

**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, 1998**

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

STATE OF NEVADA

BOB MILLER

Governor

FRANKIE SUE DEL PAPA

Attorney General

DARREL R. DAINES

Controller

ROBERT L. SEALE

Treasurer

DEAN HELLER

Secretary of State

COLORADO RIVER COMMISSION

RICHARD W. BUNKER

Chairman

JAY D. BINGHAM

Vice Chairman

PAULA L. BROWN

Commissioner

AMANDA M. CYPHERS

Commissioner

LAMOND R. MILLS

Commissioner

ROLAND D. WESTERGARD

Commissioner

BRUCE L. WOODBURY

Commissioner

COMMISSION STAFF

GEORGE M. CAAN

Executive Director

KURT P. FRITSCH

Deputy Director

DOUGLAS N. BEATTY

Division Chief Finance and Administration

GERALD L. EDWARDS

Division Chief Water

POSITION UNFILLED

Division Chief Power

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BOB MILLER, *Governor*

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AMANDA M. CYPHERS, *Commissioner*

JAY D. BINGHAM, *Vice Chairman*

LAMOND R. MILLS, *Commissioner*

GEORGE M. CAAN, *Director*

ROLAND D. WESTERGARD, *Commissioner*

BRUCE L. WOODBURY, *Commissioner*



COLORADO RIVER COMMISSION
OF NEVADA

November 20, 1998

**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 year ended June 30, 1998. It was prepared by the financial and administrative division 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 displayed in a manner designed to fairly present 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 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 report 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 report of independent auditors' section includes our auditors' report on compliance with laws and regulations, bond covenants and internal control over financial reporting.

ECONOMIC CONDITION AND OUTLOOK

The area served by the Commission, principally the Clark County area, continues to grow at a steady rate. According to the U.S. Census Bureau, it was the third biggest gainer in population among U.S. counties in 1997. Over 59,500 people moved into the county in that year. Clark County has a current estimated population of 1,200,000. Job growth has averaged more than 8% over the last four years. Unemployment rates in the Las Vegas area remain relatively low at about 4.7%. Assessed property value growth is strong, at 11.6% growth for fiscal 1999 to \$26.7 billion.

Growth is likely to continue, with new casino/resort projects adding another projected 9,000 rooms in 1999 to the current inventory of over 110,000 rooms. The Las Vegas area currently has 11 of the 13 largest hotels in the world. (The largest is the MGM Grand with more than 5,000 rooms; the Venetian currently under construction will have over 6,000 rooms.) For the 24-month period from July 1, 1994, through June 30, 1996, there were 13,854 new single family homes built in the City of Las Vegas, which is about 577 per month. New residents brought over 28,000 new automobiles to the roads of Las Vegas in the same period. Over 30.4 million travelers visited the area in 1997.

However, while the casino/resort projects add rooms and jobs, the growth in taxable gaming revenues has slowed to about 3% for the first 10 months of 1998 and the growth in sales tax revenue has also slowed during the year. We anticipate that the growth in population will continue at a steady, but somewhat slower rate. The economic outlook will remain strong, with demand for the low-cost water and power resources of the Commission high.

MAJOR INITIATIVES

Water continues to be the most important resource necessary to support the continued growth of the southern portion of the state. To meet the continuing demands of this growing area, the Commission is working with the local water purveyors in southern Nevada in 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 Nevada 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 a water banking and exchange program can be implemented.

Concurrent with the Arizona banking discussions 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.

Water quality continues to be of concern to the Commission as our ability to divert Colorado River water for municipal and industrial purposes is directly related to the quality of water returned to Lake Mead for use downstream. To address these issues the Commission serves as a member of the Lake Mead Water Quality Forum, the Colorado River Basin Salinity Control Forum and the Las Vegas Wash Coordination Committee.

In addition to the development of new water resources, the Commission has taken an active role in the development of new power transmission systems 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 begun a project designed to provide an electrical power transmission and distribution system to supply power from the Mead Substation in Boulder City (a major substation in the southwest) 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 a major supply tunnel is located, and facilities close to the city of Henderson.

The project, called the CRC Power Delivery Project, received the approval of the Legislature's Interim Finance Committee to be funded by State Bonds. The authorization was in the amount of \$75,000,000 in Revenue Supported, General Obligation Bonds. The first phase of the work, which was to consist of the substation and distribution facilities, was funded by the sale of \$49,270,000 in Bonds on September 25, 1997. This funding provided for the continued construction of the facilities, and a reimbursement to the Southern Nevada Water Authority for construction funds previously advanced to the Commission. At this time, the first phase of the project is nearing completion, with energy to be supplied for pumping load beginning in February of 1999.

Part of the initial bond sale proceeds has been used to fund the design and preliminary activity of the second phase of the Power Delivery System. This phase will include the construction of a high-voltage transmission system linking the substations and distribution facilities to the federal power grid at the Mead Substation in Boulder City. (The project currently is tapped into the federal transmission system, which serves the Henderson and Boulder City area.) This phase will be funded through the sale of the remainder of the authorized bonds in the fall of 1999.

Future phases will be tied to the Authority's construction schedule for the water treatment and transmission facilities.

Of important note is the teamwork that has been achieved among all the major players associated with this project. It is the 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 1997. 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 generating output levels.

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

With the passage in 1997 of Assembly Bill 366, the Nevada Public Utilities Commission began the process of restructuring the electric industry in Nevada. Assembly Bill 366 provides that customers will begin to have choices of their electric service providers in December of 1999. The Colorado River Commission is paying close attention to the effects that de-regulation, and the proposed merger between Nevada Power Company and Sierra Pacific Resources will have on its ability to deliver hydropower and other energy resources to its southern Nevada customers.

Also of important note is the increased activity of the Commission with respect to the environmental concerns of the Colorado River. In a revolutionary attempt to bring together all of the interested parties in the lower basin, the Commission has joined with agencies in our sister states of Arizona and California, and also with representatives of the Bureau of Reclamation, Fish and Wildlife, major environmental groups and Indian tribes, to form the Lower Colorado River Multi-species Conservation Program Steering

Committee. This committee is working together to develop an overall habitat program that will provide, in a comprehensive way, for all of the listed and endangered species in the lower Colorado River area. This effort has brought together diverse interests with potential for an economical long term solution to environmental concerns, that recovers endangered species and continues water and power development projects.

FINANCIAL INFORMATION

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

Revenues of the Commission general fund totaled \$1,457,939 in 1997-98, \$40,671 less than the \$1,498,610 realized in 1996-97. The immaterial decrease in revenues was a result of slightly decreased activity in the general fund and increased activity in the other Commission's funds, particularly where they relate to the Power Delivery Project.

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

	1997 - 1998		1996 - 1997	
	Amount	Percent	Amount	Percent
Power administrative charge	\$ 603,616	19.68%	\$ 413,764	13.65%
Water administrative charge	812,249	26.49%	1,057,058	34.86%
Allocated salaries and overhead	1,608,789	52.45%	1,533,258	50.57%
Miscellaneous income	160	0.01%	1,125	0.04%
Interest income	41,914	1.37%	26,663	0.88%
Total	\$ 3,066,728	100.00%	\$ 3,031,868	100.00%

Net expenditures (legal basis) of the general fund totaled \$1,501,317, which is \$13,247 less than the \$1,514,564 expended during fiscal 1996-97. Change in levels of expenditures for the preceding year is as follows:

	1997-98	1996-97	Increase Decrease
General Administration			
Personnel	\$ 1,988,159	\$ 1,837,139	\$ 151,020
Travel	48,041	39,460	8,581
Operating	1,062,357	1,108,448	-46,091
Equipment	11,549	62,775	-51,226
Total general administration	3,110,106	3,047,822	62,284
Less allocated salaries and overhead			
Expenditures	1,608,789	1,533,258	75,531
Net expenditures	\$ 1,501,317	\$ 1,514,564	\$ -13,247

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 6/30/98</u>	<u>Fund Balance 6/30/97</u>	<u>Increase Decrease</u>
General Fund	\$ 630,685	\$ 674,063	\$ -43,378
Research and Development Fund	272,082	195,006	77,076
Ft. Mohave Development Fund	1,351,828	1,289,340	62,488

The Research and Development Fund balance of \$272,082 is available for engineering studies, analyses, negotiations and other efforts in protecting the interests of the State in the development of water and power resources.

The Fort Mohave Development Fund balance of \$1,351,828 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 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.

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

The State of Nevada 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, 1998, 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>Balance Outstanding</u>
5-1-87	State g.o. bonds	7.9	10-1-17	\$ 6,880,000
3-25-92	State g.o. bonds	6.3	10-1-16	52,885,000
9-15-97	State g.o. bonds	5.6	9-15-27	49,270,000
Various	Various compensated absences	N/A	N/A	94,787

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 all 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, 1997. 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 twenty-first 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 the GFOA to determine its eligibility for another certificate.

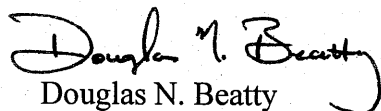
The Commission's 1998 financial statements were audited by Piercy, Bowler, Taylor and Kern, Certified Public Accountants. The auditors' reports are included in the body of this report.

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 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.

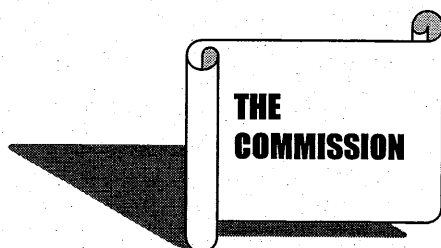
The preparation of this report could not have been accomplished without the dedicated and competent services of the entire Commission staff. The planning and conducting of the Commission's financial operations have been carried out in a responsible and progressive manner under your guidance and direction.

Sincerely,


George M. Caan
Executive Director


Douglas N. Beatty
Chief, Finance & Administration

INTRODUCTION



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:

Name	Initial Appointment	Current Term
Richard W. Bunker, Chairman	1993	7/28/98 – 6/30/01
Jay D. Bingham, Vice Chairman	1997	7/18/97 – 6/30/00
Honorable Paula L. Brown, North Las Vegas City Councilwoman	1997	7/1/98 – 6/30/99 *
Honorable Amanda M. Cyphers, City of Henderson Councilwoman	1997	7/1/98 – 6/30/99 *
Lamond R. Mills	1996	9/23/96 – 6/30/99
Roland D. Westergard	1996	7/1/98 – 6/30/99
Honorable Bruce L. Woodbury, Clark County Commissioner	1997	7/1/98 – 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 .744 mills per kilowatt-hour is included in power sales. Administrative cost reimbursements are received from the Southern Nevada Water Authority. Interest income earned from investments by the State Treasurer contributes to revenues. The Commission does not request or receive any state tax allocations or federal funds to support its administrative and operating functions.

