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, 2005

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

STATE OF NEVADA

KENNY C. GUINN
Governor

GEORGE J. CHANOS
Attorney General

KATHY AUGUSTINE
Controller

BRIAN K. KROLICKI
Treasurer

DEAN HELLER
Secretary of State

COLORADO RIVER COMMISSION

RICHARD W. BUNKER
Chairman

JAY D. BINGHAM
Vice Chairman

ANDREA ANDERSON
Commissioner

MARYBEL BATJER
Commissioner

SHARI BUCK
Commissioner

ACE I. ROBISON
Commissioner

MYRNA WILLIAMS
Commissioner

COMMISSION STAFF

GEORGE M. CAAN
Executive Director

GAIL A. BATES
Energy Services Chief

JAMES H. DAVENPORT
Division Chief Water

DOUGLAS N. BEATTY
Division Chief Finance and Administration

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December 15, 2005

Honorable Chairman and
Members of the
Colorado River Commission of Nevada

It is a pleasure for us to present the Comprehensive Annual Financial Report of the Colorado River Commission (the Commission) for the year ended June 30, 2005, 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.

Piercy Bowler Taylor and Kern, Certified Public Accountants and Business Advisors, audited the Commission's fiscal 2005 financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Commission are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Commission's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with generally accepted accounting principles (GAAP). The independent auditors' report is presented in the financial section of this report.

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

This report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter and other such material as may be useful in understanding the activities of the Commission. The financial section includes the MD&A, the independent auditors' report and the financial statements, which present fairly the financial position, results of operations, and cash flows, where applicable, for the fiscal year. Also included are budget comparisons and other information necessary for presentation purposes. The statistical section includes selected financial information, generally presented on a multi-year basis.

THE COMMISSION

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

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

Name	Initial Appointment	Current Term
Richard W. Bunker, Chairman	1993	7/1/04 – 6/30/07
Jay D. Bingham, Vice Chairman	1997	7/1/03 – 6/30/06
Honorable Andrea Anderson, Boulder City Councilwoman	2004	7/1/05 – 6/30/06 *
Marybel Batjer	2005	7/1/05 – 6/30/08
Honorable Shari Buck, North Las Vegas Councilwoman	2005	7/1/05 – 6/30/06 *
Ace I. Robison	2004	7/1/05 – 6/30/08
Honorable Myrna Williams, Clark County Commissioner	1999	7/1/05 – 6/30/06 *

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

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

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

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

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

Land. As a result of special legislation passed by Congress and the State, the Commission purchased approximately 15,000 acres in the Fort Mohave Valley (at the southern tip of the State) from the federal government. About 4,000 acres have been sold to various entities, leaving approximately 9,000 acres available for development.

FACTORS AFFECTING FINANCIAL CONDITION

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

Clark County. The area served by the Commission, principally the Clark County area, continues to grow at a steady rate. Overall, Nevada grew by an estimated 75,380 persons or 3.2% from 2004 to 2005, as reported by the State Demographer. This compares to 3.3% growth over the previous year. Clark County (the County) accounted for 85% of that growth. The County encompasses 7,927 square miles, an area larger than the entire state of New Jersey. It includes five incorporated cities: Las Vegas, Henderson, North Las Vegas, Boulder City, and Mesquite; fourteen unincorporated towns; one school district; four library districts; one urban and two rural fire districts; one sanitation district; one urban and three rural water districts; and eleven judicial townships. The State Demographer reports that the County's estimated population for 2005 is 1,751,608, which represents approximately 72% of the State's population (estimated to be approximately 2,522,427). Current projections by the State Demographer place the County population at 2,058,063 in 2010 and 2,569,960 in 2020. The U.S. Census Bureau projects the County population to reach over 4,000,000 in about 2030, which is over double the population that existed in 2000.

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

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

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

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commission for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the 28th consecutive year that the Commission has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate for the fiscal year ended June 30, 2005.

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

George M. Caan
Executive Director

Douglas N. Beatty
Division Chief, Finance & Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Colorado River Commission of Nevada

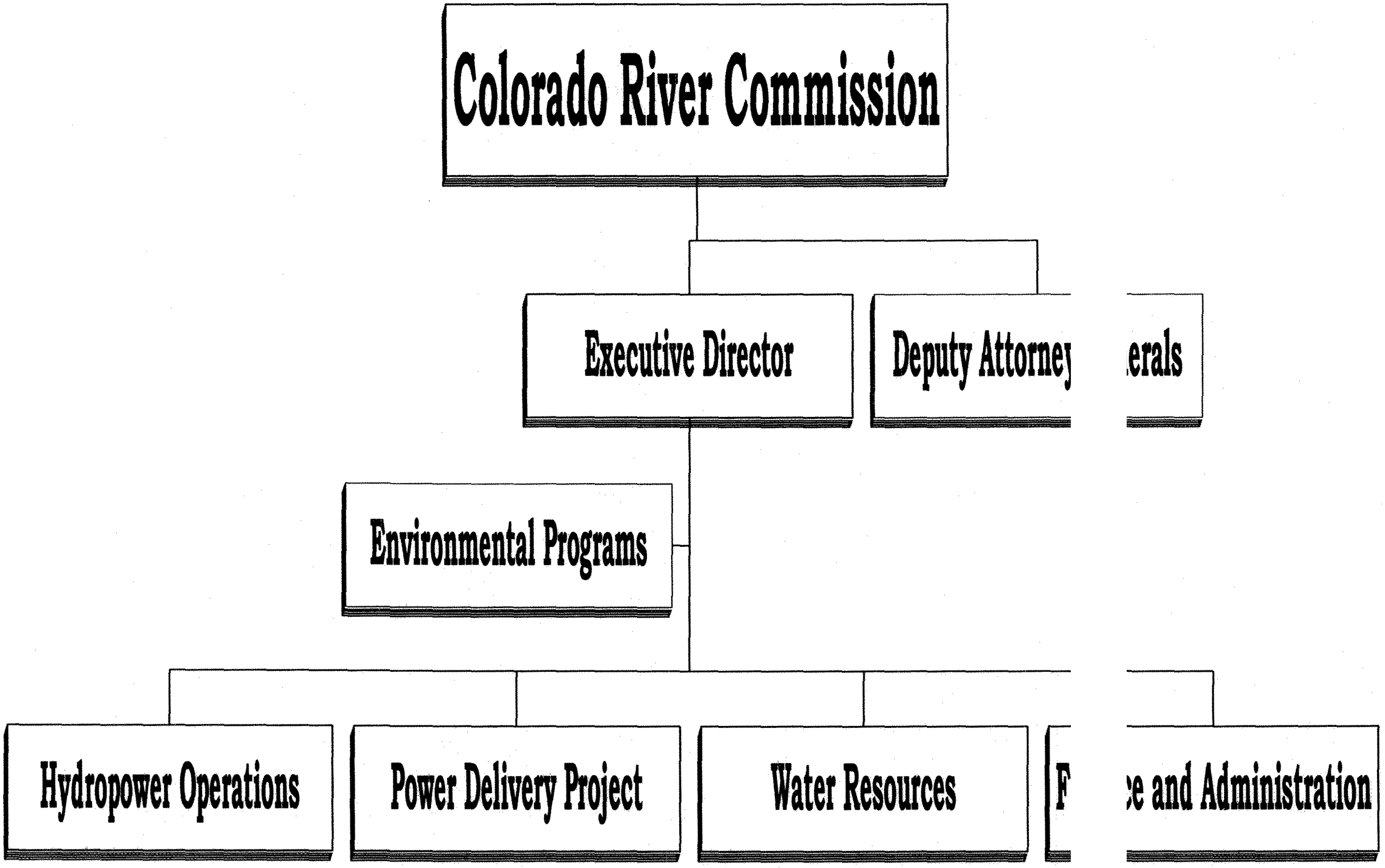
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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

