

**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, 1996**

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

STATE OF NEVADA

BOB MILLER

Governor

FRANKIE SUE DEL PAPA

Attorney General

DARREL R. DAINES

Controller

ROBERT L. SEALE

Treasurer

DEAN HELLER

Secretary of State

COLORADO RIVER COMMISSION

JANET FRASIER ROGERS

Chairman

RICHARD W. BUNKER

Commissioner

JAY BINGHAM

Commissioner

MARY J. KINCAID

Commissioner

ROBERT A. GROESBECK

Commissioner

LAMOND R. MILLS

Commissioner

ROLAND D. WESTERGARD

Commissioner

GEORGE M. CAAN

Executive Director

GERALD L. EDWARDS

Division Chief Water

DOUGLAS N. BEATTY

*Division Chief Finance
and Administration*

GERALD A. LOPEZ

Deputy Attorney General

DOUGLAS E. VARNER

Division Chief Power

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BOB MILLER, *Governor*

STATE OF NEVADA

JAY BINGHAM, *Commissioner*

JANET FRASIER ROGERS, *Chairman*

ROBERT A. GROESBECK, *Commissioner*

RICHARD W. BUNKER, *Vice Chairman*

MARY J. KINCAID, *Commissioner*

GEORGE CAAN, *Director*

LAMOND R. MILLS, *Commissioner*

ROLAND D. WESTERGARD, *Commissioner*



COLORADO RIVER COMMISSION
OF NEVADA

December 2, 1996

**Honorable Chairman and
Members of the Colorado River
Commission of Nevada:**

It is a pleasure for us to present the Colorado River Commission's financial report for the fiscal year ended June 30, 1996. It was prepared by the financial management section staff. The Commission is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. We believe the data is accurate in all material aspects; that it is presented in a manner designed to fairly display the financial position and results of operations as measured by the financial activity of all Commission funds; and that all disclosures necessary for understanding of the Commission's financial affairs have been included. All funds and accounts utilized in recording the Commission's fiscal operations and financial position are included in this report.

The Colorado River 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 component unit of the State for financial reporting purposes. The funds under its control are an integral part of Nevada's financial structure. Information presented herein is included in the State of Nevada's comprehensive annual financial report.

This report is presented in four sections: introductory, financial, statistical and additional reports of independent auditors. The introductory section includes this transmittal letter, the Commission's organizational chart, and a list of principal officials. The financial section includes the general purpose financial statements and schedules. The statistical section includes selected financial information, generally presented on a multi-year basis. The additional reports of independent auditors section includes the auditors' report on compliance with laws and regulations and bond covenants.

ECONOMIC CONDITION AND OUTLOOK

The area served by the Commission continues to grow at a steady rate. This growth, spurred by the expanding economy, impacts Nevada, straining local government resources as they attempt to maintain services. However, the demand for the low cost resources of the Commission continues to be strong, resulting in a healthy fiscal outlook for the Commission funds. The Commission continues to market Nevada's full allocation of Hoover power and work to meet the increased water resource needs of the local entities.

MAJOR INITIATIVES

Water continues to be the most important resource in the growth of the southern portion of the state. To meet the continuing demands of this growing area, the local water purveyors in southern Nevada formed a regional water agency to work together and maximize the resources available to the community. The Nevada Legislature recognized the importance of this regional cooperative effort and developed legislation to transfer the Southern Nevada Water System from the Commission to the Southern Nevada Water Authority (Authority). This transfer was accomplished during the fiscal year reported in this report. The transfer of the system will allow for direct local control of the water treatment and transmission facilities and will aid in the pooling and sharing of existing water resources. It also adds value and integrity to the Authority's new water treatment and transmission facilities which are currently under design and construction.

With the transfer of the Southern Nevada Water System to local control, the Commission has been charged by the Legislature with the difficult job of developing new sources of supply on the Colorado River. The Commission has been actively engaged in the search for and development of new resources throughout the fiscal year. In close cooperation with the Southern Nevada Water Authority, the Commission is working with the state of Arizona to establish an interstate water bank. Arizona legislation allows for the in-state storage of an aggregate total of 100,000 acre feet per year of Colorado River water by the states of Nevada and California. The Central Arizona Project will deliver the water to storage sites within the interior of the state. Recovery of the water by the Southern Nevada Water Authority will be achieved through an exchange mechanism with Arizona. Arizona water users will pump the stored groundwater in lieu of diverting Colorado River water when called upon to do so by Nevada. The resulting unused apportionment in the Colorado River will then be available to the Authority to supplement its existing supplies to meet new water demands projected to occur soon after the turn of the century. The Secretary of the Interior, as water master of the Colorado River, will need to promulgate new rules and regulations before the water banking and exchange program can be implemented.

Concurrent with the Arizona banking discussion are discussions concerning strategies to obtain additional Colorado River resources. The discussions have involved many issues including new

water management strategies, cooperative conservation programs, other water banking proposals and many other potential solutions to the resource needs of all lower Colorado River Basin States.

In addition to the development of new water resources, the Commission has taken an active role in the development of new power transmission resources to serve the local water needs. In July of 1995 the Southern Nevada Water Authority secured the assistance of the Commission in planning and providing for the electrical power needs of the new water facilities needed for southern Nevada. The Commission and Authority have jointly begun the design of a electrical power transmission and distribution system to supply power from the Mead substation in Boulder City (a major substation in the Federal power grid) to the existing and proposed pumping and treatment facilities located at Lake Mead and Saddle Island, facilities in the area of the River Mountains where the major supply tunnel is currently under construction, and facilities close to the city of Henderson.

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

This project will be financed through the sale of State of Nevada General Obligation (Limited Tax - Revenue Supported) Bonds. These bonds have been approved by the Commission and the Legislature in the amount of \$75,000,000. At the current time it is anticipated that the bonds will be sold in two series beginning as early as spring of 1997.

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

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

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

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

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

FINANCIAL INFORMATION

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

Revenues of the Commission general fund totaled \$537,322 in 1995-96, \$255,332 less than the \$792,654 realized in 1994-95. The decrease in revenues in the general fund were a result of the decrease in power sales and the transfer of the water system to the Southern Nevada Water Authority during the fiscal year. Salaries and overhead allocated to other funds was \$869,684, \$56,661 more than the \$813,023 allocated in 1994-95.

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

	<u>1995 - 1996</u>		<u>1994 - 1995</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Power administrative charge	\$ 438,780	31.19	\$ 454,585	28.31
Water sales	46,724	3.32	275,300	17.15
Allocated salaries and overhead	869,684	61.81	813,023	50.63
Miscellaneous income	320	0.02	44,691	2.78
Interest income	51,498	3.66	18,078	1.13
Total	<u>\$ 1,407,006</u>	<u>100.00</u>	<u>\$ 1,605,677</u>	<u>100.00</u>

Net expenditures (legal basis) of the general fund totaled \$552,248, \$17,055 less than the \$569,303 expended during 1994-95. Change in levels of expenditures for the preceding year are as follows:

	<u>1995-96</u>	<u>1994-95</u>	<u>Increase Decrease</u>
General Administration			
Personnel	\$ 906,126	\$ 914,763	\$ -8,637
Travel	15,270	18,022	-2,752
Operating	485,731	397,146	88,585
Equipment	14,805	52,395	-37,590
Total general administration	1,421,932	1,382,326	39,606
Less allocated salaries and overhead expenditures	869,684	813,023	56,661
Net expenditures	<u>\$ 552,248</u>	<u>\$ 569,303</u>	<u>\$ -17,055</u>

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

<u>Fund</u>	<u>Fund Balance 6/30/96</u>	<u>Fund Balance 6/30/95</u>	<u>Increase Decrease</u>
General Fund	\$ 690,017	\$ 704,943	\$ -14,926
Research and Development Fund	192,515	392,696	-200,181
Ft. Mohave Development Fund	3,318,898	4,160,563	-841,665

The research and development fund balance of \$192,515 is available for engineering studies, analyses, negotiations and other efforts in protecting the interests of the State in the development of water and power.

The Fort Mohave development fund balance of \$3,318,898 represents unspent money from the sale of land and easements. These funds are available for planning and managing the development of the area. Assembly bill number 494, enacted as chapter 822, Statutes of Nevada, 1987, establishes priority uses of the money in the fund. It was used first to purchase the remaining land in the transfer area from the federal government. After paying the Commission's administrative expenses related to Fort Mohave, money will be used to pay for state and local capital improvements in accordance with programs proposed by Clark County and approved by the legislature.

Appropriations totaling \$1,134,881 from the state general fund are being repaid from the power marketing fund at the rate of \$120,000 per year. The appropriations were for the purpose of paying legal and related expenditures associated with contract negotiations for power from

Hoover Dam. The negotiations culminated in a new 30-year contract that includes an approximate 100% increase in capacity and 63% increase in energy from the previous Hoover contract which expired May 31, 1987. The repayment is being collected from those entities receiving allocations of the additional power. The amount still to be repaid to the state is \$54,881. Payment should be completed in fiscal 1997.

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

The state self-insures against certain property and liability claims. The state's risk management division manages a self-insurance fund for group health insurance, and an insurance premium fund to provide fidelity insurance, property insurance and worker's compensation. The state's comprehensive annual financial report provides more information relative to the state's risk management activities.

As of June 30, 1996, outstanding long term obligations of the Commission consisted of the following:

<u>Date of Issue or Incurrence</u>	<u>Type of Debt</u>	<u>Average Interest Rate (%)</u>	<u>Last Payment Due</u>	<u>Outstanding</u>
5-1-87	State g.o. bonds	7.9	10-1-17	\$ 9,845,000
3-25-92	State g.o. bonds	6.3	10-1-16	70,935,000
Various	Accrued compensated absences	N/A	N/A	81,331

OTHER INFORMATION

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

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a certificate of achievement for excellence in financial reporting to the Commission for its financial report for the fiscal year ended June 30, 1995. In order to be awarded a certificate of achievement, a governmental unit must publish an easily readable and efficiently organized financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. This is the seventeenth consecutive year the Commission has received this recognition.

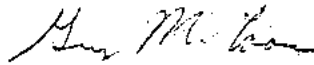
A certificate of achievement is valid for a period of one year only. We believe this current report continues to conform to certificate of achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

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

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

Sincerely,



George M. Caan
Executive Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Colorado River Commission
of Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1995

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.



Arthur R. Lynch
President

Jeffrey L. Esser
Executive Director

INTRODUCTION

**THE
COMMISSION**

The Colorado River Commission of Nevada is governed by seven commissioners four of whom, including the chairman are appointed by the governor, with the remaining three appointed by the Southern Nevada Water Authority. The Commission office is located in Las Vegas, Nevada. Commissioners are required to have a general knowledge of the development of the Colorado River and its tributaries within Nevada, as well as the rights of Nevada pertaining to the resources and benefits of the Colorado River. The Commission appoints an executive director who is responsible for carrying out its policies.

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

The members of the Colorado River Commission are:

<u>Name</u>	<u>Initial Appointment</u>	<u>Current Term</u>
Janet Rogers, Chairman	1993	7/1/94 - 6/30/97
Richard W. Bunker, Vice Chairman	1993	7/1/96 - 6/30/99
Hon. Jay Bingham Clark County Commissioner*	1993	7/1/96 - 1/1/97
Hon. Mary J. Kincaid North Las Vegas City Councilwoman*	1993	7/1/96 - 6/30/97
Hon. Robert A. Groesbeck Mayor, City of Henderson*	1993	7/1/96 - 6/30/97
Lamond R. Mills	1996	9/23/96 - 6/30/99
Roland D. Westergard	1996	10/1/96 - 6/30/99

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

**FUNDING
SOURCES**

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

COMMISSION ACTIVITIES

POWER

Nevada's allocation of hydropower from Hoover, Parker and Davis dams, the Colorado River storage project and the Salt Lake City area integrated project is purchased by the Commission and sold to several contracting entities in southern Nevada including three rural electrification associations, one municipal and one investor owned utility and an industrial complex in Henderson, Nevada. The Commission also seeks and contracts for available capacity and energy from alternative sources in order to meet the needs of the entities it serves.

LAND

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

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

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

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

**COLORADO
RIVER
WATER
RESOURCES**

The Colorado River Commission represents Nevada's interests on all state and interstate matters dealing with the management, operations and administration of the water resources of the Colorado River. The importance of these resources are clear: Colorado River water constitutes over 80% of the municipal and industrial water supply used in southern Nevada. The Commission works directly with the U.S. Bureau of Reclamation, representing the Secretary of the Interior as the water master of the Colorado River; the other six Colorado River Basin states consisting of Arizona, California, Colorado, New Mexico, Utah, and Wyoming; and the Southern Nevada Water Authority and other water users in southern Nevada. Negotiating new water supplies, identifying new operating strategies which balance water use with water supply, and developing new mechanisms for interstate water transfers continue to be the principal focus of the Commission.

**SMALL
WATER
USERS**

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

ACCOUNTING SYSTEM

**FUND
TYPES**

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

Governmental fund types:

General fund

Special revenue funds:

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

Proprietary fund types:

Enterprise funds:

1. SNWS state fund (discontinued)
2. SNWS federal fund (discontinued)
3. Power marketing fund

Account groups:

- General fixed assets
- General long-term obligations

**INTERNAL
CONTROLS**

All cash receipts and disbursements are processed and recorded by the State Controller. Budgetary and cash control is imposed by the controller on the general and special revenue funds. Cash control is required for the enterprise funds. The Commission maintains its own computerized revenue, expense and general journals and a general ledger. The accounting policies of the Commission conform to generally accepted accounting principles as more fully explained in Note 1 to the financial statements. The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Commission is not subject to regulation by federal or state utility regulatory bodies such as Federal Energy Regulatory Commission or the Nevada Public Service Commission. However, the chart of accounts and accounting procedures for the water treatment and water transmission enterprise funds generally follow the guidelines contained in the uniform system of accounts published by the National Association of Regulatory Utility Commissioners for class A & B water utilities. Practices and procedures suggested in Water Utility Accounting published by the Municipal Finance Officers Association and the American Water Works Association are also followed to the extent legally and practically possible.

PERSONNEL

**ORGANIZATION
AND
STAFFING**

The agency is organized into four functional subdivisions for carrying out the responsibilities of the Commission.

1. Executive Division

- Director - George M. Caan
- Deputy Director - Vacant
- Environmental Resources Engineer - Phillip S. Lehr
- Power Delivery Project - Thomas R. Hardin

2. Power Division (Marketing/Contract Administration)

Division Chief - Douglas E. Varner
Senior Power Engineer - Vacant
Power Marketing Administrator - Malvin R. Ware
Power Marketing Specialist I - David L. White
Power Marketing Specialist I - T. Darlene Hite
Management Assistant I - Deborah Moore
Management Assistant I - Wanda L. Manner

3. Water Division (Engineering/Resource Management)

Division Chief - Gerald L. Edwards
Water Resources Specialist - Vacant
Management Assistant I - Brenda L. Haymore

4. Financial/Administrative Division

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

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

**EXPERIENCE
AND
QUALIFICATIONS**

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

Executive Director. George M. Caan currently serves as the executive director of the Colorado River Commission where his responsibility lies in managing the operations of the Commission and helping guide it into the 21st century. Prior to joining the Commission in May of 1996, Mr. Caan was the Deputy Director of the Washington State Energy Office in Olympia, Washington. He was responsible for managing the day to day operations of

the office with a staff of 150 and an annual budget of \$25 million. The energy office was charged with providing energy policy support to the governor and legislature and running technical assistance programs for a variety of clients in the State of Washington. He spent a great deal of time as Deputy Director dealing with hydropower resource issues arising out of the changes to Columbia River Operations and the Bonneville Power Administration. Since 1985 Mr. Caan held a variety of positions with the energy office culminating in the position as Deputy Director. From 1980 to 1985 Mr. Caan was the energy manager for the City of Boston responsible for planning and implementing a comprehensive energy management plan for municipal facilities.

