COLORADO RIVER COMMISSION OF NEVADA
AGENDA ITEM A
FOR MEETING OF DECEMBER 10, 2019

SUBJECT:
Conformance to Open Meeting Law.

RELATED TO AGENDA ITEM:
None.

RECOMMENDATION OR RECOMMENDED MOTION:
None.

FISCAL IMPACT:
None.

STAFF COMMENTS AND BACKGROUND:

Announcement of actions taken to conform to the Open Meeting Law will be reported at the meeting.

COLORADO RIVER COMMISSION OF NEVADA
AGENDA ITEM B
FOR MEETING OF DECEMBER 10, 2019

SUBJECT:
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.)

RELATED TO AGENDA ITEM:
None.

RECOMMENDATION OR RECOMMENDED MOTION:
None.

FISCAL IMPACT:
None.

STAFF COMMENTS AND BACKGROUND:

COLORADO RIVER COMMISSION OF NEVADA
AGENDA ITEM C
FOR MEETING OF DECEMBER 10, 2019

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

RELATED TO AGENDA ITEM:
None.

RECOMMENDATION OR RECOMMENDED MOTION:
Staff recommends the Commission approve the minutes of the December 11, 2018 meeting.

FISCAL IMPACT:
None.

STAFF COMMENTS AND BACKGROUND:

The minutes of the December 11, 2018 meeting is enclosed for your review.

The Colorado River Commission of Nevada (Commission) Financial and Audit Subcommittee (Subcommittee) meeting was held at 1:33 p.m. on Tuesday, December 11, 2018 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 COMMISSIONERS NOT IN ATTENDANCE

Subcommittee Commissioner	Dan H. Stewart

DEPUTY ATTORNEY(S) GENERAL

Special Counsel, Attorney General	Christine Guerci

COMMISSION STAFF IN ATTENDANCE

Deputy Executive Director	Eric Witkoski
Chief of Finance and Administration	Douglas N. Beatty
Senior Energy Accountant	Gail L. Benton
Natural Resource Analyst	Peggy Roefer
Assistant Director of Energy Information Systems	Kaleb Hall
Office Manager	Gina L. Goodman
Administrative Assistant IV	Kira Bakke
Administrative Assistant III	Kris Perry
Administrative Assistant II	Joshua Cleveland

OTHERS PRESENT; REPRESENTING

Eide Bailly LLP	Tamara Miramontes
Eide Bailly LLP	Chris Whetman

COLORADO RIVER COMMISSION
OF NEVADA
MEETING OF DECEMBER 11, 2018

INDEX

The Colorado River Commission of Nevada (Commission) Financial and Audit Subcommittee (Subcommittee) meeting was called to order by Commission Vice Chairwoman Kelley at 1:33 p.m. followed by the pledge of allegiance.

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 August 14, 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 Possible Action*: Approval of minutes of the October 9, 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.

E. *For Information Only:* Discussion and Review of the draft Audit for FY2018 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 provided an update on the audit activity.

Mr. Beatty discussed the Basic Financial Statements (Statements) that were completed and provided to the Commission by Eide Bailly (Auditors) on November 16, 2018. The Nevada State Controller's Office (Controller's Office) were provided these Statements. The key components of these Statements are the independent auditor's report with an unmodified opinion with no Emphasis-of-Matter or Other-Matters Paragraph. The Statements are understood by Staff to be finished and all the numbers are accurate at this point in time.

Public Employees' Retirements Services Nevada (PERS) numbers, which are provided by the Public Employees' Benefits Program Office (OPEB) are still outstanding.

These outstanding numbers are provided from PERS to the Controller's office and then are parsed out to state agencies requiring verification by the Auditors. Staff believes that the Auditors have asked the OPEB auditors to provide that information that relates to the underlined assumptions numbers given by the state. The Controller's office understands this outstanding item.

Mr. Beatty provided a brief overview of the draft Comprehensive Annual Financial Report (CAFR) for fiscal year 2018, the Schedule of Findings (Finding 2018-A), the specific details of the adjusted entries, pre-exit conference summary dated December 4, 2018, draft Commission letter of Introduction, and management's discussion and analysis. The narrative component, basics financial statements, tables. and schedules comprise the draft CAFR.

Subcommittee Chairwoman Kelley asked for clarification of the CAFR's due date.

Mr. Beatty responded that the CAFR is due to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting by December 31, 2018. The Commission finalized CAFR needs to get to the Controller's Office in order for their CAFR to be released by December 31, 2018.

