

**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, 2013

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

## STATE OF NEVADA

BRIAN SANDOVAL

*Governor*

CATHERINE CORTEZ MASTO

*Attorney General*

KIM WALLIN

*Controller*

KATE MARSHALL

*Treasurer*

ROSS MILLER

*Secretary of State*

## COLORADO RIVER COMMISSION

GEORGE F. OGILVIE III

*Chairman*

BERLYN D. MILLER

*Vice Chairman*

BOB COFFIN

*Commissioner*

J. BRIN GIBSON

*Commissioner*

DUNCAN R. MCCOY

*Commissioner*

PUOY K. PREMSRIRUT

*Commissioner*

STEVE SISOLAK

*Commissioner*

## COMMISSION STAFF

JAYNE HARKINS

*Executive Director*

JAMES D. SALO

*Deputy Executive Director*

GAIL A. BATES

*Energy Services Manager*

DOUGLAS N. BEATTY

*Chief, Finance and Administration*

McCLAIN PETERSON

*Natural Resources Manager*

CRAIG N. PYPER

*Hydropower Program Manager*

ROBERT D. REESE

*Assistant Director Engineering & Operation*

**COLORADO RIVER COMMISSION  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2013**

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BRIAN SANDOVAL, *Governor*  
GEORGE F. OGILVIE III, *Chairman*  
BERLYN D. MILLER, *Vice Chairman*  
JAYNE HARKINS, P.E., *Executive Director*

STATE OF NEVADA



BOB COFFIN, *Commissioner*  
J. BRIN GIBSON, *Commissioner*  
DUNCAN R. MCCOY, *Commissioner*  
PUOY K. PREMSRIRUT, *Commissioner*  
STEVE SISOLAK, *Commissioner*

## COLORADO RIVER COMMISSION OF NEVADA

November 27, 2013

### Honorable Chairman and Members of the Colorado River Commission of Nevada

It is a pleasure for us to present the Comprehensive Annual Financial Report (CAFR) of the Colorado River Commission of Nevada (the Commission) for the year ended June 30, 2013, prepared by the financial and administrative division staff. This CAFR is published to fulfill state law and bond covenants requiring such within six months of the close of each fiscal year. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal control that it has established for this purpose. The Commission's internal controls have been developed with the assistance of the State of Nevada Controller's office. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Piercy Bowler Taylor and Kern, Certified Public Accountants and Business Advisors, audited the Commission's fiscal 2013 basic financial statements. The goal of the independent audit was to provide reasonable assurance that the basic financial statements of the Commission are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Commission's basic financial statements for the fiscal year ended June 30, 2013, are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States (GAAP). The independent auditors' report is presented in the financial section of this report.

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

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## THE COMMISSION

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

The Commission is governed by seven commissioners, four of whom, including the 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        |
|---|---------------------|---------------------|
| George F. Ogilvie III,<br>Chairman                    | 2007                | 7/01/13 – 6/30/16   |
| Berlyn D. Miller,<br>Vice Chairman                    | 2009                | 7/01/12 – 6/30/15   |
| Honorable Bob Coffin<br>Las Vegas City Councilman     | 2011                | 7/01/13 – 6/30/14 * |
| J. Brin Gibson  | 2011                | 7/01/11 – 6/30/14   |
| Honorable Duncan R. McCoy,<br>Boulder City Councilman | 2009                | 7/01/13 – 6/30/14 * |
| Puoy K. Premrirut                                     | 2013                | 7/31/13 – 6/30/14   |
| Honorable Steve Sisolak,<br>Clark County Commissioner | 2013                | 7/01/13 – 6/30/14 * |

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

Activities of the Commission are funded from revenue received from power and water

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

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 SNWA's water treatment and water delivery facilities. Under Nevada law, for fiscal year 2013, the Commission's customer base was limited to its current existing customers (including the power load to serve the water needs of SNWA member agencies). Assembly Bill 199 will allow new customers to obtain renewable power from Hoover Dam. New contracts for Hoover power will be for a 50 year term beginning in 2017.

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

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## FACTORS AFFECTING FINANCIAL CONDITION

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

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

The October 1, 2013, report of the State Demographer indicates that Nevada's estimated 2012 population was 2,750,217, with the 2013 estimated population being 2,775,216. This represents an increase of 24,999 or 1.0%. This compares to an overall 1.0% increase reported for 2012 and a 1.4% decrease reported for 2011. The current demographic estimate indicates continued growth over the next several years at a rate of



approximately 1% annually. Clark County's growth stopped after experiencing record growth rates for many years with declines in population reported in 2010 and 2011 (-2.5% and -1.7%, respectively) and a slight increase reported for 2012 of 1.1%. The current estimate for 2013 indicates another slight population increase. The estimated 2013 County population of 2,008,315 is an increase of 20,120 or 1.0% from the 2012 estimate of 1,988,195. 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 County's population for 2012 (1,988,195) represents approximately 72% of the State's population (unchanged from the prior year percentage). Current projections place the County population at 2,029,207 in 2014 and 2,142,324 in 2020. The report projects the State population to reach approximately 3,279,540 in 2032. The State has experienced serious financial concerns as economic indicators in the State and County declined through most of 2009, but 2012 indicators show some increases. Throughout 2012 and 2013 state and local governments have taken steps to decrease expenditures to maintain balanced budgets. Still a major concern is the County's reported unemployment rate, estimated to be 9.7% for 2013, a decrease from the 12.1% reported in 2012 but a substantial increase from the low 6.6% reported in 2008. Despite the overall economic condition, the revenues of the Commission have been stable, and are projected to remain so over the next year. This is primarily due to the nature of Commission resources and the very low cost of those resources to its customers.

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

To ensure ongoing revenues, the Commission monitors the creditworthiness of its customer and vendor base. As a significant portion of the customer base is governmental in nature, the risk of financial failure is not significant. For the customers that are not governmental based, the Commission requires deposits against power purchases in amounts determined annually by staff. These deposits are generally in the form of letters of credit issued by financial institutions acceptable to the Commission and the State Treasurer, and are at a minimum equal to three months of average power purchases by the customer. The Commission operates in close concert with all of its customers. The Commission's Energy Services group staff members are housed full-time at the SNWA offices and all customers have internet access to Commission records and operational information including real time power purchasing and invoicing amounts.

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

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

**Awards.** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commission for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the 36<sup>th</sup> consecutive year that the Commission has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both GAAP and applicable legal requirements.

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

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



Jayne Harkins, P.E.  
Executive Director



Douglas N. Beatty  
Division Chief, Finance & Administration



Government Finance Officers Association

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

Presented to

**Colorado River Commission  
of Nevada**

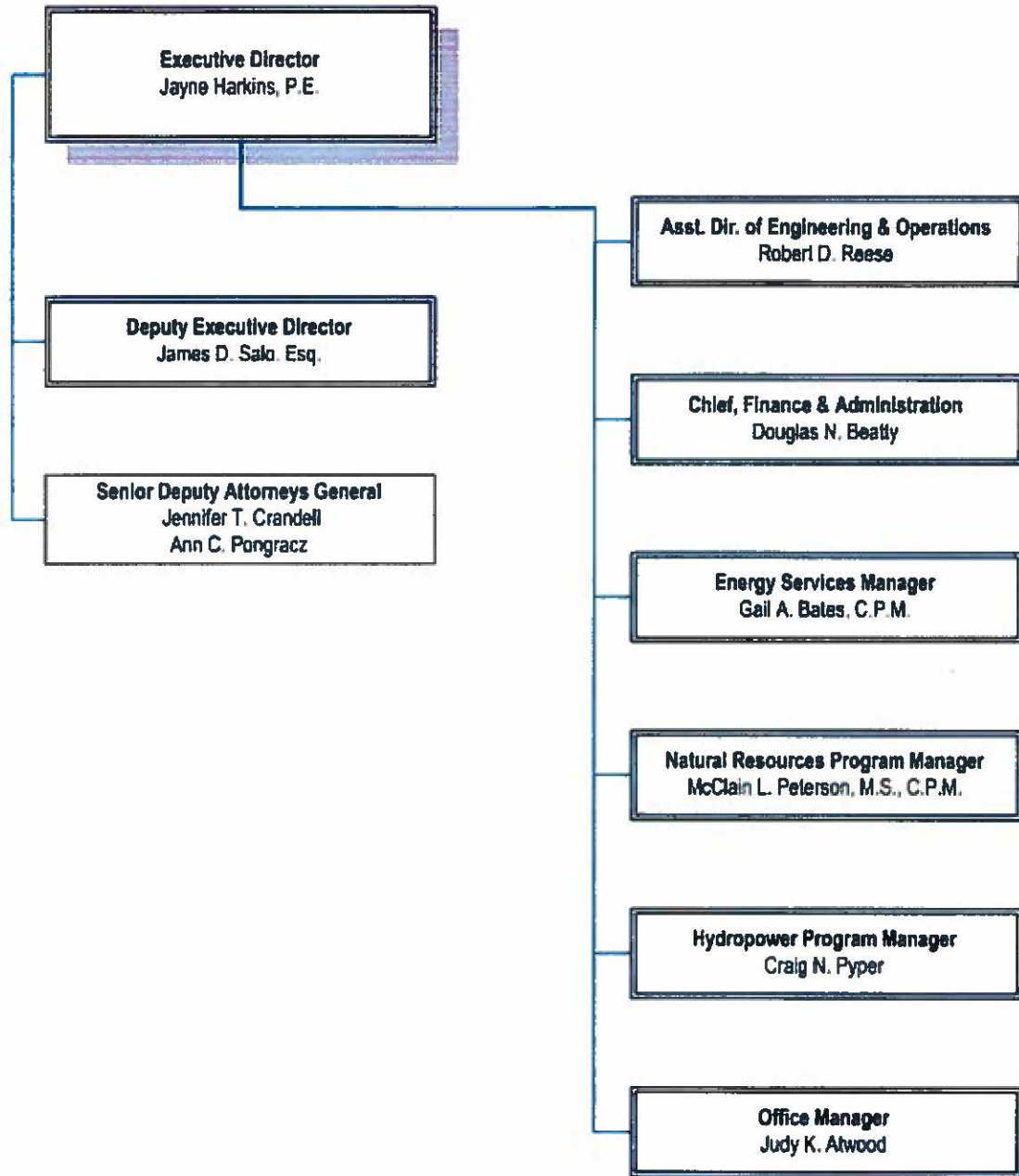
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

# Colorado River Commission of Nevada

## Functional Organization



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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**

Honorable Chairman and Members of the Colorado River Commission of Nevada  
Colorado River Commission  
Las Vegas, Nevada

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Colorado River Commission (the Commission) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

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

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

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

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

**Opinion.** In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Commission as of and for the year ended June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison information for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters.** Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7-15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain

limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information.** Our audit was conducted for the purpose of forming our opinion on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section, other supplementary information, as listed in the table of contents, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards*.** In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013, 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* in considering the Commission's internal control over financial reporting and compliance.



Las Vegas, Nevada  
November 27, 2013

**MANAGEMENT'S DISCUSSION  
AND  
ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This section of the Comprehensive Annual Financial Report (CAFR) of the Colorado River Commission (the Commission) presents management's overall analysis of financial activities for the fiscal year ended June 30, 2013. 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 exceed its liabilities at the close of the fiscal year by \$9,598,254 (net position).
- ❖ Cash balances in the governmental funds increased during the year, from a reported balance of \$6,039,725 in fiscal 2012, to \$8,045,855 in 2013. This was due to increased contractual collections for habitat reserves in the Research and Development fund. The reserves are part of the Lower Colorado River Multi-Species Conservation Program which is described in more detail in this analysis.
- ❖ Both the power revenues and the cost of electric service provided to the Southern Nevada Water Authority (SNWA) through the power delivery fund decreased substantially when compared to the prior fiscal year. Revenues decreased from \$47,562,794 in fiscal 2012 to \$35,726,333 a decrease of \$11,836,461. Expenses for power purchases decreased from \$39,210,467 to \$32,466,988 respectively. This decrease can be attributed to changes in electric resource service related to specific customer loads that were transferred to another utility during the year. This transfer is further described below.
- ❖ Approximately five years ago the Commission, the City of Boulder City, Overton Power District No. 5, Lincoln County Power District No 1, and the SNWA formed a joint action agency with the goal of aggregating power load requirements and resources to take advantage of economies of scale and to participate collectively in potential electric power projects. The SSEA is named the Silver State Energy Association (SSEA) and information on the SSEA can be found at [www.silverstateenergy.org](http://www.silverstateenergy.org). The SSEA has been slowly growing and taking on new roles in the power procurement arena. The SSEA has undertaken a number of projects and recently begun serving the City of Boulder City as a full service provider. This full service provider program reached the next historic milestone in April of 2013. As of the end of that month, the SSEA became the full service provider for the SNWA. It also accomplished the moving of its electric power balancing authority from the local utility (Nevada Power dba NV Energy) to the Western Area Power Administration. This milestone will result in a major change to the financial statements of the Commission in the future as the purchase and sale of the electric power resources needed to supply the SNWA will now be a function

of the SSEA and not a part of the Commission. As part of the full service program, Commission personnel will now serve as contract staff for the SSEA. Thus the power delivery fund will provide for activities related to the transmission assets of the Power Delivery Project, for some power purchase and sales activity not related to the SNWA move, and for costs associated with staffing the SSEA but the bulk of the power purchases and sales seen in the past will cease.

## **Overview of the Financial Statements**

The Commission is a special-purpose government entity. It is empowered primarily to administer the Colorado River water resources allocated 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, SNWA, and the power resources are provided mostly to governmental or quasi-governmental entities with a limited number of industrial end users grandfathered in to the Commission's service authority. Thus, the enterprise funds have a statutorily limited customer base. The Commission was not empowered to seek or serve any additional entities during the fiscal year, but pursuant to Assembly Bill 199 enacted during the 2013 legislative session, will be able to serve new customers a limited amount of hydropower (approximately 11 megawatts) from Hoover Dam for a 50 year period beginning in 2017. This power will be available as part of a 5% reduction in power allocations to existing customers pursuant to Federal Legislation. The authorization related to new customers is limited to only the small hydropower energy pool created at Hoover Dam. 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 one special revenue type governmental fund to account for special 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 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 position* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

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

The functions reported on the Commission's basic financial statements are principally supported by user fees and charges. The water-related activities are supported by an administrative fee assessed on SNWA, and the power-related activities are supported through administrative charges assessed as part of the sale of electric resources. 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 only two governmental funds, the general fund and the research and development fund. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances for the general fund and the special revenue fund. Only the general fund is considered a major fund.