COMMISSION ACTIVITIES



POWER

Nevada's allocation of hydropower from Hoover, Parker and Davis dams, the Colorado River Storage Project, and the Salt Lake 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.



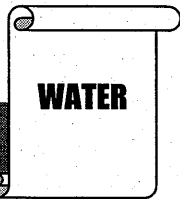
LAND

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 the Eldorado Valley directly south of Boulder City, and approximately 15,000 acres in the Fort 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. In 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 Fort 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 of America for a camping and recreational area, leaving approximately 9,000 acres available for development, depending upon the availability of water.

The 1987 Nevada legislature adopted AB 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. AB 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.



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 is 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.

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 various small facilities other than the major facilities operated by the Southern Nevada Water Authority. The major contractor is an industrial complex in Henderson. The next largest water user of the small water contractors is the Big Bend Water District, a subdivision of Clark County government, which serves Laughlin, Nevada. The remaining small contractors are individuals located along the Colorado River south of Davis Dam. Water is sold to these small contractors at cost plus an administrative charge at varying unit rates depending upon the individual contract.

ACCOUNTING SYSTEM



FUND TYPES

The Commission has established the following funds and account groups:

Governmental fund types:

General fund

Special revenue funds:

1. Research and Development fund
2. Fort Mohave Valley Development fund

Proprietary fund types:

1. Power Marketing fund
2. Power Delivery Project fund

Account groups:

1. General fixed assets
2. 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 computerized revenue, expense, general journals and a general ledger. As more fully explained in note 1 to the financial statements, the accounting policies of the Commission conform to, and its financial statements have been prepared in accordance with, generally accepted accounting principles (GAAP) applicable 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. However, the Commission is adapting its chart of accounts and accounting procedures for the Power Delivery Project fund (an enterprise fund) to generally follow Federal Energy Regulatory Commission guidelines to the extent legally and practically possible.

PERSONNEL



ORGANIZATION AND STAFFING

The Commission is divided into three functional areas: power, water, land and administration. The power area consists of two organizational units, the hydropower operations group, and the Power Delivery Project group. The hydropower operations group is responsible for purchasing, scheduling and billing hydropower to the Commission's eleven hydropower customers. The Power Delivery Project group is organized to design, construct, and operate the transmission and distribution system being constructed for the Southern Nevada Water Authority. The water division is responsible for working with intra and interstate groups to enhance Nevada's ability to obtain reliable and affordable future water supplies. The land and administration functions are accomplished through the work of the executive and financial/administrative divisions. The deputy director in the executive division is responsible for the land holding of the Commission in Laughlin. The finance/administrative division is responsible for financing, accounting, purchasing, data processing and operating the local area network (LAN). In addition to these line divisions, there is an environmental program manager reporting to the director. The environmental program manager is responsible for the Commission's participation in environmental issues including the Lower Colorado River Multi-Species Conservation Program (LCRMSCP).

The staff and positions of the Commission are:

Executive Division

Director – George M. Caan, PE
Deputy Director – Kurt P. Fritsch
Special Assistant to the Director – Vacant

Power Delivery Project

Project Manager – Electric Utility Consultants
David Luttrell
Project Facilities Manager – Ronald Lunt, PE
Power Electronics Technician – Robert (Bob) Reese
Power Communications Systems Supervisor – James N. Bresemann
Power Supply Manager – William (Bill) Miller

Hydropower Operations

Division Chief – Vacant
Chief Power Marketing Administrator – Malvin R. Ware
Power Marketing Administrator – Vacant
Power Management Analyst II – Vacant
Power Marketing Specialist – David L. White

Water Division

Division Chief – Gerald L. Edwards, PE
Engineering Technician – Andrew Burns

Finance

Division Chief – Douglas N. Beatty, CPA
Accountant II – Patricia Zach
Accountant Technician II – Vacant
Accountant Technician I – Celta Hannig
LAN Administrator – T. Darlene Hite

Administrative Services

Management Assistant IV – Deanna Bruno
Management Assistant II – Brenda Haymore
Management Assistant II – Vacant
Management Assistant I – Joan Bechtloff
Management Assistant I – Wanda Manner
Management Assistant I – Arlene Coleman
Management Assistant I – Katie Foreman
Administrative Aide – Jackie Ward

Environmental Program Manager – Phil Lehr, PE

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 to the Commission and staff.



EXPERIENCE AND QUALIFICATIONS

The following biographical sketches summarize the education 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 he is responsible for guiding the Commission into the 21st century. Mr. Caan graduated in 1980 from the Massachusetts Institute of Technology with a Bachelor of Science in Mechanical Engineering. He received a Master of Business Administration from Northeastern University in 1983. He has been an active participant in numerous professional and academic forums, speaking on issues dealing with water resources, power management and environmental stewardship. Mr. Caan is a registered professional mechanical engineer in Nevada and Washington.

From 1985 until joining the Commission in May of 1996, Mr. Caan worked at the Washington State Energy Office (WSEO) in Olympia, Washington, completing his

tenure as its Deputy Director. At WSEO, Mr. Caan was responsible for managing the day-to-day operations of the office with a staff of 150 and an annual budget of \$25 million. He was involved in the many energy policy issues arising out of the changes to Columbia River Operations and the Bonneville Power Administration. Prior to joining the Energy Office, Mr. Caan was the energy manager for the City of Boston.

Mr. Caan is a member of the American Public Power Association, the Colorado River Energy Distributors' Association, the Colorado River Water Users Association, the Nevada Water Resource Association and serves as vice-chairman of the Lower Colorado River Multi-Species Steering Committee.

Deputy Director: Kurt P. Fritsch received a BA degree in Political Science in 1980 from Western Washington University. He attended the University of Texas at Austin for his graduate studies. Mr. Fritsch was appointed as Deputy Director for the Colorado River Commission in March of 1998.

Mr. Fritsch has an extensive background in local government having worked in Washington State, Texas and, prior to joining the Commission, as the Assistant City Manager of Henderson, Nevada.

Mr. Fritsch's primary responsibilities are administration of the land section of the Colorado River Commission and representing the Commission and the State of Nevada on interstate water and environmental issues. Mr. Fritsch is also assigned administrative oversight responsibilities regarding the Commission's day-to-day operations. In addition, he serves as the Commission's representative during the legislative session.

Water Division Chief: Gerald L. Edwards graduated from San Diego State University in June 1969, with a BS 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 of 1974 as a civil engineer. His primary responsibility was that of the planning and coordination of the design and construction of the second stage of the Southern Nevada Water System. Upon promotion to the position of chief engineer on October 17, 1979, Mr. Edwards' responsibilities were expanded to include water quality and resource management of the state's interest in the Colorado River. Mr. Edwards is a registered civil engineer in the states of Nevada and Washington.

Hydropower Division Chief: This position is currently vacant.

Financial and Administrative Division Chief: Douglas N. Beatty received a BS degree from the University of Utah in December of 1983, majoring in Accounting. He spent four years with the Las Vegas office of a national public accounting firm and received his Certified Public Accounting certificate in January of 1986. In 1988, he left public accounting to take the assistant financial manager position with the Commission. In 1991 he was promoted to the Division Chief position.

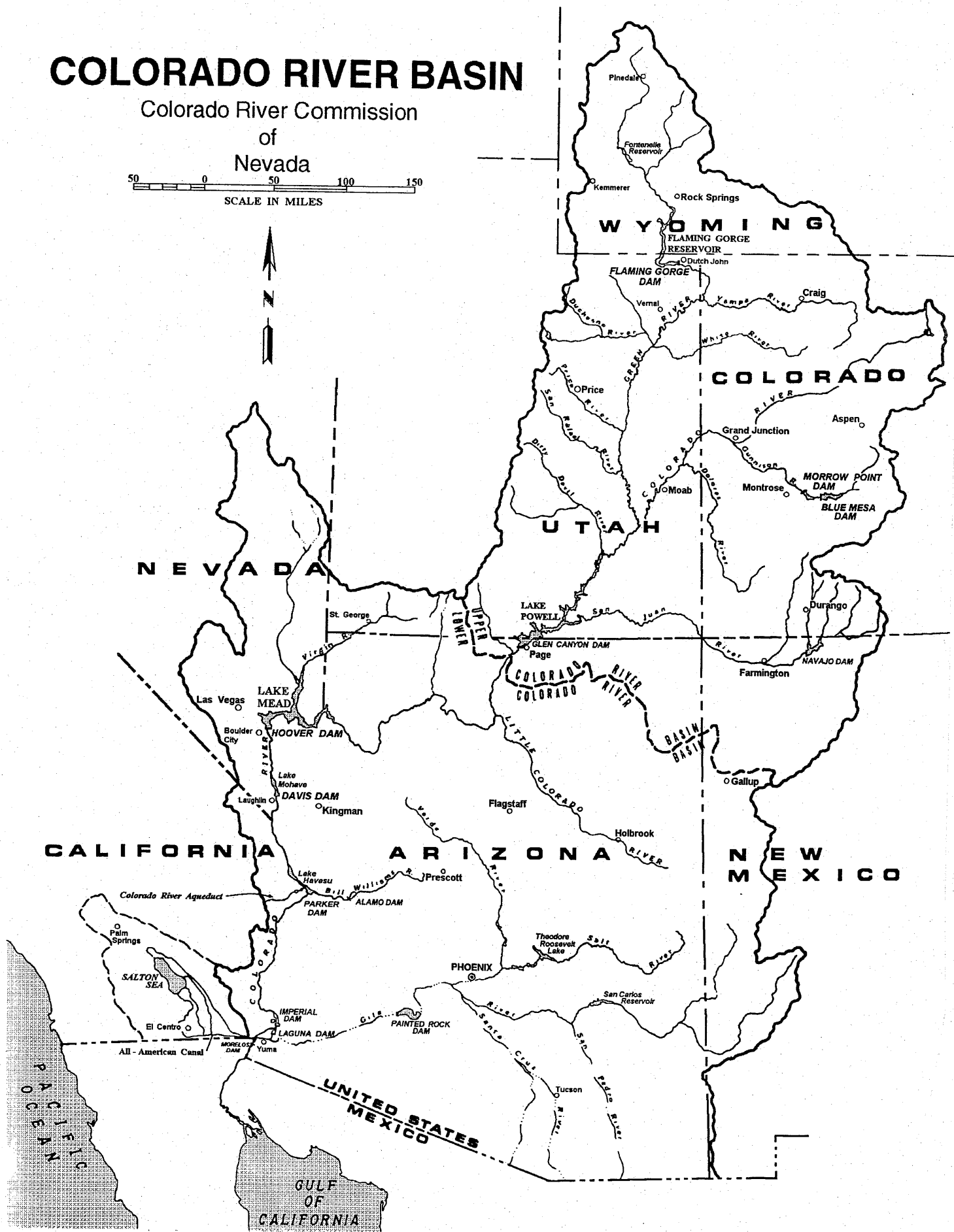
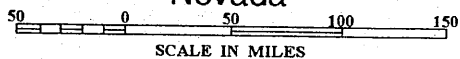
Mr. Beatty is a member of the American Institute of Certified Public Accountants and the Nevada Society of Certified Public Accountants. He has served on the State and Local Government Committee for the Nevada Society and is an active member of the Government Finance Officers Association.

