power transmission system	11,187,563	2,015,700		13,203,263
Office equipment and automobiles	151,497	48,675		200,172
Total accumulated depreciation	<u>11,339,060</u>	<u>2,064,375</u>	<u>-</u>	<u>13,403,435</u>
Business-type activities capital assets, net	<u>\$ 64,652,033</u>	<u>\$ (2,053,255)</u>	<u>\$ -</u>	<u>\$ 62,598,778</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 51,346
Business-type activities:	
Power transmission system	<u>2,064,375</u>
Total depreciation expense	<u>\$ 2,115,721</u>

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

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, 2006, is as follows:

Funds:	Due from	Due to
General	\$ 139,018	
Ft. Mohave		\$ 14,161
Research and development	3,245	
Power marketing		3,126
Power delivery		124,976
	<u>\$ 142,263</u>	<u>\$ 142,263</u>

7. Long-term debt:

General Obligation Bonds

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

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

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

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

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

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

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

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

	Maturity Dates	Interest Rates	Outstanding June 30, 2007
Business-type activities:			
Power delivery bonds, series 1997	2000-2027	4.25 to 7%	\$ 1,135,000
Power delivery bonds, series 1999A	2002-2030	4.5 to 6.5%	1,805,000
Hoover uprating refunding, series 2001	2017	5.375%	6,305,000
Hoover uprating refunding, series 2002	2008-2016	5.375%	36,420,000
Power delivery refunding, series 2005I	2009-2030	4.75 to 5%	65,300,000
			<u>\$ 110,965,000</u>

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

Year Ending June 30,	Business-type Activities	
	Principal	Interest
2007	\$ 1,705,000	\$ 5,579,181
2008	5,200,000	5,380,356
2009	5,490,000	5,091,366
2010	5,770,000	4,791,950
2011	6,065,000	4,482,209
2012-2016	41,885,000	17,153,394
2017-2021	16,710,000	8,879,028
2022-2026	20,970,000	4,283,788
2027-2031	7,170,000	317,538
Total	<u>\$ 110,965,000</u>	<u>\$ 55,958,810</u>

Changes in long-term obligations

Changes in long-term obligations during the year ended June 30, 2007, are summarized below:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Current
Governmental activities:					
Accrued compensated absences	\$ 282,703	\$ 159,871	\$ 188,096	\$ 254,478	\$ 234,548
Business-type activities:					
General obligation bonds	112,585,000		1,620,000	110,965,000	1,705,000
Unamortized bond premium	3,644,149		246,805	3,397,344	246,805
Unamortized bond discount	(40,036)		(20,062)	(19,974)	(19,974)
Unamortized refunding charges	(5,838,922)		(347,804)	(5,491,118)	(347,804)
Total	<u>\$ 110,632,894</u>	<u>\$ 159,871</u>	<u>\$ 1,498,939</u>	<u>\$ 109,105,730</u>	<u>\$ 1,818,575</u>

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2007

8. Segment information

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

9. Risk management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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.

10. Commitments and contingencies

Litigation

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

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

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

During the year ended June 30, 2007, the Commission paid Clark County \$9,000,000 in settlement of this dispute.

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

Arbitrage Rebate Requirement

The federal Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the Commission. Under this Act, an amount may be required to be rebated to the United States Treasury (called "arbitrage"), for interest on the bonds to qualify for exclusion from gross income for federal income tax purposes. Rebutable 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.

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Other

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

11. Employee retirement system

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

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

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

Retirement benefits, payable monthly for life, are equal to 2.67% of their final average salary for each year of credited service up to a maximum of 90 percent if hired before July 1, 1985, and up to a maximum of 75% if hired on or after that date. Final average salary is the employee's average compensation for the 36 consecutive months of highest compensation. Benefits fully vest on reaching 5 years of service. Vested employees who have the necessary years of credited service, but have not attained the required age, may retire at any age with the benefit actuarially reduced by 2% of the unmodified benefit for each year the member is under the appropriate retirement age.

Employees have the option of either contributing 9.75% of their salary, which is matched by the Commission, or, under the employer paid option, taking a 9.5% reduction in gross pay with the Commission contributing 20.25% of salary to PERS.