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

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

Power Division Chief. Douglas E. Varner graduated from San Diego State University in December 1987, with a B.S. degree in electrical engineering. While a student, he was a robotics design engineer and a metrology lab engineer for the Navy as a civilian employee. After graduating, he moved to Los Angeles, California and worked for the Los Angeles Department of Water and Power for eight years. There he was involved in all aspects of the utility business, from field engineering to policy planning and legislative analysis. While in Los Angeles, he obtained an MBA in Marketing/Management from California State University Los Angeles. He joined the Commission in May of 1996. His primary responsibility has been to streamline and improve current Commission operations, establish a close working relationship with Commission customers and contractors, and help position the Commission to operate in a deregulated environment.

Financial and Administrative Division Chief. Douglas N. Beatty received a B.S. degree from the University of Utah in December 1983 majoring in accounting. He spent four years with the Las Vegas office of a national public accounting firm. While with the firm he completed the necessary requirements and received his Certified Public Accounting certificate in January 1986. While in public accounting, he was responsible for audit and attest work on varied clients. In 1985, he was assigned to the governmental audit team and spent the majority of his time in the

governmental auditing area. The duties and assignments related to his governmental work included all aspects of the audit function, from preliminary investigation and proposal preparation, planning, conducting and review of financial statements.

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

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

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

James H. Davenport received his juris doctorate from Willamette University College of Law, Salem Oregon in 1977. He is licensed to practice law in Nevada and Washington State and is a member of the bars of the Supreme Court of the United States, the Supreme Courts of Washington and Nevada, the United States Court of Appeals for the Ninth Circuit, the United States Court of Federal Claims and the United States District Courts of Western and Eastern Washington and Nevada. He has served as Assistant Attorney General for the State of Washington, Associate Counsel to the Environment and Public Works Committee of the United States Senate, Special Deputy Attorney General to the State of Nevada regarding siting of high-level nuclear waste repositories and now Deputy Attorney General and counsel to the Colorado River Commission of Nevada. He is a contributing author to *Powell on Real Property* and *Cavitch on Business Organizations* (both Matthew Bender) on various subjects including land use and zoning, clean air, clean water, water rights, Superfund, solid waste, hazardous waste, radioactive materials regulation and disposal, international law of the sea, energy, administrative law. His public practice has included eminent domain, public lands management,

nuclear facilities licensing, contracts negotiation and administration, personnel administration and statutory compliance. His private practice has included environmental compliance, defense of eminent domain, permitting, commercial leasing, real estate transactions and financing, hospital administration. His clerkships included the United States Attorney for the District of Oregon, the Attorney General of the State of Washington, and the Judiciary Committee of the Oregon State Legislature.

Colorado River Commission

Executive Director
George M. Caan

Deputy Director
(proposed)

Deputy Attorney Generals
Gerald Lopez
Jim Davenport

Special Assistant
Linda Littell

Electric Utility Consultants
Power Delivery Project
Dave Luttrell, P.E.
Tom Hardin

Confidential Secretary (50%)
Deanna Bruno

Environmental Lead Engineer
Phil Lehr

Power Resources Division Chief
Douglas Varner

Water Resources Division Chief
Gerald Edwards, P.E.

Administrative Services Division Chief
Douglas Beatty

Management Assistant II (Proposed)
Deborah Moore

Management Assistant I
Wanda Manner

Management Assistant #
Brenda Haymore

Management Assistant I
Joan Bechtloff

Power Marketing Specialists
David White
Darlene Hite

Power Marketing Administrator
Malvin Ware

Senior Engineer
(Vacant)

Engineering Technician
Vacant

Accountant 2
Pat Zach

Management Assistant IV (50%)
Deanna Bruno

Accounting Tech II
Julie DeMayo

Accounting Tech I
Celia Hannig

Mgt Asst. 1's
Arlene Hayden
Arthur Chartoff

Receptionist
Jackie Ward

**FINANCIAL
SECTION**



PIERCY, BOWLER, TAYLOR & KERN

Certified Public Accountants & Business Advisors
A Professional Corporation

Telephone: (702) 384-1120
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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Colorado River Commission of Nevada
Las Vegas, Nevada

We have audited the general purpose financial statements of the Colorado River Commission of Nevada, component unit of the State of Nevada, as of and for the year ended June 30, 1996, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the management of the Colorado River Commission of Nevada. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Colorado River Commission of Nevada, as of June 30, 1996, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Colorado River Commission of Nevada. Such information for 1996 has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued reports dated November 1, 1996, on our consideration of the Commission's internal control, on its compliance with laws, regulations, contracts and grants, and on its compliance with bond and debenture resolutions.

Piercy, Bowler, Taylor & Kern

November 1, 1996

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

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

**COLORADO RIVER COMMISSION
COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1996**

COLORADO RIVER COMMISSION

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1996

EXHIBIT 1

	Governmental Fund Types		Proprietary Fund Types (Note 13)	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Enterprise	General Fixed Assets	General Long-term Obligations	June 30, 1996	June 30, 1995
ASSETS AND OTHER DEBITS							
Cash (Note 2)	\$ 448,777	\$ 3,495,169	\$ 1,840,854			\$ 5,784,800	\$ 7,156,481
Receivables:							
Accounts	45,103	58,601	1,993,959			2,097,663	7,141,923
Accrued interest	8,792	64,411	493,569			566,772	2,884,592
Due from other funds (Note 7)	230,397	533	48,490			279,420	292,955
Inventories, at cost							66,443
Prepaid expenses			6,962,132			6,962,132	7,057,589
Restricted assets (Note 3):							
Cash (Note 2)			82,629,271			82,629,271	184,673,879
Investments, at cost							409,335
Fixed assets (net of accumulated depreciation) (Note 4)			89,263	\$ 140,549		229,812	193,035,145
Deferred charges			54,881			54,881	8,734,116
Other assets			45,482,674			45,482,674	48,782,299
Amount to be provided for future compensated absences					\$ 81,311	81,311	85,113
TOTAL ASSETS AND OTHER DEBITS	\$ 733,069	\$ 3,618,714	\$ 139,595,093	\$ 140,549	\$ 81,311	\$ 144,168,736	\$ 460,319,870

LIABILITIES, EQUITY (DEFICIT) AND OTHER CREDITS	Governmental Fund Types		Proprietary Fund Types (Note 13)	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Enterprise	General Fixed Assets	General Long-term Obligations	June 30, 1996	June 30, 1995
LIABILITIES:							
Accounts payable	\$ 43,052	\$ 11,810	\$ 2,373,149			\$ 2,428,011	\$ 5,393,597
Due to other funds (Note 7)		95,491	183,930			279,421	292,955
Due to Southern Nevada Water Authority (Note 13)			52,947,510			52,947,510	
Payable from restricted assets:							
Accounts payable			62,500			62,500	1,583,150
Bonds payable (within 1 year)			1,785,000			1,785,000	4,795,000
Due to state general fund (within 1 year)			54,881			54,881	120,000
U.S. Repayment Contract payable (within 1 year)							3,022,556
Accrued interest			1,298,639			1,298,639	7,041,801
Contract retentions							53,440
General obligation bonds payable (Note 5)			78,995,000			78,995,000	305,300,000
Unamortized charge on refunding bonds							(2,331,732)
Advance from Federal government (Notes 5 and 9)							178,905,984
Advance from local government			842,078			842,078	
Due to state general fund							54,881
Accrued compensated absences					\$ 81,311	81,311	85,113
Deferred income (Note 10)			95,295			95,295	4,875,768
Total liabilities	<u>43,052</u>	<u>107,301</u>	<u>138,637,982</u>		<u>81,311</u>	<u>138,869,646</u>	<u>509,192,513</u>
EQUITY (DEFICIT) AND OTHER CREDITS:							
Investment in general fixed assets				\$ 140,549		140,549	155,633
Contribution from Federal government							3,197,139
Contribution from State of Nevada							1,526,290
Retained earnings (deficit):							
Reserved for capital improvements and replacement (Note 3)							4,132,889
Reserved for operation and maintenance (Note 3)			841,012			841,012	1,470,685
Unreserved (deficit) (Note 6)			116,099			116,099	(64,619,464)
Fund balances:							
Reserved for encumbrances							5,983
Unreserved	<u>690,017</u>	<u>3,511,413</u>				<u>4,201,430</u>	<u>5,258,202</u>
Total equity (deficit) and other credits	<u>690,017</u>	<u>3,511,413</u>	<u>957,111</u>	<u>140,549</u>		<u>5,299,090</u>	<u>(48,872,643)</u>
TOTAL LIABILITIES, EQUITY (DEFICIT) AND OTHER CREDITS	<u>\$ 733,069</u>	<u>\$ 3,618,714</u>	<u>\$ 139,595,093</u>	<u>\$ 140,549</u>	<u>\$ 81,311</u>	<u>\$ 144,168,736</u>	<u>\$ 460,319,870</u>

See notes to financial statements.

COLORADO RIVER COMMISSION

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1996

EXHIBIT 2

	Governmental Fund Types		Totals (Memorandum Only)	
	General	Special Revenue	1996	1995
REVENUES:				
Administrative charge				
Water sales	\$ 438,780	\$ 83,011	\$ 521,791	\$ 620,388
Land sales	46,724		46,724	275,300
Interest				4,908,279
Miscellaneous	51,498	282,767	334,265	160,234
Total revenues	<u>320</u>	<u>74,590</u>	<u>74,910</u>	<u>69,665</u>
	<u>537,322</u>	<u>440,368</u>	<u>977,690</u>	<u>6,033,866</u>
EXPENDITURES:				
Current:				
General administration	1,407,133	376,597	1,783,730	1,546,100
Less allocated salaries and overhead	(869,684)		(869,684)	(813,023)
Net general administration expenditures	537,449	376,597	914,046	733,077
Water purchases	20,782		20,782	10,194
Land purchases				1,233,100
Intergovernmental		1,105,617	1,105,617	1,252,782
Total expenditures	<u>558,231</u>	<u>1,482,214</u>	<u>2,040,445</u>	<u>3,229,153</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(20,909)	(1,041,846)	(1,062,755)	2,804,713
FUND BALANCE - JULY 1	<u>710,926</u>	<u>4,553,259</u>	<u>5,264,185</u>	<u>2,459,472</u>
FUND BALANCE - JUNE 30	<u>\$ 690,017</u>	<u>\$ 3,511,413</u>	<u>\$ 4,201,430</u>	<u>\$ 5,264,185</u>

See notes to financial statements.

COLORADO RIVER COMMISSION

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP
BUDGETARY BASIS) AND ACTUAL (LEGAL BASIS)
GENERAL AND SPECIAL REVENUE FUNDS (NOTE 6B)
FOR THE YEAR ENDED JUNE 30, 1996

EXHIBIT 3

	General Fund			Special Revenue Funds		
	Budget	Actual (Legal Basis)	Variance- Favorable (Unfavorable)	Budget	Actual (Legal Basis)	Variance- Favorable (Unfavorable)
REVENUES:						
Administrative charge	\$ 684,055	\$ 438,780	(\$ 245,275)	\$ 308,140	\$ 83,011	(\$ 225,129)
Water sales	249,119	46,724	(202,395)			
Land sales				15,000,000		(15,000,000)
Interest	18,778	51,498	32,720	133,443	282,767	149,324
Miscellaneous		320	320	25,588	74,590	49,002
Total revenues	<u>951,952</u>	<u>537,322</u>	<u>(414,630)</u>	<u>15,467,171</u>	<u>440,368</u>	<u>(15,026,803)</u>
EXPENDITURES:						
Current:						
General administration	824,996	531,466	293,530	516,098	376,597	139,501
Water purchases	25,076	20,782	4,294			
Intergovernmental				15,000,000	1,105,617	13,894,383
Total expenditures	<u>850,072</u>	<u>552,248</u>	<u>297,824</u>	<u>15,516,098</u>	<u>1,482,214</u>	<u>14,033,884</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	101,880	(14,926)	116,806	(48,927)	(1,041,846)	(992,919)
FUND BALANCE - JULY 1	<u>704,943</u>	<u>704,943</u>		<u>4,553,259</u>	<u>4,553,259</u>	
FUND BALANCE JUNE 30 (Note 6)	<u>\$ 806,823</u>	<u>\$ 690,017</u>	<u>\$ 116,806</u>	<u>\$ 4,504,332</u>	<u>\$ 3,511,413</u>	<u>(\$ 992,919)</u>

See notes to financial statements.

COLORADO RIVER COMMISSION

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS (DEFICIT)

ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1996

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1995

EXHIBIT 4

	Proprietary Fund Types	
	1996	1995
OPERATING REVENUES:		
Water sales		\$ 48,144,718
Power sales	\$ 24,556,298	27,705,888
Miscellaneous service	<u>120,000</u>	<u>134,164</u>
Total operating revenues	<u>24,676,298</u>	<u>75,984,770</u>
OPERATING EXPENSES:		
Water treatment		3,938,454
Source of supply		244,850
Pumping		23,331,142
Transmission		406,137
Administrative and general		3,720,438
Power purchases	17,577,676	20,633,171
Prepaid power advances	<u>6,988,622</u>	<u>7,062,717</u>
Total operating expenses	<u>24,566,298</u>	<u>59,336,909</u>
OPERATING INCOME BEFORE DEPRECIATION	110,000	16,647,861
DEPRECIATION		<u>7,157,428</u>
OPERATING INCOME	<u>110,000</u>	<u>9,490,433</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	93,752	920,503
Interest on long-term debt		(11,037,047)
Amortization	<u>(120,000)</u>	<u>721,749</u>
Total nonoperating revenues (expenses)	<u>(26,248)</u>	<u>(10,338,293)</u>
INCOME (LOSS) FROM CONTINUING OPERATIONS (Note 6)	83,752	(1,347,860)
INCOME FROM DISCONTINUED OPERATIONS (Note 13)	<u>590,063</u>	
NET INCOME (LOSS)	673,815	(1,347,860)
TRANSFER OF DEFICIT TO SOUTHERN NEVADA WATER AUTHORITY (Note 13)	59,299,186	
DEFICIT - JULY 1 (Note 6)	<u>(59,015,890)</u>	<u>(57,668,030)</u>
RETAINED EARNINGS (DEFICIT) - JUNE 30 (Note 6)	<u>\$ 957,111</u>	<u>(\$ 59,015,890)</u>

See notes to financial statements.