President

Executive Director

CRC Functional Organiza ion



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FINANCIAL SECTION

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P B T K
PIERCY BOWLER TAYLOR & KERN
Certified Public Accountants • Business Advisors

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Colorado River Commission of Nevada
Las Vegas, Nevada

We have audited the accompanying basic financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Colorado River Commission of Nevada (the Commission), a component unit of the State of Nevada as of and for the year ended June 30, 2005, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Commission, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2005, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 7 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information, and therefore, express no opinion on it.

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

Piercy Bowler Taylor & Kern

November 11, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of the Colorado River Commission (the Commission) presents an analysis of the Commission's financial performance during the fiscal year ended June 30, 2005. This information will provide a more complete picture of Commission activities when read in conjunction with the financial statements, notes to the financial statements and letter of transmittal.

Financial Highlights

- The assets of the Commission exceeded its liabilities at the close of the fiscal year by $15,459,477 (net assets). Of this amount, $14,637,409 (unrestricted net assets) may be used to fund the operations of the Commission.

- The Commission's total assets related to the Power Marketing Fund increased this fiscal year ending the decline in the last few years. The decline was related to the Commissions' usage of its cash reserves to repurchase long-term electric power contracts that included contract costs above current market. These contract buyouts reduced cash balances for several years, but relieved the Commission of future obligations at potentially higher losses. In the current fiscal year the Commission has retired virtually all of the remaining contracts without decreasing its assets. The financial impact of the small remaining contract will not be material to the financial position of the Commission.

- During the fiscal year the Commission refunded a portion of its outstanding Series 1997A and 1999A bonds. The refunding enabled the Commission to take advantage of favorable interest rates and reduce the future bond payments on the debt. The refunded debt is contractually the obligation of the Southern Nevada Water Authority (SNWA) and the benefit of the reduction will be a direct benefit of the SNWA and its water customers. The reduction represented a total dollar savings of $5,882,992 or 9.214% of the old debt over the term of the bonds.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

Colorado River Commission's Changes in Net Assets

	Governmental Activities			Business-type Activities		
	2005	2004	Change	2005	2004	Change
Revenues:						
Program revenues:						
Administrative charges	$ 2,065,644	$2,465,097	$ (399,453)			
Power sales revenue:						
Power marketing				$64,003,861	$127,826,226	($63,822,365)
Power delivery				36,513,222	12,756,303	23,756,919
General revenues:						
Investment income	46,142	24,350	21,792	356,172	291,944	64,228
Multi-Species surcharge	17,584		17,584			
Land Sales income	13,000,000		13,000,000			
Miscellaneous income	24,390	22,220	2,170			
Transfers	(6,000,000)		(6,000,000)	6,000,000		6,000,000
Total revenues	9,153,760	2,511,667	6,642,093	106,873,255	140,874,473	(34,001,218)
Expenses:						
General government	2,253,266	2,062,826	190,440			
Power purchase expenses:						
Power marketing				70,038,951	127,942,758	(57,903,807)
Power delivery				37,159,924	13,504,249	23,655,675
Total expenses	2,253,266	2,062,826	190,440	107,198,875	141,447,007	(34,248,132)
Change in net assets	6,900,494	448,841	6,451,653	(325,620)	(572,534)	246,914
Net assets, beginning	2,500,592	2,051,751	448,841	6,384,011	6,956,545	(572,534)
Net assets, ending	$ 9,401,086	$2,500,592	$ 6,900,494	$ 6,058,391	$ 6,384,011	$ (325,620)

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

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

Financial Analysis of Government Funds.

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

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

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

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

Revenues of the Commission's general fund totaled $2,082,649 in fiscal 2005, $396,783 less than the $2,479,432 realized in fiscal 2004. The decrease in revenues was a result of decreased billings for the water administrative fee. In addition to these two direct revenue charges, the general fund receives salary and overhead reimbursements from other Commission funds for work performed related to activities of those funds. The reimbursement increased over the past fiscal year, as did the related expenses. This is a result of the increase in activity related to the power functions of the enterprise funds. These reimbursements are for labor charges and overhead expenses. Note that all personnel-related charges are recorded in the general fund.

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

	2005		2004	
	Amount	Percent	Amount	Percent
Power administrative charge	$ 1,049,704	25.17%	$ 968,238	21.01%
Water administrative charge	1,015,940	24.36%	1,496,859	32.47%
Interest income	17,005	0.41%	14,335	0.31%
Total Revenues	2,082,649	49.93%	2,479,432	53.79%
Allocated salaries and overhead	2,088,317	50.07%	2,129,999	46.21%
All Funding Sources	$ 4,170,966	100.00%	$ 4,609,431	100.00%

Net expenditures of the general fund totaled $2,181,982, which is $199,651 more than the $1,982,331 expended during fiscal 2004. This was primarily due to an increase in personnel costs and increased general fund activity.