The Commission maintains two proprietary (enterprise) funds, both of which are also considered major funds. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements. These funds provide the same type of information as the government-wide financial statements, but in more detail.

The Commission adopts an annual budget for all funds. A budgetary comparison is provided in this report for the two governmental funds.

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

### Government-wide Financial Analysis

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

|  | Governmental Activities |              |              | Business-type Activities |               |                |
|--|-------------------------|--------------|--------------|--------------------------|---------------|----------------|
|  | 2013                    | 2012         | Change       | 2013                     | 2012          | Change         |
| Current assets                                   | \$ 8,732,573            | \$ 6,560,673 | \$ 2,171,900 | \$ 16,997,928            | \$ 25,738,239 | \$ (8,740,311) |
| Non-current restricted cash and cash equivalents |                         |              |              | 8,863,006                | 10,061,804    | (1,198,798)    |
| Capital assets                                   | 10,925                  | 19,196       | (8,271)      | 64,820,705               | 72,082,829    | (7,262,124)    |
| Total assets                                     | 8,743,498               | 6,579,869    | 2,163,629    | 90,681,639               | 107,882,872   | (17,201,233)   |
| Current liabilities                              | 442,910                 | 407,720      | 35,190       | 23,088,589               | 31,338,415    | (8,249,826)    |
| Long-term bonds                                  |                         |              |              | 66,164,990               | 70,962,207    | (4,797,217)    |
| Other noncurrent liabilities                     | 130,394                 | 111,234      | 19,160       |                          |               |                |
| Total liabilities                                | 573,304                 | 518,954      | 54,350       | 89,253,579               | 102,300,622   | (13,047,043)   |
| Net position:                                    |                         |              |              |                          |               |                |
| Net investment in capital assets                 | 10,925                  | 19,196       | (8,271)      | 3,854,233                | 5,979,847     | (2,125,614)    |
| Restricted                                       | 5,203,611               | 3,468,550    | 1,735,061    | 711,215                  | 711,014       | 201            |
| Unrestricted                                     | 2,955,658               | 2,573,169    | 382,489      | (3,137,388)              | (1,108,611)   | (2,028,777)    |
| Total net position                               | \$ 8,170,194            | \$ 6,060,915 | \$ 2,109,279 | \$ 1,428,060             | \$ 5,582,250  | \$ (4,154,190) |

Total assets in the governmental funds increased from the previous year, with the majority of the increase reflected in the current assets. This was due primarily to a significant increase to cash reserves in the research and development fund. The reserve in this fund is a contractual based reserve designed for future use in the Lower Colorado River Multi-species Conservation Program (LCRMSCP). This reserve should build for the next few years until needed for program purposes. Total assets in the business-type funds decreased from the previous year. This was due to a decrease in cash which reflects the decreased operational billings as load was transferred to the SSEA, a decrease in prepaid assets (through amortization) and a decrease in capital assets (through depreciation). As described in the paragraph below, the decrease related to capital assets is a continuous trend and is expected. The decreases related to operations was discussed earlier. The cash balances in both funds remained adequate for operational needs.

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

#### Colorado River Commission's Changes in Net Position

|                          | Governmental Activities |              |              | Business-type Activities |               |                |
|--------------------------|-------------------------|--------------|--------------|--------------------------|---------------|----------------|
|                          | 2013                    | 2012         | Change       | 2013                     | 2012          | Change         |
| <b>Revenues:</b>         |                         |              |              |                          |               |                |
| Program revenues:        |                         |              |              |                          |               |                |
| Administrative charges   | \$ 2,397,406            | \$ 2,429,050 | \$ (31,644)  |                          |               |                |
| Multi-species surcharge  | 1,741,478               | 1,362,759    | 378,719      |                          |               |                |
| Power sales revenue:     |                         |              |              |                          |               |                |
| Power marketing          |                         |              |              | \$ 41,041,108            | \$ 40,374,094 | \$ 667,014     |
| Power delivery           |                         |              |              | 35,726,333               | 47,562,794    | (11,836,461)   |
| General revenues:        |                         |              |              |                          |               |                |
| Investment income        | 29,285                  | 29,677       | (392)        | 78,478                   | 12,635        | 65,843         |
| Miscellaneous            |                         | 41,218       | (41,218)     |                          | 68,327        | (68,327)       |
| Total revenues           | 4,168,169               | 3,862,704    | 305,465      | 76,845,919               | 88,017,850    | (11,171,931)   |
| <b>Expenses:</b>         |                         |              |              |                          |               |                |
| General government       | 2,058,890               | 1,901,012    | 157,878      |                          |               |                |
| Power purchase expenses: |                         |              |              |                          |               |                |
| Power marketing          |                         |              |              | 41,041,108               | 40,490,639    | 550,469        |
| Power delivery           |                         |              |              | 39,959,001               | 46,921,205    | (6,962,204)    |
| Total expenses           | 2,058,890               | 1,901,012    | 157,878      | 81,000,109               | 87,411,844    | (6,411,735)    |
| Change in net position   | 2,109,279               | 1,961,692    | 147,587      | (4,154,190)              | 606,006       | (4,760,196)    |
| Net position, beginning  | 6,060,915               | 4,099,223    | 1,961,692    | 5,582,250                | 4,976,244     | 606,006        |
| Net position, ending     | \$ 8,170,194            | \$ 6,060,915 | \$ 2,109,279 | \$ 1,428,060             | \$ 5,582,250  | \$ (4,154,190) |

The governmental activities of the Commission are small in comparison to the capital and power purchasing activities. The Commission's water-related efforts and other 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. Governmental fund expenses decreased from prior year based on a number of decreases in activity for the current year. There were no requests to fund program needs within the LCRMSCP program, the State continued to decrease expenses through salary reductions and a mandatory furlough program. In addition activity levels with outside consultants have been reduced and a few contracts were not renewed.

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 costs (including administrative expenses), these activities do not contribute significant amounts to net position. In fact, based on timing differences between collections from customers and payment to vendors, the contributions to net position from these activities may be negative in any given year.

#### **Financial Analysis of Government Funds.**

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

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

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

Revenues of the Commission's general fund totaled \$2,483,348 in fiscal 2012, \$68,423 more than the \$2,414,925 realized in fiscal 2013. The decrease in revenues was a result of increased water related activity, offset by a reduction in power administrative billings relating to the transfer of customer load to SSEA. The Commission's revenue sources include water and power administrative billings. 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. All personnel-related charges are recorded in the general fund.

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

|                                 | 2013         |         | 2012         |         |
|---------------------------------|--------------|---------|--------------|---------|
|                                 | Amount       | Percent | Amount       | Percent |
| Power administrative charge     | \$ 1,167,674 | 22.84%  | \$ 1,259,804 | 24.43%  |
| Water administrative charge     | 1,229,732    | 24.05%  | 1,169,246    | 22.67%  |
| Interest income                 | 17,519       | 0.34%   | 13,080       | 0.25%   |
| Miscellaneous income            |              | 0.00%   | 41,218       | 0.80%   |
| Total revenues                  | 2,414,925    | 47.23%  | 2,483,348    | 48.15%  |
| Allocated salaries and overhead | 2,697,801    | 52.77%  | 2,673,799    | 51.85%  |
| All funding sources             | \$ 5,112,726 | 100.00% | \$ 5,157,147 | 100.00% |

Net expenditures of the general fund totaled \$1,989,060 which is \$161,859 more than the \$1,827,201 expended during fiscal 2012. Some of this increase can be attributed to increases in personnel related charges and increased activity related to contracts with outside consultants.

Changes in the levels of expenditures from the preceding year are as follows:

|                                      | 2013         | 2012         | Increase/<br>(Decrease) |
|--------------------------------------|--------------|--------------|-------------------------|
| Personnel                            | \$ 3,376,929 | \$ 3,296,404 | \$ 80,525               |
| Travel                               | 77,396       | 76,380       | 1,016                   |
| Operating                            | 1,218,893    | 1,109,847    | 109,046                 |
| Equipment                            | 13,643       | 18,369       | (4,726)                 |
| Total expenditures                   | 4,686,861    | 4,501,000    | 185,861                 |
| Less allocated salaries and overhead | (2,697,801)  | (2,673,799)  | (24,002)                |
| Net expenditures                     | \$ 1,989,060 | \$ 1,827,201 | \$ 161,859              |

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

| Fund                          | Fund Balance June 30 |              | Increase/<br>(Decrease) |
|-------------------------------|----------------------|--------------|-------------------------|
|                               | 2013                 | 2012         |                         |
| General Fund                  | \$ 3,304,782         | \$ 2,878,917 | \$ 425,865              |
| Research and Development Fund | 5,203,611            | 3,468,550    | 1,735,061               |

There were no significant changes to the budget for fiscal 2013. The budget to actual comparisons indicate that the personnel costs overall were below budget, this is due to

unfilled positions, and lower than expected outside contractual costs due to budgeted water augment and quality contractual costs that were never realized. This is in line with previous fiscal years and reflects the budget process which includes budgeting for all authorized positions and total allowed contract costs, which traditionally have never been fully utilized.

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

### Capital Assets

The Commission's investment in capital assets for its governmental and business-type activities as of June 30, 2013, amounts to \$50,461,121 (net of accumulated depreciation). This investment includes the power delivery system, automobiles (both administrative vehicles and power delivery project utility vehicles), equipment, and office furniture. 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<br>Activities |                  |                   | Business-type<br>Activities |                      |                       |
|---------------------------------------|----------------------------|------------------|-------------------|-----------------------------|----------------------|-----------------------|
|                                       | 2013                       | 2012             | Change            | 2013                        | 2012                 | Change                |
| Power transmission system             |                            |                  |                   | \$ 50,425,018               | \$ 52,445,315        | \$ (2,020,297)        |
| Automobiles, equipment, and furniture | \$ 10,925                  | \$ 19,196        | \$ (8,271)        | 25,178                      | 29,707               | (4,529)               |
| Total                                 | <u>\$ 10,925</u>           | <u>\$ 19,196</u> | <u>\$ (8,271)</u> | <u>\$ 50,450,196</u>        | <u>\$ 52,475,022</u> | <u>\$ (2,024,826)</u> |



## Debt Administration

As of June 30, 2013, outstanding long-term obligations of the Commission consisted of the following:

| <u>Bond Description</u>                  | <u>Average<br/>Interest<br/>Rate (%)</u> | <u>Maturity<br/>Date</u> | <u>Balance<br/>Outstanding</u> |
|--|--|--------------------------|--------------------------------|
| Hoover Upgrading refunding, series 2011B | 5.0                                      | 2017                     | \$ 5,545,000                   |
| Hoover Upgrading refunding, series 2012E | 5.4                                      | 2016                     | 17,085,000                     |
| Power Delivery refunding series 2005I    | 4.8                                      | 2030                     | 47,755,000                     |

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 is not involved in any litigation at this time.

## Additional Information

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

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## **BASIC FINANCIAL STATEMENTS**

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# COLORADO RIVER COMMISSION

## STATEMENT OF NET POSITION JUNE 30, 2013

|  | Governmental<br>Activities | Business-type<br>Activities | Total         |
|--|----------------------------|-----------------------------|---------------|
| <b>ASSETS</b>  |                            |                             |               |
| Current assets:                                      |                            |                             |               |
| Cash and cash equivalents, unrestricted              | \$ 8,045,855               | \$ 680,127                  | \$ 8,725,982  |
| Receivables:   |                            |                             |               |
| Accounts   | 237,260                    | 10,663,445                  | 10,900,705    |
| Accrued interest                                     | 16,887                     | 4,450                       | 21,337        |
| Due from other funds*                                | 432,571                    |                             |               |
| Current portion of prepaid power                     |                            | 5,649,906                   | 5,649,906     |
| Total current assets                                 | 8,732,573                  | 16,997,928                  | 25,297,930    |
| Noncurrent assets:                                   |                            |                             |               |
| Restricted cash and cash equivalents                 |                            | 8,863,006                   | 8,863,006     |
| Capital assets:                                      |                            |                             |               |
| Depreciable property and equipment, net              | 10,925                     | 50,450,196                  | 50,461,121    |
| Prepaid power, net of current portion                |                            | 14,370,509                  | 14,370,509    |
| Total noncurrent assets                              | 10,925                     | 73,683,711                  | 73,694,636    |
| Total assets   | \$ 8,743,498               | \$ 90,681,639               | \$ 98,992,566 |
| <b>LIABILITIES</b>                                   |                            |                             |               |
| Current liabilities:                                 |                            |                             |               |
| Accounts payable                                     | \$ 224,180                 | \$ 2,960,363                | \$ 3,184,543  |
| Unearned revenue                                     |                            | 121,985                     | 121,985       |
| Payable to customers                                 |                            | 12,476,534                  | 12,476,534    |
| Customer collateral and other deposits               |                            | 1,981,765                   | 1,981,765     |
| Current portion of accrued compensated absences      | 218,730                    |                             | 218,730       |
| Current portion of bonds payable                     |                            | 4,275,699                   | 4,275,699     |
| Due to other funds*                                  |                            | 432,571                     |               |
| Accrued interest                                     |                            | 839,672                     | 839,672       |
| Total current liabilities                            | 442,910                    | 23,088,589                  | 23,098,928    |
| Noncurrent liabilities:                              |                            |                             |               |
| Bonds payable, net of current portion                |                            | 66,164,990                  | 66,164,990    |
| Accrued compensated absences, net of current portion | 130,394                    |                             | 130,394       |
| Total noncurrent liabilities                         | 130,394                    | 66,164,990                  | 66,295,384    |
| Total liabilities                                    | 573,304                    | 89,253,579                  | 89,394,312    |
| <b>NET POSITION</b>                                  |                            |                             |               |
| Net investment in capital assets                     | 10,925                     | 3,854,233                   | 3,865,158     |
| Restricted for certain operations and maintenance    |                            | 711,215                     | 711,215       |
| Restricted for research and development              | 5,203,611                  |                             | 5,203,611     |
| Unrestricted   | 2,955,658                  | (3,137,388)                 | (181,730)     |
| Total net position                                   | 8,170,194                  | 1,428,060                   | 9,598,254     |
| Total liabilities and net position                   | \$ 8,743,498               | \$ 90,681,639               | \$ 98,992,566 |

\* All interfund balances are eliminated in the total column. Accordingly, total balances will not foot.