Subcommittee Vice Chairwoman Kirkpatrick requested Eide Bailly LLP representatives to come forward for the record to allow a clear understanding of this audit before moving into the legislative session with emphasis on PERS and OPEB's first year of an ongoing liability.

Terminology for the record:

Nevada Public Employees'' Benefit Program (PEBP):
Administers a group health and life insurance program.

Nevada Public Employees' Retirement System (PERS):
A component unit of the state of Nevada that provides public workers with a retirement program.

Other Postemployment Benefits (OPEB):
Liability benefits that a retiree can be compensated for are life insurance premiums, healthcare premiums, and deferred-compensation arrangements.

Census Data:
The focus of substantive procedures over census data is ordinarily based on a roll forward concept that focuses the testing on incremental changes to the census data file since the prior actuarial valuation: – Actives; – New hires; – Status changes.

Government Accounting Standards Board Statement 75 (GASB 75):
Effective for the fiscal year ending June 30, 2017, replacing the GASB 45 accounting standard. With the implementation of GASB 75, the Total OPEB Liability (referred to as the Actuarial Accrued Liability under GASB 45) must be determined using the Entry Age Normal actuarial cost method as opposed to the Projected Unit Credit actuarial cost method used under GASB 45.

Representatives Tamara Miramontes, Engagement Partner and Chris Whetman, Senior Audit Manager from Eide Bailly LLP addressed the Subcommittee.

Ms. Miramontes provided explanation on PEBP's auditing process and the need for OPEB retiree calculations and other post-employment benefits other than pensions. Ms. Miramontes further added that PERS came on a couple years ago. The OPEB healthcare liabilities are coming on this year. PEBP has a separate auditor and one of the things considered is census data which reads the past employees, retirees, the hires, etc. PEBP does not want to allow access to any auditors other than their own, and Eide Bailly has been in contact with PEBP'S auditors to do some census data testing in order to become comfortable with the actuary report as to what the actual total liabilities are.

Subcommittee Vice Chairwoman Kirkpatrick inquired about the necessity of the census data.

Ms. Miramontes answered that Eide Bailly needed to access the data because the number was material to verify that the actuary was correct.

Subcommittee Vice Chairwoman Kirkpatrick asked about other agencies.

Ms. Miramontes responded that other agencies should be experiencing the same level of scrutiny.

Subcommittee Vice Chairwoman Kirkpatrick asked how other agencies get around HIPAA in terms of PEBP information.

Ms. Miramontes answered that PEBP auditors are relied on as a go between.

Subcommittee Vice Chairwoman Kirkpatrick requested further clarification on other agencies.

Ms. Miramontes explained that Eide Bailly is waiting on the census data testing from the auditors of PEBP for the Legislative Counsel Bureau, the State, and the Commission.

Subcommittee Vice Chairwoman Kirkpatrick stated that a program would have to be implemented to differentiate the data from the agencies.

Ms. Miramontes stated that the testing of the census data has begun and that Eide Bailly is waiting on the results.

Subcommittee Chairwoman Kelley asked about turnaround time once the information was received.

Ms. Miramontes responded that once the figures were received, it would be prepared by approximately December 14, 2018.

Subcommittee Vice Chairwoman Kirkpatrick stated that PEBP should issue a detailed letter regarding the issues. Ms. Kirkpatrick asked about the Government Accounting Standards Board (GASB) and reporting material weaknesses.

Ms. Miramontes reviewed the report and explained the beginning and ending figures, in regard to liability and PERS.

Subcommittee Vice Chairwoman Kirkpatrick asked if there was progress made.

Ms. Miramontes stated that there was progress from last year that is detailed in the report. The adjustments made to get the financial statement number would be reported as material weaknesses. Ms. Miramontes further added that during the review process the reviewed adjustments are judged and then determined whether or not to be reported as material weaknesses.

Subcommittee Vice Chairwoman Kirkpatrick asked for clarification on the amount of reported material weaknesses.

Ms. Miramontes stated that there was a material weakness identified.

Subcommittee Vice Chairwoman Kirkpatrick asked for clarification on how to fix the material weakness.

Ms. Miramontes explained the expectations from the auditor's perspective and the reasonings behind the material findings.

Mr. Chris Whetman added that an improvement would be to have a fully functioning reporting tool that will provide the summarized information.

Subcommittee Vice Chairwoman Kirkpatrick requested clarification.

Ms. Miramontes clarified that the numbers that were provided for audit are not the same numbers that are on the final financial statements and that the numbers required adjustments.

Subcommittee Vice Chairwoman Kirkpatrick asked if the discrepancy was due to the billing process.

Subcommittee Chairwoman Kelley responded that the difference was understood to be that the adjustments were made to correct for the cash balances that were on hand.