**COLORADO RIVER COMMISSION
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1996
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1995**

COLORADO RIVER COMMISSION

COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1996
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1995

	Proprietary Fund Types	
	Enterprise 1996	Enterprise 1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 48,050,189	\$ 77,037,241
Cash paid to suppliers	(32,053,043)	(52,169,792)
Cash paid to other funds for expense allocations	(915,875)	(713,279)
Miscellaneous operating revenues	134,967	134,164
Net cash provided by operating activities	<u>15,216,238</u>	<u>24,288,334</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments to Federal government for prepaid power	(149,503)	(1,270,778)
Payments to state general fund for Hoover negotiation expenses	(120,000)	(120,000)
Interest capitalized to prepaid power	(5,276,750)	(5,436,506)
Principal payments on bonds and federal obligation	(1,675,000)	(1,580,000)
Other	(7,636)	(5,866)
Net cash used by noncapital financing activities	<u>(7,228,889)</u>	<u>(8,413,150)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Advance from local government	842,078	
Bond proceeds	118,590,000	161,452,174
Deposit to escrow for refunding	(116,266,376)	(14,179,540)
Bond expenses	(3,123,329)	(879,410)
Transfers to local government	(85,186,408)	
Acquisition of property, plant and equipment	(22,339,167)	(12,511,891)
Principal payments on bonds and federal obligation	(3,120,000)	(5,816,313)
Interest payments on bonds and federal obligation	(6,094,914)	(9,131,782)
Net cash provided (used) by capital financing activities	<u>(116,698,116)</u>	<u>118,933,238</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	409,335	3,543,831
Purchase of investments		(3,014,950)
Interest earned	<u>5,921,420</u>	<u>5,621,379</u>
Net cash provided by investing activities	<u>6,330,755</u>	<u>6,150,260</u>
NET INCREASE (DECREASE) IN CASH (RESTRICTED AND UNRESTRICTED)	(102,380,012)	140,958,682
CASH, JULY 1	<u>186,850,137</u>	<u>45,891,455</u>
CASH, JUNE 30	<u>\$ 84,470,125</u>	<u>\$ 186,850,137</u>

COLORADO RIVER COMMISSION

COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1996

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1995

EXHIBIT 5

	<u>Proprietary Fund Types</u>	
	Enterprise	
	1996	1995
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING		
ACTIVITIES:		
Operating income:		
Continuing operations	\$ 110,000	\$ 9,490,433
Discontinued operations (Note 13)	6,409,495	
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,941,575	7,157,428
Decrease (increase) in certain assets:		
Accounts receivable	5,084,919	8,106
Inventories	66,443	48,395
Prepaid power	6,988,622	7,062,717
Prepaid expenses	(205,834)	(2,460)
Increase (decrease) in certain liabilities:		
Accounts payable and contract retentions	(3,797,271)	(766,405)
Due to/from other funds	(108,842)	111,592
Deferred income	(2,272,869)	1,178,528
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 15,216,238</u>	<u>\$ 24,288,334</u>

See notes to financial statements.

**NOTES TO
FINANCIAL STATEMENTS**

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1996

1. Summary of significant accounting policies:

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

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

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

The Commission is not subject to regulation by federal or state utility regulatory bodies such as the Federal Energy Regulatory Commission or the Nevada Public Service Commission. However, the chart of accounts and accounting procedures for the water treatment and water transmission enterprise funds (Note 13) generally follow the guidelines contained in the uniform system of accounts published by the National Association of Regulatory Utility Commissioners for Class A and B water utilities. Practices and procedures suggested in *Water Utility Accounting*, published by the Government Finance Officers Association and the American Water Works Association, have also been followed to the extent legally and practically feasible.

The following is a summary of the more significant policies.

A. Fund Accounting

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

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1996

1. Summary of significant accounting policies (continued):

A. Fund Accounting (continued)

Governmental Funds

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

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

Proprietary Funds

Enterprise Funds - These funds are used to account for operations of the power marketing fund and were used for the discontinued Southern Nevada Water System (SNWS) (Note 13), both of which are utilities financed and operated in a manner similar to private business enterprises. It is intended that the costs of providing power to the public on a continuing basis be financed or recovered through user charges. Periodic determination of revenues earned, expenses incurred and net income is appropriate for capital maintenance, public policy, management control, accountability and compliance with debt covenants. In implementing GASB Statement No. 20, the Commission elected not to adopt pronouncements of the Financial Accounting Standards Board issued after November 30, 1989, for its proprietary funds.

B. Fixed Assets and Long-term Liabilities

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

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

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1996

1. Summary of significant accounting policies (continued):

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

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

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

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

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

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40 to 50 years
Improvements other than buildings:	
Tunnels	75 years
Mains and accessories	40 to 75 years
Reservoirs	40 to 75 years
Other	20 to 50 years
Machinery and equipment	5 to 40 years

The respective enterprise funds service their own long-term obligations. Long-term obligations recorded in the general long-term obligations account group are serviced from the general fund.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1996

1. Summary of significant accounting policies (continued):

C. Basis of Accounting

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

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

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

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

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

Governmental Funds:

- (a) Prior to September 1 of each even-numbered year, the director submits proposed operating budgets to the Nevada Budget division covering the biennium beginning the following July 1.
- (b) After review of the budgets by the Nevada Budget Division between September 1 and November 15, hearings between the Commission, the Director of Administration and the governor are held between November 15 and December 22.
- (c) The biennium budgets are transmitted to the Legislature no later than the 10th day of the session held in odd numbered years.
- (d) Before adjourning, the Legislature legally enacts the budgets.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1996

1. Summary of significant accounting policies (continued):

D. Budget and Budgetary Accounting (continued)

Governmental Funds (continued):

- (e) Net expenditures of the general fund (gross expenditures less amounts allocated to other funds) are controlled to budget categories (personnel services, travel instate, travel out-of-state, operating expenses, and capital outlay for the general fund; and general and administrative, purchase of land and intergovernmental for the special revenue funds). The account captions reported in the separate budgetary statements is the lowest level at which appropriations are adopted for the special revenue funds. The net amount budgeted for each category may not be exceeded. Management of the Commission cannot amend any budget categories. However, the Nevada Director of Administration is authorized to approve requests for changes in the budget involving transfers between expenditure categories not exceeding 10% of originally budgeted expenditures, or \$25,000 in the aggregate, of the respective budget categories. Any changes exceeding 10% or \$25,000 require approval of the Legislature's Interim Finance Committee.
- (f) No net budgeted amounts were exceeded in any category during 1995-96.

Proprietary (Enterprise) Funds:

- (a) The same budgetary procedures outlined above for governmental funds are utilized for enterprise funds; however, all expenses are budgeted under one category, operating expenses. The amount budgeted for each enterprise fund equals estimated revenues for each year of the biennium.
- (b) For the discontinued SNWS enterprise funds (Note 13), line item operating and capital improvement budgets were submitted to the Commission for approval prior to June 30th each year. The budgets cover the following fiscal year beginning July 1. Changes in these budgets during the year by the director were permissible only if approved by the Commission.

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

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

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1996

1. Summary of significant accounting policies (continued):

D. Budget and Budgetary Accounting (continued)

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

Budgeted amounts for 1995-96 are as originally adopted or amended by either the Commission, Nevada Director of Administration or Interim Financial Committee. Individual amendments were not material in relation to original authorizations.

E. Encumbrances

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

F. Allocation of Administrative Salaries and Overhead

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

G. Accounts Receivable

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

H. Inventories

Discontinued enterprise fund (Note 13) inventories, consisting of chemicals and gasoline held for consumption, were stated at cost using the first-in, first-out method. Perpetual inventory records were maintained and verified by monthly physical counts. No inventory is recorded in the general or special revenue funds.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1996

1. Summary of significant accounting policies (continued):

I. Restricted Assets

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

J. Other Assets

The Commission is participating in funding the uprating of the power generation plant at Hoover Dam which supplies the majority of the power sold through the power marketing fund. These costs will be reimbursed in the form of power as the related debt amortizes over an extended period of time. The amount of power to be received during the next fiscal year is reclassified as a prepaid expense in the fund.

K. Unamortized Debt Expense

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

L. Unamortized Debt Premium or Discount

Any premium received or discount given upon the sale of bonds is amortized over the life of the bonds using the bonds outstanding method. As of June 30, 1996, unamortized bond premium or discount, and related amortization for the year then ended, were not material.

M. Accrued Unpaid Compensated Absences

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

N. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Commission's financial position and operations. However, they are derived from the Commission's financial statements as previously issued without reclassification for the discontinuance of enterprise funds transferred in 1996 (Note 13) and, therefore, not comparable with respect thereto. Detailed comparative data (*i.e.*, presentation of prior year totals by fund type) and certain disclosures have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Accordingly, this data do not purport to present financial position, results of operation, or cash flows for the prior year in accordance with GAAP.

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1996**

1. Summary of significant accounting policies (continued):

O. Total Columns

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

2. Cash deposits:

All cash (restricted and unrestricted) is deposited with the state treasurer or operating agent. At June 30, 1996, cash on deposit was as follows:

Carrying Value	Treasurer's Balance
\$ <u>88,414,071</u>	\$ <u>88,306,881</u>

3. Restricted assets:

The various debt service, operation and maintenance (O&M), capital improvement and construction (acquisition) funds required by bond covenants and the federal repayment contract are recorded as restricted assets on the enterprise funds' balance sheet. These restricted assets are established either from bond proceeds or retained earnings. Retained earnings are reserved to the extent restricted assets established from retained earnings exceed related restricted liabilities. The restrictions upon these assets at June 30, 1996, are summarized as follows:

	Discontinued Operations (Note 13) SNWS State Fund	Continuing Operations Power Marketing Fund
Debt service	\$ 27,227	\$ 2,637,391
Debt service reserve		581,629
Construction reserve	51,724,906	26,817,106
Revenue insufficiency reserve		<u>841,012</u>
Total restricted assets	<u>\$ 51,752,133</u>	<u>\$ 30,877,138</u>

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1996

4. Changes in fixed assets:

Changes in fixed assets during 1995-96 were as follows:

	Balance July 1, 1995	Additions	Retirements	Balance June 30, 1996
General fixed assets account group:				
Office equipment	\$ 121,877	\$ 3,165	\$ 18,249	\$ 106,793
Office furniture and fixtures	1,165			1,165
Automobiles	32,591			32,591
Total general fixed assets	<u>\$ 155,633</u>	<u>\$ 3,165</u>	<u>\$ 18,249</u>	<u>\$ 140,549</u>
Enterprise funds' fixed assets:				
	Balance July 1, 1995	Additions	Transfers ¹	Balance June 30, 1996
SNWS state fund:				
Land and land rights	\$ 100		\$ 100	
Buildings	18,203,135		18,203,135	
Improvements other than buildings	23,033,795		23,033,795	
Machinery and equipment	31,856,508		31,856,508	
Construction work in progress	18,430,349	\$ 19,024,647	37,454,996	
Subtotal	91,523,887	19,024,647	110,548,534	
Less accumulated depreciation	30,577,553	1,232,647	31,810,200	
	<u>60,946,334</u>	<u>17,792,000</u>	<u>78,738,334</u>	
SNWS federal fund:				
Land and land rights	275,483		275,483	
Buildings	8,973,143		8,973,143	
Improvements other than buildings	37,061,784		37,061,784	
Machinery and equipment	7,172,268		7,172,268	
Water transmission system	131,792,107		131,792,107	
Construction work in progress		33,746	33,746	
Subtotal	185,274,785	33,746	185,308,531	
Less accumulated depreciation	53,341,607	1,708,928	55,050,535	
	<u>131,933,178</u>	<u>(1,675,182)</u>	<u>130,257,996</u>	
Total SNWS funds' fixed assets (net)	192,879,512	16,116,818	208,996,330	
Power marketing fund:				
Construction work in progress		89,263		\$ 89,263
	<u>\$192,879,512</u>	<u>\$ 16,206,081</u>	<u>\$208,996,330</u>	<u>\$ 89,263</u>

¹Assets transferred to the Southern Nevada Water Authority (Note 13), effective January 1, 1996.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1996

5. Long-term debt:

Section 3 of Article 9 of the state constitution limits public debt to two percent of the state's assessed valuation. The legislature may authorize debt which is not subject to the foregoing limitation to protect and preserve, or obtain the benefits of, any of its property or natural resources. The Nevada Supreme Court has ruled that bonded debt incurred by the Commission relative to the Southern Nevada Water System (SNWS) was an exercise of this authority and does not affect the legal debt margin imposed by the constitution. The bonded debt incurred to fund Nevada's share of the cost of uprating electrical generating facilities at Hoover Dam does not affect the legal debt margin either, because it was incurred to obtain the benefits of a natural resource.

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

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

On December 28, 1995, the Commission issued general obligation bonds of \$118,590,000 (par value) with an interest rate of 4.5-5.0% to advance refund term bonds with an interest rate of 6.2%-6.5% and a par value of \$105,995,000. The refunded term bonds mature on July 1, 2007 through July 1, 2024, are callable on July 1, 2004. The general obligation bonds were issued at par and, after paying issuance costs of \$2,784,508, the net proceeds were \$115,805,492. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the refunded term bonds are called on July 1, 2004. The advance refunding met the requirements of an in-substance debt defeasance, and the term bonds were removed from the Commission's balance sheet.

As a result of the advance refunding, the Commission reduced its total debt service requirements by \$37,429,620, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$7,303,744.

Effective January 1, 1996, the Commission transferred all rights and obligations relating to the SNWS, including the above described 1995 refunding bonds to the Southern Nevada Water Authority (SNWA) (Note 13).

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1996**

5. Long-term debt (continued):

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

	Maturity Dates	Interest Rates	Outstanding June 30, 1996
General obligations bonds:			
Hoover uprating, series 1987B	1993-2017	6 to 10.75%	\$ 9,845,000
Hoover uprating refunding, series 1992	1992-2016	6 to 6.6%	<u>70,935,000</u>
			80,780,000
Accrued compensated absences			<u>81,331</u>
			80,861,331
Less current portion			<u>1,866,331</u>
			<u>\$ 78,995,000</u>

Changes in long-term debt during fiscal 1996 are summarized below:

	Balance July 1, 1995	Additions	Retirements	Transfer to SNWA	Balance June 30, 1996
General obligation bonds	\$310,095,000	\$118,590,000	\$110,790,000 ²	\$237,115,000	\$ 80,780,000
Federal repayment contract	181,928,540			181,928,540	
Accrued compensated absences	<u>85,113</u>		<u>3,782</u>		<u>81,331</u>
Total	<u>\$492,108,653</u>	<u>\$118,590,000</u>	<u>\$110,793,782</u>	<u>\$419,043,540</u>	<u>\$ 80,861,331</u>

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

Fiscal Years Ending June 30:

1997	\$ 6,912,553
1998	6,895,900
1999	6,900,350
2000	6,894,950
2001	6,892,050
Thereafter	<u>116,319,049</u>
Total	<u>\$150,814,852</u>
Principal	80,780,000
Interest	<u>70,034,852</u>
Total	<u>\$150,814,852</u>

²Includes \$105,995,000 of series 11/1/94 bonds that were advance refunded (defeased) by the series 11/1/95 bonds included in additions.