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

	2005	2004	Increase/ (Decrease)
General administration			
Personnel	$ 3,009,931	$ 2,790,110	$ 219,821
Travel	78,575	69,808	8,767
Operating	1,136,680	1,136,827	(147)
Equipment	45,113	115,585	(70,472)
Total general administration	4,270,299	4,112,330	157,969
Less allocated salaries and overhead	(2,088,317)	(2,129,999)	41,682
Net expenditures	$ 2,181,982	$ 1,982,331	$ 199,651

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

Fund	Fund Balance June 30		Increase/
	2005	2004	(Decrease)
General Fund	$ 1,117,428	$ 1,216,761	$ (99,333)
Research and Development Fund	188,806	182,928	5,878
Ft. Mohave Development Fund	8,242,169	1,234,722	7,007,447

The general fund budget for the current fiscal year was adjusted to reflect additional activity related to power procurement and thus the allocation category was the only expense category increased during the fiscal year. The only other significant differences between budget and actual results relate to the Commission's budgeting for additional revenues in both the water and power administration charges.

The research and development fund will record the transactions related to the Lower Colorado River Multi-Species Program. This program has been approved and the funding agreed to with the first collections beginning in this fiscal year. Payments related to the program will begin in the next fiscal year and will continue for the next 50 years. This program has been many years in the developing and will be a very important program for water and power interests in the coming years.

The Fort Mohave development fund balance of $8,242,169 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, provides that any remaining fund balances in the Fort Mohave development fund can be used by the County for infrastructure needs in the Laughlin, Nevada area. The County may draw this fund balance to near zero at any time for any approved capital improvement project.

Capital Assets

The Commission's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to $66,825,589 (net of accumulated depreciation). This investment includes the power delivery system, automobiles (both administrative vehicles and power delivery project utility vehicles) and office furniture and equipment. Please refer to Note 5 to the financial statements for more detailed information related to the capital assets of the Commission.

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

	Governmental Activities			Business-type Activities		
	2005	2004	Change	2005	2004	Change
Power transmission system				$ 66,550,617	$ 60,558,424	$ 5,992,193
Automobiles and related	$ 20,776	$ 33,651	$ (12,875)	165,908	163,426	2,482
Office equipment	84,931	67,203	17,728			
Office furniture and fixtures	3,357	6,376	(3,019)			
Construction in progress					8,151,613	(8,151,613)
Total	$ 109,064	$ 107,230	$ 1,834	$ 66,716,525	$ 68,873,463	$ (2,156,938)

Debt Administration

As of June 30, 2005, outstanding long-term obligations of the Commission consisted of the following:

Bond Description	Average Interest Rate(%)	Maturity Date	Balance Outstanding
Hoover Uprating refunding, series 2001	5.4	2017	$ 6,305,000
Hoover Uprating refunding, series 2002	5.4	2016	36,420,000
Power Delivery refunding series 2005I	4.8	2030	65,300,000
Power Delivery Project, series 1997A	5.6	2027	3,245,000
Power Delivery Project, series 1999A	5.5	2030	2,735,000

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

Litigation and Arbitration

The Commission had in past fiscal years been involved in a number of regulatory and legal actions resulting from recent problems in the electric power industry, particularly involving entities trading in the California markets. However the current fiscal year has seen the conclusion of all active litigation.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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COLORADO RIVER COMMISSION

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents, unrestricted	$ 2,509,462	$ 14,376,174	$ 16,885,636
Receivables:			
Accounts	121,496	14,007,145	14,128,641
Accrued interest	12,668	107,986	120,654
Due from other funds (internal balances are eliminated in the total column)	7,357,663	2,196,272	
Collateral for loaned securities	1,466,260	11,612,575	13,078,835
Current portion of prepaid power		2,299,469	2,299,469
Total current assets	11,467,549	44,599,621	46,513,235
Noncurrent assets:			
Restricted cash and cash equivalents		7,130,380	7,130,380
Capital assets:			
Depreciable buildings, property and equipment, net	109,064	66,716,526	66,825,590
Prepaid power, net of current portion		38,870,356	38,870,356
Total noncurrent assets	109,064	112,717,262	112,826,326
Total assets	$ 11,576,613	$ 157,316,883	$ 159,339,561
LIABILITIES			
Current liabilities:			
Accounts payable	$ 264,661	$ 12,061,908	$ 12,326,569
Payable to customers		1,332,562	1,332,562
Customer collateral deposits		3,783,725	3,783,725
Bonds payable within 1 year		1,420,000	1,420,000
Due to other funds	188,225	9,365,710	
Accrued interest		1,452,892	1,452,892
Obligations under securities lending	1,466,260	11,612,575	13,078,835
Total current liabilities	1,919,146	41,029,372	33,394,583
Noncurrent liabilities:			
General obligation bonds payable, noncurrent		112,585,000	112,585,000
Unamortized bond discount		(60,098)	(60,098)
Unamortized deferred refunding charge		(6,186,726)	(6,186,726)
Unamortized bond premium		3,890,944	3,890,944
Accrued compensated absences	256,381		256,381
Total noncurrent liabilities	256,381	110,229,120	110,485,501
Total liabilities	2,175,527	151,258,492	143,880,084
NET ASSETS			
Invested in capital assets, net of related debt	109,064		109,064
Restricted for certain operations and maintenance		713,004	713,004
Unrestricted	9,292,022	5,345,387	14,637,409
Total net assets	9,401,086	6,058,391	15,459,477
Total liabilities and net assets	$ 11,576,613	$ 157,316,883	$ 159,339,561

See notes to financial statements

COLORADO RIVER COMMISSION

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

		Program Revenues	Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Governmental Activities	Business-type Activities	Total
Functions/Programs					
Governmental activities:					
General government	$ 2,253,266	$ 2,065,644	$ (187,622)		$ (187,622)
Business-type activities:					
Power marketing	70,038,951	64,003,861		$ (6,035,090)	(6,035,090)
Power delivery	37,159,924	36,513,222		(646,702)	(646,702)
	107,198,875	100,517,083		(6,681,792)	(6,681,792)
Total	$ 109,452,141	$ 102,582,727	(187,622)	(6,681,792)	(6,869,414)
General revenues:					
Investment income			46,142	356,172	402,314
Multi-Species surcharge			17,584		17,584
Land sales			13,000,000		13,000,000
Miscellaneous			24,390		24,390
Transfers			(6,000,000)	6,000,000	
			7,088,116	6,356,172	13,444,288
Change in net assets			6,900,494	(325,620)	6,574,874
Net assets, beginning			2,500,592	6,384,011	8,884,603
Net assets, ending			$ 9,401,086	$ 6,058,391	$ 15,459,477

See notes to financial statements.