Contribution rates are established by state statute and provide for yearly increases of up to 1% until such time as the actuarially determined unfunded liability of PERS is reduced to zero. The required contribution, which was paid in full by the Commission, for fiscal years ending in 2005-2007 was as follows:

Year Ending	Contribution Rate Regular Members		Covered Payroll		Contribution Paid by the Commission	
	Employer	Employer/ Employee	Employer	Employer/ Employee	Employer	Employer/ Employee
June 30, 2005	20.25%	10.50%	\$ 914,023	\$ 1,391,924	\$ 185,090	\$ 146,152
2006	20.25%	10.50%	1,248,990	1,174,009	237,737	131,144
2007	20.25%	10.50%	850,125	1,546,598	313,186	89,263

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2007**

Effective July 1, 2007, PERS changed the required contribution rate to 20.5%

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

Public Employees Retirement System of
Nevada
693 W. Nye Lane
Carson City, NV 89703-1599
(775) 687-4200

THIS PAGE INTENTIONALLY BLANK

**COMBINING & INDIVIDUAL
FUND STATEMENTS & SCHEDULES**

THIS PAGE INTENTIONALLY BLANK

COLORADO RIVER COMMISSION

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue		Total Nonmajor Governmental Funds
	Ft. Mohave Valley Development	Research and Development	
ASSETS			
Cash and cash equivalents		\$ 538,752	\$ 538,752
Accounts receivable		21,676	21,676
Accrued interest receivable		14,610	14,610
Collateral for loaned securities		327,264	327,264
Due from other funds		3,245	3,245
Total assets		<u>\$ 905,547</u>	<u>\$ 905,547</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Obligations under securities lending		\$ 327,264	\$ 327,264
Accounts payable		18,473	18,473
Due to other funds	\$ 14,162		14,162
Total liabilities	<u>14,162</u>	<u>345,737</u>	<u>359,899</u>
Fund balances:			
Reseved for Multi-Species habitat maintenance		182,131	182,131
Unreserved	(14,162)	377,679	363,517
Total fund balances	<u>(14,162)</u>	<u>559,810</u>	<u>545,648</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 905,547</u>	<u>\$ 905,547</u>

COLORADO RIVER COMMISSION

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Special Revenue</u>		<u>Total</u>
	<u>Ft. Mohave Valley Development</u>	<u>Research and Development</u>	<u>Nonmajor Governmental Funds</u>
REVENUES			
Investment income	\$ 319,654	\$ 102,851	\$ 422,505
Multi-Species surcharge		547,451	547,451
Miscellaneous	24,390		24,390
Total revenues	<u>344,044</u>	<u>650,302</u>	<u>994,346</u>
EXPENDITURES			
Multi-Species assessment		405,803	405,803
Current general administration	9,063,496	14	9,063,510
Investment expense		65,640	65,640
Total expenditures	<u>9,063,496</u>	<u>471,457</u>	<u>9,534,953</u>
CHANGE IN FUND BALANCES	(8,719,452)	178,845	(8,540,607)
FUND BALANCES, BEGINNING	<u>8,705,290</u>	<u>380,965</u>	<u>9,086,255</u>
FUND BALANCES, ENDING	<u>\$ (14,162)</u>	<u>\$ 559,810</u>	<u>\$ 545,648</u>

COLORADO RIVER COMMISSION

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FT. MOHAVE VALLEY DEVELOPMENT
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Original	Budget Final	Actual	Variance with Final Budget
REVENUES				
Investment income	\$ 22,507	\$ 522,507	\$ 319,654	\$ (202,853)
Land sales		1,144,775	-	(1,144,775)
Miscellaneous	22,220	48,780	24,390	(24,390)
Total revenues	<u>44,727</u>	<u>1,716,062</u>	<u>344,044</u>	<u>(1,372,018)</u>
EXPENDITURES				
Current general administration	<u>2,630,588</u>	<u>10,399,613</u>	<u>9,063,496</u>	<u>1,336,117</u>
Change in fund balance	(2,585,861)	(8,683,551)	(8,719,452)	(35,901)
FUND BALANCE, BEGINNING	<u>5,247,185</u>	<u>8,683,551</u>	<u>8,705,290</u>	<u>21,739</u>
FUND BALANCE, ENDING	<u>\$ 2,661,324</u>	<u>\$ -</u>	<u>\$ (14,162)</u>	<u>\$ (14,162)</u>