Deputy Attorneys General: Gerald A. Lopez received a BA degree in history and languages in 1964 and an MA 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 three years in law school, Mr. Lopez worked part-time for the Florida legislature drafting legislation and codifying the state statutes. He was admitted to the Florida bar in October of 1973. In September of that year, Mr. Lopez moved to Carson City to begin nearly ten 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 Legislative 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.

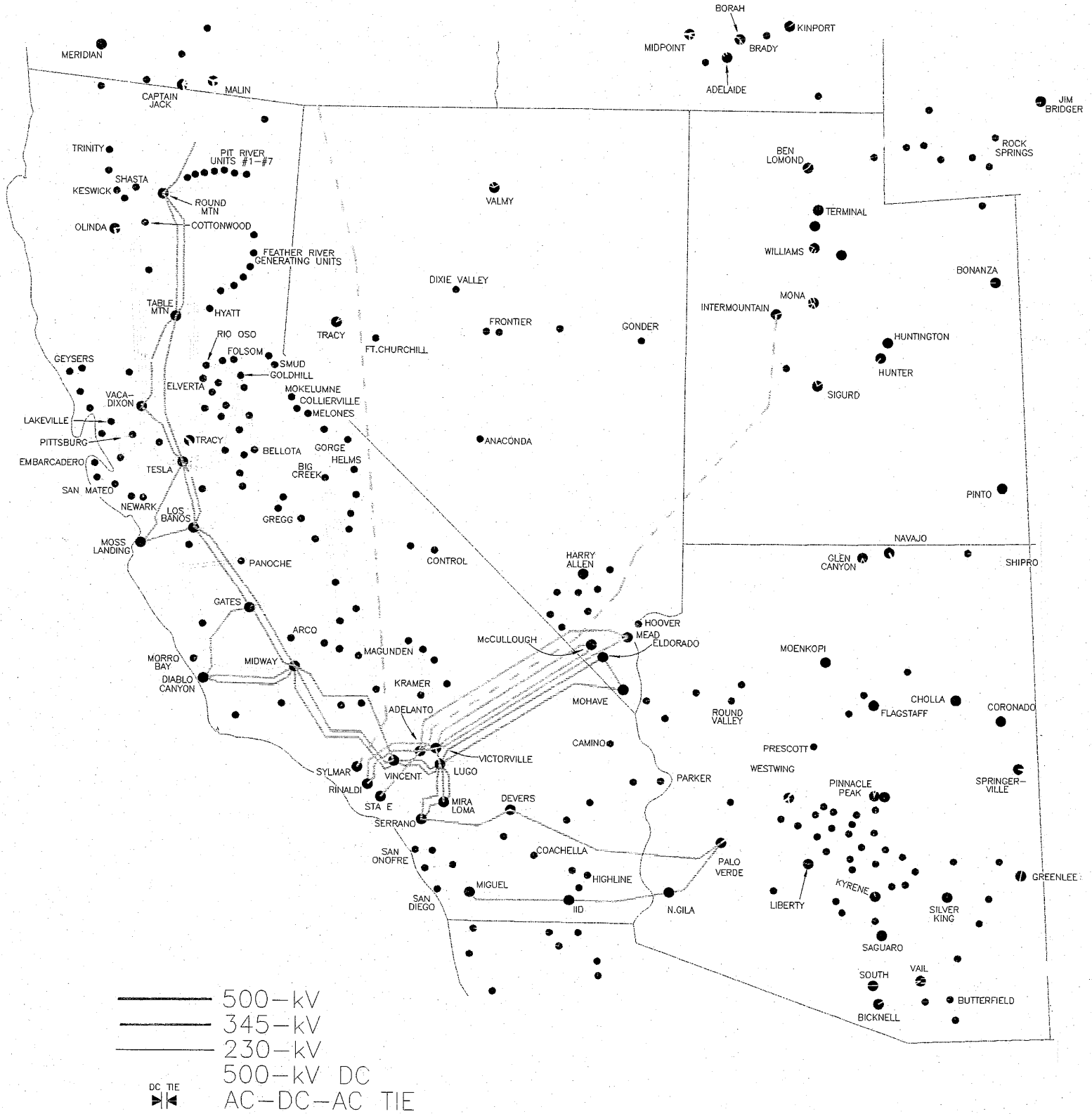
James H. Davenport received his Juris Doctorate from Willamette University College of Law, Salem, Oregon in 1977. He is licensed to practice law in Nevada and Washington State and is a member of the bars of the Supreme Court of the United States, the Supreme Courts of Washington and Nevada, the United 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 in Business Organizations* (both published by Matthew Bender) on various subjects including land use and zoning, clean air, clean water, water rights, Superfund, solid waste hazardous waste, radioactive materials regulation and disposal, international law of the sea, energy, and administrative law. His public practice has included eminent domain, public lands management, nuclear facilities licensing, contracts negotiation and administration, personnel administration and statutory compliance. His private practice has included environmental compliance, defense of eminent domain, permitting, commercial leasing, real estate transactions and financing, and 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 BASIN

Colorado River Commission
of
Nevada



EXISTING TRANSMISSION IN SOUTHERN WSCC (230-kV & ABOVE)



Certificate of Achievement for Excellence in Financial Reporting

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Colorado River Commission of Nevada

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

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Douglas R. Ellsworth
President

Jeffrey L. Essler
Executive Director



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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, 1998, 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, 1998, and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 1998, on our consideration of the Commission's internal control over financial reporting, and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental 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 1998 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.

Piercy, Bowler, Taylor & Kern

October 23, 1998

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, 1998**

COLORADO RIVER COMMISSION

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1998

EXHIBIT 1

	Governmental Fund Types		Proprietary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Enterprise	General Fixed Assets	General Long-term Obligations	June 30, 1998	June 30, 1997
ASSETS AND OTHER DEBITS							
Cash	\$ 403,435	\$ 1,691,231	\$ 1,637,312			\$ 3,731,978	\$ 4,387,449
Receivables:							
Accounts	102,530	86,773	2,146,836			2,336,139	2,320,408
Accrued interest	7,846	25,554	485,226			518,626	276,221
Due from other funds	793,829	5,741	1,758			801,328	415,869
Prepaid power, current			5,174,294			5,174,294	4,627,795
Restricted cash			28,975,864			28,975,864	17,200,877
Fixed assets			40,090,750	\$ 173,460		40,264,210	4,868,260
Deferred charges			618,952			618,952	746,223
Prepaid power, noncurrent			43,905,260			43,905,260	45,774,745
Amount to be provided for future compensated absences					\$ 94,787	94,787	98,616
TOTAL ASSETS AND OTHER DEBITS	\$ 1,307,640	\$ 1,809,299	\$ 123,036,252	\$ 173,460	\$ 94,787	\$ 126,421,438	\$ 80,716,463

(Continued)

COLORADO RIVER COMMISSION

COMBINED BALANCE SHEET (CONTINUED)
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1998

EXHIBIT 1

	Governmental Fund Types		Proprietary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Enterprise	General Fixed Assets	General Long-term Obligations	June 30, 1998	June 30, 1997
LIABILITIES, EQUITY AND OTHER CREDITS							
LIABILITIES:							
Accounts payable	\$ 78,820	\$ 166,651	\$ 2,985,627			\$ 3,231,098	\$ 3,715,003
Due to other funds	598,135	18,738	184,455			801,328	415,869
Payable from restricted assets:							
Accounts payable			4,099,319			4,099,319	1,242,364
Contract retention payable			2,337,154			2,337,154	
Bonds payable (within 1 year)			2,030,000			2,030,000	1,900,000
Unamortized bond discount			(743,373)			(743,373)	
Accrued interest			1,712,143			1,712,143	990,970
General obligation bonds payable			107,005,000			107,005,000	59,860,000
Advance from local government						-	7,766,028
Advance for basic substation			2,414,616			2,414,616	669,237
Accrued compensated absences					\$ 94,787	94,787	98,616
Deferred income							641,816
Total liabilities	676,955	185,389	122,024,941		94,787	122,982,072	77,299,903
EQUITY AND OTHER CREDITS:							
Investment in general fixed assets				\$ 173,460		173,460	167,805
Retained earnings:							
Reserved for operation and maintenance			727,353			727,353	893,209
Unreserved			283,958			283,958	197,137
Fund balances:							
Unreserved	630,685	1,623,910				2,254,595	2,158,409
Total equity and other credits	630,685	1,623,910	1,011,311	173,460		3,439,366	3,416,560
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 1,307,640	\$ 1,809,299	\$ 123,036,252	\$ 173,460	\$ 94,787	\$ 126,421,438	\$ 80,716,463