COLORADO RIVER COMMISSION

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

|                           | Program Revenues     |                         | Net (Expenses) Revenue and<br>Changes in Net Assets |                             |                     |
|---------------------------|----------------------|-------------------------|---|-----------------------------|---------------------|
|                           | Expenses             | Charges for<br>Services | Governmental<br>Activities                          | Business-type<br>Activities | Total               |
| <b>Functions/Programs</b> |                      |                         |   |                             |                     |
| Governmental activities:  |                      |                         |   |                             |                     |
| General government        | \$ 2,040,707         | \$ 2,397,406            | \$ 356,699  |                             | \$ 356,699          |
| Research and development  | 18,183               | 1,741,478               | 1,723,295   |                             | 1,723,295           |
|                           | <u>2,058,890</u>     | <u>4,138,884</u>        | <u>2,079,994</u>                                    |                             | <u>2,079,994</u>    |
| Business-type activities: |                      |                         |   |                             |                     |
| Power marketing           | 41,041,108           | 41,041,108              |   | \$ -                        | -                   |
| Power delivery            | 39,959,001           | 35,726,333              |   | (4,232,668)                 | (4,232,668)         |
|                           | <u>81,000,109</u>    | <u>76,767,441</u>       |   | <u>(4,232,668)</u>          | <u>(4,232,668)</u>  |
| <b>Total</b>              | <u>\$ 83,058,999</u> | <u>\$ 80,906,325</u>    | <u>2,079,994</u>                                    | <u>(4,232,668)</u>          | <u>(2,152,674)</u>  |
| General revenues:         |                      |                         |   |                             |                     |
| Investment income         |                      |                         | 29,285  | 78,478                      | 107,763             |
|                           |                      |                         | <u>29,285</u>                                       | <u>78,478</u>               | <u>107,763</u>      |
| Change in net position    |                      |                         | 2,109,279   | (4,154,190)                 | (2,044,911)         |
| Net position, beginning   |                      |                         | 6,060,915   | 5,582,250                   | 11,643,165          |
| Net position, ending      |                      |                         | <u>\$ 8,170,194</u>                                 | <u>\$ 1,428,060</u>         | <u>\$ 9,598,254</u> |

# COLORADO RIVER COMMISSION

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2013

|  | General Fund        | Nonmajor<br>Governmental<br>Fund<br>Research and<br>Development<br>Special<br>Revenue Fund | Total<br>Governmental<br>Funds |
|--|---------------------|--|--------------------------------|
| <b>ASSETS</b>  |                     |  |                                |
| Cash and cash equivalents  | \$ 2,975,458        | \$ 5,070,397   | \$ 8,045,855                   |
| Receivables:   |                     |  |                                |
| Accounts   | 114,689             | 122,571  | 237,260                        |
| Accrued interest   | 6,244               | 10,643   | 16,887                         |
| Due from other funds   | 432,571             |  | 432,571                        |
| Total assets   | <u>\$ 3,528,962</u> | <u>\$ 5,203,611</u>  | <u>\$ 8,732,573</u>            |
| <b>LIABILITIES AND FUND BALANCES</b>   |                     |  |                                |
| Liabilities:   |                     |  |                                |
| Accounts payable   | <u>\$ 224,180</u>   |  | <u>\$ 224,180</u>              |
| Fund balances:   |                     |  |                                |
| Unassigned   | 3,304,782           |  | 3,304,782                      |
| Restricted for research and development  |                     | \$ 5,203,611   | 5,203,611                      |
| Total fund balances  | <u>3,304,782</u>    | <u>5,203,611</u>   | <u>8,508,393</u>               |
| Total liabilities and fund balances  | <u>\$ 3,528,962</u> | <u>\$ 5,203,611</u>  |                                |
| Amounts reported for governmental activities in the statement of net position are different because:                             |                     |  |                                |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds |                     |  | 10,925                         |
| Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds:          |                     |  |                                |
| Compensated absences   |                     |  | <u>(349,124)</u>               |
| Net position of governmental activities  |                     |  | <u>\$ 8,170,194</u>            |

**COLORADO RIVER COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

|  | General Fund        | Nonmajor<br>Governmental<br>Fund<br>Research and<br>Development<br>Special<br>Revenue Fund | Total<br>Governmental<br>Funds |
|--|---------------------|--|--------------------------------|
| <b>REVENUES</b>  |                     |  |                                |
| Charges for services   | \$ 2,397,406        |  | \$ 2,397,406                   |
| Investment income  | 17,519              | \$ 11,766  | 29,285                         |
| Multi-species surcharge  |                     | 1,741,478  | 1,741,478                      |
| Total revenues   | <u>2,414,925</u>    | <u>1,753,244</u>   | <u>4,168,169</u>               |
| <b>EXPENDITURES</b>  |                     |  |                                |
| Current:   |                     |  |                                |
| General administration   | 4,672,617           |  | 4,672,617                      |
| Less salaries and overhead recovered by allocation               | (2,697,801)         |  | (2,697,801)                    |
| Net general administration expenditures                          | <u>1,974,816</u>    |  | <u>1,974,816</u>               |
| Water purchases  | 14,244              |  | 14,244                         |
| Other  |                     | 18,183   | 18,183                         |
| Total expenditures   | <u>1,989,060</u>    | <u>18,183</u>  | <u>2,007,243</u>               |
| Excess of revenues over expenditures and change in fund balances | 425,865             | 1,735,061  | 2,160,926                      |
| Fund balances, beginning   | <u>2,878,917</u>    | <u>3,468,550</u>   | <u>6,347,467</u>               |
| Fund balances, ending  | <u>\$ 3,304,782</u> | <u>\$ 5,203,611</u>  | <u>\$ 8,508,393</u>            |

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

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

|   |                     |
|---|---------------------|
| Change in fund balances, total governmental funds   | \$ 2,160,926        |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation was greater than capital outlays in the current period. | (8,270)             |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:   |                     |
| Change in accrued compensated absences  | (43,377)            |
| Change in net position of governmental activities   | <u>\$ 2,109,279</u> |

**COLORADO RIVER COMMISSION**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

|   | <b>Budget</b>      |                    |                     | <b>Variance<br/>with<br/>Final Budget</b> |
|---|--------------------|--------------------|---------------------|---|
|   | <b>Original</b>    | <b>Final</b>       | <b>Actual</b>       |   |
| <b>REVENUES</b>   |                    |                    |                     |   |
| Power administrative charge   | \$ 1,059,939       | \$ 1,227,674       | \$ 1,167,674        | \$ (60,000)                               |
| Water charges   | 2,006,374          | 2,006,374          | 1,229,732           | (776,642)                                 |
| Investment income   | 26,097             | 26,097             | 17,519              | (8,578)                                   |
| Total revenues  | <u>3,092,410</u>   | <u>3,260,145</u>   | <u>2,414,925</u>    | <u>(845,220)</u>                          |
| <b>EXPENDITURES</b>   |                    |                    |                     |   |
| Current:  |                    |                    |                     |   |
| General administration:   |                    |                    |                     |   |
| Personnel services  | 4,196,524          | 4,196,524          | 3,376,929           | 819,595                                   |
| Travel:   |                    |                    |                     |   |
| Out-of-state  | 64,436             | 64,436             | 58,455              | 5,981                                     |
| In-state  | 9,069              | 26,140             | 18,941              | 7,199                                     |
| Operating:  |                    |                    |                     |   |
| Rent  | 131,455            | 131,455            | 140,081             | (8,626)                                   |
| Dues and registration fees  | 57,418             | 57,418             | 67,585              | (10,167)                                  |
| Contractual services  | 703,288            | 703,288            | 191,496             | 511,792                                   |
| Other   | 742,869            | 743,004            | 259,326             | 483,678                                   |
| Legal   | 546,161            | 546,161            | 546,161             |   |
| Equipment, furniture and software   | 28,418             | 28,418             | 13,643              | 14,775                                    |
| Water purchases   | 50,000             | 50,000             | 14,244              | 35,756                                    |
| Total expenditures  | <u>6,529,638</u>   | <u>6,546,844</u>   | <u>4,686,861</u>    | <u>1,859,983</u>                          |
| Less salaries and overhead recovered by allocation                                      | <u>(2,618,080)</u> | <u>(2,671,110)</u> | <u>(2,697,801)</u>  |   |
| Net expenditures  | <u>3,911,558</u>   | <u>3,875,734</u>   | <u>1,989,060</u>    | <u>1,859,983</u>                          |
| Excess (deficiency) of revenues over (under) expenditures<br>and change in fund balance | (819,148)          | (615,589)          | 425,865             | 1,014,763                                 |
| Fund balance, beginning   | <u>1,057,319</u>   | <u>555,658</u>     | <u>2,878,917</u>    | <u>2,323,259</u>                          |
| Fund balance, ending  | <u>\$ 238,171</u>  | <u>\$ (59,931)</u> | <u>\$ 3,304,782</u> | <u>\$ 3,338,022</u>                       |

# COLORADO RIVER COMMISSION

## STATEMENT OF NET POSITION PROPRIETARY FUNDS JUNE 30, 2013

|   | Business-type Activities<br>Enterprise Funds |                      |                      |
|---|--|----------------------|----------------------|
|   | Power<br>Marketing                           | Power<br>Delivery    | Totals               |
| <b>ASSETS</b>                                     |  |                      |                      |
| Current assets:                                   |  |                      |                      |
| Cash and cash equivalents, unrestricted           | \$ 524,450                                   | \$ 155,677           | \$ 680,127           |
| Receivables:                                      |  |                      |                      |
| Accounts  | 8,760,935                                    | 1,902,510            | 10,663,445           |
| Accrued interest                                  | 3,702  | 748                  | 4,450                |
| Current portion of prepaid power                  | 5,649,906                                    |                      | 5,649,906            |
| Total current assets                              | <u>14,938,993</u>                            | <u>2,058,935</u>     | <u>16,997,928</u>    |
| Noncurrent assets:                                |  |                      |                      |
| Restricted cash and cash equivalents              | 7,415,469                                    | 1,447,537            | 8,863,006            |
| Capital assets:                                   |  |                      |                      |
| Power transmission system, net                    |  | 50,425,018           | 50,425,018           |
| Automobiles and equipment, net                    |  | 25,178               | 25,178               |
| Prepaid power, net of current portion             | 14,370,509                                   |                      | 14,370,509           |
| Total noncurrent assets                           | <u>21,785,978</u>                            | <u>51,897,733</u>    | <u>73,683,711</u>    |
| Total assets                                      | <u>\$ 36,724,971</u>                         | <u>\$ 53,956,668</u> | <u>\$ 90,681,639</u> |
| <b>LIABILITIES:</b>                               |  |                      |                      |
| Current liabilities:                              |  |                      |                      |
| Accounts payable                                  | \$ 1,626,259                                 | \$ 1,334,104         | \$ 2,960,363         |
| Unearned revenue                                  | 121,985                                      |                      | 121,985              |
| Payable to customers                              |  | 12,476,534           | 12,476,534           |
| Customer collateral and other deposits            | 1,967,786                                    | 13,979               | 1,981,765            |
| Current portion of bonds payable                  | 4,376,487                                    | (100,788)            | 4,275,699            |
| Due to other funds                                | 6,657  | 425,914              | 432,571              |
| Accrued interest                                  | 272,938                                      | 566,734              | 839,672              |
| Total current liabilities                         | <u>8,372,112</u>                             | <u>14,716,477</u>    | <u>23,088,589</u>    |
| Noncurrent liabilities:                           |  |                      |                      |
| Bonds payable, net of current portion             | 19,468,239                                   | 46,696,751           | 66,164,990           |
| Total liabilities                                 | <u>27,840,351</u>                            | <u>61,413,228</u>    | <u>89,253,579</u>    |
| <b>NET POSITION:</b>                              |  |                      |                      |
| Net investment in capital assets                  |  | 3,854,233            | 3,854,233            |
| Restricted for certain operations and maintenance | 711,215                                      |                      | 711,215              |
| Unrestricted                                      | 8,173,405                                    | (11,310,793)         | (3,137,388)          |
| Total net position                                | <u>8,884,620</u>                             | <u>(7,456,560)</u>   | <u>1,428,060</u>     |
| Total liabilities and net position                | <u>\$ 36,724,971</u>                         | <u>\$ 53,956,668</u> | <u>\$ 90,681,639</u> |



**COLORADO RIVER COMMISSION**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

|  | Business-type Activities<br>Enterprise Funds |                   |               |
|--|--|-------------------|---------------|
|  | Power<br>Marketing                           | Power<br>Delivery | Totals        |
| <b>OPERATING REVENUES:</b>               |  |                   |               |
| Power sales                              | \$ 41,041,108                                | \$ 35,726,333     | \$ 76,767,441 |
| <b>OPERATING EXPENSES:</b>               |  |                   |               |
| Power purchases                          | 34,971,153                                   | 32,466,988        | 67,438,141    |
| Prepaid power advances                   | 5,742,934                                    |                   | 5,742,934     |
| Depreciation                             |  | 2,024,826         | 2,024,826     |
| General administration                   | 327,021                                      | 3,259,345         | 3,586,366     |
| Total operating expenses                 | 41,041,108                                   | 37,751,159        | 78,792,267    |
| Operating loss                           |  | (2,024,826)       | (2,024,826)   |
| <b>NONOPERATING REVENUES (EXPENSES):</b> |  |                   |               |
| Investment income                        | 78,478                                       |                   | 78,478        |
| Interest expense                         |  | (2,207,842)       | (2,207,842)   |
| Change in net position                   | 78,478                                       | (4,232,668)       | (4,154,190)   |
| Net position, beginning                  | 8,806,142                                    | (3,223,892)       | 5,582,250     |
| Net position, ending                     | \$ 8,884,620                                 | \$ (7,456,560)    | \$ 1,428,060  |