COLORADO RIVER COMMISSION

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,086,196	$ 1,423,266	$ 2,509,462
Receivables:			
Accounts	106,872	14,624	121,496
Accrued interest	5,127	7,541	12,668
Collateral for loaned assets	679,822	786,438	1,466,260
Due from other funds	350,837	7,006,826	7,357,663
Total assets	$ 2,228,854	$ 9,238,695	$ 11,467,549
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 251,626	$ 13,035	$ 264,661
Obligations under securities lending	679,822	786,438	1,466,260
Due to other funds	179,978	8,247	188,225
Total liabilities	1,111,426	807,720	1,919,146
Fund balances:			
Reserved for Multi-Species habitat maintenance		4,550	4,550
Unreserved	1,117,428	8,426,425	9,543,853
	1,117,428	8,430,975	9,548,403
Total liabilities and fund balances	$ 2,228,854	$ 9,238,695	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	109,064
Long-term liabilities that are not due and payable in the current period are not not reported in the funds	(256,381)
Net assets of governmental activities	$ 9,401,086

See notes to financial statements

COLORADO RIVER COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Charges for services	$ 2,065,644		$ 2,065,644
Investment income	17,005	$ 29,137	46,142
Multi-Species surcharge		17,584	17,584
Land sales		13,000,000	13,000,000
Miscellaneous		24,390	24,390
Total revenues	2,082,649	13,071,111	15,153,760
EXPENDITURES			
Current:			
General administration	4,249,898	44,751	4,294,649
Less salaries and overhead recovered by allocation	(2,088,317)		(2,088,317)
Net general administration expenditures	2,161,581	44,751	2,206,332
Multi-Species assessment		13,035	13,035
Water purchases	20,401		20,401
Total expenditures	2,181,982	57,786	2,239,768
Excess (deficiency) of revenues over expenditures	(99,333)	13,013,325	12,913,992
Transfers out		6,000,000	6,000,000
Changes in fund balances	(99,333)	7,013,325	6,913,992
Fund balances, beginning	1,216,761	1,417,650	2,634,411
Fund balances, ending	$ 1,117,428	$ 8,430,975	$ 9,548,403

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

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

Change in fund balances, total governmental funds	$ 6,913,992
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation ($58,011) was less than net capital outlays ($60,845) in the current period.	1,834
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(15,332)
Change in net assets of governmental activities	$ 6,900,494

COLORADO RIVER COMMISSION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Power administrative charge	$ 1,307,405	$ 1,323,571	$ 1,049,704	$ (273,867)
Water charges	1,979,021	1,985,452	1,015,940	(969,512)
Investment income, net	40,000	40,000	17,005	(22,995)
Total revenues	3,326,426	3,349,023	2,082,649	(1,266,374)
EXPENDITURES				
Current:				
General administration				
Personnel services	3,820,304	3,820,304	3,009,931	810,373
Travel:				
Out-of-state	94,746	94,746	66,732	28,014
In-state	14,700	14,700	11,843	2,857
Operating:				
Water purchases	20,861	20,861	20,401	460
Insurance	13,747	13,747	13,625	122
Legal	456,112	456,112	456,070	42
Contractual services	1,014,254	1,014,254	259,530	754,724
Other	482,628	482,628	387,054	95,574
Equipment, furniture and software	137,938	137,938	45,113	92,825
Total expenditures	6,055,290	6,055,290	4,270,299	1,784,991
Less salaries and overhead recovered by allocation	(3,548,440)	(4,401,821)	(2,088,317)	(2,313,504)
Net expenditures	2,506,850	1,653,469	2,181,982	(528,513)
Change in fund balance	819,576	1,695,554	(99,333)	(1,794,887)
Fund balance, beginning	1,190,145	1,190,145	1,216,761	26,616
Fund balance, ending	$ 2,009,721	$ 2,885,699	$ 1,117,428	$ (1,768,271)

See notes to financial statements.

COLORADO RIVER COMMISSION

BALANCE SHEET
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	$ 12,624,274	$ 1,751,900	$ 14,376,174
Receivables:			
Accounts	10,727,952	3,279,193	14,007,145
Accrued interest	91,726	16,260	107,986
Due from other funds	1,455,256	741,016	2,196,272
Collateral for loaned securities	9,354,495	2,258,080	11,612,575
Current portion of prepaid power	2,299,469		2,299,469
Total current assets	36,553,172	8,046,449	44,599,621
Noncurrent assets:			
Restricted cash and cash equivalents	5,427,620	1,702,760	7,130,380
Capital assets:			
Power transmission system, net		66,550,618	66,550,618
Automobiles and equipment, net		165,908	165,908
Prepaid power, net of current portion	38,870,356		38,870,356
Total noncurrent assets	44,297,976	68,419,286	112,717,262
TOTAL ASSETS	$ 80,851,148	$ 76,465,735	$ 157,316,883

(Continued)

See notes to financial statements.

COLORADO RIVER COMMISSION

BALANCE SHEET
PROPRIETARY FUNDS (CONTINUED)
JUNE 30, 2005

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
LIABILITIES:			
Current liabilities:			
Accounts payable	$ 8,057,525	$ 4,004,383	$ 12,061,908
Payable to customers		1,332,562	1,332,562
Customer collateral deposits	3,783,725		3,783,725
Bonds payable within 1 year		1,420,000	1,420,000
Due to other funds	8,135,355	1,230,355	9,365,710
Accrued interest	574,117	878,775	1,452,892
Obligations under securities lending	9,354,495	2,258,080	11,612,575
Total current liabilities	29,905,217	11,124,155	41,029,372
Noncurrent liabilities:			
State of Nevada general obligation bonds payable	42,725,000	69,860,000	112,585,000
Unamortized discount on bonds		(60,098)	(60,098)
Unamortized deferred refunding charge	(2,185,485)	(4,001,241)	(6,186,726)
Unamortized premium on bonds	2,025,430	1,865,514	3,890,944
Total noncurrent liabilities	42,564,945	67,664,175	110,229,120
TOTAL LIABILITIES	72,470,162	78,788,330	151,258,492
NET ASSETS:			
Restricted for certain operations and maintenance	713,004		713,004
Unrestricted	7,667,982	(2,322,595)	5,345,387
TOTAL NET ASSETS	8,380,986	(2,322,595)	6,058,391
TOTAL LIABILITIES AND NET ASSETS	$ 80,851,148	$ 76,465,735	$ 157,316,883

See notes to financial statements.