COLORADO RIVER COMMISSION

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
RESEARCH AND DEVELOPMENT
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment income	\$ 3,368	\$ 22,475	\$ 102,851	\$ 80,376
Multi-Species surcharge	1,500,000	1,500,000	547,451	(952,549)
Total revenues	<u>1,503,368</u>	<u>1,522,475</u>	<u>650,302</u>	<u>(872,173)</u>
EXPENDITURES				
Multi-Species assessment	1,500,000	1,500,000	405,803	1,094,197
Current general administration			14	(14)
Investment expense			65,640	(65,640)
	<u>1,500,000</u>	<u>1,500,000</u>	<u>471,457</u>	<u>1,028,543</u>
CHANGE IN FUND BALANCE	3,368	22,475	178,845	156,370
FUND BALANCE, BEGINNING	<u>204,790</u>	<u>204,549</u>	<u>380,965</u>	<u>176,175</u>
FUND BALANCE, ENDING	<u>\$ 208,158</u>	<u>\$ 227,024</u>	<u>\$ 559,810</u>	<u>\$ 332,545</u>

COLORADO RIVER COMMISSION

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE*
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Equipment:		
Office equipment	\$ 325,915	\$ 295,719
Office furniture and fixtures	28,539	28,539
Automobiles	<u>144,257</u>	<u>157,997</u>
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	<u>\$ 498,711</u>	<u>\$ 482,255</u>
INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE - General fund	<u>\$ 498,711</u>	<u>\$ 482,255</u>

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

COLORADO RIVER COMMISSION

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

FOR THE YEAR ENDED JUNE 30, 2007

	<u>Capital Assets July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital Assets June 30, 2006</u>
GENERAL GOVERNMENT:				
Office equipment	\$ 295,719	\$ 31,251	\$ 1,055	\$ 325,915
Office furniture and fixtures	28,539			28,539
Automobiles	157,997		13,740	144,257
TOTAL CAPITAL ASSETS	<u>\$ 482,255</u>	<u>\$ 31,251</u>	<u>\$ 14,795</u>	<u>\$ 498,711</u>

STATISTICAL SECTION

THIS PAGE INTENTIONALLY BLANK

STATISTICAL SECTION

(UNAUDITED)

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

Contents

Page

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

Financial Trends

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

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

Revenue Capacity

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

Principal revenue payers	60
--------------------------	----

Debt Capacity

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

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

Demographic and Economic Information

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

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

STATISTICAL SECTION (UNAUDITED)

(Continued)

Operating Information

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

Employees by department – last ten fiscal years	65
Operating indicators, June 30, 2007	66
Risk Management, June 30, 2007	67

COLORADO RIVER COMMISSION

NET ASSETS BY COMPONENT

Table 1

LAST SIX FISCAL YEARS (UNAUDITED)

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Governmental activities						
Invested in capital assets, net of related debt	\$ 97,911	\$ 118,006	\$ 109,064	\$ 107,230	\$ 122,638	\$ 170,115
Unrestricted	2,306,710	10,934,221	9,292,022	2,393,362	1,929,113	2,601,629
Total governmental activities net assets	2,404,621	11,052,227	9,401,086	2,500,592	2,051,751	2,771,744
Business-type activities						
Invested in capital assets, net of related debt	(3,661,965)	716,284	713,004	707,485	705,049	707,007
Restricted	717,664	4,716,772	5,345,387	5,676,526	6,251,496	7,845,864
Unrestricted	8,252,177	5,433,056	6,058,391	6,384,011	6,956,545	8,552,871
Total business-type activities net assets	5,307,876	5,433,056	6,058,391	6,384,011	6,956,545	8,552,871
Total entity-wide						
Invested in capital assets, net of related debt	(3,564,054)	118,006	109,064	107,230	122,638	170,115
Restricted	717,664	716,284	713,004	707,485	705,049	707,007
Unrestricted	10,558,887	15,650,993	14,637,409	8,069,888	8,180,609	10,447,493
Total entity-wide net assets	\$ 7,712,497	\$ 16,485,283	\$ 15,459,477	\$ 8,884,603	\$ 9,008,296	\$ 11,324,615