Mr. Whetman confirmed that was correct.

Subcommittee Chairwoman Kelley stated the entry seems difficult. Ms. Kelley further stated that she thought it was a little problematic last audit and wondered if there is a way to help Staff make the entry.

Ms. Miramontes stated that the assistance that could be provided would be in guidance on how to proceed.

Subcommittee Vice Chairwoman Kirkpatrick asked for clarification on the guidance parameters.

Ms. Miramontes further clarified that Eide Bailly could provide guidance on the process of calculations.

Mr. Beatty asked if the guidance could be handled in a sit-down manner to review the report detail lines and assignments before the review process was reached. Mr. Beatty further explained that the prior auditor did the entry themselves and still had errors.

Ms. Miramontes answered the firm was not allowed to be a part of the financial closing reporting process. Ms. Miramontes reiterated that training and education could be provided.

Mr. Whetman stated other options in regard to education and training.

Subcommittee Vice Chairwoman Kirkpatrick stated her dislike of material weaknesses and wanted to see the difference once training had started.

Subcommittee Chairwoman Kelley stated her experience in serving on boards and that there should be a relationship of cooperativeness between the entity and the auditors as well as, a shared goal of the most accurate financial reporting possible. Subcommittee Chairwoman Kelley further asked about prevention of errors being categorized as material weaknesses and rely on service and expertise of Eide Bailly while benefitting the ultimate goal.

Ms. Miramontes agreed that cooperation was critically important. Ms. Miramontes further stated that the process is a two-way street and that the Commission can seek guidance before the closing reporting process has begun. Ms. Miramontes stated Eide Bailly's standards are very clear.

Mr. Whetman stated that the Commission should reach out to Eide Bailly to talk through issues that arise.

Subcommittee Vice Chairwoman Kirkpatrick asked for confirmation that Eide Bailly wants to see where the double checking goes.

Ms. Miramontes confirmed.

Subcommittee Vice Chairwoman Kirkpatrick asked that if double checking was established in the process, as well as training and education, that the same issue should not occur in the future.

Mr. Whetman stated further ways for communication could be established.

Ms. Miramontes answered that this issue dealt with revenue that might not be accrued within the sixty-day time period.

Subcommittee Chairwoman stated that this process presumes that there has been some change that the Staff is able to infer and asked about the process when it is a judgement call or a difference of opinion between the entity and the auditors.

Ms. Miramontes stated that back up documentation or evidence supporting the decision should be provided to Eide Bailly.

Mr. Whetman added it should be acceptable within the standards.

Subcommittee Vice Chairwoman Kirkpatrick clarified the needs of Eide Bailly for documentation.

Ms. Miramontes confirmed the need for documentation to support the position.

Subcommittee Vice Chairwoman Kirkpatrick asked if the three entries count as one material weakness.

Ms. Miramontes stated that it dealt with the financial closing reporting and that the double check process would alleviate the entries.

Subcommittee Vice Chairwoman Kirkpatrick asked about other entities processes.

Ms. Miramontes responded that was another team.

Subcommittee Chairwoman Kelley asked about the final line regarding the information that was given to the Staff from the Controller's office and it being incorrect.

Ms. Miramontes explained how the numbers were received and what they numbers dealt with.

Subcommittee Chairwoman Kelley asked Mr. Beatty to reiterate the relative questions that would arise in the means to determine the entries are wrong.

Mr. Beatty replied that the error was discovered once the numbers were sent over by the Controller.

Subcommittee Chairwoman Kelley asked how the Commission would have known the Controller's numbers were incorrect.

Ms. Miramontes answered that with the new software, the issue would have been discovered.

Subcommittee Vice Chairwoman Kirkpatrick asked if the Commission was being penalized for the State Controller's mistake. Ms. Kirkpatrick further asked in the Commission budget had received an increase.

Mr. Beatty stated that the Commission budget had not increased.

Ms. Miramontes responded that it impacts net position and last year should match this year.

Subcommittee Chairwoman Kelley asked Mr. Beatty if the process of locating the error is as simple as described by looking at previous years.

Mr. Beatty added that if the Commission had full financial statements through the software, the Commission might have found it but without that the Commission did not have the means.

Subcommittee Chairwoman Kelley remarked that it seemed unrealistic to penalize Staff that are reliant on numbers from the Controller's office.

Mr. Whetman stated how the difference was determined.

Ms. Miramontes further clarified it was all incumbent on the financial closing process.

Mr. Whetman added that an important part of the finding is the audit recommendation.

Subcommittee Vice Chairwoman Kirkpatrick asked if the dollar amount impacted the error.