COLORADO RIVER COMMISSION

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
OPERATING REVENUES:			
Power sales	$ 64,003,861	$ 36,513,222	$ 100,517,083
OPERATING EXPENSES:			
Power purchases	63,673,082	27,961,440	91,634,522
Prepaid power advances	2,299,469		2,299,469
Depreciation		2,061,753	2,061,753
General administration	4,031,310	3,179,020	7,210,330
Total operating expenses	70,003,861	33,202,213	103,206,074
OPERATING LOSS	(6,000,000)	3,311,009	(2,688,991)
NONOPERATING REVENUES (EXPENSES):			
Investment income	265,367	90,805	356,172
Interest expense	(35,090)	(3,957,711)	(3,992,801)
INCOME (LOSS) BEFORE TRANSFERS	(5,769,723)	(555,897)	(6,325,620)
Transfers in	6,000,000		6,000,000
CHANGE IN NET ASSETS	230,277	(555,897)	(325,620)
TOTAL NET ASSETS, BEGINNING	8,150,709	(1,766,698)	6,384,011
TOTAL NET ASSETS, ENDING	$ 8,380,986	$ (2,322,595)	$ 6,058,391

See notes to financial statements.

COLORADO RIVER COMMISSION

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 66,434,234	$ 35,732,072	$ 102,166,306
Cash paid for goods and services	(67,227,346)	(29,578,967)	(96,806,313)
Net cash provided by (used in) operating activities	(793,112)	6,153,105	5,359,993
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Interest paid (charged to prepaid power in the Power Marketing fund)	(2,331,559)	(4,156,232)	(6,487,791)
Transfers from other funds	6,000,000		6,000,000
Net cash used in noncapital financing activities	3,668,441	(4,156,232)	(487,791)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Repayments to customers	(69,688)		(69,688)
Customer collateral deposits received	3,783,725		3,783,725
Principal payments on bonds payable		(1,225,000)	(1,225,000)
Acquisition of property, plant and equipment		(116,148)	(116,148)
Net cash provided by (used in) capital financing activities	3,714,037	(1,341,148)	2,372,889
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	223,185	85,871	309,056
NET DECREASE IN CASH AND CASH EQUIVALENTS (RESTRICTED AND UNRESTRICTED)	6,812,551	741,596	7,554,147
CASH AND CASH EQUIVALENTS, BEGINNING	11,239,343	2,713,064	13,952,407
CASH AND CASH EQUIVALENTS, ENDING	$ 18,051,894	$ 3,454,660	$ 21,506,554
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income	$ (6,000,000)	$ 3,311,009	$ (2,688,991)
Depreciation		2,061,753	2,061,753
Amortization of prepaid power	2,299,469		2,299,469
(Increase) decrease in operating assets:			
Accounts receivable	(5,328,344)	(1,700,700)	(7,029,044)
Due from other funds	141,683	(723,995)	(582,312)
Increase (decrease) in operating liabilities:			
Accounts payable and contract retentions	2,138,636	2,474,847	4,613,483
Due to other funds	(1,803,273)	(189,359)	(1,992,632)
Payable to customers	7,758,717	919,550	8,678,267
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (793,112)	$ 6,153,105	$ 5,359,993
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
General obligation bonds refunded		$ (63,845,000)	
General obligation refunding bonds issued		$ 65,300,000	

See notes to financial statements

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NOTES TO FINANCIAL STATEMENTS

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1. Summary of significant accounting policies:

A. Reporting entity

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

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

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

B. Basis of presentation, basis of accounting

Basis of presentation

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

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

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

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

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

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

The Commission reports the following major enterprise funds:

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

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

Measurement focus, basis of accounting

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

The Commission has elected not to follow private-sector guidance for accounting and financial reporting issued after November 30, 1989, in reporting business-type activities in enterprise funds.

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

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

C. Assets, liabilities, and equity

Cash equivalents

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

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

Deposits include unrealized gains and losses on invested funds as reported by the Treasurer.

Receivables and payables

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

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

Prepaid power

The Commission has participated with the State (Note 7) in funding the improvement and renovation ("uprating") of the electrical power generation plant at Hoover Dam, which supplies the majority of the power sold through the Power Marketing Fund. These costs are to be reimbursed in the form of power consumption and charged to expense as the related debt amortizes over an extended period of time. The estimated value of power to be received during the next fiscal year is classified as a current prepaid expense in the fund.

Restricted cash equivalents

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

Capital assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Commission during the fiscal year ended June 30, 2005, was $3,992,801, of which none was capitalized and included as part of the cost of assets under construction.

Capital assets of the Commission are depreciated using the straight-line method over the following estimated useful lives:

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

Compensated absences

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

Long-term obligations

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

2. Stewardship, compliance, and accountability

Budgetary information

Biennial budgets are adopted on a basis consistent with GAAP except that encumbrances for goods and services not received by fiscal year end are considered expenditures of the current period solely for budgetary purposes. This basis differs from GAAP; however, there are no encumbrances outstanding at the beginning and end of the year. Although budgets are adopted on a biennial basis, each year is treated separately and unexpended budget authorizations lapse at each year end.

Prior to September 1 of each even-numbered year, the director submits proposed operating budgets to the Nevada Budget Division covering the biennium beginning the following July1. After review of the budgets by the Nevada Budget Division between September 1 and November 15, hearings involving the Commission, the Director of Administration and the governor are held between November 15 and December 22. The biennium budgets are transmitted to the Legislature no later than the 10th day of the session held in odd numbered years and, before adjourning, the Legislature enacts the budgets.

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

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.