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1996**

6. Budgetary Basis of Accounting

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

The following reconciles expenditures and fund balances reported on the GAAP basis and expenditures, encumbrances and fund balances reported on the budgetary basis:

Changes in Encumbrances Outstanding

	GAAP Basis	Prior Year	Current Year	Budgetary Basis
General fund:				
Total expenditures	\$ 558,231	(\$ 5,983)	\$ -0-	\$ 552,248
Fund balance	690,017	-0-	-0-	690,017

7. Other required fund disclosures:

A. Segment Information for Enterprise Funds

Segment information for the year ended and as of June 30, 1996, is as follows:

	Discontinued operations (Note 13)		Continuing operations		Total
	SNWS State Fund	SNWS Federal Fund	Power Marketing Fund		
For the year ended:					
Operating revenues	\$ 7,601,471	\$ 13,095,337	\$ 24,676,298	\$	45,373,106
Depreciation and amortization expense	(1,561,555)	(1,708,928)	(120,000)	(3,390,483)
Operating income	3,498,785	2,910,710	110,000		6,519,495
Net income	326,132	263,931	83,752		673,815
As of year end:					
Property, plant and equipment:					
Additions	19,024,647	33,746			19,058,393
Deletions	110,548,534	185,308,531			295,857,065
Net working capital			35,262,666		35,262,666
Total assets	52,228,158	917,762	86,449,173		139,595,093
Bonds and other long-term obligations payable from operating revenues			79,837,078		79,837,078
Total fund equity			957,111		957,111

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1996

7. Other required fund disclosures (continued):

B. Interfund Receivable and Payable Balances

The interfund receivable and payable balances at June 30, 1996, were:

	Interfund Receivables	Interfund Payables
General fund	\$ 230,397	
Special revenue funds:		
Research and development	533	\$ 89,438
Ft. Mohave Valley development		6,052
Enterprise funds:		
SNWS state fund	48,490	70,619
SNWS federal fund		70,619
Power marketing fund		<u>42,692</u>
 Total	 <u>\$ 279,420</u>	 <u>\$ 279,420</u>

C. Enterprise Fund Deficits and Net Losses

As explained in Notes 10 and 11, water users 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 and required deposits to reserve funds. Operating losses and accumulated deficits are the result of not charging water users for certain recorded expenses; *i.e.*, depreciation, amortization of debt and pre-operational expenses and unpaid interest on federal debt added to principal. As annual retirements of debt principal progressively increase and are included in billings to water users, annual revenues are expected to exceed recorded expenses, because principal payments are recorded as reductions of long-term debt rather than expenses. The deficits are expected to be progressively reduced and finally eliminated as the annual retirements of debt principal increase. The SNWS state fund recorded a net income of \$326,132 for 1996, which decreased the fund's deficit to \$9,301,415. The SNWS federal fund recorded a net income of \$263,931, which decreased the fund's deficit to \$49,997,771. These accumulated deficits have been transferred to the SNWA (Note 13).

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1996**

7. Other required fund disclosures (continued):

D. Changes in Fund Equity (including Contributed Capital) of Enterprise Funds

The changes in fund equity for the year ended June 30, 1996, were:

	Discontinued operations (Note 13)		Continuing operations	
	SNWS State Fund	SNWS Federal Fund	Power Marketing Fund	Total Enterprise Funds
Fund equity (deficit), July 1, 1995:				
Contributed capital	\$ 1,500,000	\$ 3,223,429		\$ 4,723,429
Retained earnings (deficit):				
Reserved	3,632,889	1,179,835	\$ 790,850	5,603,574
Unreserved	(13,260,436)	(51,441,537)	82,509	(64,619,464)
Total fund equity (deficit) July 1, 1995	(8,127,547)	(47,038,273)	873,359	(54,292,461)
Net income 1995-96	326,132	263,931	83,752	673,815
Transfers to SNWA (Note 13):				
Contributed capital	(1,500,000)	(3,223,429)		(4,723,429)
Deficit	9,301,415	49,997,771		59,299,186
Fund equity June 30, 1996	<u>\$</u>	<u>\$</u>	<u>\$ 957,111</u>	<u>\$ 957,111</u>
Comprised of:				
Retained earnings (deficit):				
Reserved			\$ 841,012	\$ 841,012
Unreserved			116,099	116,099
			<u>\$ 957,111</u>	<u>\$ 957,111</u>

E. Interest Incurred and Capitalized in Enterprise Funds

Total interest incurred for the year	\$ 13,481,677
Less capitalized	(7,446,858)
Interest expense charged to discontinued operations (Note 13)	<u>\$ 6,034,819</u>

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1996

8. Defined benefit pension plan:

All Commission employees participate in the Nevada Public Employees Retirement System (PERS), a cost-sharing, multiple-employer, public employee retirement system. The Commission's total payroll of \$789,076 for the year ended June 30, 1996, was paid to employees covered by PERS.

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

Employees have the option of either contributing 10% of their salary, which is matched by the Commission, or, under the employer-paid option, taking a 9.5% reduction in gross pay with the Commission contributing 19% of salary to PERS. The contribution requirement for the year ended June 30, 1996, was \$102,480 which consisted of \$71,611 from the Commission and \$30,869 from employees. This contribution represented .03% of all contributions made by participants in the PERS. The Commission has no further liability to PERS pursuant to Nevada Revised Statutes, Chapter 286.110.

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1996**

8. Defined benefit pension plan (continued):

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

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

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

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

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

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

In addition to providing pension benefits, the Commission allows retired employees to continue their health care and life insurance coverage, with the Commission contributing a portion of the monthly premiums. The Commission recognizes the cost of providing these benefits by expensing the employee contributions in the year the premiums are paid. The cost of this benefit for the year ended June 30, 1996 was \$5,782.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1996

9. Contracts with United States government:

The Commission entered into a contract in 1967, with the federal government for construction of the federal facilities of the first stage of the Southern Nevada Water System. The facilities were constructed by the United States Bureau of Reclamation with federal funds. The Commission has been repaying the federal government for construction costs over a 50-year period (see Note 5). Title to the federal facilities is held by the United States. The Commission had the contractual right to use the facilities during the 50-year repayment period, and after reimbursement is made in full, that right becomes permanent.

Under the terms of the contract, the Commission has been required to charge purchasers of service and all users of the federal facilities, amounts sufficient to cover all operation and maintenance expenses (excluding depreciation), all debt service requirements, and any amounts required to be deposited in reserve accounts.

In 1977, the Commission, acting as an agent of the State of Nevada, entered into a contract with the federal government for construction of the second stage of the SNWS. Under the contract, the federal government constructed the pumping and transmission facilities necessary to deliver water from Lake Mead to meet future needs of water users in the Las Vegas valley. The Commission's annual delivery capability of water from Lake Mead through the SNWS has been 299,000 acre-feet.

The Commission has been obligated to repay the federal government for the construction costs of the federal facilities plus interest at 3.25% per annum on the unpaid balance over a 50-year period ending in 2033.

Effective January 1, 1996, the Commission transferred all rights and obligations under the above described contracts to the SNWA (Note 13).

10. Contracts with water users:

The Commission has executed water delivery contracts with five water users in the Las Vegas area. The contracts have required that the water users reimburse the Commission for all operating and maintenance expenses (excluding depreciation), debt service, and reserve requirements of the SNWS. Water users' billings for operating and maintenance have been estimated monthly and adjusted annually at December 31, to the actual expenses of the Commission.

Bond covenants and the federal repayment contract have required that the Commission supervise, operate and maintain the state and federal facilities comprising the SNWS.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1996

10. Contracts with water users (continued):

In compliance with the 1971 State of Nevada Water Distribution Act, the Commission entered into a contract with the Las Vegas Valley Water District (LVVWD), a principal water user, without impairment of any relationship regarding outstanding bonds. Pursuant to this contract, the water district has operated and maintained the facilities, acting as an agent of the Commission. Funds have been advanced by the Commission to the LVVWD for payment of expenses.

Effective January 1, 1996, the Commission transferred all rights and obligations under the above described contracts to the SNWA (Note 13).

11. Bond covenants:

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

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

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

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

Other - Other requirements of the bond covenants include maintaining bond funds in separate depository accounts with the State Treasurer, and an audit of the facility's financial statements by an independent certified public accountant. During the fiscal year ended June 30, 1996, the Commission complied with all requirements of the bond covenants.

12. Contingency:

Arbitrage Rebate Requirement - The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the Commission. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a), is required to be rebated to the United States Treasury, in order for the interest on the bonds to be excluded from gross income for federal income tax purposes. Temporary regulations implementing the rebate requirement were released by the Internal Revenue Service on May 12, 1989. Rebateable arbitrage is computed as of each installment computation date. The arbitrage rebate calculation as of that date indicates that no rebate requirement is due and, therefore, no accrued liability is recorded at June 30, 1996. Future calculations might result in arbitrage rebate requirements on the computation dates.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1996

13. Transfer of Southern Nevada Water System:

On June 28, 1996, the Governor of Nevada signed into law Chapter 393, Statutes of Nevada 1996 (Transfer Act), which transfers certain rights, powers, duties, and liabilities relating to the SNWS from the State and Colorado River Commission to the SNWA. This statute is effective January 1, 1996. The Transfer Act provides that the SNWA hold in its own name and exercise in its own right, all rights, interests, functions and powers, perform all duties and obligations and assume all liabilities of the State and Commission relating to the SNWS. These rights, powers, duties, and liabilities will include, but are not limited to, the State of Nevada General Obligation bonds, the existing water user contracts, the Federal Repayment Contract, the Service Contract between the Commission and the Las Vegas Valley Water District, and all other contracts related to the System including contracts for capital improvement.

On December 29, 1995, the Commission entered into an agreement with the SNWA; setting forth the specific term for implementation of the Transfer Act.

The Commission has accounted for this non-reciprocal transfer of net liabilities as discontinued operations, without recognition of any gain or loss, effective July 1, 1995. As of June 30, 1996, some residual operating cash and certain unmatured investments with the state treasurer aggregating \$52,947,510 had not yet been transferred to the SNWA. These are reflected as such in the accompanying balance sheet, in the proprietary fund types column, with an offsetting liability to the SNWA.

14. Risk management:

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

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

**GENERAL FUND
(A-1 through A-3)**

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

COLORADO RIVER COMMISSION

GENERAL FUND

COMPARATIVE BALANCE SHEETS

JUNE 30, 1996 AND 1995

A-1

ASSETS	1996	1995
Cash	\$ 448,777	\$ 410,630
Receivables:		
Accounts	45,103	47,249
Accrued interest	8,792	6,197
Due from other funds	<u>230,397</u>	<u>292,955</u>
 TOTAL ASSETS	 <u>\$ 733,069</u>	 <u>\$ 757,031</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES - Accounts payable	<u>\$ 43,052</u>	<u>\$ 46,105</u>
 FUND BALANCE:		
Reserved for encumbrances		5,983
Unreserved	<u>690,017</u>	<u>704,943</u>
Total fund balance	<u>690,017</u>	<u>710,926</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 733,069</u>	 <u>\$ 757,031</u>

COLORADO RIVER COMMISSION

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED JUNE 30, 1996 AND 1995

A-2

	1996	1995
REVENUES:		
Administrative charge	\$ 438,780	\$ 454,585
Water sales	46,724	275,300
Interest	51,498	18,078
Miscellaneous	<u>320</u>	<u>44,691</u>
Total revenues	<u>537,322</u>	<u>792,654</u>
EXPENDITURES:		
Current:		
General administration:		
Personnel services:		
Salaries	724,870	723,309
Employee benefits	181,256	191,454
Travel:		
Out-of-state	13,080	11,785
In-state	2,190	6,237
Operating:		
Water purchases	20,782	10,194
Office supplies and expense	11,794	8,270
Printing and copying	4,583	4,994
Insurance	10,453	3,212
Contractual services	85,351	53,268
Legal	219,202	179,096
Equipment repair	2,581	4,069
Rent	54,749	67,039
Vehicle operation	1,481	1,422
Postage	13,688	10,469
Telephone	19,770	16,167
Dues and registrations	3,180	3,940
Publications	2,234	3,342
Professional services	1,268	15,896
Miscellaneous	34,624	15,768
Equipment, furniture and software	<u>20,779</u>	<u>48,504</u>
Total expenditures	1,427,915	1,378,435
Less allocated salaries and overhead	<u>869,684</u>	<u>813,023</u>
Net expenditures	<u>558,231</u>	<u>565,412</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(20,909)	227,242
FUND BALANCE - JULY 1	<u>710,926</u>	<u>483,684</u>
FUND BALANCE - JUNE 30	<u>\$ 690,017</u>	<u>\$ 710,926</u>

COLORADO RIVER COMMISSION

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET (NON-GAAP
BUDGETARY BASIS) AND ACTUAL (LEGAL BASIS)
FOR THE YEAR ENDED JUNE 30, 1996

A-3

	Budget	Actual (Legal Basis)	Variance- Favorable (Unfavorable)
REVENUES:			
Administrative charge	\$ 684,055	\$ 438,780	(\$ 245,275)
Water sales	249,119	46,724	(202,395)
Interest	18,778	51,498	32,720
Miscellaneous		320	320
Total revenues	<u>951,952</u>	<u>537,322</u>	<u>(414,630)</u>
EXPENDITURES:			
Current:			
General administration:			
Personnel services	1,174,495	906,126	268,369
Travel:			
Out-of-state	19,739	13,080	6,659
In-state	4,086	2,190	1,896
Operating:			
Water purchases	25,076	20,782	4,294
Office supplies and expense	14,710	11,785	2,925
Printing and copying	3,350	4,583	(1,233)
Insurance	7,076	4,253	2,823
Contractual services	56,561	85,351	(28,790)
Legal	219,382	219,202	180
Equipment repair	4,058	2,581	1,477
Rent	53,558	54,749	(1,191)
Advertising and public relations	3,743	8,587	(4,844)
Vehicle operation	3,360	1,481	1,879
Postage	11,322	13,688	(2,366)
Telephone	9,737	19,770	(10,033)
Dues and registration	2,535	3,180	(645)
Publications	3,246	2,234	1,012
Professional services	150	1,268	(1,118)
Miscellaneous	4,531	32,237	(27,706)
Allocations out	<u>(783,292)</u>	<u>(869,684)</u>	<u>86,392</u>
Net operating	837,423	537,443	299,980
Equipment, furniture and software	12,649	14,805	(2,156)
Net expenditures	<u>850,072</u>	<u>552,248</u>	<u>297,824</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	101,880	(14,926)	116,806
FUND BALANCE - JULY 1	<u>704,943</u>	<u>704,943</u>	
FUND BALANCE JUNE 30	<u>\$ 806,823</u>	<u>\$ 690,017</u>	<u>\$ 116,806</u>

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

Two special revenue funds have been established by the Commission.