**COLORADO RIVER COMMISSION**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

|   | Business-type Activities<br>Enterprise Funds |                   |                |
|---|--|-------------------|----------------|
|   | Power<br>Marketing                           | Power<br>Delivery | Totals         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |  |                   |                |
| Cash received from customers  | \$ 39,333,016                                | \$ 42,643,576     | \$ 81,976,592  |
| Cash paid for goods and services  | (35,362,576)                                 | (42,447,202)      | (77,809,778)   |
| Net cash provided by operating activities   | 3,970,440                                    | 196,374           | 4,166,814      |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES:</b>                               |  |                   |                |
| Interest paid (charged to prepaid power)  | (1,200,482)                                  |                   | (1,200,482)    |
| Principal payments reimbursed on bonds payable (charged to prepaid power)                 | (4,005,000)                                  |                   | (4,005,000)    |
| Net cash used in noncapital financing activities  | (5,205,482)                                  |                   | (5,205,482)    |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>                                      |  |                   |                |
| Interest paid   |  | (2,198,218)       | (2,198,218)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |  |                   |                |
| Interest received   | 84,709                                       |                   | 84,709         |
| Net decrease in cash and cash equivalents<br>(Restricted and unrestricted)                | (1,150,333)                                  | (2,001,844)       | (3,152,177)    |
| Cash and cash equivalents, beginning  | 9,090,252                                    | 3,605,058         | 12,695,310     |
| Cash and cash equivalents, ending   | \$ 7,939,919                                 | \$ 1,603,214      | \$ 9,543,133   |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH<br/>PROVIDED BY OPERATING ACTIVITIES:</b> |  |                   |                |
| Operating loss  |  | \$ (2,024,826)    | \$ (2,024,826) |
| Depreciation  |  | 2,024,826         | 2,024,826      |
| Amortization of prepaid power   | \$ 5,742,934                                 |                   | 5,742,934      |
| (Increase) decrease in operating assets:  |  |                   |                |
| Accounts receivable   | (561,511)                                    | 7,310,685         | 6,749,174      |
| Increase (decrease) in operating liabilities:   |  |                   |                |
| Accounts payable  | (68,144)                                     | (6,830,873)       | (6,899,017)    |
| Unearned revenue  | (25,046)                                     |                   | (25,046)       |
| Customer collateral and other deposits  | (1,121,535)                                  | 13,979            | (1,107,556)    |
| Due to other funds  | 3,742  | 96,025            | 99,767         |
| Payable to customers  |  | (393,442)         | (393,442)      |
| Net cash provided by operating activities   | \$ 3,970,440                                 | \$ 196,374        | \$ 4,166,814   |

## **NOTES TO FINANCIAL STATEMENTS**

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## COLORADO RIVER COMMISSION

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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#### **1. Summary of significant accounting policies:**

##### **A. Reporting entity**

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

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

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

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

###### **Basis of presentation**

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

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

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

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

The statement of activities presents a comparison between direct expenses and program revenues. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to that particular program or function. Certain indirect costs are included in the program expense reported for individual functions and activities. Program revenues consist of charges paid by the recipients of services offered by the programs. Revenues that are

## COLORADO RIVER COMMISSION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

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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 of proprietary funds include investment earnings and revenues resulting from ancillary activities.

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

The Commission reports the following major enterprise funds:

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

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

#### Measurement focus and basis of accounting

*Government-wide and proprietary fund financial statements.* The government-wide and proprietary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. For the year ended June 30, 2013, there were 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.

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

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

## **COLORADO RIVER COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013**

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#### **C. Assets, liabilities, and equity**

##### **Cash equivalents**

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

State statutes authorize the Treasurer to invest the Commission's deposits in certain obligations of the United States of America, or its agencies or instrumentalities, and of state and local governments, as well as other financial instruments specified in Section 355.170 of Nevada Revised Statutes (NRS). The Treasurer is also permitted by statute to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Commission had no outstanding securities lending transactions as of June 30, 2013.

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

##### **Receivables and payables**

All outstanding balances between funds are reported as "due to/from other funds" (Note 6).

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

##### **Prepaid power**

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

##### **Restricted cash and cash equivalents**

The various resources that are limited as to use by bond covenants for debt service, operation and maintenance (O&M), and capital improvement and construction (acquisition) are classified as restricted cash and cash equivalents (Note 4). Net position is restricted to the extent restricted assets exceed related liabilities.

##### **Capital assets**

Purchased or constructed capital assets (Note 5) are recorded at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value on the date of donation. The capitalization threshold is \$5,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. However, during the fiscal year ended June 30, 2013, none of the total interest expense incurred by the Commission (\$3,145,363) was capitalized



## COLORADO RIVER COMMISSION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

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and included as part of the cost of assets under construction.

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

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

#### Compensated absences

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

#### Long-term obligations

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

## 2. Stewardship, compliance, and accountability

#### Budgetary information

Biennial budgets are adopted on a basis consistent with the accounting policies

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

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

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

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

## COLORADO RIVER COMMISSION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

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categories. Any changes exceeding 10% or \$25,000 require approval of the State Legislature's Interim Finance Committee.

#### Bond covenants

Following is a brief summary of the covenants included in the bond resolutions of the enterprise funds (Note 4):

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

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

Classes of users – The power marketing fund serves two classes of users, retail utility customers and industrial customers. The power delivery fund serves the 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, 2013, 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 2013.

#### 3. Cash deposits:

At June 30, 2013, the Commission's carrying amount ("book value") of restricted and unrestricted cash and cash equivalents was \$17,588,988 and the State Treasurer's balance was \$17,908,174. These deposits with the Treasurer are not categorized as to credit risk, but are fully insured by the FDIC or collateralized by the State's financial institutions.

#### 4. Restricted cash and cash equivalents:

Cash and cash equivalents restricted at June 30, 2013, by bond covenants or contractual agreements are summarized as follows:

|                                    | Power<br>Marketing<br>Fund | Power<br>Delivery<br>Fund |
|------------------------------------|----------------------------|---------------------------|
| Restricted for:                    |                            |                           |
| Debt service                       | \$ 3,254,188               |                           |
| Construction reserve               |                            | \$ 1,321,157              |
| Reserve for revenue insufficiency  | 2,356,996                  |                           |
| Cash held by contractual agreement | 1,804,286                  | 126,379                   |
| Total restricted                   | <u>\$ 7,415,470</u>        | <u>\$ 1,447,536</u>       |

# COLORADO RIVER COMMISSION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

### 5. Capital assets:

Capital asset activity for the year ended June 30, 2013, was as follows:

|  | Beginning<br>Balances | Increase              | Decrease | Ending<br>Balances   |
|--|-----------------------|-----------------------|----------|----------------------|
| <b>Governmental activities:</b>              |                       |                       |          |                      |
| Capital assets being depreciated:            |                       |                       |          |                      |
| Office equipment                             | \$ 110,927            |                       |          | \$ 110,927           |
| Office furniture and fixtures                | 28,539                |                       |          | 28,539               |
| Automobiles                                  | 128,517               |                       |          | 128,517              |
| Total capital assets being depreciated       | <u>267,983</u>        |                       |          | <u>267,983</u>       |
| Less accumulated depreciation for:           |                       |                       |          |                      |
| Office equipment                             | 110,927               |                       |          | 110,927              |
| Office furniture and fixtures                | 28,539                |                       |          | 28,539               |
| Automobiles                                  | 109,322               | \$ 8,270              |          | 117,592              |
| Total accumulated depreciation               | <u>248,788</u>        | <u>8,270</u>          |          | <u>257,058</u>       |
| Governmental activities capital assets, net  | <u>\$ 19,195</u>      | <u>\$ (8,270)</u>     |          | <u>\$ 10,925</u>     |
| <b>Business-type activities:</b>             |                       |                       |          |                      |
| Capital assets being depreciated:            |                       |                       |          |                      |
| Power transmission system                    | \$ 75,722,481         |                       |          | \$ 75,722,481        |
| Office equipment                             | 65,089                |                       |          | 65,089               |
| Automobiles                                  | 191,646               |                       |          | 191,646              |
| Total capital assets being depreciated       | <u>75,979,216</u>     |                       |          | <u>75,979,216</u>    |
| Less accumulated depreciation for:           |                       |                       |          |                      |
| Power transmission system                    | 23,281,763            | \$ 2,015,700          |          | 25,297,463           |
| Office equipment and automobiles             | 222,431               | 9,126                 |          | 231,557              |
| Total accumulated depreciation               | <u>23,504,194</u>     | <u>2,024,826</u>      |          | <u>25,529,020</u>    |
| Business-type activities capital assets, net | <u>\$ 52,475,022</u>  | <u>\$ (2,024,826)</u> |          | <u>\$ 50,450,196</u> |

Depreciation expense was charged to functions/programs as follows:

|                            |                     |
|----------------------------|---------------------|
| Governmental activities:   |                     |
| General government         | \$ 8,270            |
| Business-type activities:  |                     |
| Power delivery             | <u>2,024,826</u>    |
| Total depreciation expense | <u>\$ 2,033,096</u> |

### 6. Balances due to/from other funds

The composition of interfund balances, representing the net of short-term working capital advances and repayments, as of June 30, 2013, was as follows:

|                 | Due from          | Due to            |
|-----------------|-------------------|-------------------|
| <b>Funds:</b>   |                   |                   |
| General         | \$ 432,571        |                   |
| Power marketing |                   | \$ 6,657          |
| Power delivery  |                   | 425,914           |
|                 | <u>\$ 432,571</u> | <u>\$ 432,571</u> |

## COLORADO RIVER COMMISSION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

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#### 7. Long-term debt:

##### General Obligation Bonds

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

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

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

The Series 2005I bonds principal and interest payments are being made by a significant customer of the Commission as partial payment for power delivery services. In September 2011, this customer advance refunded \$10,305,000 of these bonds through an agent. The bonds issued by the agent for this refunding are not obligations of the Commission and, consequently, the

Commission's debt has been reduced by this amount with a corresponding addition to the liability to the customer for power delivery services.

In November 2011, the Commission sold the \$5,545,000 Series 2011B General Obligation Refunding bonds. Proceeds from these bonds were used to advance refund the Series 2001 bonds. The bonds mature on October 1, 2017, with interest payable semi-annually on April 1 and October 1 at the annual rate of 5%. The reacquisition price exceeded the net carrying amount of the old debt by \$48,469. This amount is being netted against the new debt and amortized over the life of the new debt issue.

In July 2012, the Commission sold the \$17,085,000 Series 2012E General Obligation Refunding bonds. Proceeds from these bonds were used to advance refund the Series 2002 bonds. The bonds mature on October 1, 2016, with interest payable semi-annually on April 1 and October 1 at the annual rates of 4% to 5%. The reacquisition price was less than the net carrying amount of the old debt by \$171,598. This amount is being included with the new debt and amortized over the life of the new debt issue.

The Commission has provided to a third-party borrower conduit debt with an outstanding balance of \$152,035,000 as of June 30, 2013. Pursuant to an agreement with the third-party borrower, the Commission has no obligation for the debt.

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

# COLORADO RIVER COMMISSION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

|   | Maturity<br>Dates | Interest<br>Rates | Outstanding<br>June 30, 2013 |
|---|-------------------|-------------------|------------------------------|
| <b>Business-type activities:</b>          |                   |                   |                              |
| Power delivery refunding, series 2005I    | 2008-2030         | 4.75 to 5%        | 47,755,000                   |
| General obligation refunding series 2011B | 2011-2017         | 5.000%            | 5,545,000                    |
| General obligation refunding series 2012E | 2012-2016         | 4 to 5%           | 17,085,000                   |
|   |                   |                   | <u>\$ 70,385,000</u>         |

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

| Year Ending<br>June 30, | Business-type Activities |                      |
|-------------------------|--------------------------|----------------------|
|                         | Principal                | Interest             |
| 2014                    | \$ 3,975,000             | \$ 1,012,250         |
| 2015                    | 4,150,000                | 829,000              |
| 2016                    | 4,365,000                | 616,125              |
| 2017                    | 7,500,000                | 2,586,438            |
| 2018                    | 8,595,000                | 2,184,063            |
| 2019-2023               | 17,480,000               | 7,910,069            |
| 2024-2028               | 21,955,000               | 3,264,319            |
| 2029-2030               | 2,365,000                | 91,081               |
| Total                   | <u>\$ 70,385,000</u>     | <u>\$ 18,493,345</u> |

### Changes in long-term obligations

Changes in long-term obligations during the year-ended June 30, 2013, are summarized below:

|                                  | Balance<br>July 1, 2012 | Additions            | Reductions           | Balance<br>June 30, 2013 | Current             |
|----------------------------------|-------------------------|----------------------|----------------------|--------------------------|---------------------|
| <b>Governmental activities:</b>  |                         |                      |                      |                          |                     |
| Accrued compensated absences     | \$ 305,747              | \$ 279,568           | \$ 236,191           | \$ 349,124               | \$ 218,730          |
| <b>Business-type activities:</b> |                         |                      |                      |                          |                     |
| General obligation bonds         | 75,670,000              | 17,085,000           | 22,370,000           | 70,385,000               | 3,975,000           |
| Unamortized bond premium         | 2,620,239               | 1,727,013            | 1,432,042            | 2,915,210                | 659,993             |
| Unamortized refunding charges    | (3,319,228)             | (9,857)              | (469,563)            | (2,859,522)              | (359,294)           |
| Total                            | <u>\$ 75,276,758</u>    | <u>\$ 19,081,724</u> | <u>\$ 23,568,670</u> | <u>\$ 70,789,812</u>     | <u>\$ 4,494,429</u> |

## COLORADO RIVER COMMISSION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

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The liability for accrued compensated absences is paid from the general fund.