Bond covenants

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

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

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

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

Other – Other requirements of the bond covenants include maintaining bond funds in separate depository accounts with the State Treasurer, and an audit of the Commission's financial statements by an independent certified public accountant. During the fiscal year ended June 30, 2005, the Commission complied with all requirements of the bond covenants.

Excess of expenditures over appropriations

No net budget amounts were exceeded in any category during fiscal year 2004-2005.

3. Cash deposits:

At June 30, 2005, the Commission's carrying amount ("book value") of restricted and unrestricted cash deposits was $24,016,016 and the State Treasurer's balance was $24,083,567. These deposits with the Treasurer are not categorized as to credit risk.

4. Restricted cash and cash equivalents:

Cash restricted at June 30, 2005, by bond covenants is summarized as follows:

	Power Marketing Fund	Power Delivery Fund
Restricted for:		
Debt service	$ 713,004	
Construction reserve		$ 1,702,760
Reserve for revenue insufficiency	4,714,616	
Total restricted assets	$ 5,427,620	$ 1,702,760

5. Capital assets:

Capital asset activity for the year ended June 30, 2005, was as follows:

	Beginning Balances	Increase	Decrease	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Office equipment	$ 294,837	$ 52,258	$ 43,760	$ 303,335
Office furniture and fixtures	28,539			28,539
Automobiles	161,038			161,038
Total capital assets being depreciated	484,414	52,258	43,760	492,912
Less accumulated depreciation for:				
Office equipment	227,634	40,005	49,235	218,404
Office furniture and fixtures	22,163	3,019		25,182
Automobiles	127,387	14,987	2,112	140,262
Total accumulated depreciation	377,184	58,011	51,347	383,848
Governmental activities capital assets, net	$ 107,230	$ (5,753)	$ (7,587)	$ 109,064

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress (Note 10)	$ 8,151,613	$ 64,251	$ 8,215,864	
Capital assets being depreciated:				
Power transmission system	67,717,948	8,004,532		$ 75,722,480
Office equipment	110,830			110,830
Automobiles	117,516	51,896		169,412
Total capital assets being depreciated	67,946,294	8,056,428		76,002,722
Less accumulated depreciation for:				
Power transmission system	7,159,524	2,012,339		9,171,863
Office equipment and automobiles	64,920	49,414		114,334
Total accumulated depreciation	7,224,444	2,061,753		9,286,197
Business-type actvities capital assets, net	$ 68,873,463	$ 6,058,926	$ 8,215,864	$ 66,716,525

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	$ 49,414
Business-type activities:	
Power transmission system	2,012,339
Total depreciation expense	$ 2,061,753

6. Balances due to/from other funds

The composition of interfund balances, representing the net of short-term advances and repayments, as of June 30, 2005, is as follows:

	Due from	Due to
Funds:		
General	$ 350,837	$ 179,978
Ft. Mohave	7,003,370	8,247
Research and development	3,456	
Power marketing	1,455,256	8,135,355
Power delivery	741,016	1,230,355
	$ 9,553,935	$ 9,553,935

7. Long-term debt:

General Obligation Bonds

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

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

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

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

On July 9, 2002, the Commission sold the $36,420,000 Series 2002 bonds. Proceeds from these bonds, along with other available funds, were used to advance refund the Series 1992 bonds. The bonds mature annually on October 1, 2008 through October 1, 2016, with interest payable semi-annually on April 1 and October 1 at the rate of 5.375% per annum.

On April 13, 2005, the Commission sold the $65,300,000 Series 2005I bonds. Proceeds from these bonds were used to advance refund substantial portions of the Series 1997A and 1999A bonds. The bonds mature annually on September 15, 2008 through September 15, 2029, with interest payable semi-annually on March 14 and September 15 at the rates of 4.75% and 5% per annum.

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

	Maturity Dates	Interest Rates	Outstanding June 30, 2005
Business-type activities:			
Power delivery bonds, series 1997	2000-2027	4.25 to 7%	$ 3,245,000
Power delivery bonds, series 1999A	2002-2030	4.5 to 6.5%	2,735,000
Hoover uprating refunding, series 2001	2017	5.375%	6,305,000
Hoover uprating refunding, series 2002	2008-2016	5.375%	36,420,000
Power delivery refunding, series 2005I	2009-2030	4.75 to 5%	65,300,000
			$ 114,005,000

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

Year Ending June 30,	Business-type Activities Principal	Interest
2006	$ 1,420,000	$ 5,517,971
2007	1,620,000	5,681,981
2008	1,705,000	5,579,181
2009	5,200,000	5,380,356
2010	5,490,000	5,091,366
2011-2015	32,070,000	20,692,238
2016-2020	31,225,000	11,598,213
2021-2025	19,140,000	6,188,063
2026-2030	16,135,000	1,429,394
Total	$ 114,005,000	$ 67,158,763

Advance refundings

In 2005, the Commission refunded $40,575,000 of the Series 1997 bonds and $22,045,000 of the Series 1999A bonds. The reacquisition price exceeded the net carrying amount of the old debt by $4,035,676. This amount is being netted against the new debt and amortized over the life of the new debt issue, which is the same as the remaining life of the refunded debt at the date of refunding.

Changes in long-term obligations

Changes in long-term obligations during the year ended June 30, 2005, are summarized below:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Current
Governmental activities:					
Accrued compensated absences	$ 241,049	$ 15,332		$ 256,381	
Business-type activities:					
General obligation bonds	113,775,000	65,300,000	$ 65,070,000	114,005,000	$ 1,420,000
Unamortized bond premium	2,195,175	1,881,567	185,798	3,890,944	246,799
Unamortized bond discount	(790,619)		(730,521)	(60,098)	(20,062)
Unamortized refunding charges	(2,368,005)	(4,035,676)	(216,955)	(6,186,726)	(315,492)
Advance from customer	69,688		69,688		
Total	$ 113,122,288	$ 63,161,223	$ 64,378,010	$ 111,905,501	$ 1,331,245

8. Segment information

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

9. Risk management

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

10. Commitments and contingencies

Construction

As of June 30, 2005, management estimates that the remaining commitment for construction of phase II of the power transmission system does not exceed $1,700,000. This commitment is being financed by limited tax, revenue supported general obligation bonds of the State of Nevada.

Forward contracts

The Commission has entered into forward contracts to purchase and sell electrical power at a specified time in the future at a guaranteed price. The Commission entered into these contracts to help plan power costs for the year and to protect itself against an increase in market prices.