COLORADO RIVER COMMISSION

CHANGES IN NET ASSETS
(Accrual basis of accounting)

LAST SIX FISCAL YEARS (UNAUDITED)

Table 2

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Expenses						
Governmental activities						
General government	\$ 12,208,192	\$ 2,641,024	\$ 2,253,266	\$ 2,062,826	\$ 2,968,732	\$ 1,888,664
Business-type activities						
Power marketing	57,473,246	62,986,316	70,038,951	127,942,758	117,616,074	135,697,615
Power delivery	15,783,971	58,929,523	37,159,924	13,504,249	27,387,791	24,653,645
Total business-type activities expenses	73,257,217	121,915,839	107,198,875	141,447,007	145,003,865	160,351,260
Total entity-wide expenses	\$ 85,465,409	\$ 124,556,863	\$ 109,452,141	\$ 143,509,833	\$ 147,972,597	\$ 162,239,924
Program revenues						
Governmental activities						
Charges for services	\$ 1,323,837	\$ 1,310,371	\$ 1,049,704	\$ 968,238	\$ 978,394	\$ 983,039
Power administrative charge	888,720	1,603,826	1,015,940	1,496,859	1,176,446	551,290
Water charges			2,065,644	2,465,097	2,154,840	1,534,329
Total governmental activities program revenues	2,212,557	2,914,197				
Business-type activities						
Charges for services						
Power sales						
Power marketing	57,246,095	62,764,886	64,003,861	127,826,226	117,233,246	135,200,158
Power delivery	15,130,974	57,900,598	36,513,222	12,756,303	26,499,508	26,766,833
Total business-type activities program revenues	72,377,069	120,665,484	100,517,083	140,582,529	143,732,754	161,966,991
Total entity-wide program revenues	\$ 74,589,626	\$ 123,579,681	\$ 102,582,727	\$ 143,047,626	\$ 145,887,594	\$ 163,501,320

(Continued)

COLORADO RIVER COMMISSION

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

LAST SIX FISCAL YEARS (UNAUDITED)

Table 2

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Net expense						
Governmental activities	\$ (9,995,635)	\$ 273,173	\$ (187,622)	\$ 402,271	\$ (813,892)	\$ (354,335)
Business-type activities	(880,148)	(1,250,355)	(6,681,792)	(864,478)	(1,271,111)	1,615,731
Total entity-wide net expense	\$ (10,875,783)	\$ (977,182)	\$ (6,869,414)	\$ (462,207)	\$ (2,085,003)	\$ 1,261,396
General revenues and other changes in net assets						
Governmental activities	\$ 773,632	\$ 786,729	\$ 46,142	\$ 24,350	\$ 69,509	\$ 122,439
Investment income	547,450	525,144	17,584			
Multi-species surcharge			13,000,000			
Land sales	-	-	24,390	22,220	24,390	48,781
Miscellaneous	26,947	66,095				
Transfers			(6,000,000)			
Total governmental activities	1,348,029	1,377,968	7,088,116	46,570	93,899	171,220
Business-type activities						
Investment income	754,968	625,020	356,172	291,944	1,573,273	2,897,929
Transfers			6,000,000			
Total business-type activities	754,968	625,020	6,356,172	291,944	1,573,273	2,897,929
Total entity-wide	\$ 2,102,997	\$ 2,002,988	\$ 13,444,288	\$ 338,514	\$ 1,667,172	\$ 3,069,149
Change in net assets						
Governmental activities	\$ (8,647,606)	\$ 1,651,141	\$ 6,900,494	\$ 448,841	\$ (719,993)	\$ (183,115)
Business-type activities	(125,180)	(625,335)	(325,620)	(572,534)	302,162	4,513,660
Total entity-wide	\$ (8,772,786)	\$ 1,025,806	\$ 6,574,874	\$ (123,693)	\$ (417,831)	\$ 4,330,545

COLORADO RIVER COMMISSION

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

LAST TEN FISCAL YEARS (UNAUDITED)

