

The Colorado River Commission of Nevada (Commission) Financial and Audit Subcommittee (Subcommittee) meeting was held at 2:44 p.m. on Tuesday, December 10, 2019 at the Grant Sawyer State Office Building, 555 East Washington Avenue, Suite 3100, Las Vegas, Nevada.

**SUBCOMMITTEE COMMISSIONERS IN ATTENDANCE**

Subcommittee Chairwoman	Kara J. Kelley
Subcommittee Vice Chairwoman	Marilyn Kirkpatrick
Subcommittee Commissioner	Dan H. Stewart

**DEPUTY ATTORNEY(S) GENERAL**

Special Counsel, Attorney General	Christine Guerci
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**COMMISSION STAFF IN ATTENDANCE**

Deputy Executive Director	Eric Witkoski
Senior Assistant Director	Sara Price
Chief of Finance and Administration	Douglas N. Beatty
Senior Energy Accountant	Gail L. Benton
Assistant Director of Energy Information Systems	Kaleb Hall
Office Manager	Gina L. Goodman
Administrative Assistant IV	Kira Bakke

**OTHERS PRESENT; REPRESENTING**

Eide Bailly LLP	Shawn Kintaudi
Eide Bailly LLP	Chris Whetman

**COLORADO RIVER COMMISSION  
OF NEVADA  
MEETING OF DECEMBER 10, 2019**

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The Colorado River Commission of Nevada (Commission) Financial and Audit Subcommittee (Subcommittee) meeting was called to order by Commission Vice Chairwoman Kelley at 2:44 p.m.

**A. Conformance to Open Meeting Law.**

Deputy Executive Director Eric Witkoski confirmed that the meeting was posted in compliance with the Open Meeting Law.

**B. Comments from the public. (No action may be taken on a matter raised under this item of the agenda until the matter itself has been specifically included on an agenda as an item upon which action will be taken.)**

Subcommittee Chairwoman Kelley asked if there were any comments from the public. There were none.

**C. For Possible Action: Approval of minutes of the December 11, 2018 meeting.**

Subcommittee Vice Chairwoman Kirkpatrick moved for approval of the minutes. The motion was seconded by Subcommittee Chairwoman Kelley and approved by a unanimous vote.

**D. For Information Only: Discussion and Review of the draft Audit for FY2019 including but not limited to, update of audit related activities, potential issues with the timely completion of the audit and discussion of any audit findings**

Chief of Finance and Administration Douglas Beatty explained the draft audit (see Attachment A) issued by the Eide Bailly auditors, the reports issued by the auditors related to the audited financial statement, as well as Staff's proposed response to the audit finding and recommendation.

As discussed at the last meeting of the Subcommittee in December of 2018, there were two audit items that resulted in a major finding. These were called the Legal Requirements entry and the Net Operating Loss entry, which are designed to reflect the reality of Commission contracts in that the Commission cannot make a profit on the sale of power. In the course of conferences with the auditing team from Eide Bailly, Staff has attempted to streamline the final entries process and now makes only one entry.

The auditors were able to provide Staff with guidance as the entry was created. There were no issues with the entry this year.

Mr. Beatty explained that there were three instances of error this year, with two of them relating to fiscal year (FY) 2018. The items relating to FY 2018 were material and drove the findings of FY 2019.

The finding in the report is worded similarly to the finding of FY 2018, but the underlying reason for the finding is different for FY 2019, having to do with holdover items in FY 2018.

Vice Chairwoman Kirkpatrick asked the representatives from Eide Bailly to clarify how items might be negative in one fiscal year and positive in the next.

Eide Bailly's Senior Manager Chris Whetman answered that in this case, the item is accrued as a liability and shown as an expense in one year, and then is paid the subsequent year.

Mr. Beatty went on to explain that there was initially some confusion in terms of the coding of Personnel items and that Staff was working to elucidate this process to avoid issues in the future.

Vice Chairwoman Kirkpatrick asked whether the Subcommittee and others involved in auditing processes should be aware that calculation of severance pay needs to be found as a liability.

Mr. Whetman answered in the affirmative; that if severance is payable, it needs to be accrued for.

Chairwoman Kelley asked for clarification on the issue of an invoice being paid in the subsequent fiscal year after the closing of the previous, and whether that happens regularly.

Mr. Whetman answered that it is a regular occurrence, and that many companies will estimate the amount of the invoice for auditing purposes.

Mr. Beatty explained that in this case, the invoice in question cannot typically be estimated due to accounting issues within the company issuing the invoice.

Mr. Whetman then gave his review of Eide Bailly's reports. He stated that Staff's financial statements are in compliance with accounting standards. He explained that the first report also highlights the correction of an error in the prior accounting period.

Mr. Whetman explained Eide Bailly's second report, which states that Staff is in compliance with laws and regulations. This report also covers over financial reporting and Eide Bailly's finding on internal controls based on audit adjustments made.

The final report that Mr. Whitman discussed was a review of responsibilities under Eide Bailly's auditing standards, an explanation of the result of their audit, significant accounting policies (to which there were no significant changes,) significant accounting estimates (such as post-employment benefit plans, actuarial accrual of liabilities, and pension plans,) and that there were no significant difficulties encountered during the audit.

**Signature:** Kara Kelley  
Kara Kelley (Jan 20, 2021 11:02 PST)

**Email:** kara@karajkelley.com

Vice Chairwoman Kirkpatrick expressed congratulations to Staff and Eide Bailly auditors for their cooperation and hard work.

Chairwoman Kelley asked for clarification on Note 15 in the report; the adjustment to the salaries.

Mr. Beatty answered that the expense was reported on the balance sheet rather than the income statement and should have been noticed in FY 2018.

Chairwoman Kelley asked if there were any further comments or questions from the Subcommittee. There were none.

The Financial and Audit Subcommittee directed Staff to bring Eide Bailly's report to the next meeting of the Colorado River Commission in February of 2020.

**E. Comments from the public. (No action may be taken on a matter raised under this item of the agenda until the matter itself has been specifically included on an agenda as an item upon which action may be taken)**

Subcommittee Chairwoman Kelley asked if there were any comments or questions from the public. There were none.

**F. Comments and questions from the Commission members.**

Subcommittee Chairwoman Kelley asked if there were any other comments or questions from the commission members. There were none.

**G. Selection of next possible meeting date.**

The next meeting is to be determined.

**H. Adjournment.**

The meeting was adjourned at 3:11 p.m.

  
Eric Witkoski, Executive Director

APPROVED:

Kara J. Kelley

Kara J. Kelley, Subcommittee Chairwoman