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

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

COLORADO RIVER COMMISSION

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1996 WITH COMPARATIVE TOTALS FOR JUNE 30, 1995

B-1

ASSETS	Research and Development	Ft. Mohave Valley Development	Totals	
			1996	1995
Cash	\$ 230,852	\$ 3,264,317	\$ 3,495,169	\$ 4,569,593
Receivables:				
Accounts	58,601		58,601	15,796
Accrued interest	3,777	60,634	64,411	60,368
Due from other funds	533		533	
TOTAL ASSETS	\$ 293,763	\$ 3,324,951	\$ 3,618,714	\$ 4,645,757
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 11,810		\$ 11,810	\$ 43,825
Due to other funds	89,438	\$ 6,053	95,491	48,673
Total liabilities	101,248	6,053	107,301	92,498
FUND BALANCES - Unreserved	192,515	3,318,898	3,511,413	4,553,259
TOTAL LIABILITIES AND FUND BALANCES	\$ 293,763	\$ 3,324,951	\$ 3,618,714	\$ 4,645,757

COLORADO RIVER COMMISSION

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1996
WITH COMPARATIVE TOTALS FOR JUNE 30, 1995

B-2

	Research and Development	Ft. Mohave Valley Development	Totals	
			1996	1995
REVENUES:				
Administrative charge	\$ 83,011		\$ 83,011	\$ 165,803
Sale of land				4,908,279
Interest	20,700	\$ 262,067	282,767	142,156
Miscellaneous	50,000	24,590	74,590	24,974
Total revenues	<u>153,711</u>	<u>286,657</u>	<u>440,368</u>	<u>5,241,212</u>
EXPENDITURES:				
Current:				
General administration	353,892	22,705	376,597	177,859
Purchase of land				1,233,100
Intergovernmental		1,105,617	1,105,617	1,252,782
Total expenditures	<u>353,892</u>	<u>1,128,322</u>	<u>1,482,214</u>	<u>2,663,741</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(200,181)	(841,665)	(1,041,846)	2,577,471
FUND BALANCE - JULY 1	<u>392,696</u>	<u>4,160,563</u>	<u>4,553,259</u>	<u>1,975,788</u>
FUND BALANCE - JUNE 30	<u>\$ 192,515</u>	<u>\$ 3,318,898</u>	<u>\$ 3,511,413</u>	<u>\$ 4,553,259</u>

COLORADO RIVER COMMISSION

RESEARCH AND DEVELOPMENT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 1996

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 1995

B-3

	1996		Variance- Favorable (Unfavorable)	1995 Actual
	Budget	Actual		
REVENUES:				
Administrative charge	\$ 308,140	\$ 83,011	(\$ 225,129)	\$ 165,803
Interest	14,107	20,700	6,593	22,678
Miscellaneous		50,000	50,000	50,000
Total revenues	<u>322,247</u>	<u>153,711</u>	<u>(168,536)</u>	<u>188,481</u>
EXPENDITURES -				
Current - General administration	<u>466,009</u>	<u>353,892</u>	<u>112,117</u>	<u>161,904</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(143,762)	(200,181)	(56,419)	26,577
FUND BALANCE - JULY 1	<u>392,696</u>	<u>392,696</u>		<u>366,119</u>
FUND BALANCE - JUNE 30	<u>\$ 248,934</u>	<u>\$ 192,515</u>	<u>(\$ 56,419)</u>	<u>\$ 392,696</u>

COLORADO RIVER COMMISSION

FT. MOHAVE VALLEY DEVELOPMENT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 1996

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 1995

B-4

	1996		Variance- Favorable (Unfavorable)	1995 Actual
	Budget	Actual		
REVENUES:				
Sale of land	\$ 15,000,000	\$	(\$ 15,000,000)	\$ 3,675,179
Interest	119,336	262,067	142,731	119,478
Miscellaneous	25,588	24,590	(998)	24,974
Total revenues	<u>15,144,924</u>	<u>286,657</u>	<u>(14,858,267)</u>	<u>3,819,631</u>
EXPENDITURES:				
Current:				
General administration	50,089	22,705	27,384	15,955
Intergovernmental	<u>15,000,000</u>	<u>1,105,617</u>	<u>13,894,383</u>	<u>1,252,782</u>
Total expenditures	<u>15,050,089</u>	<u>1,128,322</u>	<u>13,921,767</u>	<u>1,268,737</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	94,835	(841,665)	(936,500)	2,550,894
FUND BALANCE - JULY 1	<u>4,160,563</u>	<u>4,160,563</u>		<u>1,609,669</u>
FUND BALANCE - JUNE 30	<u>\$ 4,255,398</u>	<u>\$ 3,318,898</u>	<u>(\$ 936,500)</u>	<u>\$ 4,160,563</u>

ENTERPRISE FUNDS
(C-1 through C-11)

Until January 1, 1996, the Commission maintained three enterprise funds. Two of them are operated together as the Southern Nevada Water System (SNWS) and were transferred, effective January 1, 1996, to the Southern Nevada Water Authority (SNWA) and accounted for as discontinued operations. SNWS is a utility supplying water to five retailing entities in Clark County, Nevada. The other enterprise fund, the power marketing fund, is required by the bond resolution authorizing the financing of Nevada's share of the cost of uprating the generating facilities at Hoover Dam. It is used to record purchases and sales of power and other power marketing related activities.

COLORADO RIVER COMMISSION
ENTERPRISE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 1996
WITH COMPARATIVE TOTALS FOR JUNE 30, 1995

COLORADO RIVER COMMISSION

ENTERPRISE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1996

WITH COMPARATIVE TOTALS FOR JUNE 30, 1995

C-1

ASSETS	Discontinued operations		Continuing operations	Totals	
	SNWS State Fund	SNWS Federal Fund	Power Marketing Fund	1996	1995
Current assets:					
Cash	\$ 412,898	\$ 903,621	\$ 524,335	\$ 1,840,854	\$ 2,176,258
Receivables:					
Accounts			1,993,959	1,993,959	7,078,878
Accrued interest	14,637	14,141	464,791	493,569	2,818,027
Due from other funds	48,490			48,490	
Inventories, at cost					66,443
Prepaid expenses			6,962,132	6,962,132	7,057,589
Total current assets	<u>476,025</u>	<u>917,762</u>	<u>9,945,217</u>	<u>11,339,004</u>	<u>19,197,195</u>
Restricted assets:					
Cash	51,752,133		30,877,138	82,629,271	184,673,879
Investments, at cost					409,335
Total restricted assets	<u>51,752,133</u>		<u>30,877,138</u>	<u>82,629,271</u>	<u>185,083,214</u>
Property, plant and equipment:					
Land					275,583
Structures and improvements					87,271,857
Machinery and equipment					39,028,776
Water transmission system					131,792,107
Construction in progress			89,263	89,263	18,430,349
Total property, plant and equipment			<u>89,263</u>	<u>89,263</u>	<u>276,798,672</u>
Less accumulated depreciation					<u>83,919,160</u>
Net property, plant and equipment			<u>89,263</u>	<u>89,263</u>	<u>192,879,512</u>
Deferred charges:					
Unamortized debt and other expense			54,881	54,881	8,734,116
Total deferred charges			<u>54,881</u>	<u>54,881</u>	<u>8,734,116</u>
Other assets			45,482,674	45,482,674	48,782,299
TOTAL ASSETS	\$ 52,228,158	\$ 917,762	\$ 86,449,173	\$ 139,595,093	\$ 454,676,336

LIABILITIES AND FUND EQUITY (DEFICIT)	Discontinued operations		Continuing	Totals	
	SNWS	SNWS	Power	1996	1995
	State	Federal	Marketing		
	Fund	Fund	Fund		
LIABILITIES:					
Current liabilities:					
Accounts payable	\$ 44,672	\$	\$ 2,328,477	\$ 2,373,149	\$ 5,303,667
Due to other funds	70,619	70,619	42,692	183,930	244,282
Due to Southern Nevada Water Authority	<u>52,100,367</u>	<u>847,143</u>		<u>52,947,510</u>	
Total current liabilities	<u>52,215,658</u>	<u>917,762</u>	<u>2,371,169</u>	<u>55,504,589</u>	<u>5,547,949</u>
Payable from restricted assets:					
Accounts payable	12,500		50,000	62,500	1,583,150
Bonds payable (within 1 year)			1,785,000	1,785,000	4,795,000
Due to state general fund (within 1 year)			54,881	54,881	120,000
U.S. Repayment Contract payable (within 1 year)					3,022,556
Accrued interest			1,298,639	1,298,639	7,041,801
Contract retentions					<u>53,440</u>
Total payable from restricted assets	<u>12,500</u>		<u>3,188,520</u>	<u>3,201,020</u>	<u>16,615,947</u>
Long-term debt:					
Advance from State of Nevada general obligation bonds payable			78,995,000	78,995,000	305,300,000
Unamortized charge on refunding bonds					(2,331,732)
Advance from Federal government					178,905,984
Advance from local government			842,078	842,078	
Due to state general fund					<u>54,881</u>
Total long-term debt			<u>79,837,078</u>	<u>79,837,078</u>	<u>481,929,133</u>
Deferred credits:					
Deferred income			95,295	95,295	4,875,768
Total deferred credits			<u>95,295</u>	<u>95,295</u>	<u>4,875,768</u>
Total liabilities	<u>52,228,158</u>	<u>917,762</u>	<u>85,492,062</u>	<u>138,637,982</u>	<u>508,968,797</u>
FUND EQUITY (DEFICIT):					
Contribution from Federal government					3,197,139
Contribution from State of Nevada					1,526,290
Retained earnings (deficit):					
Reserved for capital improvement and replacement					4,132,889
Reserved for operation and maintenance			841,012	841,012	1,470,685
Unreserved (deficit)			<u>116,099</u>	<u>116,099</u>	(64,619,464)
Total fund equity (deficit)			<u>957,111</u>	<u>957,111</u>	(54,292,461)
TOTAL LIABILITIES AND FUND EQUITY (DEFICIT)	<u>\$ 52,228,158</u>	<u>\$ 917,762</u>	<u>\$ 86,449,173</u>	<u>\$ 139,595,093</u>	<u>\$ 454,676,336</u>

COLORADO RIVER COMMISSION

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 1996
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1995

C-2

	Discontinued operations		Continuing operations	Totals	
	SNWS State Fund	SNWS Federal Fund	Power Marketing Fund	1996	1995
OPERATING REVENUES:					
Water sales	\$ 7,594,559	\$ 13,087,282		\$ 20,681,841	\$ 48,144,718
Power sales			\$ 24,556,298	24,556,298	27,705,888
Miscellaneous service	6,912	8,055	120,000	134,967	134,164
Total operating revenues	7,601,471	13,095,337	24,676,298	45,373,106	75,984,770
OPERATING EXPENSES:					
Water treatment	1,353,809			1,353,809	3,938,454
Source of supply		99,312		99,312	244,850
Pumping		7,563,074		7,563,074	23,331,142
Transmission		120,573		120,573	406,137
Administrative and general	1,516,230	692,740		2,208,970	3,720,438
Power purchases			17,577,676	17,577,676	20,633,171
Prepaid power advances			6,988,622	6,988,622	7,062,717
Total operating expenses	2,870,039	8,475,699	24,566,298	35,912,036	59,336,909
OPERATING INCOME BEFORE DEPRECIATION	4,731,432	4,619,638	110,000	9,461,070	16,647,861
DEPRECIATION	1,232,647	1,708,928		2,941,575	7,157,428
OPERATING INCOME	3,498,785	2,910,710	110,000	6,519,495	9,490,433
NONOPERATING REVENUES (EXPENSES):					
Interest income	234,735	309,560	93,752	638,047	920,503
Interest on long-term debt	(3,078,480)	(2,956,339)		(6,034,819)	(11,037,047)
Amortization			(120,000)	(448,908)	(721,749)
Total nonoperating revenues (expenses)	(3,172,653)	(2,646,779)	(26,248)	(5,845,680)	(10,838,293)
NET INCOME (LOSS)	326,132	263,931	83,752	673,815	(1,347,860)
TRANSFER OF DEFICIT TO SOUTHERN NEVADA WATER AUTHORITY	9,301,415	49,997,771		59,299,186	
RETAINED EARNINGS, (DEFICIT) - JULY 1	(9,627,547)	(50,261,702)	873,359	(59,015,890)	(57,668,030)
RETAINED EARNINGS (DEFICIT) JUNE 30	\$ -	\$ -	\$ 957,111	\$ 957,111	\$ 59,015,890

COLORADO RIVER COMMISSION
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1996
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1995

COLORADO RIVER COMMISSION

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1996

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1995

C-3

	Discontinued operations		Continuing operations	Totals	
	SNWS State Fund	SNWS Federal Fund	Power Marketing Fund	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 7,228,345	\$ 15,879,737	\$ 24,942,107	\$ 48,050,189	\$ 77,037,241
Cash paid to suppliers	(3,190,049)	(11,003,772)	(17,859,222)	(32,053,043)	(52,169,792)
Cash paid to other funds for expense allocations	(564,428)	(351,447)		(915,875)	(713,279)
Miscellaneous operating revenues	6,912	8,055	120,000	134,967	134,164
Net cash provided by operating activities	3,480,780	4,532,573	7,202,885	15,216,238	24,288,334
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Payments to Federal government for prepaid power			(149,503)	(149,503)	(1,270,778)
Repayments to state general fund			(120,000)	(120,000)	(120,000)
Interest capitalized to prepaid power			(5,276,750)	(5,276,750)	(5,436,506)
Principal payments on bonds and Federal obligation			(1,675,000)	(1,675,000)	(1,580,000)
Other			7,636	7,636	5,866
Net cash used by noncapital financing activities			(7,228,889)	(7,228,889)	(8,413,150)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Advance from local government			842,078	842,078	
Bond proceeds	118,590,000			118,590,000	161,452,174
Deposit to escrow for refunding	(116,266,376)			(116,266,376)	(14,179,540)
Bond expenses	(3,123,329)			(3,123,329)	(879,410)
Transfers to local government	(74,238,769)	(10,947,639)		(85,186,408)	
Acquisition of property, plant and equipment	(22,216,158)	(33,746)	(89,263)	(22,339,167)	(12,511,891)
Principal payments on bonds and Federal obligation	(3,120,000)			(3,120,000)	(5,816,313)
Interest payments on bonds and Federal obligation	(6,094,914)			(6,094,914)	(9,131,782)
Net cash provided (used) by capital financing activities	(106,469,546)	(10,981,385)	752,815	(116,698,116)	(118,933,238)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sale of investments			409,335	409,335	3,543,831
Purchase of investments					(3,014,950)
Interest and dividends on investments	3,765,565	375,491	1,780,364	5,921,420	5,621,379
Net cash provided by investing activities	3,765,565	375,491	2,189,699	6,330,755	6,150,260
NET INCREASE (DECREASE) IN CASH	(99,223,201)	(6,073,321)	2,916,510	(102,380,012)	140,958,682
CASH, JULY 1	151,388,232	6,976,942	28,484,963	186,850,137	45,891,455
CASH, JUNE 30	\$ 52,165,031	\$ 903,621	\$ 31,401,473	\$ 84,470,125	\$ 186,850,137

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES:**

	<u>Discontinued operations</u>		<u>Continuing operations</u>	<u>Totals</u>	
	<u>SNWS State Fund</u>	<u>SNWS Federal Fund</u>	<u>Power Marketing Fund</u>	1996	1995
Operating income	\$ 3,498,785	\$ 2,910,710	\$ 110,000	\$ 6,519,495	\$ 9,490,432
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1,232,647	1,708,928		2,941,575	7,157,428
Decrease (increase) in certain assets:					
Accounts receivable	1,272,523	3,486,919	325,477	5,084,919	8,106
Inventories	66,443			66,443	48,395
Prepaid power			6,988,622	6,988,622	7,062,718
Other prepaid expenses	(205,834)			(205,834)	(2,460)
Increase (decrease) in certain liabilities:					
Accounts payable and contract retentions	(607,544)	(2,865,489)	(324,238)	(3,797,271)	(766,405)
Due to/from other funds	(137,503)	(14,031)	42,692	(108,842)	111,592
Deferred income	(1,638,737)	(694,464)	60,332	(2,272,869)	1,178,528
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 3,480,780	\$ 4,532,573	\$ 7,202,885	\$ 15,216,238	\$24,288,334