#### 8. Segment information

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

#### 9. Risk management

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

The United States has been experiencing a widespread recession accompanied by declines in residential real estate sales, mortgage lending and related construction activity, higher energy costs and other inflationary trends and weakness in the commercial and investment banking systems, and is engaged in a war, all of which are likely to continue to have far-reaching effects on the economic activity in the country for an indeterminate period. The near- and long-term impact of these factors on the Nevada economy and the

Commission's operations cannot be predicted at this time but may be substantial.

Through the State Treasurer, the Commission may carry cash and cash equivalents on deposit with financial institutions in excess of federally insured limits, and the risk of losses related to such concentrations may be increasing as a result of the current economic instability discussed in the foregoing paragraph. The extent of a future loss to be sustained as a result of uninsured deposits in the event of a future failure of a financial institution, if any, is not subject to estimation at this time.

#### 10. Commitments and contingencies

##### Litigation

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

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

##### Arbitrage Rebate Requirement

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



# COLORADO RIVER COMMISSION

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

for federal income tax purposes. Rebutable arbitrage is computed as of each installment computation date. The arbitrage rebate calculation as of the most recent such date indicates that no amount is due. Future calculations might result in adjustments to this determination.

### 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 based on a percentage of final salary for each year of credited service up to a maximum of 90% 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 12.25% of their salary and the Commission contributing 12.5%, or, under the employer paid option, taking a 12.25% reduction in gross pay with the Commission contributing 23.75% of salary to PERS.

Contribution rates are established by State statute and provide for yearly increases until such time as the actuarially determined unfunded liability of PERS is reduced to zero. The required contribution, which was paid in full by the Commission, for fiscal years 2011-2013 was as follows:

| <u>Year Ended</u> | <u>Contribution Rates</u> |                       | <u>Covered Payroll</u> | <u>Annual Required Contribution Paid in Full by the Commission</u> |            |                       |
|-------------------|---------------------------|-----------------------|------------------------|--|------------|-----------------------|
|                   | <u>Regular Members</u>    |                       |                        |  |            |                       |
|                   | Employer                  | Employer/<br>Employee | Employer               | Employer/<br>Employee  | Employer   | Employer/<br>Employee |
| June 30,<br>2011  | 21.50%                    | 11.25%                | \$ 1,666,599           | \$ 922,948   | \$ 462,150 | \$ 103,832            |
| 2012              | 23.75%                    | 12.50%/12.25%         | 1,488,149              | 998,086  | 475,700    | 124,761/122,265       |
| 2013              | 23.75%                    | 12.50%/12.25%         | 1,532,731              | 988,196  | 485,078    | 121,054               |



## COLORADO RIVER COMMISSION

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013

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

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

#### 12. Other Postemployment Benefits

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

any State Board or Commission. A portion of the monthly premiums are deducted from pension checks and paid to the PEBP. The cost varies depending on which health plan the retiree chooses, as well as the amount of subsidy they receive.

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

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

*Contributions and Funding Policy* - NRS 287.046 establishes a subsidy to pay the contributions for the persons retired from the State. Contributions to the Retirees' Fund are paid by the State through an assessment of actual payroll paid by each State entity. For the period from July 1, 2012 through June 30, 2013, the rate assessed was .027% of annual covered payroll. The assessment is based on an amount prescribed by the State Legislature. For the years ended June 30, 2013, 2012, and 2011, the Commission contributed \$65,695, \$50,879, and \$17,279 respectively, to the plan. These contributions equaled 100% of the required contributions each year.

## **COLORADO RIVER COMMISSION**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2013**

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#### **13. Joint Venture**

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

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

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

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

Financial information regarding SSEA can be obtained by writing or emailing at:

Manager of Energy Services for the  
Colorado River Commission  
P.O. Box 99956, MS 115  
Las Vegas, NV 89193-9956

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

#### **14. Subsequent Events**

Management has performed a search for, and determined there were no events subsequent to June 30, 2013, requiring accounting recognition or disclosure through November 27, 2013, which was the date these financial statements were available to be issued.

## **OTHER SUPPLEMENTARY INFORMATION**

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**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, 2013**

|  | <b>Budget</b>       |                     |                     | <b>Variance with</b> |
|--|---------------------|---------------------|---------------------|----------------------|
|  | <b>Original</b>     | <b>Final</b>        | <b>Actual</b>       | <b>Final Budget</b>  |
| <b>REVENUES</b>  |                     |                     |                     |                      |
| Investment income  | \$ 29,607           | \$ 29,607           | \$ 11,766           | \$ (17,841)          |
| Multi-species surcharge  | 1,428,752           | 1,738,064           | 1,741,478           | 3,414                |
| Total revenues   | <u>1,458,359</u>    | <u>1,767,671</u>    | <u>1,753,244</u>    | <u>(14,427)</u>      |
| <b>EXPENDITURES</b>  |                     |                     |                     |                      |
| Multi-species assessment   | 500,000             | 500,000             |                     | 500,000              |
| Other  |                     |                     | 18,183              | (18,183)             |
|  | <u>500,000</u>      | <u>500,000</u>      | <u>18,183</u>       | <u>481,817</u>       |
| <br>Excess of revenues over expenditures<br>and change in fund balance | <br>958,359         | <br>1,267,671       | <br>1,735,061       | <br>467,390          |
| Fund balance, beginning  | <u>2,156,616</u>    | <u>1,270,175</u>    | <u>3,468,550</u>    | <u>2,198,375</u>     |
| Fund balance, ending   | <u>\$ 3,114,975</u> | <u>\$ 2,537,846</u> | <u>\$ 5,203,611</u> | <u>\$ 2,665,765</u>  |

## COLORADO RIVER COMMISSION

### CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS COMPARATIVE SCHEDULES BY SOURCE\* JUNE 30, 2013 AND 2012

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|   | <u>2013</u>       | <u>2012</u>       |
|---|-------------------|-------------------|
| <b>GOVERNMENTAL FUNDS CAPITAL ASSETS:</b>                                   |                   |                   |
| Office equipment  | \$ 110,927        | \$ 110,927        |
| Office furniture and fixtures   | 28,539            | 28,539            |
| Automobiles   | <u>128,517</u>    | <u>128,517</u>    |
| Total governmental funds capital assets                                     | <u>\$ 267,983</u> | <u>\$ 267,983</u> |
| Investment in governmental funds capital assets<br>by source - general fund | <u>\$ 267,983</u> | <u>\$ 267,983</u> |

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

**COLORADO RIVER COMMISSION**

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

**FOR THE YEAR ENDED JUNE 30, 2013**

|                               | <b>Capital<br/>Assets<br/>July 1, 2012</b> | <b>Additions</b> | <b>Deletions</b> | <b>Capital<br/>Assets<br/>June 30, 2013</b> |
|-------------------------------|--|------------------|------------------|---|
| <b>GENERAL GOVERNMENT:</b>    |  |                  |                  |   |
| Office equipment              | \$ 110,927                                 | \$ -             | \$ -             | \$ 110,927                                  |
| Office furniture and fixtures | 28,539                                     |                  |                  | 28,539                                      |
| Automobiles                   | 128,517                                    |                  |                  | 128,517                                     |
| Total capital assets          | <u>\$ 267,983</u>                          | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 267,983</u>                           |

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



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## **STATISTICAL SECTION**

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## STATISTICAL SECTION

### (UNAUDITED)

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

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

#### ***Financial Trends***

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

#### ***Revenue Capacity***

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

#### ***Debt Capacity***

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

#### ***Demographic and Economic Information***

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

#### ***Operating Information***

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

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COLORADO RIVER COMMISSION

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS (UNAUDITED)

Table 1

|   | Fiscal Year         |                      |                     |                     |                     |                     |                     |                      |                      |                     |
|---|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|---------------------|
|   | 2013                | 2012                 | 2011                | 2010                | 2009                | 2008                | 2007                | 2006                 | 2005                 | 2004                |
| Governmental activities                     |                     |                      |                     |                     |                     |                     |                     |                      |                      |                     |
| Net investment in capital assets            | \$ 10,925           | \$ 19,196            | \$ 35,121           | \$ 46,102           | \$ 33,762           | \$ 14,045           | \$ 97,911           | \$ 118,006           | \$ 109,064           | \$ 107,230          |
| Restricted for research and development     | 5,203,611           | 3,468,550            | 2,139,130           |                     |                     |                     |                     |                      |                      |                     |
| Unrestricted                                | 2,955,658           | 2,573,169            | 1,924,972           | 2,916,470           | 3,145,590           | 3,090,809           | 2,306,710           | 10,934,221           | 9,292,022            | 2,393,362           |
| Total governmental activities net position  | <u>\$ 8,170,194</u> | <u>\$ 6,060,915</u>  | <u>\$ 4,099,223</u> | <u>\$ 2,962,572</u> | <u>\$ 3,179,352</u> | <u>\$ 3,104,854</u> | <u>\$ 2,404,621</u> | <u>\$ 11,052,227</u> | <u>\$ 9,401,086</u>  | <u>\$ 2,500,592</u> |
| Business-type activities                    |                     |                      |                     |                     |                     |                     |                     |                      |                      |                     |
| Net investment in capital assets            | \$ 3,854,233        | \$ 5,979,847         | \$ (4,219,164)      | \$ (4,270,307)      | \$ (3,967,588)      | \$ (3,850,234)      | \$ (3,661,965)      |                      |                      |                     |
| Restricted for operations and maintenance   | 711,215             | 711,014              | 710,738             | 710,482             | 713,088             | 716,319             | 717,664             | 716,284              | 713,004              | 707,485             |
| Unrestricted                                | (3,137,388)         | (1,108,611)          | 8,484,670           | 8,372,383           | 8,345,585           | 8,355,522           | 8,252,177           | 4,716,772            | 5,345,387            | 5,676,526           |
| Total business-type activities net position | <u>\$ 1,428,060</u> | <u>\$ 5,582,250</u>  | <u>\$ 4,976,244</u> | <u>\$ 4,812,558</u> | <u>\$ 5,091,085</u> | <u>\$ 5,221,607</u> | <u>\$ 5,307,876</u> | <u>\$ 5,433,056</u>  | <u>\$ 6,058,391</u>  | <u>\$ 6,384,011</u> |
| Total entity-wide                           |                     |                      |                     |                     |                     |                     |                     |                      |                      |                     |
| Net investment in capital assets            | \$ 3,865,158        | \$ 5,999,043         | \$ (4,184,043)      | \$ (4,224,205)      | \$ (3,933,826)      | \$ (3,836,189)      | \$ (3,564,054)      | \$ 118,006           | \$ 109,064           | \$ 107,230          |
| Restricted                                  | 5,914,826           | 4,179,564            | 2,849,868           | 710,482             | 713,088             | 716,319             | 717,664             | 716,284              | 713,004              | 707,485             |
| Unrestricted                                | (181,730)           | 1,464,558            | 10,409,642          | 11,288,853          | 11,491,175          | 11,446,331          | 10,558,887          | 15,650,993           | 14,637,409           | 8,069,888           |
| Total entity-wide net position              | <u>\$ 9,598,254</u> | <u>\$ 11,643,165</u> | <u>\$ 9,075,467</u> | <u>\$ 7,775,130</u> | <u>\$ 8,270,437</u> | <u>\$ 8,326,461</u> | <u>\$ 7,712,497</u> | <u>\$ 16,485,283</u> | <u>\$ 15,459,477</u> | <u>\$ 8,884,603</u> |

COLORADO RIVER COMMISSION

CHANGES IN NET POSITION  
(Accrual basis of accounting)

LAST TEN FISCAL YEARS (UNAUDITED)

Table 2

|   | Fiscal Year   |               |               |               |               |               |               |                |                |                |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|----------------|
|   | 2013          | 2012          | 2011          | 2010          | 2009          | 2008          | 2007          | 2006           | 2005           | 2004           |
| Expenses  |               |               |               |               |               |               |               |                |                |                |
| Governmental activities                         |               |               |               |               |               |               |               |                |                |                |
| General government                              | \$ 2,058,890  | \$ 1,901,012  | \$ 2,306,101  | \$ 3,275,830  | \$ 2,810,030  | \$ 2,730,697  | \$ 12,208,192 | \$ 2,641,024   | \$ 2,253,266   | \$ 2,062,826   |
| Business-type activities                        |               |               |               |               |               |               |               |                |                |                |
| Power marketing                                 | 41,041,108    | 40,490,639    | 41,483,124    | 40,226,984    | 46,050,417    | 55,744,898    | 57,473,246    | 62,986,316     | 70,038,951     | 127,942,758    |
| Power delivery                                  | 39,959,001    | 46,921,205    | 45,904,714    | 41,633,751    | 38,006,772    | 10,678,035    | 15,783,971    | 58,929,523     | 37,159,924     | 13,504,249     |
| Total business-type activities expenses         | 81,000,109    | 87,411,844    | 87,387,838    | 81,860,735    | 84,057,189    | 66,422,931    | 73,257,217    | 121,915,839    | 107,198,875    | 141,447,007    |
| Total entity-wide expenses                      | \$ 83,058,999 | \$ 89,312,856 | \$ 89,693,939 | \$ 85,136,565 | \$ 86,867,219 | \$ 69,153,630 | \$ 85,465,409 | \$ 124,556,863 | \$ 109,452,141 | \$ 143,509,833 |
| Program revenues                                |               |               |               |               |               |               |               |                |                |                |
| Governmental activities                         |               |               |               |               |               |               |               |                |                |                |
| Charges for services                            |               |               |               |               |               |               |               |                |                |                |
| Power administrative charge                     | \$ 1,167,674  | \$ 1,259,804  | \$ 1,219,897  | \$ 1,121,162  | \$ 1,167,254  | \$ 1,296,412  | \$ 1,323,837  | \$ 1,310,371   | \$ 1,049,704   | \$ 968,238     |
| Water charges                                   | 1,229,732     | 1,169,246     | 752,854       | 1,285,018     | 1,046,787     | 1,311,351     | 888,720       | 1,603,826      | 1,015,940      | 1,496,859      |
| Multi-species surcharge                         | 1,741,478     | 1,362,759     | 1,375,160     | 625,814       | 583,162       | 595,223       | 547,450       | 525,144        | 17,584         |                |
| Total governmental activities program revenues  | 4,138,884     | 3,791,809     | 3,347,911     | 3,031,994     | 2,797,203     | 3,202,986     | 2,760,007     | 3,439,341      | 2,083,228      | 2,465,097      |
| Business-type activities                        |               |               |               |               |               |               |               |                |                |                |
| Charges for services                            |               |               |               |               |               |               |               |                |                |                |
| Power sales                                     |               |               |               |               |               |               |               |                |                |                |
| Power marketing                                 | 41,041,108    | 40,374,094    | 41,436,582    | 40,217,943    | 45,845,877    | 55,601,491    | 57,246,095    | 62,764,886     | 64,003,861     | 127,826,226    |
| Power delivery                                  | 35,726,333    | 47,562,794    | 46,077,938    | 41,711,572    | 37,897,186    | 10,242,168    | 15,130,974    | 57,900,598     | 36,513,222     | 12,756,303     |
| Total business-type activities program revenues | 76,767,441    | 87,936,888    | 87,514,520    | 81,929,515    | 83,743,063    | 65,843,659    | 72,377,069    | 120,665,484    | 100,517,083    | 140,582,529    |
| Total entity-wide program revenues              | \$ 80,906,325 | \$ 91,728,697 | \$ 90,862,431 | \$ 84,961,509 | \$ 86,540,266 | \$ 69,046,645 | \$ 75,137,076 | \$ 124,104,825 | \$ 102,582,727 | \$ 143,047,626 |