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, 1998

EXHIBIT 2

	Governmental Fund Types		Totals (Memorandum Only)	
	General	Special Revenue	1998	1997
REVENUES:				
Power administrative charge	\$ 603,616		\$ 603,616	\$ 510,187
Water charges	812,249		812,249	1,057,058
Interest	41,914	\$ 99,706	141,620	206,814
Miscellaneous	160	254,217	254,377	178,608
Total revenues	<u>1,457,939</u>	<u>353,923</u>	<u>1,811,862</u>	<u>1,952,667</u>
EXPENDITURES:				
Current:				
General administration	3,089,942	214,359	3,304,301	3,296,289
Less salaries and overhead recovered by allocation	(1,608,789)		(1,608,789)	(1,533,258)
Net general administration expenditures	<u>1,481,153</u>	<u>214,359</u>	<u>1,695,512</u>	<u>1,763,031</u>
Water purchases	20,164		20,164	22,657
Intergovernmental				2,210,000
Total expenditures	<u>1,501,317</u>	<u>214,359</u>	<u>1,715,676</u>	<u>3,995,688</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(43,378)	139,564	96,186	(2,043,021)
FUND BALANCE, JULY 1	<u>674,063</u>	<u>1,484,346</u>	<u>2,158,409</u>	<u>4,201,430</u>
FUND BALANCE, JUNE 30	<u>\$ 630,685</u>	<u>\$ 1,623,910</u>	<u>\$ 2,254,595</u>	<u>\$ 2,158,409</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)
ALL GOVERNMENTAL FUND TYPES (NOTE 6)
FOR THE YEAR ENDED JUNE 30, 1998

EXHIBIT 3

	General Fund			Special Revenue Funds		
	Budget	Actual (Legal Basis)	Variance- Favorable (Unfavorable)	Budget	Actual (Legal Basis)	Variance- Favorable (Unfavorable)
REVENUES:						
Power administrative charge	\$ 863,383	\$ 603,616	\$ (259,767)			
Water charges	1,619,595	812,249	(807,346)			
Interest	150,000	41,914	(108,086)	\$ 220,000	\$ 99,706	\$ (120,294)
Transfers in	479,666		(479,666)			
Power surcharge				\$ 160,000		(160,000)
Miscellaneous		160	160	254,217	254,217	
Total revenues	<u>3,112,644</u>	<u>1,457,939</u>	<u>(1,654,705)</u>	<u>634,217</u>	<u>353,923</u>	<u>(280,294)</u>
EXPENDITURES:						
Current:						
General administration	3,017,558	1,481,153	1,536,405	1,386,421	214,359	1,172,062
Water purchases	26,330	20,164	6,166			
Total expenditures	<u>3,043,888</u>	<u>1,501,317</u>	<u>1,542,571</u>	<u>1,386,421</u>	<u>214,359</u>	<u>1,172,062</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	68,756	(43,378)	(112,134)	(752,204)	139,564	891,768
FUND BALANCE, JULY 1	<u>674,063</u>	<u>674,063</u>		<u>1,484,346</u>	<u>1,484,346</u>	
FUND BALANCE, JUNE 30	<u>\$ 742,819</u>	<u>\$ 630,685</u>	<u>\$ (112,134)</u>	<u>\$ 732,142</u>	<u>\$ 1,623,910</u>	<u>\$ 891,768</u>

See notes to financial statements.

COLORADO RIVER COMMISSION

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS

ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1998

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1997

EXHIBIT 4

	Proprietary Fund Types	
	1998	1997
	Enterprise	
OPERATING REVENUES:		
Power sales	\$ 24,899,198	\$ 24,720,367
Miscellaneous service		54,881
Total operating revenues	<u>24,899,198</u>	<u>24,775,248</u>
OPERATING EXPENSES:		
Power purchases	20,296,527	19,494,973
Prepaid power advances	4,602,671	5,225,394
Total operating expenses	<u>24,899,198</u>	<u>24,720,367</u>
OPERATING INCOME		<u>54,881</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	136,772	133,235
Reimbursements	(215,807)	
Amortization		(54,881)
Total nonoperating revenues (expenses)	<u>(79,035)</u>	<u>78,354</u>
NET INCOME (LOSS)	(79,035)	133,235
RETAINED EARNINGS, JULY 1	<u>1,090,346</u>	<u>957,111</u>
RETAINED EARNINGS, JUNE 30	<u>\$ 1,011,311</u>	<u>\$ 1,090,346</u>

See notes to financial statements.

**COLORADO RIVER COMMISSION
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1997**

COLORADO RIVER COMMISSION

COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1998
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1997

EXHIBIT 5

	Proprietary Fund Types	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 24,680,261	\$ 24,691,132
Cash paid to employees for services	(316,283)	(217,376)
Cash paid to other suppliers for goods and services	(17,930,433)	(19,370,346)
Miscellaneous operating revenues		54,881
Net cash provided by operating activities	<u>6,433,545</u>	<u>5,158,291</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments to state general fund for Hoover negotiation expenses		(54,881)
Interest capitalized to prepaid power	(5,281,002)	(4,623,003)
Principal payments on bonds and federal obligation	(1,995,000)	(1,785,000)
Other noncapital	127,271	
Net cash used in noncapital financing activities	<u>(7,148,731)</u>	<u>(6,462,884)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Advance from local government		6,923,950
Advance for Basic substation	1,745,379	669,237
Bond proceeds	49,270,000	
Deposit to escrow for refunding		(17,981,223)
Repayment of advances from local government	(7,740,691)	
Acquisition of property, plant and equipment	(30,593,193)	(3,127,404)
Net cash provided by (used in) capital financing activities	<u>12,681,495</u>	<u>(13,515,440)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	759,776	1,521,458
Other investing	(215,807)	
Net cash provided by investing activities	<u>543,969</u>	<u>1,521,458</u>
NET INCREASE (DECREASE) IN CASH (RESTRICTED AND UNRESTRICTED)	12,510,278	(13,298,575)
CASH, JULY 1	18,102,898	31,401,473
CASH, JUNE 30	\$ 30,613,176	\$ 18,102,898

(continued)

COLORADO RIVER COMMISSION

COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 1998
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1997

EXHIBIT 5

	Proprietary Fund Types	
	Enterprise	Enterprise
	1998	1997
RECONCILIATION OF OPERATING INCOME TO		
NET CASH PROVIDED BY OPERATING		
ACTIVITIES:		
Operating income		\$ 54,881
Amortization of prepaid power	\$ 5,925,656	5,225,394
Decrease (increase) in accounts receivable	95,538	(248,415)
Increase (decrease) in operating liabilities:		
Accounts payable and contract retentions	727,001	(69,851)
Due to/from other funds	(175)	(22,898)
Deferred income	<u>(314,475)</u>	<u>219,180</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 6,433,545</u></u>	<u><u>\$ 5,158,291</u></u>

See notes to financial statements.

**NOTES TO
FINANCIAL STATEMENTS**

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 1998

1. Summary of significant accounting policies:

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

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

All the Commission's 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 of the Commission 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) applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission is not subject to regulation by federal or state utility regulatory bodies such as the Federal Energy Regulatory Commission or the Nevada Public Service Commission.

Following is a summary of significant policies.

A. Fund Accounting

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

Governmental Funds

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

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

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1998

1. Summary of significant accounting policies (continued):

A. Fund Accounting (continued)

Proprietary Funds

Enterprise Funds - The Power Marketing Fund is a public utility, financed and operated in a manner similar to private business enterprise. The newly established Power Delivery Fund is used to account for the construction and operation of power transmission equipment for the Southern Nevada Water System. It is intended that the costs of providing electrical power 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, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, 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 reporting period.

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

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

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

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1998

1. Summary of significant accounting policies (continued):

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

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

The proprietary 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 sheet. Reported fund equity (net assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net assets.

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

C. Basis of Accounting

The term, "basis of accounting", refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements and 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. Accordingly, revenues are recognized when they become measurable and available as net current assets, that is, when they become "susceptible to accrual." All general and special revenue fund revenues of the Commission billed in July for services or commodities furnished through June 30, are considered "susceptible to accrual." Also under the modified accrual basis of accounting in use, expenditures are recognized generally when the related fund liability is incurred. Exceptions to this general rule are principal and interest on general long-term obligations, which are recognized only when due.

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

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1998

1. Summary of significant accounting policies (continued):

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

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

Governmental Funds:

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

No net budgeted amounts were exceeded in any category during fiscal 1997-98.

Proprietary (Enterprise) Funds:

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

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998**

1. Summary of significant accounting policies (continued):

D. Budget and Budgetary Accounting (continued)

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

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

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

Budgeted amounts for final 1997-98 are as originally adopted or amended by either the Commission, the Nevada Director of Administration or the Interim Financial Committee. Individual amendments during fiscal 1997-98 were not material in relation to original authorizations.

E. Encumbrances

Encumbrance accounting (wherein purchase orders, contracts, and other commitments are recorded 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, however, under GAAP, encumbrances outstanding at June 30, for which the goods or services have not been received, do not result in current expenditure recognition in the financial statements but 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.

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1998

1. Summary of significant accounting policies (continued):

G. Accounts Receivable

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

H. Restricted Assets

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

I. Other Assets

The Commission is participating with the State (Note 5) in funding the "uprating" of the electrical power generation plant at Hoover Dam, which supplies the majority of the power sold through the Power Marketing Fund. These costs will be reimbursed in the form of power as the related debt amortizes over an extended period of time. The estimated value of power to be received during the next fiscal year is reclassified as a current prepaid expense in the fund.

J. Unamortized Debt Expense

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

K. Accrued Unpaid Compensated Absences

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

L. Comparative Data

Comparative totals data for the prior year have been presented in the accompanying financial statements to provide an understanding of changes in the Commission's financial position and operations. Detailed comparative data (*i.e.*, presentation of prior year totals by fund type) and certain disclosures have not been presented for fiscal 1996-97 since their inclusion would make the statements unduly complex and difficult to read. Accordingly, this presentation of the prior year's data does not purport to present financial position, results of operation, or cash flows of the enterprise fund for the prior year in accordance with GAAP. Certain amounts in the Commission's prior year's financial data have been reclassified to conform to the 1998 presentation.