For contracts to purchase power, it is possible that the market price before or at the specified time to purchase electrical power may be lower than the price at which the Commission is committed to buy. Conversely, for contracts to sell power, it is possible that the market price on or before the specified time to sell the electrical power may be higher than the price at which the

Commission is obligated to sell, which would reduce the value of the contracts.

The Commission has the option to make a termination payment to the various counterparties to cancel its obligation under the contract and then buy and/or sell electrical power on the open market.

The Commission is also exposed to the failure of the various counterparties to fulfill their obligations under the contracts. The terms of the contracts include provisions for recovering the cost in excess of the guaranteed price from the counterparty should the Commission have to procure and/or sell electrical power on the open market. Available credit ratings for counterparties range between AA+ and BBB+ when rated by Standard & Poors.

Currently, the contract pricing on the majority of the Commission's forward contracts to buy and/or sell energy is such that it would be in the best interests of the counterparties to comply with the terms of the contracts, as they are favorable to the counterparties.

As a result of the Commission's contracts to purchase energy in effect as of year end, management estimates that the Commission will be obligated to purchase energy at approximately $2.5 million above forecasted market prices at the specified delivery dates in the contracts.

Management's estimate of forward contract exposure was developed with the assistance of an outside consultant (the Consultant), specializing in such forecasting. Forward contracts were "marked-to-market" by applying the forecasted forward monthly prices to the monthly quantities associated with each forward contract. The Commission developed the forward price curves (see the following paragraph) and valued the forward contracts relative to the market as of June 30, 2005. Forward volatilities and interest rates were considered in the valuation process.

The forward price curves were constructed using an iterative process that started with short term power market data at the most liquid delivery points and then blended in information from term power markets and the natural gas market. Information from the natural gas market was used in conjunction with a heat rate curve model to develop forward prices for periods when contracts were not actively traded.

All of the Commission's power customers are contractually obligated for electrical power purchased or sold on their behalf by the Commission. These are generally "take or pay" contracts, meaning that the customer is required to make or receive payment regardless of whether or not the power is actually delivered.

Litigation

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

The proceeds of the sale were deposited in the Power Marketing Fund, with credits to due to other funds ($7,000,000) and transfers from other funds ($6,000,000). The $7,000,000 will be paid to the Fort Mohave Development Account and the $6,000,000 transfer is considered unrestricted and expected to be spent in the Power Marketing Fund for operating expenses, including power purchases, with any unspent balance being transferred to the Fort Mohave Development Account.

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

Prior to recording the transaction and deciding to spend a portion of the proceeds for Power Marketing operating expenses, the Commission obtained an informal opinion supporting its position from the Senior Deputy Attorney General who serves as the Commission's in-house counsel and a concurring formal opinion from the State Attorney General's office has been sought.

Although no legal action has been initiated in this dispute, public threats of such action by a representative of Clark County have been reported in the newspaper. Although a resolution of this matter is actively being pursued, the final outcome, which may affect the amounts reported in the accompanying financial statements of the Commission, cannot be determined at this time.

Arbitrage Rebate Requirement

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

Other

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

11. Employee retirement system

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

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

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

Retirement benefits, payable monthly for life, are equal to 2 ½% of their final average salary for each year of credited service up to a maximum of 90 percent if hired before July 1, 1985, and up to a maximum of 75% if hired on or after that date. Final average salary is the employee's average compensation for the 36 consecutive months of highest compensation. Benefits fully vest on reaching 5 years of service. Vested employees who have the necessary years of credited service, but have not attained the required age, may retire at any age with the benefit actuarially reduced by 2% of the unmodified benefit for each year the member is under the appropriate retirement age.

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

Contribution rates are established by state statute and provide for yearly increases of up to 1% until such time as the actuarially determined unfunded liability of PERS is reduced to zero. The required contribution for fiscal years ending in 2003-2005 was as follows:

Year Ending	Contribution Rate Regular Members		Covered Payroll		Contribution Paid by the Commission	
June 30,	Employer	Employer/ Employee	Employer	Employer/ Employee	Employer	Employer/ Employee
2003	18.75%	9.75%	$ 637,056	$ 1,295,087	$ 119,448	$ 126,271
2004	18.75%	10.50%	825,137	1,348,510	154,713	141,594
2005	20.25%	10.50%	914,023	1,391,924	185,090	146,152

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

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

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COMBINING & INDIVIDUAL FUND STATEMENTS & SCHEDULES

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COLORADO RIVER COMMISSION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	Special Revenue		Total
	Ft. Mohave Valley Development	Research and Development	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 1,240,472	$ 182,794	$ 1,423,266
Accounts receivable		14,624	14,624
Accrued interest receivable	6,574	967	7,541
Collateral for loaned assets	685,191	101,247	786,438
Due from other funds	7,003,370	3,456	7,006,826
Total assets	$ 8,935,607	$ 303,088	$ 9,238,695
LIABILITIES AND FUND BALANCES			
Liabilities:			
Obligations under securities lending	$ 685,191	$ 101,247	$ 786,438
Accounts payable		13,035	13,035
Due to other funds	8,247		8,247
Total liabilities	693,438	114,282	807,720
Fund balances:			
Reseved for Multi-Species habitat maintenance		4,550	4,550
Unreserved	8,242,169	184,256	8,426,425
Total fund balances	8,242,169	188,806	8,430,975
Total liabilities and fund balances	$ 8,935,607	$ 303,088	$ 9,238,695

COLORADO RIVER COMMISSION

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue		Total
	Ft. Mohave Valley Development	Research and Development	Nonmajor Governmental Funds
REVENUES			
Investment income	$ 25,387	$ 3,750	$ 29,137
Multi-Species surcharge		17,584	17,584
Land sales	13,000,000		13,000,000
Miscellaneous	24,390		24,390
Total revenues	13,049,777	21,334	13,071,111
EXPENDITURES			
Multi-Species assessment		13,035	13,035
Current general administration	42,330	2,421	44,751
Total expenditures	42,330	15,456	57,786
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OPERATING TRANSFERS	13,007,447	5,878	13,013,325
Operating transfers out	6,000,000		6,000,000
CHANGE IN FUND BALANCES	7,007,447	5,878	7,013,325
FUND BALANCES, BEGINNING	1,234,722	182,928	1,417,650
FUND BALANCES, ENDING	$ 8,242,169	$ 188,806	$ 8,430,975