(Continued)



COLORADO RIVER COMMISSION

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

LAST TEN FISCAL YEARS (UNAUDITED)

Table 2

|   | Fiscal Year           |                     |                     |                     |                     |                     |                        |                     |                       |                     |
|---|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------------------|---------------------|-----------------------|---------------------|
|   | 2013                  | 2012                | 2011                | 2010                | 2009                | 2008                | 2007                   | 2006                | 2005                  | 2004                |
| <b>Net expense</b>  |                       |                     |                     |                     |                     |                     |                        |                     |                       |                     |
| Governmental activities                                   | \$ 2,079,994          | \$ 528,038          | \$ (333,350)        | \$ (869,650)        | \$ (595,989)        | \$ (122,933)        | \$ (9,995,635)         | \$ 273,173          | \$ (187,622)          | \$ 402,271          |
| Business-type activities                                  | (4,232,668)           | 525,044             | 126,682             | 68,780              | (314,126)           | (579,274)           | (880,148)              | (1,250,355)         | (6,681,792)           | (864,478)           |
| Total entity-wide net expense                             | <u>\$ (2,152,674)</u> | <u>\$ 1,053,082</u> | <u>\$ (206,668)</u> | <u>\$ (800,870)</u> | <u>\$ (910,115)</u> | <u>\$ (702,207)</u> | <u>\$ (10,875,783)</u> | <u>\$ (977,182)</u> | <u>\$ (6,869,414)</u> | <u>\$ (462,207)</u> |
| <b>General revenues and other changes in net position</b> |                       |                     |                     |                     |                     |                     |                        |                     |                       |                     |
| Governmental activities                                   |                       |                     |                     |                     |                     |                     |                        |                     |                       |                     |
| Investment income   | \$ 29,285             | \$ 29,677           | \$ 12,432           | \$ 27,057           | \$ 87,325           | \$ 227,944          | \$ 773,632             | \$ 786,729          | \$ 46,142             | \$ 24,350           |
| Land sales  |                       |                     |                     |                     |                     |                     |                        |                     | 13,000,000            |                     |
| Miscellaneous   |                       | 41,218              | 82,409              |                     |                     |                     | 26,947                 | 66,095              | 24,390                | 22,220              |
| Transfers   |                       |                     |                     |                     |                     |                     |                        |                     | (6,000,000)           |                     |
| Total governmental activities                             | <u>29,285</u>         | <u>70,895</u>       | <u>94,841</u>       | <u>27,057</u>       | <u>87,325</u>       | <u>227,944</u>      | <u>800,579</u>         | <u>852,824</u>      | <u>7,088,116</u>      | <u>-46,570</u>      |
| Business-type activities                                  |                       |                     |                     |                     |                     |                     |                        |                     |                       |                     |
| Investment income   | 78,478                | 12,635              | 2,841               | 22,495              | 183,604             | 493,005             | 754,968                | 625,020             | 356,172               | 291,944             |
| Abandonment loss  |                       |                     |                     | (169,802)           |                     |                     |                        |                     |                       |                     |
| Miscellaneous   |                       | 68,327              | 34,163              |                     |                     |                     |                        |                     |                       |                     |
| Transfers   |                       |                     |                     |                     |                     |                     |                        |                     | 6,000,000             |                     |
| Total business-type activities                            | <u>78,478</u>         | <u>80,962</u>       | <u>37,004</u>       | <u>(147,307)</u>    | <u>183,604</u>      | <u>493,005</u>      | <u>754,968</u>         | <u>625,020</u>      | <u>6,356,172</u>      | <u>291,944</u>      |
| Total entity-wide   | <u>\$ 107,763</u>     | <u>\$ 151,857</u>   | <u>\$ 131,845</u>   | <u>\$ (320,250)</u> | <u>\$ 270,929</u>   | <u>\$ 720,949</u>   | <u>\$ 1,555,547</u>    | <u>\$ 1,477,844</u> | <u>\$ 13,444,288</u>  | <u>\$ 338,514</u>   |
| <b>Change in net position</b>                             |                       |                     |                     |                     |                     |                     |                        |                     |                       |                     |
| Governmental activities                                   | \$ 2,109,279          | \$ 1,961,692        | \$ 1,136,651        | \$ (216,779)        | \$ (508,664)        | \$ 105,011          | \$ (9,195,056)         | \$ 1,125,997        | \$ 6,900,494          | \$ 448,841          |
| Business-type activities                                  | (4,154,190)           | 606,006             | 163,686             | (278,527)           | (130,522)           | (86,269)            | (125,180)              | (625,335)           | (325,620)             | (572,534)           |
| Total entity-wide   | <u>\$ (2,044,911)</u> | <u>\$ 2,567,698</u> | <u>\$ 1,300,337</u> | <u>\$ (495,306)</u> | <u>\$ (639,186)</u> | <u>\$ 18,742</u>    | <u>\$ (9,320,236)</u>  | <u>\$ 500,662</u>   | <u>\$ 6,574,874</u>   | <u>\$ (123,693)</u> |

COLORADO RIVER COMMISSION

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

LAST TEN FISCAL YEARS (UNAUDITED)

Table 3

|                                    | Fiscal Year  |              |              |              |              |              |              |              |              |              |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                    | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         | 2006         | 2005         | 2004         |
| General fund                       |              |              |              |              |              |              |              |              |              |              |
| Unassigned                         | \$ 3,304,782 | \$ 2,878,917 | \$ 2,222,770 | \$ 2,398,074 | \$ 2,545,592 | \$ 2,582,644 | \$ 2,015,540 | \$ 2,130,668 | \$ 1,117,428 | \$ 1,216,761 |
| All other governmental funds       |              |              |              |              |              |              |              |              |              |              |
| Restricted                         |              |              |              |              |              |              | \$ 182,131   | \$ 182,131   | \$ 4,550     |              |
| Reported in special                |              |              |              |              |              |              |              |              |              |              |
| revenue funds:                     |              |              |              |              |              |              |              |              |              |              |
| Fort Mohave Development            |              |              |              |              |              |              | (14,162)     | 8,705,291    | 8,242,169    | \$ 1,234,722 |
| Research and Development           | \$ 5,203,611 | \$ 3,468,550 | \$ 2,139,130 | \$ 827,864   | \$ 872,912   | \$ 732,616   | 377,679      | 198,834      | 184,256      | 182,928      |
| Total all other governmental funds | \$ 5,203,611 | \$ 3,468,550 | \$ 2,139,130 | \$ 827,864   | \$ 872,912   | \$ 732,616   | \$ 545,648   | \$ 9,086,256 | \$ 8,430,975 | \$ 1,417,650 |

COLORADO RIVER COMMISSION

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

LAST TEN FISCAL YEARS (UNAUDITED)

Table 4

|  | Fiscal Year         |                     |                     |                     |                   |                   |                       |                     |                     |                   |
|--|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|-----------------------|---------------------|---------------------|-------------------|
|  | 2013                | 2012                | 2011                | 2010                | 2009              | 2008              | 2007                  | 2006                | 2005                | 2004              |
| <b>Revenues</b>  |                     |                     |                     |                     |                   |                   |                       |                     |                     |                   |
| Charges for services                                     | \$ 2,397,406        | \$ 2,429,050        | \$ 1,972,751        | \$ 2,406,180        | \$ 2,214,041      | \$ 2,607,763      | \$ 2,212,557          | \$ 2,914,197        | \$ 2,065,644        | \$ 2,465,097      |
| Investment income  | 29,285              | 29,677              | 12,432              | 27,057              | 87,325            | 227,944           | 773,632               | 786,729             | 46,142              | 24,350            |
| Multi-species surcharge                                  | 1,741,478           | 1,362,759           | 1,375,160           | 625,814             | 583,162           | 595,223           | 547,451               | 525,144             | 17,584              |                   |
| Land sales   |                     |                     |                     |                     |                   |                   |                       |                     | 13,000,000          |                   |
| Miscellaneous  | -                   | 41,218              | 82,409              |                     |                   |                   | 26,947                | 66,095              | 24,390              | 22,220            |
| Total revenues   | <u>4,168,169</u>    | <u>3,862,704</u>    | <u>3,442,752</u>    | <u>3,059,051</u>    | <u>2,884,528</u>  | <u>3,430,930</u>  | <u>3,560,587</u>      | <u>4,292,165</u>    | <u>15,153,760</u>   | <u>2,511,667</u>  |
| <b>Expenditures</b>                                      |                     |                     |                     |                     |                   |                   |                       |                     |                     |                   |
| General administration                                   | 1,974,816           | 1,812,067           | 2,267,200           | 2,768,497           | 2,232,083         | 2,180,003         | 11,502,549            | 1,998,993           | 2,206,332           | 1,994,647         |
| Multi-species assessment                                 |                     |                     |                     | 459,851             | 443,603           | 441,215           | 405,803               | 389,269             | 13,035              |                   |
| Water purchases  | 14,244              | 15,134              | 14,270              | 15,277              | 15,889            | 15,411            | 15,393                | 18,017              | 20,401              | 19,010            |
| Intergovernmental  |                     |                     |                     |                     |                   |                   |                       |                     |                     |                   |
| Investment expenses                                      | 18,183              | 49,936              | 25,318              | 7,992               | 89,709            | 40,230            | 292,577               | 217,365             |                     |                   |
| Total expenditures                                       | <u>2,007,243</u>    | <u>1,877,137</u>    | <u>2,306,788</u>    | <u>3,251,617</u>    | <u>2,781,284</u>  | <u>2,676,859</u>  | <u>12,216,322</u>     | <u>2,623,644</u>    | <u>2,239,768</u>    | <u>2,013,657</u>  |
| Excess (deficiency) of revenue over (under) expenditures | 2,160,926           | 1,985,567           | 1,135,964           | (192,566)           | 103,244           | 754,071           | (8,655,735)           | 1,668,521           | 12,913,992          | 498,010           |
| <b>Other financing sources (uses)</b>                    |                     |                     |                     |                     |                   |                   |                       |                     |                     |                   |
| Transfers out  |                     |                     |                     |                     |                   |                   |                       |                     | 6,000,000           |                   |
| Net changes in fund balances                             | <u>\$ 2,160,926</u> | <u>\$ 1,985,567</u> | <u>\$ 1,135,964</u> | <u>\$ (192,566)</u> | <u>\$ 103,244</u> | <u>\$ 754,071</u> | <u>\$ (8,655,735)</u> | <u>\$ 1,668,521</u> | <u>\$ 6,913,992</u> | <u>\$ 498,010</u> |

COLORADO RIVER COMMISSION

PRINCIPAL REVENUE PAYERS

JUNE 30, 2013 with total comparisons for 2012, 2011, 2010, 2009, 2008, 2007 and 2006 (UNAUDITED)