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998**

1. Summary of significant accounting policies (continued):

M. 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, 1998, cash on deposit was as follows:

Carrying Value	Treasurer's Balance
<u>\$ 32,707,842</u>	<u>\$ 32,707,592</u>

3. Restricted assets:

The various debt service, operation and maintenance (O&M), capital improvement and construction (acquisition) funds required by bond covenants and the federal repayment contract are recorded as restricted assets on the enterprise fund's balance sheet. These restricted assets are established either from bond proceeds or retained earnings. Retained earnings are reserved to the extent restricted assets established from retained earnings exceed related restricted liabilities. The restrictions upon these assets at June 30, 1998, are summarized as follows:

Restricted for:	Power Delivery Fund	Power Marketing Fund
Debt service	\$ 1,718,867	\$ 1,575,072
Construction reserve	13,926,481	11,028,091
Reserve for revenue insufficiency	<u> </u>	<u>727,353</u>
Total restricted assets	<u>\$ 15,645,348</u>	<u>\$ 13,330,516</u>

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998**

4. Changes in fixed assets:

Changes in fixed assets during 1997-98 were as follows:

	Balance July 1, 1997	Additions	Retirements	Balance June 30, 1998
General fixed assets account group:				
Office equipment	\$ 127,955	\$ 6,220	\$ 565	\$ 133,610
Office furniture and fixtures	1,165			1,165
Automobiles	<u>38,685</u>			<u>38,685</u>
 Total general fixed assets	 <u>\$ 167,805</u>	 <u>\$ 6,220</u>	 <u>\$ 565</u>	 <u>\$ 173,460</u>
 Enterprise fund fixed assets:				
	Balance July 1, 1997	Additions		Balance June 30, 1998
Construction work in progress	<u>\$ 4,700,455</u>	<u>\$ 35,390,295</u>		<u>\$ 40,090,750</u>

5. Long-term debt:

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

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

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

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998**

5. Long-term debt (continued):

General obligation bonds (Power Delivery Project Bonds, series September 15, 1997) in the amount of \$49,270,000 were sold September 25, 1997. Proceeds were used to finance the costs of acquiring, constructing and equipping certain electric power transmission and distribution facilities to serve the planned expansion of the Southern Nevada Water System. The bonds mature annually on September 15, from 2000 through 2027. Interest rates vary from 4.25 to 7.0% per annum. Interest is payable semi-annually on March 15 and September 15.

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

	Maturity Dates	Interest Rates	Outstanding June 30, 1997
General obligations bonds:			
Hoover uprating, series 1987B	1987-2017	6 to 10.8%	\$ 6,880,000
Hoover uprating refunding, series 1992	1992-2016	6 to 6.6%	52,885,000
Power delivery bonds, series 1997A	2000-2027	4.25 to 7.0%	<u>49,270,000</u>
			109,035,000
Accrued compensated absences			<u>94,787</u>
			109,129,787
Less current portion			<u>(2,030,000)</u>
			<u>\$ 107,099,787</u>

Changes in long-term debt during fiscal 1998 are summarized below:

	Balance July 1, 1997	Additions	Retirements	Balance June 30, 1998
General obligation bonds	\$ 61,760,000	\$ 49,270,000	\$ 1,995,000	\$ 109,035,000
Accrued compensated absences	<u>98,616</u>		<u>3,829</u>	<u>94,787</u>
Total	<u>\$ 61,858,616</u>	<u>\$ 49,270,000</u>	<u>\$ 1,998,829</u>	<u>\$ 109,129,787</u>

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1998

5. Long-term debt (continued):

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

Fiscal Years Ending June 30:

1999	\$ 8,386,220
2000	8,380,820
2001	9,172,545
2002	9,163,301
2003	6,683,366
Thereafter	<u>169,249,748</u>
Total	<u>\$ 211,036,000</u>
Principal	109,035,000
Interest	<u>102,001,000</u>
Total	<u>\$ 211,036,000</u>

Refunded Debt and Redemptions

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

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

6. Budgetary Basis of Accounting

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

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

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998**

7. Other required fund disclosures:

A. Interfund Receivable and Payable Balances

Interfund receivable and payable balances at June 30, 1998, were:

Funds:	Receivables	Payables
General fund	\$ 793,829	\$ 598,135
Special revenue funds:		
Research and development	5,741	43
Ft. Mohave Valley development		18,695
Power Marketing fund	1,758	21,377
Power Delivery fund		<u>163,078</u>
	<u>\$ 801,328</u>	<u>\$ 801,328</u>

B. Interest Incurred in Enterprise Funds

Interest incurred for the year ended June 30, 1998 for the Power Marketing Fund and the Power Delivery Fund was \$3,862,274 and \$1,977,490 respectively.

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. PERS was established in 1948 by the State legislature and is governed by the Public Employees Retirement Board whose seven members are appointed by the Governor. The Commission exercises no control over PERS and is not liable for any obligations of the system.

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

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

COLORADO RIVER COMMISSION

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 1998**

8. Defined benefit pension plan (continued):

Retirement benefits, payable monthly for life, are 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.

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 18.75% of salary to PERS.

Contribution rates are established by state statute and provide for yearly increases of up to 1% until such time as the actuarially determined unfunded liability of PERS is reduced to zero.

The required contribution for fiscal years ending in 1996-1998 was as follows:

Year Ending	Contribution Rate Regular Members		Covered Payroll		Annual Required Contribution Paid by the Commission	
	Employer	Employer/Employee	Employer	Employer/Employee	Employer	Employer/Employee
June 30						
1996	18.76%	10.00%	\$374,759	\$322,269	\$70,253	\$32,227
1997	18.76%	10.00%	395,355	446,846	73,949	44,685
1998	18.75%	10.00%	460,463	449,563	86,316	44,965

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

Public Employees Retirement System of Nevada
693 W. Nye Lane
Carson City, NV 89703-1599
(702) 687-4200

COLORADO RIVER COMMISSION

NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 1998

9. Bond covenants:

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

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

Monthly Transfers for Debt Service - A debt service account is required to ensure payment of interest and principal when due. Transfers are made each month from revenues to provide 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. The Power Delivery fund serves the Southern Nevada Water System and their 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, 1998, the Commission complied with all requirements of the bond covenants.

10. Contingency:

Arbitrage Rebate Requirement - The Tax Reform Act of 1986 imposes a rebate requirement with respect to some bonds issued by the Commission. Under this requirement, an amount equal to the sum of (a) the excess of the aggregate amount earned on all investments (other than certain specified exceptions) over the amount that would have been earned if all investments were invested at a rate equal to the yield on the bonds, and (b) any income earned on the excess described in (a), is required to be rebated to the United States Treasury, 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, 1998. Future calculations might result in arbitrage rebate requirements on the computation dates.

11. Risk management:

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions. The Commission participates in the State 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 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, 1998 AND 1997

A-1

ASSETS	1998	1997
Cash	\$ 403,435	\$ 639,826
Receivables:		
Accounts	102,530	48,839
Accrued interest	7,846	8,047
Due from other funds	<u>793,829</u>	<u>413,487</u>
Total assets	<u>\$ 1,307,640</u>	<u>\$ 1,110,199</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 78,820	\$ 108,795
Due to other funds	598,135	
Deferred income		327,341
Total liabilities	<u>676,955</u>	<u>436,136</u>
FUND BALANCE - unreserved	<u>630,685</u>	<u>674,063</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,307,640</u>	<u>\$ 1,110,199</u>

COLORADO RIVER COMMISSION

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

A-2

	1998	1997
REVENUES:		
Power administrative charge	\$ 603,616	\$ 413,764
Water charges	812,249	1,057,058
Interest	41,914	26,663
Miscellaneous	160	1,125
Total revenues	<u>1,457,939</u>	<u>1,498,610</u>
EXPENDITURES:		
Current:		
General administration		
Personnel services:		
Salaries	1,762,791	1,627,787
Employee benefits	225,368	209,352
Travel:		
Out-of-state	42,591	35,489
In-state	5,450	3,971
Operating:		
Water purchases	20,164	22,657
Office supplies and expense	9,328	10,916
Printing and copying	2,524	4,415
Insurance	5,510	6,662
Contractual services	238,526	313,275
Legal	236,071	216,886
Equipment repair	3,871	5,394
Rent	73,037	54,841
Vehicle operation	2,287	1,574
Postage	5,678	8,125
Telephone	21,418	21,478
Dues and registration	34,828	25,021
Publications	13,744	3,779
Professional services	1,702	1,677
Miscellaneous	393,669	411,748
Equipment, furniture and software	11,549	62,775
Total expenditures	<u>3,110,106</u>	<u>3,047,822</u>
Less allocated salaries and overhead	<u>(1,608,789)</u>	<u>(1,533,258)</u>
Net expenditures	<u>1,501,317</u>	<u>1,514,564</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(43,378)	(15,954)
FUND BALANCE, JULY 1	<u>674,063</u>	<u>690,017</u>
FUND BALANCE, JUNE 30	<u>\$ 630,685</u>	<u>\$ 674,063</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, 1998

A-3

	Budget	Actual (Legal Basis)	Variance- Favorable (Unfavorable)
REVENUES:			
Power administrative charge	\$ 863,383	\$ 603,616	\$ (259,767)
Water charges	1,619,595	812,249	(807,346)
Interest	150,000	41,914	(108,086)
Transfers in	479,666		(479,666)
Miscellaneous		160	160
Total revenues	<u>3,112,644</u>	<u>1,457,939</u>	<u>(1,654,705)</u>
EXPENDITURES:			
Current:			
General administration:			
Personnel services	1,443,186	1,988,159	(544,973)
Travel:			
Out-of-state	68,072	42,591	25,481
In-state	6,457	5,450	1,007
Operating:			
Water purchases	26,330	20,164	6,166
Office supplies and expense	32,030	9,328	22,702
Printing and copying	8,502	2,524	5,978
Insurance	5,901	5,510	391
Contractual services	874,407	238,526	635,881
Legal	235,152	236,071	(919)
Equipment repair	4,300	3,871	429
Rent	73,068	73,037	31
Vehicle operation	6,720	2,287	4,433
Postage	9,723	5,678	4,045
Telephone	22,752	21,418	1,334
Dues and registration	26,603	34,828	(8,225)
Publications	3,930	13,744	(9,814)
Professional services	150	1,702	(1,552)
Miscellaneous	137,501	393,669	(256,168)
Allocations out		(1,608,789)	1,608,789
Net operating	<u>2,984,784</u>	<u>1,489,768</u>	<u>1,495,016</u>
Equipment, furniture and software	59,104	11,549	47,555
Net expenditures	<u>3,043,888</u>	<u>1,501,317</u>	<u>1,542,571</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	68,756	(43,378)	(112,134)
FUND BALANCE, JULY 1	<u>674,063</u>	<u>674,063</u>	
FUND BALANCE, JUNE 30	<u>\$ 742,819</u>	<u>\$ 630,685</u>	<u>\$ (112,134)</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, 1998 WITH COMPARATIVE TOTALS FOR JUNE 30, 1997