Mr. Whetman stated that was correct.

Subcommittee Chairwoman Kelley asked what the material weakness dollar threshold was.

Ms. Miramontes answered that it depended on several things but that there were several different thresholds.

Subcommittee Chairwoman Kelley asked if the Commission needed more staff, education, or a third party to review entries.

Mr. Whetman responded that he was not aware of the day to day processes of the Commission but perhaps to look at the way things are performed.

Subcommittee Vice Chairwoman Kirkpatrick inquired about the debriefing process.

Mr. Whetman reviewed the Eide Bailly debriefing process.

Ms. Miramontes redirected that the error related to the financial closing reporting process and that more staff was not needed.

Subcommittee Vice Chairwoman Kirkpatrick stated her opinion of the material weakness or error and the difficulty of reading the report.

Subcommittee Chairwoman Kelley asked Mr. Beatty for additional comments.

Mr. Beatty responded no.

Subcommittee Chairwoman Kelley stressed the importance of the shared goal and cooperation between the entity and the auditors.

Ms. Miramontes stated that there would be work done between the Commission and Eide Bailly to make the report more understandable.

F. 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.

G. 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.

H. Selection of next possible meeting date.

The next meeting is to be determined.

I. Adjournment.

The meeting was adjourned at 2:50 p.m.

____
Eric Witkoski, Deputy Executive Director

APPROVED:

____
Kara J. Kelley, Subcommittee Chairwoman

COLORADO RIVER COMMISSION OF NEVADA
AGENDA ITEM D
FOR MEETING OF DECEMBER 10, 2019

SUBJECT:

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.

RELATED TO AGENDA ITEM:

None.

RECOMMENDATION OR RECOMMENDED MOTION:

None.

FISCAL IMPACT:

None.

STAFF COMMENTS AND BACKGROUND:

Staff will provide an update at the meeting.

DRAFT Basic Financial Statements June 30, 2019 (Attached).

COLORADO RIVER COMMISSION OF NEVADA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019

FINDING 2019-A Financial Close and Reporting Process

Criteria: Governmental entities are required to follow generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board. Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation of financial statements to ensure that the GAAP financial statements are free from material errors.

Condition: During our audit, we identified material accounting adjustments that were not identified by the Commission’s existing controls over the financial close and reporting process.

Cause: The Commission’s controls over the financial close and reporting process were not sufficiently designed to be able to identify all material adjustments needed on a timely basis.

Effect: The absence of certain controls over the preparation of financial statements increases the possibility that a misstatement of the financial statements could occur and not be prevented, or detected and corrected, on a timely basis.

Recommendation: We recommend that management periodically assess risk and identify areas that are more susceptible to misstatement due to error or complexity, and enhance the controls over those areas with respect to the financial close and reporting process.

Management’s Response:

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Members of the Colorado River Commission of Nevada
Colorado River Commission
Las Vegas, Nevada

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Colorado River Commission of Nevada (the Commission), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these 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 financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Commission as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund and the Research and Development Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error
As discussed in Note 15 to the financial statements, certain errors resulting in understatement of amounts previously reported for expenditures in the general fund as of June 30, 2018, were discovered during the audit. Accordingly, an adjustment has been made to fund balance of the general fund and net position of governmental activities as of June 30, 2018, to correct the error. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress for the OPEB liability, and pension trend data on pages 5 through 15 and 135 through 167 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 management's discussion and analysis and pension and OPEB trend data, 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 opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section and statistical section shown on pages XX through XX and XX through XX are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 XXXXXXXXXX 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, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the entity's 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.

EB Signature

Las Vegas, Nevada
XXXXXXXXXXX

CPAs & BUSINESS ADVISORS

Independent Auditor's 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*

To the 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, and each major fund of the Colorado River Commission of Nevada (the Commission) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated XXXXXXXXXX.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 opinions on the 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 entity's 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider deficiency **2019-A** described in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Commission's 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Colorado River Commission's Response to the Finding
The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EB Signature

Las Vegas, Nevada
XXXXXX XX

CPAs & BUSINESS ADVISORS

XXXXXXXXXXXX

To the Governing Body of the
Colorado River Commission of Nevada
Las Vegas, Nevada

We have audited the financial statements of Colorado River Commission of Nevada (the Commission) as of and for the year ended June 30, 2019 and have issued our report thereon dated XXXXXXXXXXX. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated August 21, 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Commission solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding a material weakness in controls identified during our audit in our Independent Auditor's 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* dated XXXXXXXXXX.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Commission is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2019. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Other postemployment benefit plans' actuarial accrued liabilities
- Pension plans' actuarial accrued liabilities