COLORADO RIVER COMMISSION

SNWS STATE FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 RETAINED EARNINGS (DEFICIT) - BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 1996
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1995

C-4

	1996		Variance- Favorable (Unfavorable)	1995 Actual
	Budget	Actual		
OPERATING REVENUES:				
Water sales	\$ 19,951,032	\$ 7,594,559	(\$ 12,356,473)	\$ 14,542,145
Miscellaneous service	7,500	6,912	(588)	14,164
Total operating revenues	<u>19,958,532</u>	<u>7,601,471</u>	<u>(12,357,061)</u>	<u>14,556,309</u>
OPERATING EXPENSES:				
Water treatment	4,514,100	1,353,809	3,160,291	3,938,454
Administrative and general	2,678,136	1,516,230	1,161,906	2,369,120
Total operating expenses	<u>7,192,236</u>	<u>2,870,039</u>	<u>4,322,197</u>	<u>6,307,574</u>
OPERATING INCOME BEFORE DEPRECIATION	12,766,296	4,731,432	(8,034,864)	8,248,735
DEPRECIATION	<u>2,550,000</u>	<u>1,232,647</u>	<u>1,317,353</u>	<u>3,724,392</u>
OPERATING INCOME	<u>10,216,296</u>	<u>3,498,785</u>	<u>6,717,511</u>	<u>4,524,343</u>
NONOPERATING REVENUES (EXPENSES):				
Interest income	500,000	234,735	(265,265)	390,780
Interest on long-term debt	(13,007,256)	(3,078,480)	9,928,776	(5,067,550)
Amortization	(613,122)	(328,908)	284,214	(601,749)
Total nonoperating revenues (expenses)	<u>(13,120,378)</u>	<u>(3,172,653)</u>	<u>9,947,725</u>	<u>(5,278,519)</u>
NET INCOME (LOSS)	(2,904,082)	326,132	3,230,214	(754,176)
TRANSFER OF DEFICIT TO SOUTHERN NEVADA WATER AUTHORITY		9,301,415	9,301,415	
DEFICIT - JULY 1	(9,627,547)	(9,627,547)		(8,873,371)
DEFICIT - JUNE 30	<u>(\$ 12,531,629)</u>	<u>\$</u>	<u>\$ 12,531,629</u>	<u>(\$ 9,627,547)</u>

COLORADO RIVER COMMISSION

SNWS STATE FUND

COMPARATIVE SCHEDULE OF OPERATING EXPENSES -
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 1996
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1995

C-5

	1996		Variance- Favorable (Unfavorable)	1995 Actual
	Budget	Actual		
WATER TREATMENT OPERATION:				
Operation:				
Supervision and engineering	\$ 477,800	\$ 57,552	\$ 420,248	\$ 179,464
Chemicals	1,150,000	329,164	820,836	847,859
Labor and expenses	1,268,300	549,358	718,942	1,685,782
Miscellaneous	164,000	6,255	157,745	24,209
Maintenance:				
Supervision and engineering	170,000	57,228	112,772	186,656
Structures and improvements	645,000	129,510	515,490	400,392
Water treatment equipment	639,000	224,742	414,258	614,092
Total water treatment operation	<u>4,514,100</u>	<u>1,353,809</u>	<u>3,160,291</u>	<u>3,938,454</u>
ADMINISTRATIVE AND GENERAL:				
Salaries	600,500	233,680	366,820	489,641
Customer accounts	12,000	1,248	10,752	2,729
Office supplies and other expenses	380,250	328,107	52,143	333,480
Outside services	226,000	544,067	(318,067)	423,443
Insurance	62,980	20,630	42,350	57,510
Employee benefits	1,088,406	293,731	794,675	953,543
Maintenance of general plant	59,000	22,612	36,388	74,993
Miscellaneous	249,000	72,155	176,845	33,781
Total administrative and general	<u>2,678,136</u>	<u>1,516,230</u>	<u>1,161,906</u>	<u>2,369,120</u>
TOTAL OPERATING EXPENSES	<u>\$ 7,192,236</u>	<u>\$ 2,870,039</u>	<u>\$ 4,322,197</u>	<u>\$ 6,307,574</u>

COLORADO RIVER COMMISSION

SNWS STATE FUND

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS -
 RESTRICTED ACCOUNTS REQUIRED BY BOND RESOLUTIONS AND CONTRACTS
 FOR THE YEAR ENDED JUNE 30, 1996

C-6

	General Operating Fund	1978D Debt Service	Capital Improvement and Replacement Reserve	November 1, 1992 Acquisition Fund	November 1, 1994 Acquisition Fund	December 1, 1995 Refunding Bonds	Total
CASH RECEIPTS:							
Water sales	\$ 7,228,345						\$ 7,228,345
Miscellaneous service revenues	6,921						6,921
Interest income	264,502			\$ 5,452		\$ 6,327,558	6,597,512
Transfers in		\$ 6,374,873	170,161		\$ 119,697,781	2,098,647	128,341,462
Total cash receipts	<u>7,499,768</u>	<u>6,374,873</u>	<u>170,161</u>	<u>5,452</u>	<u>119,697,781</u>	<u>8,426,205</u>	<u>142,174,240</u>
CASH DISBURSEMENTS:							
Operating and maintenance	3,754,477						3,754,477
Transfers out	4,127,982	3,062,758	2,942,735		119,492,881	73,173,228	202,799,584
Principal payments		3,120,000			80,000		3,200,000
Interest payments		11,625,832			97,673	3,191,511	14,915,016
Additions to property and equipment			552,089			16,176,275	16,728,364
Total cash disbursements	<u>7,882,459</u>	<u>17,808,590</u>	<u>3,494,824</u>		<u>119,670,554</u>	<u>92,541,014</u>	<u>241,397,441</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(382,691)	(11,433,717)	(3,324,663)	5,452	27,227	(84,114,809)	(99,223,201)
CASH DEPOSITS - JULY 1, 1995	<u>795,589</u>	<u>11,433,717</u>	<u>3,324,663</u>	(5,452)		<u>135,839,715</u>	<u>151,388,232</u>
CASH DEPOSITS WITH TREASURER - JUNE 30, 1996	<u>\$ 412,898</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 27,227</u>	<u>\$ 51,724,906</u>	<u>\$ 52,165,031</u>

COLORADO RIVER COMMISSION

SNWS FEDERAL FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS (DEFICIT) - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1996

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 1995

C-7

	1996		Variance- Favorable (Unfavorable)	1995 Actual
	Budget	Actual		
OPERATING REVENUES:				
Water sales	\$ 38,128,612	\$ 13,087,282	(\$ 25,041,330)	\$ 33,602,573
Miscellaneous service	5,000	8,055	3,055	
Total operating revenues	<u>38,133,612</u>	<u>13,095,337</u>	<u>(25,038,275)</u>	<u>33,602,573</u>
OPERATING EXPENSES:				
Source of supply	754,957	99,312	655,645	244,850
Pumping	25,840,100	7,563,074	18,277,026	23,331,142
Transmission	451,600	120,573	331,027	406,137
General - administrative	1,721,764	692,740	1,029,024	1,351,318
Total operating expenses	<u>28,768,421</u>	<u>8,475,699</u>	<u>20,292,722</u>	<u>25,333,447</u>
OPERATING INCOME BEFORE DEPRECIATION	9,365,191	4,619,638	(4,745,553)	8,269,126
DEPRECIATION	<u>980,000</u>	<u>1,708,928</u>	<u>(728,928)</u>	<u>3,433,036</u>
OPERATING INCOME	<u>8,385,191</u>	<u>2,910,710</u>	<u>(5,474,481)</u>	<u>4,836,090</u>
NONOPERATING REVENUES (EXPENSES):				
Interest income	500,000	309,560	(190,440)	454,942
Interest on long-term debt	(5,855,900)	(2,956,339)	2,899,561	(5,969,497)
Total nonoperating revenues (expenses)	<u>(5,355,900)</u>	<u>(2,646,779)</u>	<u>2,709,121</u>	<u>(5,514,555)</u>
NET INCOME (LOSS)	3,029,291	263,931	(2,765,360)	(678,465)
TRANSFER OF DEFICIT TO SOUTHERN NEVADA WATER AUTHORITY		49,997,771	49,997,771	
DEFICIT - JULY 1	(50,261,702)	(50,261,702)		(49,583,237)
DEFICIT - JUNE 30	<u>(\$ 47,232,411)</u>	<u>\$</u>	<u>\$ 47,232,411</u>	<u>(\$ 50,261,702)</u>

COLORADO RIVER COMMISSION

SNWS FEDERAL FUND

COMPARATIVE SCHEDULE OF OPERATING EXPENSES -
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 1996

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 1995

C-8

	1996		Variance- Favorable (Unfavorable)	1995 Actual
	Budget	Actual		
SOURCE OF SUPPLY:				
Operation:				
Supervision and engineering	\$ 50,000	\$ 12,027	\$ 37,973	\$ 57,911
Purchased water	159,957	73,111	86,846	154,572
Maintenance:				
Structure and improvements	25,000	5,219	19,781	13,553
Equipment	520,000	8,955	511,045	18,814
Total source of supply	<u>754,957</u>	<u>99,312</u>	<u>655,645</u>	<u>244,850</u>
PUMPING:				
Operation:				
Supervision and engineering	24,000	9,653	14,347	24,395
Power	24,000,000	6,894,362	17,105,638	21,603,300
Labor and expenses	40,100	10,672	29,428	39,374
Miscellaneous	1,000		1,000	352
Maintenance:				
Supervision and engineering	80,000	40,543	39,457	110,693
Structures and improvements	150,000	59,329	90,671	179,240
Pumping equipment	1,545,000	548,515	996,485	1,373,788
Total pumping	<u>25,840,100</u>	<u>7,563,074</u>	<u>18,277,026</u>	<u>23,331,142</u>
TRANSMISSION:				
Operation:				
Supervision and engineering	26,400	10,661	15,739	19,947
Transmission lines	67,200	12,236	54,964	57,957
Miscellaneous	1,000	1,378	(378)	2,538
Maintenance:				
Supervision and engineering	55,000	19,235	35,765	68,280
Storage facilities	80,000	3,080	76,920	45,830
Transmission mains	100,000	43,445	56,555	94,595
Meters	100,000	21,027	78,973	89,643
Miscellaneous plant	22,000	9,511	12,489	27,347
Total transmission	<u>451,600</u>	<u>120,573</u>	<u>331,027</u>	<u>406,137</u>
ADMINISTRATIVE AND GENERAL:				
Salaries	625,500	209,578	415,922	457,560
Customer accounts	6,000	1,248	4,752	2,491
Office supplies and other expenses	305,250	224,053	81,197	240,035
Outside services	20,000	14,138	5,862	16,264
Insurance	27,020	9,514	17,506	28,234
Employee benefits	488,994	161,929	327,065	531,499
Miscellaneous	249,000	72,280	176,720	75,235
Total administrative and general	<u>1,721,764</u>	<u>692,740</u>	<u>1,029,024</u>	<u>1,351,318</u>
TOTAL OPERATING EXPENSES	<u>\$ 28,768,421</u>	<u>\$ 8,475,699</u>	<u>\$ 20,292,722</u>	<u>\$ 25,333,447</u>

COLORADO RIVER COMMISSION

SNWS FEDERAL FUND

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS -
 RESTRICTED ACCOUNTS REQUIRED BY CONTRACTS
 FOR THE YEAR ENDED JUNE 30, 1996

C-9

	General Operating Funds	Debt Service	Operation, Maintenance and Capital Reserve	Emergency Reserve	Total
CASH RECEIPTS:					
Water sales	\$ 15,879,737				\$15,879,737
Interest income	375,491				375,491
Transfers in		\$ 4,754,438	\$ 42,490		4,796,928
Total cash receipts	<u>16,255,228</u>	<u>4,754,438</u>	<u>42,490</u>		<u>21,052,156</u>
CASH DISBURSEMENTS:					
Operating and maintenance	11,355,219				11,355,219
Transfers out	4,898,651	8,935,234	1,406,079	\$ 500,000	15,739,964
Additions to property and equipment			30,294		30,294
Total cash disbursements	<u>16,253,870</u>	<u>8,935,234</u>	<u>1,436,373</u>	<u>500,000</u>	<u>27,125,477</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	1,358	(4,180,796)	(1,393,883)	(500,000)	(6,073,321)
CASH DEPOSITS - JULY 1, 1995	<u>902,263</u>	<u>4,180,796</u>	<u>1,393,883</u>	<u>500,000</u>	<u>6,976,942</u>
CASH DEPOSITS - JUNE 30, 1996	<u>\$ 903,621</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 903,621</u>

COLORADO RIVER COMMISSION

POWER MARKETING FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS (DEFICIT) - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1996

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 1995

C-10

	1996		Variance- Favorable (Unfavorable)	1995 Actual
	Budget	Actual		
OPERATING REVENUES:				
Power sales	\$ 36,437,008	\$ 24,556,298	(\$ 11,880,710)	\$ 27,705,888
Miscellaneous service	<u>120,000</u>	<u>120,000</u>		<u>120,000</u>
Total operating revenues	<u>36,557,008</u>	<u>24,676,298</u>	<u>(11,880,710)</u>	<u>27,825,888</u>
OPERATING EXPENSES:				
Power purchases	36,299,008	17,577,676	18,721,332	20,633,171
Miscellaneous expenses	<u>6,988,622</u>	<u>6,988,622</u>		<u>7,062,717</u>
Total operating expenses	<u>43,287,630</u>	<u>24,566,298</u>	<u>18,721,332</u>	<u>27,695,888</u>
OPERATING INCOME (LOSS)	<u>(6,730,622)</u>	<u>110,000</u>	<u>6,840,622</u>	<u>130,000</u>
NONOPERATING REVENUES (EXPENSES):				
Interest income	21,286	93,752	72,466	74,781
Amortization	<u>(120,000)</u>	<u>(120,000)</u>		<u>(120,000)</u>
Total nonoperating revenues (expenses)	<u>(98,714)</u>	<u>(26,248)</u>	<u>72,466</u>	<u>(45,219)</u>
NET INCOME (LOSS)	<u>(6,829,336)</u>	<u>83,752</u>	<u>6,913,088</u>	<u>84,781</u>
RETAINED EARNINGS - JULY 1	<u>873,359</u>	<u>873,359</u>		<u>788,578</u>
RETAINED EARNINGS (DEFICIT) - JUNE 30	<u>(\$ 5,955,977)</u>	<u>\$ 957,111</u>	<u>\$ 6,913,088</u>	<u>\$ 873,359</u>

COLORADO RIVER COMMISSION

POWER MARKETING FUND

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS -
 RESTRICTED ACCOUNTS REQUIRED BY BOND RESOLUTIONS AND CONTRACTS
 FOR THE YEAR ENDED JUNE 30, 1996