B-1

ASSETS	Research and Development	Ft. Mohave Valley Development	Totals	
			1998	1997
Cash	\$ 341,887	\$ 1,349,344	\$ 1,691,231	\$ 2,845,602
Receivables:				
Accounts	86,773		86,773	29,195
Accrued interest	4,375	21,179	25,554	41,141
Due from other funds	5,741		5,741	2,382
TOTAL ASSETS	\$ 438,776	\$ 1,370,523	\$ 1,809,299	\$ 2,918,320
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 166,651		\$ 166,651	\$ 1,349,496
Due to other funds	43	\$ 18,695	18,738	84,478
Total liabilities	166,694	18,695	185,389	1,433,974
FUND BALANCES - Unreserved	272,082	1,351,828	1,623,910	1,484,346
TOTAL LIABILITIES AND FUND BALANCES	\$ 438,776	\$ 1,370,523	\$ 1,809,299	\$ 2,918,320

COLORADO RIVER COMMISSION

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE TOTALS FOR JUNE 30, 1997

B-2

	Research and Development	Ft. Mohave Valley Development	Totals	
			1998	1997
REVENUES:				
Administrative charge				\$ 96,423
Interest	\$ 16,235	\$ 83,471	\$ 99,706	180,151
Miscellaneous	229,827	24,390	254,217	177,483
Total revenues	<u>246,062</u>	<u>107,861</u>	<u>353,923</u>	<u>454,057</u>
EXPENDITURES:				
Current:				
General administration	168,986	45,373	214,359	271,124
Intergovernmental				<u>2,210,000</u>
Total expenditures	<u>168,986</u>	<u>45,373</u>	<u>214,359</u>	<u>2,481,124</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	77,076	62,488	139,564	(2,027,067)
FUND BALANCE, JULY 1	<u>195,006</u>	<u>1,289,340</u>	<u>1,484,346</u>	<u>3,511,413</u>
FUND BALANCE, JUNE 30	<u>\$ 272,082</u>	<u>\$ 1,351,828</u>	<u>\$ 1,623,910</u>	<u>\$ 1,484,346</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, 1998

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 1997

B-3

	1998		Variance- Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
REVENUES:				
Administrative charge				\$ 96,423
Interest	\$ 20,000	\$ 16,235	\$ (3,765)	13,023
Power surcharge	160,000		\$ (160,000)	
Miscellaneous	229,827	229,827	-	153,093
Total revenues	<u>409,827</u>	<u>246,062</u>	<u>(163,765)</u>	<u>262,539</u>
EXPENDITURES:				
Current, general administration	<u>258,099</u>	<u>168,986</u>	<u>89,113</u>	<u>260,048</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	151,728	77,076	(74,652)	2,491
FUND BALANCE, JULY 1	<u>195,006</u>	<u>195,006</u>		<u>192,515</u>
FUND BALANCE, JUNE 30	<u>\$ 346,734</u>	<u>\$ 272,082</u>	<u>\$ (74,652)</u>	<u>\$ 195,006</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, 1998

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 1997

B-4

	1998		Variance- Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
REVENUES:				
Interest	\$ 200,000	\$ 83,471	\$ (116,529)	\$ 167,128
Miscellaneous	24,390	24,390		24,390
Total revenues	<u>224,390</u>	<u>107,861</u>	<u>(116,529)</u>	<u>191,518</u>
EXPENDITURES:				
Current:				
General administration	1,128,322	45,373	1,082,949	11,076
Intergovernmental				2,210,000
Total expenditures	<u>1,128,322</u>	<u>45,373</u>	<u>1,082,949</u>	<u>2,221,076</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(903,932)	62,488	966,420	(2,029,558)
FUND BALANCE, JULY 1	<u>1,289,340</u>	<u>1,289,340</u>		<u>3,318,898</u>
FUND BALANCE, JUNE 30	<u>\$ 385,408</u>	<u>\$ 1,351,828</u>	<u>\$ 966,420</u>	<u>\$ 1,289,340</u>

ENTERPRISE FUNDS
(C-1 through C-8)

Two enterprise funds have been established by the Commission.

The Power Marketing Fund is used to record purchases and sales of electrical power from the Hoover Dam generating facilities and other power marketing related activities.

The Power Delivery Fund is used to account for the construction and operation of certain electric power transmission and distribution facilities to initially serve the planned expansion of the Southern Nevada Water System.

**COLORADO RIVER COMMISSION
ENTERPRISE FUND
COMBINING BALANCE SHEET
JUNE 30, 1998 AND 1997**

COLORADO RIVER COMMISSION

ENTERPRISE FUNDS

COMBINING BALANCE SHEET

JUNE 30, 1998 WITH COMPARATIVE TOTALS FOR JUNE 30, 1997

C-1

ASSETS	Power Marketing Fund	Power Delivery Fund	Totals	
			1998	1997
Current assets:				
Cash	\$ 1,637,312		\$ 1,637,312	\$ 902,021
Receivables:				
Accounts	2,146,836		2,146,836	2,242,374
Accrued interest	223,155	\$ 262,071	485,226	227,073
Due from other funds	1,758		1,758	
Prepaid power	5,174,294		5,174,294	4,627,795
	9,183,355	262,071	9,445,426	7,999,263
Restricted cash	13,330,516	15,645,348	28,975,864	17,200,837
Property, plant and equipment:				
Construction in progress	159,410	39,931,340	40,090,750	4,702,369
Deferred charges:				
Unamortized debt and charge on refunding bonds	618,952		618,952	746,223
Prepaid power, net of current portion	43,905,260		43,905,260	45,774,745
TOTAL ASSETS	<u>\$ 67,197,493</u>	<u>\$ 55,838,759</u>	<u>\$ 123,036,252</u>	<u>\$ 76,423,437</u>

(Continued)

COLORADO RIVER COMMISSION

ENTERPRISE FUNDS

COMBINING BALANCE SHEET (CONTINUED)

JUNE 30, 1998 WITH COMPARATIVE TOTALS FOR JUNE 30, 1997

C-1

LIABILITIES AND FUND EQUITY	Power Marketing Fund	Power Delivery Fund	Totals	
			1998	1997
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 2,985,627		\$ 2,985,627	\$ 2,258,626
Due to other funds	21,377		21,377	19,794
	<u>3,007,004</u>		<u>3,007,004</u>	<u>2,278,420</u>
Payable from restricted assets:				
Accounts and contracts payable	42,461	\$ 4,056,858	4,099,319	1,242,364
Contract retentions payable		2,337,154	2,337,154	
Advance from local government				7,740,691
Bonds payable (within 1 year)	2,030,000		2,030,000	1,900,000
Due to other funds		163,078	163,078	311,597
Accrued interest	957,101	755,042	1,712,143	1,016,307
	<u>3,029,562</u>	<u>7,312,132</u>	<u>10,341,694</u>	<u>12,210,959</u>
Long-term debt:				
Advance from State of Nevada general obligation bonds payable	57,735,000	49,270,000	107,005,000	59,860,000
Unamortized discount on bonds		(743,373)	(743,373)	
Advance for Basic substation	2,414,616		2,414,616	669,237
	<u>60,149,616</u>	<u>48,526,627</u>	<u>108,676,243</u>	<u>60,529,237</u>
Deferred credits:				
Deferred income				314,475
TOTAL LIABILITIES	<u>66,186,182</u>	<u>55,838,759</u>	<u>122,024,941</u>	<u>75,333,091</u>
FUND EQUITY:				
Retained earnings:				
Reserved for operation and maintenance	727,353		727,353	893,209
Unreserved	283,958		283,958	197,137
	<u>1,011,311</u>		<u>1,011,311</u>	<u>1,090,346</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 67,197,493</u>	<u>\$ 55,838,759</u>	<u>\$ 123,036,252</u>	<u>\$ 76,423,437</u>

COLORADO RIVER COMMISSION

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1998

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1997

C-2

	Power Marketing Fund	Power Delivery Fund	Totals	
			1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 24,680,261		\$ 24,680,261	\$ 24,691,132
Cash paid to employees for services	(316,283)		(316,283)	(217,376)
Cash paid to other suppliers for goods and services	(17,930,433)		(17,930,433)	(19,370,346)
Miscellaneous operating revenues				54,881
Net cash provided by operating activities	<u>6,433,545</u>		<u>6,433,545</u>	<u>5,158,291</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Payments to state general fund for Hoover negotiation expenses				(54,881)
Interest capitalized to prepaid power	(5,281,002)		(5,281,002)	(4,623,003)
Principal payments on bonds and federal obligation	(1,995,000)		(1,995,000)	(1,785,000)
Other noncapital	127,271		127,271	
Net cash used in noncapital financing activities	<u>(7,148,731)</u>		<u>(7,148,731)</u>	<u>(6,462,884)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Advance from local government				6,923,950
Advance for Basic substation	1,745,379		1,745,379	669,237
Bond proceeds		\$ 49,270,000	49,270,000	
Deposit to escrow for refunding				(17,981,223)
Repayment of advances from local government		(7,740,691)	(7,740,691)	
Acquisition of property, plant and equipment	(116,949)	(30,476,244)	(30,593,193)	(3,127,404)
Net cash provided by (used in) capital financing activities	<u>1,628,430</u>	<u>11,053,065</u>	<u>12,681,495</u>	<u>(13,515,440)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	759,776		759,776	1,521,458
Other investing	(215,807)		(215,807)	
Net cash provided by investing activities	<u>543,969</u>		<u>543,969</u>	<u>1,521,458</u>
NET INCREASE (DECREASE) IN CASH (RESTRICTED AND UNRESTRICTED)	1,457,213	11,053,065	12,510,278	(13,298,575)
CASH, JULY 1	<u>13,510,615</u>	<u>4,592,283</u>	<u>18,102,898</u>	<u>31,401,473</u>
CASH, JUNE 30	<u>\$ 14,967,828</u>	<u>\$ 15,645,348</u>	<u>\$ 30,613,176</u>	<u>\$ 18,102,898</u>

(continued)

COLORADO RIVER COMMISSION

ENTERPRISE FUNDS (CONTINUED)

COMBINING STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 1998
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1997

C-2

	Power Marketing Fund	Power Delivery Fund	Totals	
			1998	1997
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income				\$ 54,881
Amortization of prepaid power	\$ 5,925,656		\$ 5,925,656	5,225,394
Decrease (increase) in accounts receivable	95,538		95,538	(248,415)
Increase (decrease) in operating liabilities:				
Accounts payable and contract retentions	727,001		727,001	(69,851)
Due to/from other funds	(175)		(175)	(22,898)
Deferred income	(314,475)		(314,475)	219,180
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,433,545</u>		<u>\$ 6,433,545</u>	<u>\$ 5,158,291</u>

See notes to financial statements.