Table 3

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General fund	\$ 2,015,540	\$ 2,130,668	\$ 1,117,428	\$ 1,216,761	\$ 719,660	\$ 731,737	\$ 1,041,833	\$ 1,014,785	\$ 564,885	\$ 630,685
Unreserved										
All other governmental funds	\$ 182,131	\$ 182,131	\$ 4,550							
Reserved										
Unreserved, reported in special revenue funds:										
Fort Mohave Development	(14,162)	8,705,291	8,242,169	1,234,722	1,234,840	1,770,844	1,652,526	1,519,451	1,435,967	1,351,828
Research and Development	377,679	198,834	184,256	182,928	181,901	270,232	344,463	300,652	286,362	272,082
Total all other governmental funds	\$ 545,648	\$ 9,086,256	\$ 8,430,975	\$ 1,417,650	\$ 1,416,741	\$ 2,041,076	\$ 1,996,989	\$ 1,820,103	\$ 1,722,329	\$ 1,623,910

COLORADO RIVER COMMISSION

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

Table 4

LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenues										
Charges for services	\$ 2,212,557	\$ 2,914,197	\$ 2,065,644	\$ 2,465,097	\$ 2,154,840	\$ 1,534,329	\$ 1,599,600	\$ 1,964,196	\$ 1,482,707	\$ 1,415,865
Investment income	773,632	786,729	46,142	24,350	69,509	122,439	207,909	123,104	139,280	141,620
Multi-Species surcharge	547,451	525,144	17,584	-	-	-	-	-	-	-
Land sales	-	-	13,000,000	22,220	24,390	48,781	37,990	25,800	134,953	254,377
Miscellaneous	26,947	66,095	24,390	2,511,667	2,248,739	1,705,549	1,845,499	2,115,100	1,756,940	1,811,862
Total revenues	3,560,587	4,292,165	15,153,760	2,511,667	2,248,739	1,705,549	1,845,499	2,115,100	1,756,940	1,811,862
Expenditures										
General administration	11,502,549	1,998,993	2,206,332	1,994,647	2,865,085	1,950,697	1,621,013	1,547,334	1,702,288	1,695,512
Multi-Species assessment	405,803	389,269	13,035	19,010	20,066	20,861	20,551	20,093	22,032	20,164
Water purchases	15,393	18,017	20,401	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Investment expenses	292,577	217,365	-	-	-	-	-	-	-	-
Total expenditures	12,216,322	2,623,644	2,239,768	2,013,657	2,885,151	1,971,558	1,641,564	1,567,427	1,724,320	1,715,676
Excess of revenue over (under) expenditures	(8,655,735)	1,668,521	12,913,992	498,010	(636,412)	(266,009)	203,935	547,673	32,620	96,186
Other financing sources (uses)										
Transfers out	-	-	6,000,000	-	-	-	-	-	-	-
Net changes in fund balances	\$ (8,655,735)	\$ 1,668,521	\$ 6,913,992	\$ 498,010	\$ (636,412)	\$ (266,009)	\$ 203,935	\$ 547,673	\$ 32,620	\$ 96,186

**COLORADO RIVER COMMISSION
PRINCIPAL REVENUE PAYERS**

Table 5

JUNE 30, 2007 (UNAUDITED)

Customer	Water		Power		LCRMSCP ⁽¹⁾	Power		Total
	Administrative Charges	Administrative Charges	Administrative Charges	Charges		Marketing Revenues	Delivery Revenues	
Southern Nevada Water Authority	\$ 888,720	\$ 84,766	\$ 36,981	\$ 1,753,416	\$ 14,161,237	\$ 16,925,120		
Basic Water Company	-	33,093	22,494	903,318		958,905		
Timet Metals Corporation	-	219,480	54,255	9,302,967	123,598	9,700,300		
Pioneer Americas, LLC	-	200,583	-	17,111,844		17,312,427		
Chemical Lime Company	-	2,997	1,011	86,491		90,499		
Tronox, LLC	-	80,309	52,703	1,461,935	82,399	1,594,947		
American Pacific Corporation	-	86,394	15,707	4,470,625		4,655,125		
Lincoln County Power District No. 1	-	60,221	34,016	1,266,596		1,360,833		
Overton Power District #5	-	78,232	27,403	2,915,733		3,021,368		
Valley Electric Association	-	87,481	30,675	2,885,857		3,004,013		
Nevada Power Company	-	324,048	236,882	8,728,967	756,435	9,289,897		
City of Boulder City	-	39,077	35,324	926,897		1,757,733		
Las Vegas Valley Water District	-	697	-	-		697		
City of Henderson	-	18,635	-	-		18,635		
Raw water sales ⁽²⁾	-	7,824	-	-		7,824		
Other power sales ⁽³⁾	-	-	-	5,431,508	7,305	5,438,813		
Total	\$ 888,720	\$ 1,323,837	\$ 547,451	\$ 57,246,154	\$ 15,130,974	\$ 75,137,136		