C-11

	General Operating Funds	Debt Service	All Purpose Reserve	Insufficiency Reserve	Escrow Account	Acquisition Fund	Power Supply Fund	Total
CASH RECEIPTS:								
Power sales	\$ 24,942,107							\$ 24,942,107
Interest income	84,988	\$ 154,412	\$ 465,908	\$ 50,162	\$ 11,123	\$ 1,063,934		1,830,527
Transfers in		6,988,623				910,483	\$ 835,000	8,734,106
Investments matured					2,470,831			2,470,831
Total cash receipts	<u>25,027,095</u>	<u>7,143,035</u>	<u>465,908</u>	<u>50,162</u>	<u>2,481,954</u>	<u>1,974,417</u>	<u>835,000</u>	<u>37,977,571</u>
CASH DISBURSEMENTS:								
Power purchased	17,859,222							17,859,222
Capital improvements					149,503	6,662		156,165
Transfers out	7,001,944	173,166	465,908		271,410			7,912,428
Investments purchased					2,470,831			2,470,831
Repayment to state general fund	120,000							120,000
Principal payments		1,675,000						1,675,000
Interest payments		5,276,750						5,276,750
Total cash disbursements	<u>24,981,166</u>	<u>7,124,916</u>	<u>465,908</u>		<u>2,891,744</u>	<u>6,662</u>		<u>35,470,396</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	45,929	18,119		50,162	(409,790)	1,967,755	835,000	2,507,175
CASH AND INVESTMENTS - JULY 1	<u>478,406</u>	<u>3,200,902</u>	<u>7,440,326</u>	<u>790,850</u>	<u>409,790</u>	<u>16,574,024</u>		<u>28,894,298</u>
CASH AND INVESTMENTS - JUNE 30	<u>\$ 524,335</u>	<u>\$ 3,219,021</u>	<u>\$ 7,440,326</u>	<u>\$ 841,012</u>	<u>\$</u>	<u>\$ 18,541,779</u>	<u>\$ 835,000</u>	<u>\$ 31,401,473</u>

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

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

COLORADO RIVER COMMISSION

SCHEDULE OF GENERAL FIXED ASSETS - BY SOURCE
JUNE 30, 1996

D-1

GENERAL FIXED ASSETS:

Equipment:	
Office equipment	\$ 106,793
Office furniture and fixtures	1,165
Automobiles	<u>32,591</u>
TOTAL GENERAL FIXED ASSETS	\$ <u>140,549</u>
INVESTMENT IN GENERAL FIXED ASSETS	
BY SOURCE - General fund	\$ <u>140,549</u>

COLORADO RIVER COMMISSION

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS -
 BY FUNCTION AND ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 1996

D-2

	General Fixed Assets July 1, 1995	Additions	Retirements	General Fixed Assets June 30, 1996
GENERAL GOVERNMENT:				
Colorado River Commission:				
Office equipment	\$ 121,877	\$ 3,165	\$ 18,249	\$ 106,793
Office furniture and fixtures	1,165			1,165
Automobiles	<u>32,591</u>			<u>32,591</u>
TOTAL GENERAL FIXED ASSETS	<u>\$ 155,633</u>	<u>\$ 3,165</u>	<u>\$ 18,249</u>	<u>\$ 140,549</u>

SCHEDULES
(Supplemental Financial Information and Data)

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

COLORADO RIVER COMMISSION

COMBINED SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
 ALL FUNDS
 FOR THE YEAR ENDED JUNE 30, 1996

E-1

	June 30, 1995	Receipts	Disbursements	June 30, 1996
GENERAL FUND	\$ 410,630	\$ 599,431	\$ 561,284	\$ 448,777
SPECIAL REVENUE FUND:				
Research and development	415,184	112,387	296,719	230,852
Ft. Mohave Valley development	4,109,878	280,600	1,126,161	3,264,317
Eldorado Valley development	44,531		44,531	
ENTERPRISE FUNDS:				
SNWS state	795,589	7,499,759	7,882,450	412,898
SNWS federal	902,263	16,255,228	16,253,870	903,621
Power marketing	<u>478,406</u>	<u>25,027,095</u>	<u>24,981,166</u>	<u>524,335</u>
TOTAL - ALL FUNDS	<u>\$ 7,156,481</u>	<u>\$ 49,774,500</u>	<u>\$ 51,146,181</u>	<u>\$ 5,784,800</u>
DEPOSITORY:				
Petty cash				\$ 250
Nevada State Treasurer				<u>5,784,550</u>
TOTAL				<u>\$ 5,784,800</u>

COLORADO RIVER COMMISSION

COMBINED SCHEDULE OF BONDS AND CONTRACTS PAYABLE
 ALL FUNDS
 FOR THE YEAR ENDED JUNE 30, 1996

E-2

	Interest Rates	Interest Payment Dates	Issue Date	Final Maturity Date	Annual Serial Payments	Authorized	Issued	Retired	Outstanding
GENERAL OBLIGATION (REVENUE SUPPORTED) BONDS:									
Hoover uprating, series 1987B	6.0 to 10.75%	4/1/; 10/1	5/1/87	10/1/17	\$1,435,000 to 6,880,000	\$ 100,000,000	\$ 11,190,000	\$ 1,345,000	\$ 9,845,000
Hoover uprating refunding, 1992 series	6.0 to 6.6%	4/1/; 10/1	4/1/92	10/1/16	350,000 to 6,170,000	<u>72,310,000</u>	<u>71,265,000</u>	<u>330,000</u>	<u>70,935,000</u>
Total general obligation debt						<u>\$ 172,310,000</u>	<u>\$151,810,000</u>	<u>\$ 1,675,000</u>	<u>\$ 80,780,000</u>

COLORADO RIVER COMMISSION

SNWS STATE FUND

SCHEDULE OF FIXED ASSETS AND DEPRECIATION
FOR THE YEAR ENDED JUNE 30, 1996

E-3

	Assets Balances at Cost				Allowance for Depreciation				Book value June 30, 1996
	July 1, 1995	Additions	Transfers ¹	June 30, 1996	July 1, 1995	Depreciation	Transfers ¹	June 30, 1996	
Land and land rights	\$ 100		\$ 100						\$
BUILDINGS:									
Control	\$ 14,068,601		\$ 14,068,601		\$ 6,710,460	\$ 242,845	\$ 6,953,305		\$
Chlorine storage	81,156		81,156		43,135	1,021	44,156		
Chlorine	2,143,419		2,143,419		960,603	36,946	997,549		
Maintenance	203,686		203,686		143,173	2,584	145,757		
Utility	1,686,837		1,686,837		765,832	29,458	795,290		
Warehouse	19,436		19,436		11,918	486	12,404		
Total buildings	<u>18,203,135</u>		<u>18,203,135</u>		<u>8,635,121</u>	<u>313,340</u>	<u>8,948,461</u>		
IMPROVEMENTS OTHER THAN BUILDINGS TREATMENT PLANT:									
Treatment plant	11,341,791		11,341,791		6,043,490	204,827	6,248,317		
Wash water basin	80,412		80,412		47,409	1,005	48,414		
Sludge disposal	1,413,426		1,413,426		630,600	21,959	652,559		
Bypass main	445,830		445,830		143,252	3,765	147,017		
Wash water pump housing	128,633		128,633		48,419	1,862	50,281		
Terminal chlorination	728,411		728,411		367,457	10,582	378,039		
Flocculation spltr struct	509,599		509,599		166,795	6,415	173,210		
Wash water spltr struct	55,810		55,810		20,956	806	21,762		
Sludge splitter struct	3,255		3,255		1,057	41	1,098		
Aeration channel	727,088		727,088		249,303	9,589	258,892		
Las Vegas lateral	7,599,540		7,599,540		911,945	75,995	987,940		
Total improvements other than buildings	<u>23,033,795</u>		<u>23,033,795</u>		<u>8,630,683</u>	<u>336,846</u>	<u>8,967,529</u>		

	Assets Balances at Cost			Allowance for Depreciation			Book value June 30, 1996
	July 1, 1995	Additions	Transfers ¹ June 30, 1996	July 1, 1995	Depreciation	Transfers ¹ June 30, 1996	
MACHINERY AND EQUIPMENT:							
Filters	10,541,597		10,541,597	4,921,651	133,516	5,055,167	
Wash water clarifiers	2,185,797		2,185,797	937,959	26,822	964,781	
Chemical treating	152,170		152,170	118,958	2,526	121,484	
Other water treatment	83,231		83,231	77,077	1,209	78,286	
Flocculation basins	9,236,023		9,236,023	3,884,035	149,513	4,033,548	
Sludge thickeners	544,594		544,594	263,470	10,133	273,603	
Computer control system (pmcs)	6,888,993		6,888,993	1,875,791	189,889	2,065,680	
Office furniture and equipment	254,141		254,141	89,864	15,340	105,204	
Automobiles and trucks	67,422		67,422	55,756	1,702	57,458	
Stores	26,591		26,591	26,236	54	26,290	
Tools, shop and garage	241,114		241,114	113,041	7,045	120,086	
Laboratory	1,354,253		1,354,253	699,169	41,818	740,987	
Power operated equipment	56,561		56,561	56,449	74	56,523	
Other	224,021		224,021	192,293	2,820	195,113	
Total machinery and equipment	31,856,508		31,856,508	13,311,749	582,461	13,894,210	
TOTAL PROPERTY, PLANT AND EQUIPMENT IN SERVICE	73,093,538		73,093,538	30,577,553	1,232,647	31,810,200	
CONSTRUCTION IN PROGRESS	18,430,349	19,024,647	37,454,996				
TOTAL FIXED ASSETS	\$ 91,523,887	\$19,024,647	\$110,548,534	\$ 30,577,553	\$ 1,232,647	\$31,810,200	\$

¹Assets transferred to the Southern Nevada Water Authority, effective January 1, 1996.

COLORADO RIVER COMMISSION

SNWS FEDERAL FUND

SCHEDULE OF FIXED ASSETS AND DEPRECIATION
FOR THE YEAR ENDED JUNE 30, 1996

E-4

	Assets Balances at Cost			Allowance for Depreciation			Book value	
	July 1, 1995	Additions	Transfers ¹	June 30, 1996	July 1, 1995 Depreciation	Transfers ¹	June 30, 1996	June 30, 1996
Land and land rights	\$ 275,483		\$ 275,483					
BUILDINGS:								
Pumping plants	8,838,805		8,838,805		\$ 4,456,315	\$ 84,614	\$ 4,540,929	
Maintenance	134,338		134,338		69,330	1,230	70,560	
Total buildings	8,973,143		8,973,143		4,525,645	85,844	4,611,489	
IMPROVEMENTS OTHER THAN BUILDINGS:								
Intake tunnel	5,556,712		5,556,712		1,747,277	37,045	1,784,322	
Supply mains	1,749,269		1,749,269		852,509	18,157	870,666	
Reservoirs	3,040,244		3,040,244		1,465,846	31,078	1,496,924	
Transmission mains	26,678,518		26,678,518		9,897,284	195,975	10,093,259	
Other	37,041		37,041		26,120	532	26,652	
Total improvements other than buildings	37,061,784		37,061,784		13,989,036	282,787	14,271,823	
MACHINERY AND EQUIPMENT:								
Pumps	2,904,975		2,904,975		2,173,535	46,713	2,220,248	
Other pumping	2,935,050		2,935,050		1,865,163	39,737	1,904,900	
Office furniture and equipment	1,887		1,887		1,887		1,887	
Automobiles and trucks	474,455		474,455		310,149	25,864	336,013	
Tools shop and garage	49,684		49,684		33,412	869	34,281	
Laboratory	791		791		791		791	
Communications	707,162		707,162		555,300	3,571	558,871	
Other	98,264		98,264		83,013	1,830	84,843	
Total machinery and equipment	7,172,268		7,172,268		5,023,250	118,584	5,141,834	
WATER TRANSMISSION SYSTEM CONSTRUCTION IN PROGRESS	131,792,107	33,746	131,792,107		29,803,676	1,221,713	31,025,389	
TOTAL FIXED ASSETS	\$ 185,274,785	\$ 33,746	\$ 185,308,531	\$	\$ 53,341,607	\$1,708,928	\$55,050,535	\$

¹Assets transferred to the Southern Nevada Water Authority, effective January 1, 1996.

COLORADO RIVER COMMISSION

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

E-5

	Series 1987B	Series 1992	Total All Funds
1997	\$ 2,011,403	\$ 4,901,150	\$ 6,912,553
1998	1,996,350	4,899,550	6,895,900
1999	412,800	6,487,550	6,900,350
2000	412,800	6,482,150	6,894,950
2001	412,800	6,479,250	6,892,050
2002	412,800	6,468,550	6,881,350
2003	412,800	6,458,475	6,871,275
2004	412,800	6,451,169	6,863,969
2005	412,800	6,440,156	6,852,956
2006	412,800	6,435,915	6,848,715
2007	412,800	6,427,530	6,840,330
2008	412,800	6,424,293	6,837,093
2009	412,800	6,416,755	6,829,555
2010	412,800	6,409,105	6,821,905
2011	412,800	6,400,368	6,813,168
2012	412,800	6,394,405	6,807,205
2013	412,800	6,389,918	6,802,718
2014	412,800	6,387,905	6,800,705
2015	412,800	6,376,900	6,789,700
2016	412,800	6,372,795	6,785,595
2017	412,800	6,373,610	6,786,410
2018	<u>7,086,400</u>	<u>7,086,400</u>	<u>7,086,400</u>
	<u>\$ 18,937,353</u>	<u>\$ 131,877,499</u>	<u>\$ 150,814,852</u>

STATISTICAL SECTION
(Not covered by auditors' report)

COLORADO RIVER COMMISSION

EXPENDITURES BY FUNCTION

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

Table 1

Years	General Administration (1)	Debt Service (1)	Power and Water Purchased (2)	Research and Development	Ft. Mohave Development (4)	Southern Nevada Water System (3)		Total
						Operation Maintenance	Debt Service	
1987-88	\$ 318,827	\$ 2,153	\$ 17,387,263	\$ 14,164	\$ 86,999	\$ 18,396,003	\$ 11,124,301	\$ 47,329,710
1988-89	321,865		22,423,903	6,072	356,461	19,309,862	12,067,211	54,485,374
1989-90	320,689 (5)		19,327,175	29,102	8,095,308	22,374,152	13,537,835	63,684,261
1990-91	442,229 (5)		17,488,194	4,783	2,060,026	25,934,706	13,993,280	59,923,218
1991-92	603,622 (5)		18,091,608	3,334	194,862	28,717,169	16,748,572	64,359,167
1992-93	557,018 (5)		22,729,814	13,155	1,425,430	31,441,964	14,846,249	71,013,630
1993-94	578,925 (5)		22,052,142	312,479	2,518,283	31,104,383	15,257,935	71,824,147
1995-95	662,045 (5)		24,526,546	191,470	15,616	35,334,770	15,456,001	76,186,448
1994-95	569,303 (5)		20,633,171	161,904	1,268,737	39,400,198	16,853,360	78,886,673
1995-96	552,248 (5)		17,557,676	353,892	1,128,322	14,616,221	9,154,819	43,369,161

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

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

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

(4) Includes depreciation and amortization.

(5) Expenditures shown are on a legal basis.