COLORADO RIVER COMMISSION

ENTERPRISE FUNDS

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS -
 RESTRICTED ACCOUNTS REQUIRED BY BOND RESOLUTIONS AND CONTRACTS
 FOR THE YEAR ENDED JUNE 30, 1998

C-3

	Power Marketing							Total
	General Operating Funds	Debt Service	All Purpose Reserve	Insufficiency Reserve	Basic Substation Fund	Hoover Acquisition Fund	Power Delivery Fund	
CASH RECEIPTS:								
Power sales	\$ 24,680,261							\$ 24,680,261
Bond proceeds							\$ 48,567,069	48,567,069
Interest	90,544	\$ 91,726	\$ 454,806	\$ 49,951	\$ 53,876	\$ 94,931	1,163,288	1,999,122
Transfers in		5,294,291			1,930,011	546,532	2,047,140	9,817,974
Total cash receipts	<u>24,770,805</u>	<u>5,386,017</u>	<u>454,806</u>	<u>49,951</u>	<u>1,983,887</u>	<u>641,463</u>	<u>51,777,497</u>	<u>85,064,426</u>
CASH DISBURSEMENTS:								
Power purchased	18,246,716							18,246,716
Capital improvements					126,747	29,471	32,958,404	33,114,622
Transfers out	5,788,798		454,806			1,076,229		7,319,833
Reimbursements				215,807			7,766,028	7,981,835
Principal payments		1,995,000						1,995,000
Interest payments		3,896,142						3,896,142
Total cash disbursements	<u>24,035,514</u>	<u>5,891,142</u>	<u>454,806</u>	<u>215,807</u>	<u>126,747</u>	<u>1,105,700</u>	<u>40,724,432</u>	<u>72,554,148</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	735,291	(505,125)	-	(165,856)	1,857,140	(464,237)	11,053,065	12,510,278
CASH, JULY 1	<u>902,021</u>	<u>2,080,196</u>	<u>7,440,326</u>	<u>893,209</u>	<u>266,142</u>	<u>1,928,721</u>	<u>4,592,283</u>	<u>18,102,898</u>
CASH, JUNE 30	<u>\$ 1,637,312</u>	<u>\$ 1,575,071</u>	<u>\$ 7,440,326</u>	<u>\$ 727,353</u>	<u>\$ 2,123,282</u>	<u>\$ 1,464,484</u>	<u>\$ 15,645,348</u>	<u>\$ 30,613,176</u>

**COLORADO RIVER COMMISSION
POWER MARKETING FUND
COMPARATIVE BALANCE SHEET
JUNE 30, 1998 AND 1997**

COLORADO RIVER COMMISSION

POWER MARKETING FUND

COMPARATIVE BALANCE SHEETS
 JUNE 30, 1998 AND 1997

C-4

ASSETS	1998	1997
Current assets:		
Cash	\$ 1,637,312	\$ 902,021
Receivables:		
Accounts	2,146,836	2,242,374
Accrued interest	223,155	201,696
Due from other funds	1,758	
Prepaid power	<u>5,174,294</u>	<u>4,627,795</u>
	9,183,355	7,973,886
Restricted cash	13,330,516	12,608,594
Property, plant and equipment:		
Construction in progress	159,410	
Deferred charges:		
Unamortized debt and charge on refunding bonds	618,952	746,223
Prepaid power, net of current portion	<u>43,905,260</u>	<u>45,774,745</u>
TOTAL ASSETS	<u><u>\$ 67,197,493</u></u>	<u><u>\$ 67,103,448</u></u>

(Continued)

COLORADO RIVER COMMISSION

POWER MARKETING FUND

COMPARATIVE BALANCE SHEETS (CONTINUED)
 JUNE 30, 1998 AND 1997

C-4

LIABILITIES AND FUND EQUITY	1998	1997
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 2,985,627	\$ 2,258,626
Due to other funds	<u>21,377</u>	<u>19,794</u>
	<u>3,007,004</u>	<u>2,278,420</u>
Payable from restricted assets:		
Accounts payable	42,461	
Bonds payable within 1 year	2,030,000	1,900,000
Accrued interest	<u>957,101</u>	<u>990,970</u>
	<u>3,029,562</u>	<u>2,890,970</u>
Long-term debt:		
Advance from State of Nevada general obligation bonds payable	57,735,000	59,860,000
Advance for Basic substation	<u>2,414,616</u>	<u>669,237</u>
	<u>60,149,616</u>	<u>60,529,237</u>
Deferred credits:		
Deferred income		<u>314,475</u>
TOTAL LIABILITIES	<u>66,186,182</u>	<u>66,013,102</u>
FUND EQUITY:		
Retained earnings:		
Reserved for operation and maintenance	727,353	893,209
Unreserved	<u>283,958</u>	<u>197,137</u>
	<u>1,011,311</u>	<u>1,090,346</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 67,197,493</u>	<u>\$ 67,103,448</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, 1998

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 1997

C-5

	1998		Variance - Favorable (Unfavorable)	1997 Actual
	Budget	Actual		
OPERATING REVENUES:				
Power sales	\$ 41,648,413	\$ 24,899,198	\$ (16,749,215)	\$ 24,720,367
Miscellaneous service				54,881
Total operating revenues	<u>41,648,413</u>	<u>24,899,198</u>	<u>(16,749,215)</u>	<u>24,775,248</u>
OPERATING EXPENSES:				
Power purchases	40,738,220	20,296,527	(20,441,693)	19,494,973
Miscellaneous expenses	4,602,671	4,602,671		5,225,394
Total operating expenses	<u>45,340,891</u>	<u>24,899,198</u>	<u>(20,441,693)</u>	<u>24,720,367</u>
OPERATING INCOME (LOSS)	<u>(3,692,478)</u>		<u>3,692,478</u>	<u>54,881</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	550,000	136,772	(413,228)	133,235
Amortization				(54,881)
Reimbursements	(215,807)	(215,807)		
Total nonoperating revenues (expenses)	<u>334,193</u>	<u>(79,035)</u>	<u>(413,228)</u>	<u>78,354</u>
NET INCOME (LOSS)	<u>(3,358,285)</u>	<u>(79,035)</u>	<u>3,279,250</u>	<u>133,235</u>
RETAINED EARNINGS, JULY 1	<u>1,090,346</u>	<u>1,090,346</u>		<u>957,111</u>
RETAINED EARNINGS (DEFICIT), JUNE 30	<u>\$ (2,267,939)</u>	<u>\$ 1,011,311</u>	<u>\$ 3,279,250</u>	<u>\$ 1,090,346</u>

**COLORADO RIVER COMMISSION
POWER MARKETING FUND
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1998 and 1997**

COLORADO RIVER COMMISSION

POWER MARKETING FUND
 COMPARATIVE STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

C-6

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 24,680,261	\$ 24,691,132
Cash paid to employees for services	(316,283)	(217,376)
Cash paid to other suppliers for goods and services	(17,930,433)	(19,370,346)
Miscellaneous operating revenues		54,881
Net cash provided by operating activities	<u>6,433,545</u>	<u>5,158,291</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments to state general fund for Hoover negotiation expenses		(54,881)
Interest capitalized to prepaid power	(5,281,002)	(4,623,003)
Principal payments on bonds and federal obligation	(1,995,000)	(1,785,000)
Other noncapital	127,271	
Net cash used in noncapital financing activities	<u>(7,148,731)</u>	<u>(6,462,884)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Acquisition of property, plant and equipment	(116,949)	39,263
Advance for Basic substation	1,745,379	669,237
Deposit for escrow refunding		(17,981,223)
Net cash provided by capital financing activities	<u>1,628,430</u>	<u>(17,272,723)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	759,776	1,521,458
Other investing	(215,807)	
Net cash provided by investing activities	<u>543,969</u>	<u>1,521,458</u>
NET DECREASE IN CASH (RESTRICTED AND UNRESTRICTED)	1,457,213	(17,055,858)
CASH, JULY 1	<u>13,510,615</u>	<u>30,566,473</u>
CASH, JUNE 30	<u>\$ 14,967,828</u>	<u>\$ 13,510,615</u>

(Continued)

COLORADO RIVER COMMISSION

POWER MARKETING FUND

COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

C-6

	1998	1997
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income		\$ 54,881
Amortization of prepaid power	\$ 5,925,656	5,225,394
Decrease (increase) in accounts receivable	95,538	(248,415)
Increase (decrease) in operating liabilities:		
Accounts payable and contract retentions	727,001	(69,851)
Due to/from other funds	(175)	(22,898)
Deferred income	(314,475)	219,180
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 6,433,545</u>	<u>\$ 5,158,291</u>

COLORADO RIVER COMMISSION

POWER DELIVERY FUND

COMPARATIVE BALANCE SHEETS
JUNE 30, 1998 AND 1997

C-7

ASSETS	1998	1997
Current assets:		
Accrued interest	\$ 262,071	\$ 25,377
Restricted cash	15,645,348	4,592,243
Property, plant and equipment:		
Construction in progress	<u>39,931,340</u>	<u>4,702,369</u>
TOTAL ASSETS	<u><u>\$ 55,838,759</u></u>	<u><u>\$ 9,319,989</u></u>
 LIABILITIES AND FUND EQUITY		
LIABILITIES:		
Payable from restricted assets:		
Accounts and contracts payable	\$ 4,056,858	\$ 1,242,364
Contract retentions payable	2,337,154	
Advance from local government		7,740,691
Due to other funds	163,078	311,597
Accrued interest	<u>755,042</u>	<u>25,337</u>
	7,312,132	9,319,989
Long-term debt:		
Advance from State of Nevada general obligation bonds payable	49,270,000	
Unamortized discount on bonds payable	<u>(743,373)</u>	
TOTAL LIABILITIES	55,838,759	9,319,989
FUND EQUITY:		
Retained earnings		
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 55,838,759</u></u>	<u><u>\$ 9,319,989</u></u>