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

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

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

COLORADO RIVER COMMISSION

RATIOS OF OUTSTANDING DEBT

LAST TEN FISCAL YEARS (UNAUDITED) Table 6

Fiscal Year	Power Delivery Refunding Series 2005I	Power Upgrading Refunding Series 2002	Hoover Upgrading Refunding Series 2001	Power Delivery Series 1999A	Power Delivery Series 1997	Hoover Upgrading Refunding Series 1992	Hoover Upgrading Series 1987B	Total Outstanding Debt	Charges for Services	Revenue to Debt Ratio
1998					\$ 49,270,000	\$ 52,885,000	\$ 6,880,000	\$ 109,035,000	\$ 25,711,447	0.24
1999					49,270,000	50,855,000	6,880,000	107,005,000	27,212,229	0.25
2000				\$ 25,730,000	49,270,000	48,705,000	6,880,000	130,585,000	30,532,244	0.23
2001				25,730,000	48,455,000	46,425,000	6,880,000	127,490,000	150,080,539	1.18
2002			\$ 6,305,000	25,630,000	47,600,000	44,015,000		123,550,000	163,501,320	1.32
2003		\$ 36,420,000	6,305,000	25,480,000	46,705,000			114,910,000	145,887,594	1.27
2004		36,420,000	6,305,000	25,280,000	45,770,000			113,775,000	143,047,626	1.26
2005	\$ 65,300,000	36,420,000	6,305,000	2,735,000	3,245,000			114,005,000	102,582,727	0.90
2006	65,300,000	36,420,000	6,305,000	2,345,000	2,215,000			112,585,000	123,579,681	1.10
2007	65,300,000	36,420,000	6,305,000	1,805,000	1,135,000			110,965,000	74,589,626	0.67

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

COLORADO RIVER COMMISSION

AVAILABLE REVENUE DEBT COVERAGE

Table 7

LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Gross		Less:		Add Back	Revenues Available	Debt Service		Total	Coverage (2)
	Revenues	Expenses	Operating	Depreciation			Principal	Interest		
1998	\$ 25,711,447	\$ 26,614,874		(1)		(903,427)	\$ 1,995,000	\$ 5,281,002	\$ 7,276,002	(0.12)
1999	27,212,229	29,869,847		(1)		(2,657,618)	2,030,000	3,767,505	5,797,505	(0.46)
2000	30,532,244	32,049,802		1,132,133		(385,425)	2,150,000	3,734,951	5,884,951	(0.07)
2001	150,080,539	151,400,169		1,132,133		(187,497)	3,095,000	6,322,672	9,417,672	(0.02)
2002	163,501,320	161,659,639		1,319,306		3,160,987	3,365,000	9,766,982	13,131,982	0.24
2003	145,887,594	143,425,328		1,791,183		4,253,449	1,045,000	5,886,215	6,931,215	0.61
2004	143,047,626	139,406,539		1,835,466		5,476,553	1,135,000	4,023,431	5,158,431	1.06
2005	102,582,727	105,445,842		2,061,753		(801,362)	1,225,000	6,487,791	7,712,791	(0.10)
2006	123,579,681	120,712,590		2,064,492		4,931,583	1,420,000	5,517,972	6,937,972	0.71
2007	74,589,626	81,652,254		2,064,375		(4,998,253)	1,420,000	5,517,972	6,937,972	(0.72)