Table 5

| Customer                                  | FY 2013                            |                                    |                           |                                |                               |                      | (4)                  | (4)                  | (4)                  | (4)                  | (4)                  | (4)                  | (4)                   |
|---|------------------------------------|------------------------------------|---------------------------|--------------------------------|-------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
|   | Water<br>Administrative<br>Charges | Power<br>Administrative<br>Charges | (1)<br>LCRMSCP<br>Charges | Power<br>Marketing<br>Revenues | Power<br>Delivery<br>Revenues | Total                | FY 2012<br>Total     | FY 2011<br>Total     | FY 2010<br>Total     | FY 2009<br>Total     | FY 2008<br>Total     | FY 2007<br>Total     | FY 2006<br>Total      |
| Southern Nevada Water Authority           | \$ 1,197,892                       | \$ 75,260                          | \$ 1,177,188              | \$ 1,722,548                   | \$ 35,726,333                 | \$ 39,899,221        | \$ 51,300,955        | \$ 49,486,766        | \$ 83,298,697        | \$ 40,881,604        | \$ 13,306,629        | \$ 16,925,120        | \$ 61,399,486         |
| Basic Water Company                       | 6,408                              | 21,083                             | 25,065                    | 709,946                        |                               | 762,502              | 675,012              | 775,087              | 53,516               | 1,131,591            | 1,119,996            | 958,905              | 638,342               |
| Timet Metals Corporation                  |                                    | 242,806                            | 60,217                    | 8,341,710                      |                               | 8,644,733            | 8,467,093            | 6,257,186            | 219,602              | 11,549,026           | 13,527,584           | 9,700,300            | 10,218,016            |
| Olin Chlor Alkaline (formerly Pioneer )   |                                    | 147,223                            |                           | 7,785,703                      |                               | 7,932,926            | 7,733,604            | 8,752,522            | 160,464              | 10,453,427           | 17,225,025           | 17,312,427           | 21,826,569            |
| Chemical Lime Company                     |                                    | 1,784                              | 1,124                     | 57,523                         |                               | 60,431               | 53,158               | 62,531               | 3,305                | 65,921               | 81,741               | 90,499               | 87,458                |
| Tronox, LLC                               |                                    | 80,689                             | 53,968                    | 1,642,653                      |                               | 1,777,310            | 1,698,155            | 1,760,750            | 134,319              | 1,466,649            | 1,827,270            | 1,594,947            | 889,720               |
| American Pacific Corporation              |                                    | 62,607                             | 17,478                    | 2,387,427                      |                               | 2,467,512            | 2,461,818            | 2,627,688            | 88,143               | 2,460,584            | 4,215,683            | 4,655,125            | 5,647,039             |
| Lincoln County Power District No. 1       |                                    | 58,980                             | 37,846                    | 1,603,528                      |                               | 1,700,354            | 1,684,446            | 1,728,892            | 98,341               | 1,538,006            | 1,339,248            | 1,360,833            | 1,134,141             |
| Overton Power District #5                 |                                    | 64,256                             | 30,440                    | 2,206,751                      |                               | 2,301,447            | 2,534,041            | 2,562,159            | 96,390               | 2,286,563            | 3,038,977            | 3,021,368            | 4,019,864             |
| Valley Electric Association               |                                    | 78,833                             | 34,035                    | 2,519,157                      |                               | 2,632,025            | 2,493,361            | 2,671,367            | 116,804              | 3,142,087            | 3,118,421            | 3,004,013            | 3,650,590             |
| NV Energy (formerly Nevada Power Company) |                                    | 308,251                            | 264,812                   | 10,924,690                     |                               | 11,497,753           | 11,306,542           | 10,607,889           | 567,906              | 10,404,959           | 9,218,722            | 9,289,897            | 8,527,374             |
| City of Boulder City                      |                                    | 25,902                             | 39,305                    | 1,139,472                      |                               | 1,204,679            | 1,294,400            | 3,588,478            | 98,075               | 1,139,321            | 1,001,428            | 1,757,733            | 955,528               |
| Las Vegas Valley Water District           | 6,669                              |                                    |                           |                                |                               | 6,669                | 6,293                | 6,301                |                      |                      | 534                  | 697                  | 9,117                 |
| City of Henderson                         | 17,961                             |                                    |                           |                                |                               | 17,961               | 19,143               | 16,804               | 19,810               | 20,563               | 17,986               | 18,635               | 15,935                |
| Raw water sales <sup>(2)</sup>            | 802                                |                                    |                           |                                |                               | 802                  | 674                  | 17,939               | 13,513               | 966                  | 7,400                | 7,824                | 7,540                 |
| Other power sales <sup>(3)</sup>          | -                                  |                                    |                           |                                |                               | -                    | -                    | 17,276               | -                    | -                    | -                    | 5,438,813            | 4,795,106             |
| <b>Total</b>                              | <b>\$ 1,229,732</b>                | <b>\$ 1,167,674</b>                | <b>\$ 1,741,478</b>       | <b>\$ 41,041,108</b>           | <b>\$ 35,726,333</b>          | <b>\$ 80,906,325</b> | <b>\$ 91,728,697</b> | <b>\$ 90,939,635</b> | <b>\$ 84,968,885</b> | <b>\$ 86,541,267</b> | <b>\$ 69,046,644</b> | <b>\$ 75,137,136</b> | <b>\$ 123,821,825</b> |

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

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

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

(4) Comparison totals are provided for the past six years due to the changes in Commission activities pursuant to legislative action making older comparisons not relevant to ongoing operations. Total comparisons will be added each year until ten years of data are accumulated. The current year details are provided to allow the user to see the relative amounts of revenue sources to the Commission paid by the classes of customers. Only totals will be compared for past fiscal periods as inclusion of detail would make the table unreadable. For additional detail please see the annual financial report for the specific year at the Commission website at: [crc.nv.gov](http://crc.nv.gov)

COLORADO RIVER COMMISSION

RATIOS OF OUTSTANDING DEBT

LAST TEN FISCAL YEARS (UNAUDITED)

Table 6

| Fiscal Year | General Obligation Refunding Series 2012E | General Obligation Refunding Series 2011B | Power Delivery Refunding Series 2005I | Power Upgrading Refunding Series 2002 | Hoover Upgrading Refunding Series 2001 | Power Delivery Series 1999A | Power Delivery Series 1997 | Total Outstanding Debt | Charges for Services | Revenue to Debt Ratio | Debt as a Percentage of Personal Income | Debt per Capita In Dollars |
|-------------|---|---|---------------------------------------|---------------------------------------|--|-----------------------------|----------------------------|------------------------|----------------------|-----------------------|---|----------------------------|
| 2004        |   |   |                                       | \$ 36,420,000                         | \$ 6,305,000                           | \$ 25,280,000               | \$ 45,770,000              | \$ 113,775,000         | \$ 143,047,626       | 1.26                  | 2.01%                                   | 3,350                      |
| 2005        |   |   | \$ 65,300,000                         | 36,420,000                            | 6,305,000                              | 2,735,000                   | 3,245,000                  | 114,005,000            | 102,582,727          | 0.90                  | 1.78%                                   | 3,072                      |
| 2006        |   |   | 65,300,000                            | 36,420,000                            | 6,305,000                              | 2,345,000                   | 2,215,000                  | 112,585,000            | 123,579,681          | 1.10                  | 1.63%                                   | 2,949                      |
| 2007        |   |   | 65,300,000                            | 36,420,000                            | 6,305,000                              | 1,805,000                   | 1,135,000                  | 110,965,000            | 74,589,626           | 0.67                  | 1.52%                                   | 2,838                      |
| 2008        |   |   | 65,300,000                            | 36,420,000                            | 6,305,000                              | 1,235,000                   |                            | 109,260,000            | 68,451,423           | 0.63                  | 1.47%                                   | 2,813                      |
| 2009        |   |   | 63,940,000                            | 33,180,000                            | 6,305,000                              | 635,000                     |                            | 104,060,000            | 85,957,104           | 0.83                  | 1.54%                                   | 2,977                      |
| 2010        |   |   | 62,500,000                            | 29,765,000                            | 6,305,000                              |                             |                            | 98,570,000             | 84,335,695           | 0.86                  | 1.46%                                   | 2,843                      |
| 2011        |   |   | 60,330,000                            | 26,165,000                            | 6,305,000                              |                             |                            | 92,800,000             | 89,487,271           | 0.96                  | 1.32%                                   | NA                         |
| 2012        |   | \$ 5,545,000                              | 47,755,000                            | 22,370,000                            |  |                             |                            | 75,670,000             | 90,365,938           | 1.19                  | NA                                      | NA                         |
| 2013        | \$ 17,085,000                             | \$ 5,545,000                              | 47,755,000                            |                                       |  |                             |                            | 70,385,000             | 80,906,325           | 1.15                  | NA                                      | NA                         |

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

# COLORADO RIVER COMMISSION

## AVAILABLE REVENUE DEBT COVERAGE

### LAST TEN FISCAL YEARS (UNAUDITED)

Table 7

| Fiscal Year | Gross          | Less:              | Add               | Net                | Debt Service |              |              | Coverage <sup>(1)</sup> |
|-------------|----------------|--------------------|-------------------|--------------------|--------------|--------------|--------------|-------------------------|
|             | Revenues       | Operating Expenses | Back Depreciation | Available Revenues | Principal    | Interest     | Total        |                         |
| 2004        | \$ 143,047,626 | \$ 139,406,539     | \$ 1,835,466      | \$ 5,476,553       | \$ 1,135,000 | \$ 4,023,431 | \$ 5,158,431 | 1.06                    |
| 2005        | 102,582,727    | 105,445,842        | 2,061,753         | (801,362)          | 1,225,000    | 6,487,791    | 7,712,791    | (0.10)                  |
| 2006        | 123,579,681    | 120,712,590        | 2,064,492         | 4,931,583          | 1,420,000    | 5,517,972    | 6,937,972    | 0.71                    |
| 2007        | 74,589,626     | 81,652,254         | 2,064,375         | (4,998,253)        | 1,420,000    | 5,517,972    | 6,937,972    | (0.72)                  |
| 2008        | 68,451,423     | 65,577,632         | 2,041,430         | 4,915,221          | 1,705,000    | 5,579,181    | 7,284,181    | 0.67                    |
| 2009        | 85,957,104     | 80,649,088         | 2,036,989         | 7,345,005          | 5,200,000    | 5,305,610    | 10,505,610   | 0.70                    |
| 2010        | 84,335,695     | 78,825,046         | 2,031,355         | 7,542,004          | 5,770,000    | 4,791,950    | 10,561,950   | 0.71                    |
| 2011        | 89,487,271     | 84,460,101         | 2,030,633         | 7,057,803          | 5,490,000    | 5,012,438    | 10,502,438   | 0.67                    |
| 2012        | 90,365,938     | 84,921,105         | 2,024,827         | 7,469,660          | 6,065,000    | 4,416,732    | 10,481,732   | 0.71                    |
| 2013        | 80,906,325     | 78,792,267         | 2,024,826         | 4,138,884          | 4,005,000    | 3,242,334    | 7,247,334    | 0.57                    |

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

# COLORADO RIVER COMMISSION

## DEMOGRAPHIC STATISTICS

### CLARK COUNTY, NEVADA <sup>(1)</sup>

#### LAST TEN FISCAL YEARS (UNAUDITED)

Table 8

| Year | Population <sup>(2)</sup> | Personal<br>Income (in thousands) <sup>(3)</sup> | Per Capita<br>Income <sup>(3)</sup> | Total<br>Labor Force <sup>(4)</sup> | Unemployment<br>Rate <sup>(4)</sup> |
|------|---------------------------|--|-------------------------------------|-------------------------------------|-------------------------------------|
| 2004 | 1,715,337                 | \$ 56,465,871                                    | \$ 33,959                           | 834,230                             | 4.8%                                |
| 2005 | 1,796,380                 | 64,181,422                                       | 37,109                              | 875,710                             | 4.3%                                |
| 2006 | 1,874,837                 | 68,874,056                                       | 38,183                              | 915,440                             | 4.3%                                |
| 2007 | 1,954,319                 | 73,040,160                                       | 39,105                              | 936,950                             | 4.7%                                |
| 2008 | 1,967,716                 | 74,279,798                                       | 38,842                              | 968,980                             | 6.3%                                |
| 2009 | 1,952,040                 | 67,781,415                                       | 34,950                              | 986,350                             | 12.4%                               |
| 2010 | 1,968,831                 | 67,738,308                                       | 34,668                              | 970,653                             | 15.3%                               |
| 2011 | 1,967,722                 | 70,289,097                                       | 35,680                              | 991,963                             | 14.4%                               |
| 2012 | 1,988,855                 | N/A  | N/A                                 | 992,403                             | 11.2%                               |
| 2013 | 2,024,676                 | N/A  | N/A                                 | 991,851                             | 9.7%                                |

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

(2) Source: Nevada State Demographer.

(3) Source: U.S. Bureau of Economic Analysis.

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

**COLORADO RIVER COMMISSION  
PRINCIPAL EMPLOYERS  
CLARK COUNTY, NEVADA <sup>(1)</sup>  
JUNE 30, 2013 and 2004 (UNAUDITED)**

**Table 9**

| Employee                                 | June 30, 2013            |                                   |      | June 30, 2004    |                                   |      |
|--|--------------------------|-----------------------------------|------|------------------|-----------------------------------|------|
|  | Employees <sup>(2)</sup> | Percentage of<br>Total Employment | Rank | Employees        | Percentage of<br>Total Employment | Rank |
| Clark County School District             | 30,000 to 39,999         | 3.91%                             | 1    | 28,000 to 28,999 | 3.59%                             | 1    |
| Clark County                             | 8,000 to 8,499           | 0.92%                             | 2    | 9,000 to 10,000  | 1.17%                             | 2    |
| Wynn Las Vegas                           | 8,000 to 8,499           | 0.92%                             | 3    |                  |                                   |      |
| Bellagio LLC                             | 7,500 to 7,999           | 0.87%                             | 4    |                  |                                   |      |
| MGM Grand Hotel/ Casino                  | 7,500 to 7,999           | 0.87%                             | 5    |                  |                                   |      |
| ARIA Resort & Casino                     | 7,000 to 7,499           | 0.81%                             | 6    |                  |                                   |      |
| Mandalay Bay Resort & Casino             | 6,500 to 6,999           | 0.75%                             | 7    | 6,500 to 6,599   | 0.79%                             | 3    |
| Caesars Palace                           | 6,000 to 6,499           | 0.70%                             | 9    | 5,000 to 5,499   | 0.60%                             | 8    |
| University of Nevada, Las Vegas          | 5,000 to 5,499           | 0.47%                             | 8    | 5,000 to 5,499   | 0.66%                             | 6    |
| Las Vegas Metropolitan Police Department | 4,500 to 4,999           | 0.53%                             | 10   | 4,500 to 4,999   | 0.60%                             | 7    |
| Mirage Casino-Hotel                      |                          |                                   |      | 5,500 to 5,999   | 0.72%                             | 4    |
| State of Nevada                          |                          |                                   |      | 5,000 to 5,499   | 0.66%                             | 5    |
| Rio Suite Hotel and Casino               |                          |                                   |      | 4,000 to 4,500   | 0.54%                             | 9    |
| Luxor                                    |                          |                                   |      | 3,500 to 3,999   | 0.47%                             | 10   |

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

Source: Nevada Department of Employment.