COLORADO RIVER COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FT. MOHAVE VALLEY DEVELOPMENT SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2005

	Budget Original	Budget Final	Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
Investment income	$ 64,583	$ 64,583	$ 25,387	$ (39,196)
Land sales		6,000,000	13,000,000	7,000,000
Miscellaneous	74,980	74,980	24,390	(50,590)
Total revenues	139,563	6,139,563	13,049,777	6,910,214
EXPENDITURES				
Current general administration	34,675	84,675	42,330	42,345
Excess (deficiency) of revenues over (under) expenditures	104,888	6,054,888	13,007,447	6,952,559
OTHER FINANCING USES				
Operating transfers out			6,000,000	(6,000,000)
CHANGE IN FUND BALANCE	104,888	6,054,888	7,007,447	952,559
FUND BALANCE, BEGINNING	1,225,158	1,228,158	1,234,722	6,564
FUND BALANCE, ENDING	$ 1,330,046	$ 7,283,046	$ 8,242,169	$ 959,123

COLORADO RIVER COMMISSION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL RESEARCH AND DEVELOPMENT SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Actual	Variance with Final Budget-Positive (Negative)
REVENUES			
Investment income	$ 19,462	$ 3,750	$ (15,712)
Multi-Species surcharge	500,000	17,584	(482,416)
Total revenues	519,462	21,334	(498,128)
EXPENDITURES			
Multi-Species assessment		13,035	(13,035)
Current general administration	500,000	2,421	497,579
	500,000	15,456	484,544
CHANGE IN FUND BALANCE	19,462	5,878	(13,584)
FUND BALANCE, BEGINNING	181,960	182,928	968
FUND BALANCE, ENDING	$ 201,422	$ 188,806	$ (12,616)

COLORADO RIVER COMMISSION

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS COMPARATIVE SCHEDULES BY SOURCE JUNE 30, 2005 AND 2004

	2005	2004
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Equipment:		
Office equipment	$ 303,335	$ 294,837
Office furniture and fixtures	28,539	28,539
Automobiles	161,038	161,038
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	$ 492,912	$ 484,414
INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE - General fund	$ 492,912	$ 484,414

COLORADO RIVER COMMISSION

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

FOR THE YEAR ENDED JUNE 30, 2005

	Capital Assets July 1, 2004	Additions	Deletions	Capital Assets June 30, 2005
GENERAL GOVERNMENT:				
Office equipment	$ 294,837	$ 52,258	$ 43,760	$ 303,335
Office furniture and fixtures	28,539			28,539
Automobiles	161,038			161,038
TOTAL CAPITAL ASSETS	$ 484,414	$ 52,258	$ 43,760	$ 492,912

STATISTICAL SECTION

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COLORADO RIVER COMMISSION

GOVERNMENT-WIDE EXPENSES BY FUNCTION

LAST TEN FISCAL YEARS (UNAUDITED)

Table 1

Years	General Government	Power Marketing	Power Delivery	Water Treatment(1)	W Transm 1)	Total
1995-96	$ 2,033,478	$ 24,686,298		$ 7,510,074	$,966	$ 47,370,816
1996-97	4,000,821	24,775,248				28,776,069
1997-98	1,705,627	24,899,198				26,604,825
1998-99	1,783,047	27,317,968	$ 827,558			29,928,573
1999-00	1,470,033	28,455,202	2,027,173			31,952,408
2000-01	1,588,288	128,676,608	21,119,778			151,384,674
2001-02	1,807,732	135,697,615	24,653,645			162,158,992
2002-03	2,903,396	117,616,074	27,387,791			147,907,261
2003-04	1,995,659	127,942,757	13,504,249			143,442,665
2004-05	1,888,675	70,038,951	37,159,924			109,087,550

(1) 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

GOVERNMENT-WIDE REVENUES

LAST TEN FISCAL YEARS (UNAUDITED) Table 2

	Program Revenues	General Revenues		
Years	Charges for Services	Unrestricted Investment Earnings	Miscellaneous	Total
1995-96	$ 45,941,621	$ 731,799	$ 74,910	$ 46,748,330
1996-97	26,342,493	340,049	178,608	26,861,150
1997-98	26,099,256	278,392	254,377	26,632,025
1998-99	29,022,023	972,848	134,954	30,129,825
1999-00	32,488,154	863,252	25,800	33,377,206
2000-01	151,041,072	2,583,633	37,990	153,662,695
2001-02	163,501,320	3,020,368	48,781	166,570,469
2002-03	145,887,594	1,642,777	24,390	147,554,761
2003-04	143,047,626	316,294	22,220	143,386,140
2004-05	102,582,727	402,314	41,974	103,027,015

COLORADO RIVER COMMISSION

GOVERNMENTAL REVENUES BY SOURCE

LAST TEN FISCAL YEARS (UNAUDITED) — Table 3

Years	Charges for Services	Investment Earnings	Miscellaneous	Total
1994-95	$ 895,688	$ 160,234	$ 3,744,844	$ 4,800,766
1995-96	568,515	638,047	74,910	1,281,472
1996-97	1,567,245	206,814	178,608	1,952,667
1997-98	1,415,865	141,620	254,377	1,811,862
1998-99	1,482,707	139,280	134,954	1,756,941
1999-00	1,964,196	125,104	25,800	2,115,100
2000-01	1,599,600	207,909	37,990	1,845,499
2001-02	1,534,329	122,439	48,781	1,705,549
2002-03	2,154,840	69,504	24,390	2,248,734
2003-04	2,465,097	24,350	22,220	2,511,667
2004-05	2,065,644	46,142	41,974	2,153,760

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ADDITIONAL REPORT OF INDEPENDENT AUDITORS

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P B T K

PIERCY BOWLER TAYLOR & KERN

Certified Public Accountants • Business Advisors

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

Colorado River Commission of Nevada
Las Vegas, Nevada

We have audited the basic financial statements of the Colorado River Commission of Nevada (the Commission), as of and for the year ended June 30, 2005, and have issued our report thereon dated November 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a significant deficiency 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 caused by errors or fraud in amounts that would be material in relation to the basic 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 internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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

Piercy Bowler Taylor & Kern

November 11, 2005

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