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

(2) Water and power customers are contractually obligated to provide revenues sufficient to cover all operation and maintenance expenses except depreciation, plus all principal and interest requirements on outstanding debt. Operating losses, accumulated deficits and negative coverage ratios are the result of not charging for certain recorded expenses; i.e. depreciation, amortization of debt and pre-operational expenses. As annual requirements of debt principal progressively increase annual revenues are expected to exceed recorded expenses, because principal payments are recorded as reductions of long-term debt rather than expenses. The losses, deficits and negative coverage ratios are expected to progressively reduced and finally eliminated as the annual retirement of debt principal increase. Note that operating expenses for fiscal 2007 include \$9,500,000 in expenses to transfer the Fort Mohave Development Fund monies to Clark County, Nevada.

COLORADO RIVER COMMISSION

DEMOGRAPHIC STATISTICS

CLARK COUNTY, NEVADA ⁽¹⁾

LAST TEN FISCAL YEARS (UNAUDITED)

Table 8

Year	Population ⁽²⁾	Per Capita Income ⁽³⁾	Total Labor Force ⁽⁴⁾	Unemployment Rate ⁽⁴⁾
1998	1,261,150	27,743	666,000	4.3%
1999	1,327,145	28,570	706,000	4.2%
2000	1,375,765	29,597	728,000	4.6%
2001	1,485,855	29,641	760,000	5.5%
2002	1,549,657	29,805	784,000	5.9%
2003	1,620,748	30,861	806,000	5.4%
2004	1,715,337	33,049	837,000	4.6%
2005	1,796,380	34,980	873,000	4.2%
2006	1,892,391	37,024	925,000	4.1%
2007	1,978,423	39,187	954,000	4.4%

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

(2) Source: Nevada State Demographer (except Fiscal Year 2000 from U.S Bureau of the Census, and Fiscal Year 2007 which is estimated based on prior three years).

(3) Source: US Bureau of Economic Analysis.

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

**COLORADO RIVER COMMISSION
PRINCIPAL EMPLOYERS
CLARK COUNTY, NEVADA ⁽¹⁾
JUNE 30, 2007 and 1998**

Table 9

Employer	June 30, 2007			June 30, 1998		
	Employees ⁽²⁾	Percentage of		Employees	Percentage of	
		Total Employment	Rank		Total Employment	Rank
Clark County School District	29,500 to 29,999	3.23%	1	19,000 to 19,499	3.14%	1
Clark County	10,000 to 10,499	1.11%	2	7,000 to 7,499	1.19%	3
Bellagio, LLC	9,000 to 9,499	0.99%	2			
Wynn Las Vegas LLC	8,500 to 8,999	0.95%	4			
MGM Grand Hotel/ Casino	8,500 to 8,999	0.94%	5	8,500 to 8,999	1.40%	2
Mandalay Bay Resort & Casino	7,500 to 7,999	0.86%	6			
Venetian Casino Resorts	5,500 to 5,999	0.63%	7			
The Mirage Casino & Hotel	5,500 to 5,999	0.63%	8	7,000 to 7,499	1.17%	4
Caesars Palace	5,500 to 5,999	0.62%	9	5,500 to 5,999	0.93%	5
Las Vegas Metropolitan Ploice	5,000 to 5,499	0.56%	10			
Rio Suite Hotel & Casino				4,500 to 4,999	0.78%	6
Treasure Island at the Mirage				4,500 to 4,999	0.78%	7
State of Nevada				4,500 to 4,999	0.74%	8
Luxor				4,500 to 4,999	0.73%	9
Excalibur Hotel & Casino				4,000 to 4,999	0.65%	10

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

Source: Nevada Department of Employment Training and Rehabilitation and Nevada Workforce Informer.