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



**COLORADO RIVER COMMISSION**

**EMPLOYEES BY DEPARTMENT**

**LAST TEN FISCAL YEARS (UNAUDITED)**

**Table 10**

| <b>Fiscal Year</b> | <b><u>Executive and<br/>Administrative</u></b> | <b><u>Water<br/>Department</u></b> | <b><u>Hydropower<br/>Department</u></b> | <b><u>SNWS<br/>Energy Services</u></b> | <b><u>Power Delivery<br/>O &amp; M</u></b> | <b><u>Total</u></b> |
|--------------------|--|------------------------------------|---|--|--|---------------------|
| 2004               | 13   | 5                                  | 5                                       | 9                                      | 6  | 38                  |
| 2005               | 15   | 5                                  | 4                                       | 9                                      | 6  | 39                  |
| 2006               | 15   | 5                                  | 3                                       | 9                                      | 7  | 39                  |
| 2007               | 13   | 4                                  | 3                                       | 9                                      | 6  | 35                  |
| 2008               | 13   | 3                                  | 3                                       | 9                                      | 6  | 34                  |
| 2009               | 15   | 4                                  | 3                                       | 9                                      | 6  | 37                  |
| 2010               | 13   | 3                                  | 3                                       | 9                                      | 6  | 34                  |
| 2011               | 13   | 3                                  | 3                                       | 9                                      | 6  | 34                  |
| 2012               | 13   | 3                                  | 3                                       | 9                                      | 6  | 34                  |
| 2013               | 14   | 3                                  | 3                                       | 8                                      | 6  | 34                  |

# COLORADO RIVER COMMISSION

## CAPITAL ASSET STATISTICS BY FUNCTION <sup>(1)</sup>

### LAST TEN FISCAL YEARS

|  | 2013  | 2012  | 2011  | 2010  | 2009  | 2008  | 2007  | 2006  | 2005  | 2004  |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>CRC POWER DELIVERY PROJECT SYSTEM <sup>(2)</sup></b>                    |       |       |       |       |       |       |       |       |       |       |
| <b>Miles of Transmission Lines:</b>  |       |       |       |       |       |       |       |       |       |       |
| 230-kV overhead lines  | 34    | 34    | 34    | 34    | 34    | 34    | 34    | 34    | 34    | 34    |
| 69-kV overhead lines   | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5     | 5     |
| 69-kV underground transmission lines                                       | 15    | 15    | 15    | 15    | 15    | 15    | 15    | 15    | 14    | 12    |
| <b>High-Voltage Substations:</b>   |       |       |       |       |       |       |       |       |       |       |
| Transmission Substations (230-kV to 69-kV)                                 | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     | 2     |
| Distribution Substations (230-kV to 14.4-kV)                               | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     |
| Distribution Substations (69-kV to 13.8-kV)                                | 6     | 6     | 6     | 6     | 6     | 6     | 6     | 6     | 6     | 6     |
| Distribution Substations (69-kV to 41.6-kV)                                | 6     | 6     | 6     | 6     | 6     | 6     | 6     | 6     | 6     | 6     |
| Total Substations  | 17    | 17    | 17    | 17    | 17    | 17    | 17    | 17    | 17    | 17    |
| Metered Facilities (SNWA treatment and delivery facilities) <sup>(3)</sup> | 70    | 70    | 70    | 70    | 68    | 59    | 50    | 41    | 38    | 20    |
| Total System Capacity in Megawatts   | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| <b>System Support Information:</b>   |       |       |       |       |       |       |       |       |       |       |
| <b>Communication Network</b>   |       |       |       |       |       |       |       |       |       |       |
| Miles of fiber optic cable   | 58    | 58    | 58    | 58    | 58    | 58    | 58    | 58    | 58    | 58    |
| Microwave radio sites  | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     | 3     |

(1) Note all power related assets are owned by and used in the Power Delivery Fund and are used in the power delivery function.

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

(3) In addition to the metered facilities indicated in this table, the staff of the Commission provides operation and maintenance to an additional 10 power related facilities of the SNWA.

COLORADO RIVER COMMISSION

OPERATING INDICATORS

JUNE 30, 2013, 2012, 2011, 2010, 2009, 2008, 2007 and 2006 (UNAUDITED)<sup>(1)</sup>

Table 12

| Customer   | Power Purchases in Megawatt Hours |           |           |           |           |           |           |           | Power Purchases in Percentages |          |          |          |          |          |          |          |
|--|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------------------------------|----------|----------|----------|----------|----------|----------|----------|
|  | F/Y 2013                          | F/Y 2012  | F/Y 2011  | F/Y 2010  | F/Y 2009  | F/Y 2008  | F/Y 2007  | F/Y 2006  | F/Y 2013                       | F/Y 2012 | F/Y 2011 | F/Y 2010 | F/Y 2009 | F/Y 2008 | F/Y 2007 | F/Y 2006 |
| Southern Nevada Water Authority                      | 2,486,443                         | 2,643,331 | 2,637,577 | 2,776,341 | 2,151,774 | 2,202,554 | 2,599,998 | 3,715,976 | 61.55%                         | 61.26%   | 61.93%   | 65.87%   | 58.13%   | 40.95%   | 60.26%   | 54.14%   |
| Basic Water Company                                  | 29,886                            | 32,010    | 32,456    | 30,352    | 33,865    | 77,675    | 36,213    | 96,370    | 0.74%                          | 0.74%    | 0.76%    | 0.72%    | 0.91%    | 1.44%    | 0.84%    | 1.40%    |
| Timet Metals Corporation                             | 343,173                           | 368,939   | 277,949   | 219,606   | 343,587   | 741,855   | 311,154   | 610,202   | 8.49%                          | 8.55%    | 6.53%    | 5.21%    | 9.28%    | 13.79%   | 7.21%    | 8.89%    |
| Olin Chlor Alkaline (formerly Pioneer Americas, LLC) | 222,273                           | 237,558   | 248,713   | 236,483   | 193,307   | 259,847   | 292,920   | 311,815   | 5.50%                          | 5.51%    | 5.84%    | 5.61%    | 5.22%    | 4.83%    | 6.79%    | 4.54%    |
| Chemical Lime Company                                | 2,496                             | 2,540     | 2,948     | 2,894     | 3,179     | 6,782     | 3,778     | 7,834     | 0.06%                          | 0.06%    | 0.07%    | 0.07%    | 0.09%    | 0.13%    | 0.09%    | 0.11%    |
| Tronox, LLC  | 114,593                           | 112,392   | 113,884   | 97,351    | 117,699   | 257,916   | 113,660   | 167,243   | 2.84%                          | 2.61%    | 2.67%    | 2.31%    | 3.18%    | 4.80%    | 2.63%    | 2.44%    |
| American Pacific Corporation                         | 89,874                            | 94,495    | 99,283    | 97,813    | 79,975    | 212,508   | 121,826   | 260,936   | 2.22%                          | 2.19%    | 2.33%    | 2.32%    | 2.16%    | 3.95%    | 2.82%    | 3.80%    |
| Lincoln County Power District No. 1                  | 81,905                            | 90,337    | 88,844    | 80,681    | 83,314    | 166,604   | 83,917    | 164,795   | 2.03%                          | 2.09%    | 2.09%    | 1.91%    | 2.25%    | 3.10%    | 1.95%    | 2.40%    |
| Overton Power District #5                            | 90,653                            | 101,289   | 105,334   | 95,426    | 91,013    | 219,304   | 111,624   | 255,002   | 2.24%                          | 2.35%    | 2.47%    | 2.26%    | 2.46%    | 4.08%    | 2.59%    | 3.71%    |
| Valley Electric Association                          | 109,780                           | 114,131   | 115,119   | 113,166   | 121,726   | 248,682   | 122,552   | 261,170   | 2.72%                          | 2.65%    | 2.70%    | 2.68%    | 3.29%    | 4.62%    | 2.84%    | 3.80%    |
| NV Energy (formerly Nevada Power Company)            | 435,809                           | 470,882   | 448,303   | 393,541   | 439,276   | 898,294   | 462,847   | 931,246   | 10.79%                         | 10.92%   | 10.53%   | 9.34%    | 11.87%   | 16.70%   | 10.73%   | 13.56%   |
| City of Boulder City                                 | 33,060                            | 46,135    | 88,723    | 71,844    | 43,062    | 86,716    | 53,869    | 82,822    | 0.82%                          | 1.07%    | 2.08%    | 1.70%    | 1.16%    | 1.61%    | 1.25%    | 1.21%    |
| Total  | 4,039,945                         | 4,314,039 | 4,259,135 | 4,215,500 | 3,701,777 | 5,378,737 | 4,314,358 | 6,865,411 | 100.00%                        | 100.00%  | 100.00%  | 100.00%  | 100.00%  | 100.00%  | 100.00%  | 100.00%  |

(1) Includes Megawatt Hour purchases for loads of all Commission customers. The Commission owns and operates only one major capital asset. That asset is the Power Delivery System transmission system. The Commission's major power deliveries are accomplished using the system. Comparison totals are provided for the current and past six years due to the changes in Commission activities pursuant to legislative action making older comparisons not relevant to ongoing operations. Total comparisons will be added each year until ten years of data are accumulated. These total comparisons are anticipated to be indicative of future sales as the Commission's customer base is anticipated to remain relatively stable. It is possible that some additional customers could utilize the Commission for electric power resource, but the remaining probable customers available to the Commission under the changed legislative mandate must be part of the SNWA base and are not anticipated to materially change the reported megawatt usage amounts.

COLORADO RIVER COMMISSION

RISK MANAGEMENT

JUNE 30, 2013 (UNAUDITED)

Table 13

| Customer                               | 2004                | 2005                | 2006                | 2007                | 2008                | 2009                 | 2010                | 2011                | 2012                | 2013                | Collateral<br>Posted | Cash<br>Posted      | Other<br>Posted     | Estimated<br>Requirement<br>Fiscal 2013 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|---|
| Basic Water Company                    | \$ 81,346           | \$ 142,177          | \$ 142,178          | \$ 258,298          | \$ 183,942          | \$ 337,066           | \$ 201,641          | \$ 149,367          | \$ 173,867          | \$ 163,009          | \$ 163,009           | \$ 163,009          |                     | \$ 163,009                              |
| Titanium Metals Corporation (TIMET)    | 1,297,156           | 2,088,503           | 2,088,503           | 2,542,400           | 2,685,984           | 3,945,963            | 1,979,587           | 1,365,778           | 1,684,321           | 2,234,054           | 2,234,054            |                     | \$ 2,234,054        | 2,234,054                               |
| Olin Chlor Alkaline (Pioneer)          | 3,732,782           | 4,335,880           | 4,423,285           | 5,291,508           | 4,328,112           | 4,701,868            | 3,388,053           | 2,540,320           | 2,217,086           | 1,755,462           | 1,755,462            | \$ 1,755,462        |                     | 1,755,462                               |
| Chemical Lime Company                  | 14,217              | 22,312              | 22,878              | 22,878              | 21,984              | 21,186               | 16,032              | 21,186              | 13,572              | 14,189              | 14,189               |                     | 14,189              | 14,189                                  |
| Tronox, LLC                            | 69,403              | 200,082             | 200,082             | 290,232             | 415,167             | 431,842              | 406,215             | 406,215             | 440,232             | 444,940             | 444,940              |                     | 444,940             | 444,940                                 |
| American Pacific Corporation           | 974,337             | 1,200,440           | 1,200,440           | 1,392,243           | 1,163,267           | 1,085,224            | 945,817             | 765,495             | 649,990             | 595,928             | 595,928              | 595,928             |                     | 595,928                                 |
| * Southern Nevada Water Authority      |                     |                     |                     |                     |                     |                      |                     |                     |                     |                     |                      |                     |                     |   |
| * Lincoln County Power District No. 1  |                     |                     |                     |                     |                     |                      |                     |                     |                     |                     |                      |                     |                     |   |
| * Overton Power District #5            |                     |                     |                     |                     |                     |                      |                     |                     |                     |                     |                      |                     |                     |   |
| * Valley Electric Association          |                     |                     |                     |                     |                     |                      |                     |                     |                     |                     |                      |                     |                     |   |
| * Nevada Energy (Nevada Power Company) |                     |                     |                     |                     |                     |                      |                     |                     |                     |                     |                      |                     |                     |   |
| * City of Boulder City                 |                     |                     |                     |                     |                     |                      |                     |                     |                     |                     |                      |                     |                     |   |
| * Las Vegas Valley Water District      |                     |                     |                     |                     |                     |                      |                     |                     |                     |                     |                      |                     |                     |   |
| * City of Henderson                    |                     |                     |                     |                     |                     |                      |                     |                     |                     |                     |                      |                     |                     |   |
| <b>Total</b>                           | <b>\$ 6,169,241</b> | <b>\$ 7,989,394</b> | <b>\$ 8,077,366</b> | <b>\$ 9,797,559</b> | <b>\$ 8,798,456</b> | <b>\$ 10,523,149</b> | <b>\$ 6,937,345</b> | <b>\$ 5,248,361</b> | <b>\$ 5,179,068</b> | <b>\$ 5,207,582</b> | <b>\$ 5,207,582</b>  | <b>\$ 2,514,399</b> | <b>\$ 2,693,183</b> | <b>\$ 5,207,582</b>                     |

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

As of June 30, 2012 all of the customers required to post collateral have done so in the amounts required. Three one customers have posted cash (one of these customers cash collateral is required by specific bilateral contract), all other customers have posted letters of credit or performance bonds as approved by the Nevada State Board of Examiners.

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

\* Governmental entities are exempt from collateral requirements.

**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**

Honorable Chairman and Members of the Colorado River Commission of Nevada  
Colorado River Commission  
Las Vegas, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Colorado River Commission (the Commission) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 27, 2013.

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters.** As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts, including whether the funds established by the Commission, as listed in Nevada Revised Statutes (NRS) 354.624 (5)(a)(1 through 5), complied with the express purposes required by NRS 354.6241. 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*.

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

  
Las Vegas, Nevada  
November 27, 2013