COLORADO RIVER COMMISSION

REVENUES BY SOURCE

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

Table 2

	Water Development Charge General Fund	Administrative Charge General Fund	Research and Development Fund	Power and Water Sales (1)	Interest Income (2)	Land Sales (3)	Water System Operating Revenues (4)	Total
1986-87		\$191,281	\$17,262	\$17,388,155	\$109,560	\$ 100	\$23,997,135	\$41,703,493
1987-88		498,587	22,524	22,423,903	240,802	3,450,000	25,503,151	52,138,967
1988-89		460,176	20,596	21,453,136	394,704	4,793,438	28,860,009	55,982,059
1989-90		436,102	19,950	21,390,896	376,387	4,895,538	32,772,200	59,891,073
1990-91		440,323	20,149	22,947,249	504,451		36,519,538	60,431,710
1991-92		207,403	202,523	23,993,467	371,196		39,443,873	64,218,462
1992-93	\$ 224,246	209,127	202,526	28,424,687	169,029		41,020,637	70,250,252
1993-94	254,666	359,445	259,757	31,564,355	102,445		45,167,068	77,707,736
1994-95	275,300	454,585	165,803	27,705,888	160,234	4,908,279	48,158,882	81,828,971
1995-96	46,724	438,780	83,011	24,556,298	334,265		20,696,808	46,155,886

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

(2) General fund and all special revenue funds.

(3) Fort Mohave Valley Development Fund and Eldorado Valley Development Fund (1995-95 only)

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

COLORADO RIVER COMMISSION

SOUTHERN NEVADA WATER SYSTEM

SCHEDULE OF BOND AND CONTRACT DEBT SERVICE COVERAGE
LAST TEN FISCAL YEARS (NOT COVERED BY AUDITORS' REPORT)

Table 3

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-1993	1993-94	1994-95	1995-96(5)
Water treatment fund:										
Operating revenues	\$ 8,451,948	\$ 8,696,102	\$ 8,964,584	\$ 9,115,389	\$ 9,955,364	\$ 10,121,260	\$ 11,299,263	\$ 11,811,499	\$ 14,556,309	\$ 7,601,471
Operation and maintenance expenses (1) (2) (3)	<u>2,932,343</u>	<u>3,140,235</u>	<u>3,558,388</u>	<u>3,608,211</u>	<u>4,165,322</u>	<u>4,249,251</u>	<u>4,272,443</u>	<u>5,357,306</u>	<u>6,307,574</u>	<u>2,870,039</u>
Excess of revenues over expenses	5,519,605	5,555,867	5,406,196	5,507,178	5,790,042	5,872,009	7,026,820	6,454,193	8,248,735	4,731,432
Non-operating income	<u>757,295</u>	<u>775,897</u>	<u>978,590</u>	<u>880,814</u>	<u>930,552</u>	<u>865,126</u>	<u>616,361</u>	<u>461,253</u>	<u>390,780</u>	<u>234,735</u>
Net revenue available for debt service and reserves	6,276,900	6,331,764	6,384,786	6,387,992	6,720,594	6,737,135	7,643,181	6,915,446	8,639,515	4,966,167
Reserve requirement	<u>90,710</u>	<u>95,102</u>	<u>99,185</u>	<u>105,280</u>	<u>110,379</u>	<u>109,818</u>	<u>109,423</u>	<u>111,479</u>	<u>205,296</u>	<u>170,161</u>
Net revenue available for debt service	<u>\$ 6,186,190</u>	<u>\$ 6,236,662</u>	<u>\$ 6,285,601</u>	<u>\$ 6,282,712</u>	<u>\$ 6,610,215</u>	<u>\$ 6,627,317</u>	<u>\$ 7,533,758</u>	<u>\$ 6,803,967</u>	<u>\$ 8,434,219</u>	<u>\$ 5,136,328</u>
Debt service requirement	\$ 5,955,116	\$ 6,282,509	\$ 6,266,975	\$ 6,277,597	\$ 6,568,309	\$ 6,782,655	\$ 7,534,158	\$ 6,978,831	\$ 8,434,217	\$ 5,042,115
Debt service coverage (4)	1.04	.99	1.00	1.00	1.01	.98	1.00	.97	1.00	1.02
Water transmission fund:										
Operating revenues (1)	\$ 15,545,187	\$ 16,807,050	\$ 19,895,425	\$ 23,656,811	\$ 26,564,174	\$ 29,322,613	\$ 29,721,374	\$ 33,355,569	\$ 33,602,573	\$ 13,095,337
Operation and maintenance expenses (1) (2) (3)	<u>9,852,931</u>	<u>10,452,105</u>	<u>13,102,314</u>	<u>16,517,114</u>	<u>18,742,043</u>	<u>21,325,523</u>	<u>21,287,403</u>	<u>24,666,631</u>	<u>25,333,447</u>	<u>8,475,699</u>
Excess of revenues over expenses	5,692,256	6,354,945	6,793,111	7,139,697	7,822,131	7,997,090	8,433,971	8,688,938	8,269,126	4,619,638
Non-operating income	<u>261,158</u>	<u>336,249</u>	<u>513,846</u>	<u>578,667</u>	<u>516,536</u>	<u>474,823</u>	<u>372,194</u>	<u>359,571</u>	<u>454,942</u>	<u>309,560</u>
Net revenue available for debt service and reserves	5,953,414	6,691,194	7,306,957	7,718,364	8,338,667	8,471,913	8,806,165	9,048,509	8,724,068	4,929,198
Reserve requirement	<u>103,978</u>	<u>103,239</u>	<u>102,312</u>	<u>103,409</u>	<u>104,568</u>	<u>102,934</u>	<u>102,443</u>	<u>107,862</u>	<u>92,961</u>	<u>42,490</u>
Net revenue available for debt service	<u>\$ 5,849,436</u>	<u>\$ 6,587,955</u>	<u>\$ 7,204,645</u>	<u>\$ 7,614,955</u>	<u>\$ 8,234,099</u>	<u>\$ 8,368,979</u>	<u>\$ 8,703,722</u>	<u>\$ 8,940,647</u>	<u>\$ 8,631,107</u>	<u>\$ 4,971,688</u>
Debt service requirement	\$ 5,169,185	\$ 5,784,702	\$ 6,230,574	\$ 6,580,028	\$ 7,074,557	\$ 7,293,494	\$ 7,584,595	\$ 7,893,133	\$ 7,513,553	\$ 3,772,020
Debt service coverage (4)	1.13	1.14	1.16	1.16	1.16	1.15	1.15	1.13	1.15	1.32

(1) Accrual basis of accounting.

(2) Excludes depreciation, amortization, interest expense, expenses funded from reserves, and extraordinary items.

(3) Unpaid compensated absences are excluded from operation and maintenance expenses through 1982-83 and included thereafter.

(4) Contracts with water users require sufficient payments to cause revenues, including interest income, to equal 100% of each operating (calendar) year's operation and maintenance, reserve and debt service requirements; however, since operation and maintenance expenses are estimated each month when billing water users and these estimates are adjusted to actual at the end of each calendar year (overlapping 2 fiscal years), and since interest income recorded on the accrual basis is not credited to water users until actually received, revenues recorded in a particular fiscal year may pertain to the preceding or succeeding fiscal years' requirements. Therefore, debt service coverage for any one particular fiscal year may not exactly equal 100%.

(5) Fiscal year 1995-96 is only through December 31, 1995, after which the system was transferred to the Southern Nevada Water Authority.

COLORADO RIVER COMMISSION

SOUTHERN NEVADA WATER SYSTEM

WATER DELIVERIES AND COSTS
 LAST TEN FISCAL YEARS (NOT COVERED BY AUDITORS' REPORT)

Table 4

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96(4)
Water deliveries in acre-feet:										
Boulder City	6,507.5	6,257.4	7,273.2	7,257.8	6,421.9	6,388.0	6,776.0	7,279.0	7,077.5	4,384.8
Henderson	11,102.3	13,215.2	16,161.6	23,065.7	22,534.5	28,700.2	22,809.7	27,224.1	28,310.2	17,965.3
Las Vegas Valley Water District	127,089.8	138,211.4	174,712.8	193,790.1	203,402.1	200,049.5	220,546.0	244,687.0	234,949.8	128,320.7
Nellis Air Force Base	1,816.1	883.7	2,672.2	2,867.0	2,811.2	2,589.2	2,825.8	3,191.3	2,913.2	1,749.8
North Las Vegas	13,265.6	14,008.1	17,962.1	23,437.9	24,503.9	24,032.1	22,831.9	27,696.6	32,641.9	17,612.9
Total deliveries	159,781.3	172,575.8	218,781.9	250,418.5	259,673.6	261,759.0	275,789.4	310,078.0	305,892.6	170,033.5
Total diverted	162,422.8	176,147.4	217,363.0	250,608.8	261,913.5	262,579.2	277,819.8	312,008.0	309,143.5	171,278.2
Excess of diversions over deliveries	2,641.5	3,571.6	(1,418.9)	190.3	2,239.9	820.2	2,030.4	1,930.0	3,250.9	1,244.7
Costs:										
Source of supply	\$ 85,436	\$ 95,015	\$ 116,638	\$ 125,305	\$ 130,957	\$ 251,466	\$ 172,686	\$ 201,333	\$ 244,850	\$ 99,312
Power	8,006,504	8,489,202	10,926,720	14,179,468	16,256,609	17,669,912	17,784,011	21,653,345	21,603,300	6,894,366
Other pumping	725,613	713,354	833,854	823,675	928,025	1,786,717	1,694,851	1,131,501	1,727,841	668,712
Chemicals	436,071	224,571	714,743	378,463	439,438	276,054	272,906	608,710	847,858	329,164
Other water treatment	1,432,214	1,684,056	1,653,343	1,820,604	2,033,979	2,064,926	2,261,001	2,747,226	3,090,595	1,024,645
Transmission	301,122	351,394	335,659	353,184	381,701	487,599	423,794	353,440	406,138	120,573
Administration and general (3)	1,798,315	2,034,747	2,079,744	2,444,625	2,736,655	3,038,100	2,950,597	3,283,265	3,765,555	1,852,753
Total operation and maintenance (1)	12,785,275	13,592,339	16,660,701	20,125,324	22,907,364	25,574,774	25,559,846	29,978,820	31,686,137	10,989,525
Debt service and reserve requirements	12,434,707	13,221,845	13,739,332	14,201,968	14,998,689	15,412,876	16,414,832	16,034,096	17,390,629	10,009,204
Investment and other income (2)	(1,103,259)	(1,156,589)	(1,457,199)	(1,490,517)	(2,830,019)	(1,537,272)	(1,008,043)	(665,700)	(802,300)	(729,623)
Total costs	\$ 24,116,723	\$ 25,657,595	\$ 28,942,834	\$ 32,836,775	\$ 35,076,034	\$ 39,450,378	\$ 40,966,635	\$ 45,347,216	\$ 48,274,466	\$ 20,269,106

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-1993	1993-94	1994-95	1995-96(4)
Costs per acre-foot:										
Source of supply	\$.53	\$.55	\$.53	\$.50	\$.50	\$.96	\$.63	\$.65	\$.80	\$.58
Power	50.11	49.19	49.94	56.62	62.60	67.50	64.48	69.83	70.62	40.55
Other pumping	4.54	4.13	3.81	3.29	3.57	6.83	6.15	3.65	5.65	3.93
Chemicals	2.73	1.30	3.27	1.51	1.69	1.05	.99	1.96	2.77	1.94
Other water treatment	8.96	9.76	7.56	7.27	7.83	7.89	8.20	8.86	10.10	6.03
Transmission	1.88	2.04	1.53	1.41	1.47	1.86	1.54	1.14	1.33	.71
Administrative and general (3)	11.25	11.79	9.51	9.76	10.54	11.61	10.70	10.59	12.31	10.90
Total operation and maintenance (1)	80.00	78.76	76.15	80.36	88.20	97.70	92.69	96.68	103.58	64.64
Debt service and reserve requirements	77.82	76.61	62.80	56.71	57.76	58.88	59.52	51.71	56.85	58.86
Investment and other income (2)	(6.90)	(6.70)	(6.66)	(5.95)	(10.90)	(5.87)	(3.66)	(2.15)	(2.62)	(4.29)
Total costs per acre-foot	\$ 150.92	\$ 148.67	\$ 132.29	\$ 131.12	\$ 135.06	\$ 150.71	\$ 148.55	\$ 146.24	\$ 157.81	\$ 119.21

(1) Excludes depreciation and amortization

(2) Cash basis of accounting

(3) Unpaid compensated absences are included in administrative and general costs for years 1982-83 and thereafter, and are excluded in all prior years.

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

COLORADO RIVER COMMISSION

**SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 1996 (NOT COVERED BY AUDITORS' REPORT)**

Table 5

Type of Coverage	Expiration Date	Details of Coverage
Property damage Affiliated FM Insurance Company	7/1/96	All risk (with specific exclusions) on State-owned buildings and contents in leased buildings. \$1,000 deductible per occurrence. Buildings and contents at replacement cost. Employee's personal property is used in performance of the job.
Employee Dishonesty Bond Fidelity and Deposit Company	7/1/96	Blanket dishonesty bond for State of Nevada employees. \$500,000 limit. \$75,000 deductible per occurrence.
Watercraft Protection and Indemnity Hartford Fire Insurance Company	5/1/97	Liability insurance on state-owned watercraft. \$1,000,000 aggregate limit. No deductible.

ADDITIONAL REPORTS OF INDEPENDENT AUDITORS



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL

Colorado River Commission of Nevada
Las Vegas, Nevada

We have audited the general purpose financial statements of the Colorado River Commission of Nevada (the Commission), component unit of the State of Nevada, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 1, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Management of the Commission is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Commission, for the year ended June 30, 1996, we obtained an understanding of the internal control including the design of relevant policies and procedures and whether they have been placed in operation. We also assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control. Accordingly, we do not express such an opinion.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

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

Piercy, Bowler, Taylor & Kern

November 1, 1996



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS AND GRANTS

Colorado River Commission of Nevada
Las Vegas, Nevada

We have audited the general purpose financial statements of the Colorado River Commission of Nevada (the Commission), component unit of the State of Nevada, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 1, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Commission is the responsibility of the Commission's management. As part of obtaining reasonable assurance about whether the general purpose financial statements are free of material misstatement, we performed tests of the Commission's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

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

Piercy, Bowler, Taylor & Kern

November 1, 1996



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH BOND AND DEBENTURE RESOLUTIONS

Colorado River Commission of Nevada
Las Vegas, Nevada

We have audited the general purpose financial statements of the Colorado River Commission of Nevada (the Commission), component unit of the State of Nevada, as of and for the year ended June 30, 1996, and have issued our report thereon dated November 1, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

In connection with our audit, nothing came to our attention that caused us to believe that the Commission failed to comply with the accounting and reporting requirements of the bond and debenture resolutions and bond ordinances executed in connection with the General Obligation Colorado River Acquisition Bonds, Series 1978D, the General Obligation Hoover Uprating Bonds, Series May 1, 1987B, the General Obligation Communication Facilities and Refunding Bonds, Series September 1, 1990, the General Obligation Hoover Uprating Refunding Bonds, 1992 Series, the General Obligation Colorado River Improvement Bonds (Spatial Modification), Series November 1, 1992, the General Obligation Colorado River Refunding Bonds, Series November 1, 1993, the General Obligation Colorado River Improvement/Refunding Bonds, Series November 1, 1994, and the State of Nevada general obligation (limited tax) (revenue supported) refunding bonds, Series December 1, 1995, insofar as they relate to accounting and reporting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended for the information of management and the State of Nevada. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Piercy, Bowler, Taylor & Kern

November 1, 1996