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

COLORADO RIVER COMMISSION

EMPLOYEES BY DEPARTMENT

**Table 10
LAST TEN FISCAL YEARS (UNAUDITED)**

Fiscal Year	Executive & Administrative		Water	Hydropower	SNWS	Power Delivery	Total
	Administrative	Department	Department	Department	Energy Services	O & M	
1998	14	2	2	2		5	23
1999	17	4	4	3	1	4	29
2000	16	3	3	4	3	3	29
2001	14	3	3	4	6	4	31
2002	14	3	3	5	7	5	34
2003	12	3	3	5	7	6	33
2004	13	5	5	5	9	6	38
2005	15	5	5	4	9	6	39
2006	15	5	5	3	9	7	39
2007	13	4	4	3	9	6	35

COLORADO RIVER COMMISSION

OPERATING INDICATORS

JUNE 30, 2007 (UNAUDITED)

Table 11

Customer	Power Purchases in Megawatt Hours				Colorado River Water Diversions (Acre Feet) ⁽⁴⁾
	Marketing	Power Delivery		Total	
		SNWA pre 2001 ⁽¹⁾	SNWA post 2001 ⁽²⁾		
Southern Nevada Water Authority	119,891	2,242,607	163,659	73,841	470,618
Basic Water Company	36,213				21,065
Timet Metals Corporation	311,154				
Pioneer Americas, LLC	292,920				
Chemical Lime Company	3,778				
Tronox, LLC	113,660				
American Pacific Corporation	121,826				
Lincoln County Power District No. 1	83,917				
Overton Power District #5	111,624				
Valley Electric Association	122,552				
Nevada Power Company	462,847				
City of Boulder City	53,869				
Small water users					30,293
Total	1,834,251	2,242,607	163,659	73,841	521,976

(1) Includes Megawatt Hour purchases for loads of the Southern Nevada Water Authority (SNWA) supplied by the Commission prior to the enactment of Senate Bill 211 in the 2001 Session. The bill clarified the authority of the Commission to serve its customers and specifically provided for service to the purveyor members of the SNWA if they choose such service. All deliveries of power resources are provided through the transmission system of the Commission.

(2) Includes the in-valley loads of the SNWA served pursuant to 2001 legislation (SB211).

(3) Includes the loads of the Las Vegas Valley Water District served pursuant to 2001 legislation (SB211).

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

COLORADO RIVER COMMISSION

RISK MANAGEMENT

JUNE 30, 2007

Table 12

Customer	Collateral Required	Collateral Posted	Cash Posted	Other Posted
Southern Nevada Water Authority	\$ -			
Basic Water Company	258,298	258,298		258,298
Timet Metals Corporation	2,542,400	2,542,400		2,542,400
Pioneer Americas, LLC	5,291,508	5,291,508	\$ 3,000,000	2,291,508
Chemical Lime Company	22,878	22,878		22,878
Tronox, LLC	290,232	290,232		290,232
American Pacific Corporation	1,392,243	1,392,243		1,392,243
Lincoln County Power District No. 1	-			
Overton Power District #5	-			
Valley Electric Association	-			
Nevada Power Company	-			
City of Boulder City	-			
Las Vegas Valley Water District	-			
City of Henderson	-			
Total	\$ 9,797,559	\$ 9,797,559	\$ 3,000,000	\$ 6,797,559

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

As of June 30, 2007 all of the customers required to post collateral have done so in the amounts required. Only one customer has posted cash (as required by specific bilateral contract with the customer), all other customers have posted letters of credit or performance bonds as approved by the Nevada State Board of Examiners.

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

THIS PAGE INTENTIONALLY BLANK

**ADDITIONAL REPORT OF
INDEPENDENT AUDITORS**

THIS PAGE INTENTIONALLY BLANK

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

Colorado River Commission of Nevada
Las Vegas, Nevada

We have audited the basic financial statements of the Colorado River Commission of Nevada (the Commission), as of and for the year ended June 30, 2007, and have issued our report thereon dated November 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting. In planning and performing our audit, we considered Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

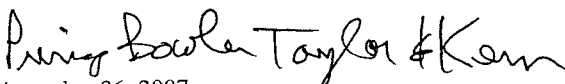
A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States such that there is more than a remote likelihood that a misstatement of the Commission's basic financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses as defined above.

Compliance and other matters. As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, (including bond resolutions and ordinances of the General Obligation Hoover Uprating Bonds, series 2001 and 2002, the Power Delivery Project bonds, series 1997A and 1999A, and the Power Delivery Refunding bonds, series 2005I), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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


November 26, 2007