COLORADO RIVER COMMISSION

POWER DELIVERY FUND

COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

C-8

	1998	1997
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Advances from local government		\$ 6,923,950
Bond proceeds	\$ 49,270,000	
Repayment of advances from local government	(7,740,691)	
Additions to construction in progress	(30,476,244)	(3,166,667)
Net cash provided by capital financing activities	<u>11,053,065</u>	<u>3,757,283</u>
 NET INCREASE IN CASH	 11,053,065	 3,757,283
 RESTRICTED CASH, JULY 1	 <u>4,592,283</u>	 <u>835,000</u>
 RESTRICTED CASH, JUNE 30	 <u><u>\$ 15,645,348</u></u>	 <u><u>\$ 4,592,283</u></u>
 SUPPLEMENTAL CASH FLOW DISCLOSURES:		
 Cash paid for interest	 <u><u>\$ 1,354,927</u></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, 1998

D-1

GENERAL FIXED ASSETS:

Equipment:

Office equipment	\$ 1,165
Office furniture and fixtures	133,610
Automobiles	<u>38,685</u>

TOTAL GENERAL FIXED ASSETS

\$ 173,460

INVESTMENT IN GENERAL FIXED ASSETS

BY SOURCE - General fund

\$ 173,460

COLORADO RIVER COMMISSION

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS -
 BY FUNCTION AND ACTIVITY
 FOR THE YEAR ENDED JUNE 30, 1998

D-2

	General Fixed Assets July 1, 1997	Additions	Retirements	General Fixed Assets June 30, 1998
GENERAL GOVERNMENT:				
Colorado River Commission:				
Office equipment	\$ 127,955	\$ 6,220	\$ 565	\$ 133,610
Office furniture and fixtures	1,165			1,165
Automobiles	38,685			38,685
TOTAL GENERAL FIXED ASSETS	<u>\$ 167,805</u>	<u>\$ 6,220</u>	<u>\$ 565</u>	<u>\$ 173,460</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, 1998

E-1

	June 30, 1997	Receipts	Disbursements	June 30, 1998
GENERAL FUND	\$ 639,826	\$ 1,024,107	\$ 1,260,498	\$ 403,435
SPECIAL REVENUE FUND:				
Research and development	386,257	184,912	229,282	341,887
Ft. Mohave Valley development	2,459,345	123,661	1,233,662	1,349,344
ENTERPRISE FUNDS:				
Power Marketing	<u>902,021</u>	<u>24,770,805</u>	<u>24,035,514</u>	<u>1,637,312</u>
TOTAL - ALL FUNDS	<u>\$ 4,387,449</u>	<u>\$ 26,103,485</u>	<u>\$ 26,758,956</u>	<u>\$ 3,731,978</u>
DEPOSITORY:				
Petty cash				\$ 250
Nevada State Treasurer				<u>3,731,728</u>
TOTAL				<u>\$ 3,731,978</u>

COLORADO RIVER COMMISSION

COMBINED SCHEDULE OF BONDS AND CONTRACTS PAYABLE
 ALL FUNDS
 FOR THE YEAR ENDED JUNE 30, 1998

E-2

	Interest Rates	Interest Payment Dates	Issue Date	Final Maturity Date	Annual Serial Payments	Authorized	Issued	Retired	Outstanding
GENERAL OBLIGATION (REVENUE SUPPORTED) BONDS:									
Hoover uprating, series 1987B	6.0 to 10.75%	4/1/; 10/1	5/1/87	10/1/17	\$1,530,000 to 6,880,000	\$ 79,500,000	\$ 79,500,000	\$ 72,620,000	\$ 6,880,000
Hoover uprating refunding, 1992 series	6.0 to 6.6%	4/1/; 10/1	4/1/92	10/1/16	370,000 to 6,170,000	72,310,000	72,310,000	19,425,000	52,885,000
Power Delivery Project Bonds, Series 1997A	4.25 to 7.0%	9/15; 3/15	9/15/97	9/15/27	815,000 to 3,235,000	<u>49,270,000</u>	<u>49,270,000</u>		<u>49,270,000</u>
Total general obligation debt						<u>\$ 201,080,000</u>	<u>\$ 201,080,000</u>	<u>\$ 92,045,000</u>	<u>\$ 109,035,000</u>

COLORADO RIVER COMMISSION

DEBT SERVICE REQUIREMENTS TO MATURITY
FOR THE YEARS ENDING JUNE 30, 1999 THROUGH 2028

E-3

	Series 1987B	Series 1992	Series 1997A	Total All Funds
1999	\$ 412,800	\$ 5,384,705	\$ 2,588,715	\$ 8,386,220
2000	412,800	5,379,305	2,588,715	8,380,820
2001	412,800	5,376,405	3,383,340	9,172,545
2002	412,800	5,365,705	3,384,796	9,163,301
2003	412,800	2,883,405	3,387,161	6,683,366
2004	412,800	2,883,405	3,386,891	6,683,096
2005	412,800	2,883,405	3,379,275	6,675,480
2006	412,800	2,883,405	3,381,713	6,677,918
2007	412,800	2,883,405	3,378,962	6,675,167
2008	412,800	3,430,043	3,367,238	7,210,081
2009	412,800	6,416,755	3,364,987	10,194,542
2010	412,800	6,409,105	3,374,962	10,196,867
2011	412,800	6,400,367	3,368,462	10,181,629
2012	412,800	6,394,405	3,368,712	10,175,917
2013	412,800	6,389,918	3,364,525	10,167,243
2014	412,800	6,387,905	3,365,008	10,165,713
2015	412,800	6,376,900	3,360,353	10,150,053
2016	412,800	6,372,795	3,360,403	10,145,998
2017	412,800	6,373,610	3,355,268	10,141,678
2018	7,086,400		3,355,098	10,441,498
2019			3,350,138	3,350,138
2020			3,350,150	3,350,150
2021			3,344,387	3,344,387
2022			3,342,587	3,342,587
2023			3,339,356	3,339,356
2024			3,334,431	3,334,431
2025			3,332,419	3,332,419
2026			3,327,925	3,327,925
2027			3,325,556	3,325,556
2028			3,319,919	3,319,919
	<u>\$ 14,929,600</u>	<u>\$ 96,874,948</u>	<u>\$ 99,231,452</u>	<u>\$ 211,036,000</u>

STATISTICAL SECTION
(Not covered by auditors' report)

COLORADO RIVER COMMISSION

EXPENDITURES BY FUNCTION

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

Table 1

Years	General Administration (1)	Power and Water Purchased	Research and Development	Ft. Mohave Development	Southern Nevada Water System (2)		Total
					Operation Maintenance	Debt Service	
1988-89	\$ 320,689	\$ 19,327,175	\$ 29,102	\$ 8,095,308	\$ 22,374,152	\$ 13,537,835	\$ 63,684,261
1989-90	442,229 (3)	17,488,194	4,783	2,060,026	25,934,706	13,993,280	59,923,218
1990-91	603,622 (3)	18,091,608	3,334	194,862	28,717,169	16,748,572	64,359,167
1991-92	557,018 (3)	22,729,814	13,155	1,425,430	31,441,964	14,846,249	71,013,630
1992-93	578,925 (3)	22,052,142	312,479	2,518,283	31,104,383	15,257,935	71,824,147
1993-94	662,045 (3)	24,526,546	191,470	15,616	35,334,770	15,456,001	76,186,448
1994-95	569,303 (3)	20,633,171	161,904	1,268,737	35,967,162	16,853,360	75,453,637
1995-96	552,248 (3)	17,557,676	353,892	1,128,322	14,616,221	9,154,819	43,363,178
1996-97	1,514,564 (3)	19,494,973	260,048	2,221,076			23,490,661
1997-98	1,501,317 (3)	20,296,527	168,986	45,373			22,012,203

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

(2) 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.

(3) 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		Power and Water Sales	Interest Income (1)	Land Sales (2)	Water System Operating Revenues (3)	Total
		General Fund	Research and Development Fund					
1988-89		\$ 460,176	\$ 20,596	\$ 21,453,136	\$ 394,704	\$ 4,793,438	\$ 28,860,009	\$ 55,982,059
1989-90		436,102	19,950	21,390,896	376,387	4,895,538	32,772,200	59,891,073
1990-91		440,323	20,149	22,947,249	504,451		36,519,538	60,431,710
1991-92		207,403	202,523	23,993,467	371,196		39,443,873	64,218,462
1992-93	\$ 224,246	209,127	202,526	28,424,687	169,029		41,020,637	70,250,252
1993-94	254,666	359,445	259,757	31,564,355	102,445		45,167,068	77,707,736
1994-95	275,300	454,585	165,803	27,705,888	160,234	4,908,279	48,158,882	81,828,971
1995-96	46,724	438,780	83,011	24,556,298	334,265		20,696,808	46,155,886
1996-97	1,057,058	413,764	96,423	24,720,367	206,814			26,494,426
1997-98	812,249	603,616		24,899,198	141,620			26,456,683

(1) General fund and all special revenue funds.

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

(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.

COLORADO RIVER COMMISSION

SCHEDULE OF INSURANCE IN FORCE
JUNE 30, 1998 (NOT COVERED BY AUDITORS' REPORT)

Table 3

Type of Coverage	Expiration Date	Details of Coverage
Property and contents	7/1/98	All risk (with specific exclusions) on State-owned buildings and contents in leased buildings. \$1,000 deductible per occurrence. Buildings and contents at replacement cost. Employee's personal property if used in performance of the job.
Employee Dishonesty Bond	7/1/98	Blanket dishonesty bond for State of Nevada employees. \$500,000 limit. \$75,000 deductible per occurrence.

ADDITIONAL REPORT OF INDEPENDENT AUDITORS



PIERCY, BOWLER, TAYLOR & KERN

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

Colorado River Commission of Nevada
Las Vegas, Nevada

We have audited the financial statements of the Colorado River Commission of Nevada (the Commission), as of and for the year ended June 30, 1998, and have issued our report thereon dated October 23, 1998. We conducted our audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants (including the bond resolutions and ordinances of the General Obligation Hoover Uprating Bonds, Series May 1, 1987B, the General Obligation Hoover Uprating Bonds, 1992 series, and the Power Delivery Project Bonds, Series September 15, 1997A), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Piercy, Bowler, Taylor & Kern

October 23, 1998