We evaluated the key factors and assumptions used to develop the estimates described above in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting The Commission's financial statements relate to the disclosures associated with the defined benefit pension plan and the other post-employment benefits. These are sensitive because they represent a significant percentage of the liabilities presented on the statement of net position.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

Adjusting Journal Entries JE # 13			
To defer revenues associated with CREDA Membership fees assessed to customers in FY19 (for which cash was collected), but for services provided in FY20.			
296-4490-00-4510	CREDA MEMBERSHIP PASS-THROUGH	19,302.00	
296-4490-00-2800 wate	Deferred revenue		19,302.00
Total		**19,302.00**	**19,302.00**

Adjusting Journal Entries JE # 14			
To recognize a liability from NV Energy for services provided prior to year-end.			
502-4501-10-7310	Power Purchases	120,955.00	
502-4501-00-2000	Accounts Payable		120,955.00
Total		**120,955.00**	**120,955.00**

Adjusting Journal Entries JE # 18			
To further true up the NOL entry as a result of the additional power puchases expense recognized from AJE 14.			
502-4501-00-2500	Advances from Customers	120,955.00	
502-4501-00-4041	Power Sales		120,955.00
Total		**120,955.00**	**120,955.00**

Adjusting Journal Entries JE # 20			
To correct fund 296 beginning fund balance and CY expenses for cumulative impact of 2018 posting error trued-up in CY.			
296-4490-00-2550	FB - Unreserved	81,636.39	
296-4490-04-7020	OPERATING SUPPLIES	26,557.04	
296-4490-04-7020	OPERATING SUPPLIES	11,854.30	
296-4490-04-7020 wate	Operating Supplies	21,841.54	
96-4490-01-5100 POWE	Salaries		79,583.21
96-4490-01-5100 WATE	Salaries		62,306.06
Total		**141,889.27**	**141,889.27**

Adjusting Journal Entries JE # 21			
Client proposed entry to correct cost allocation and due to/from accounts.			
296-4490-00-4235	COST ALLOC REIMBURSEMENT FROM B/A 4501	11,188.45	
502-4502-00-1220	Other Fund Receivable	11,188.45	
296-4490-00-2220	Other fund payable		11,188.45
502-4501-10-7399	Cost Allocations		5,806.15
502-4501-10-7399	Cost Allocations		5,382.30
Total		**22,376.90**	**22,376.90**

Adjusting Journal Entries JE # 22			
To true up NOL entry based on AJE #21 for fund 502			
502-4501-00-4041	Power Sales	11,188.00	
502-4501-00-2500	Advances from Customers		11,188.00
Total		**11,188.00**	**11,188.00**

Reclassifying Journal Entries JE # 12

To record prepaid expense for services to be provided by Caseware in FY20.

EB-296-4490-00-1901-EB	Prepaid Expense	9,200.00	
296-4490-00-1000	Cash W/ Treasurer		9,200.00
Total		**9,200.00**	**9,200.00**

Reclassifying Journal Entries JE # 15

To record cash received relating to customer deposit liaiblity that will be offset against future invoices assessed in FY20.

502-4501-00-1000	Cash W/ Treasurer	93,183.00	
EB-502-4501-00-2300	Customer Deposits		93,183.00
Total		**93,183.00**	**93,183.00**

Reclassifying Journal Entries JE # 16

To reclassify the cash reconciling item associated with interest income received subsequent to year-end to interest receivable.

296-4490-00-1230	Interest Receivable	11,214.00	
5-4497-00-1230 LCRMS	Interest Receivable	63,447.00	
502-4501-00-1230	Interest Receivable	6,893.00	
505-4502-00-1230	Interest Receivable	15,922.00	
EB-502-6147-00-1230	Interest Receivable	1,274.00	
EB-502-6148-00-1230	Interest Receivable	139.00	
EB-505-6138-00-1230	Interest Receivable	345.00	
EB-505-6140-00-1230	Interest Receivable	110.00	
EB-505-6141-00-1230	Interest Receivable	1,119.00	
EB-505-6142-00-1230	Interest Receivable	4,377.00	
EB-505-6144-00-1230	Interest Receivable	292.00	
EB-505-6146-00-1230	Interest Receivable	485.00	
EB-505-6149-00-1230	Interest Receivable	5,010.00	
296-4490-00-1000	Cash W/ Treasurer		11,214.00
5-4497-00-1000 LCRMS	CASH W/TREASURER		63,447.00
502-4501-00-1000	Cash W/ Treasurer		6,893.00
502-6147-00-1000	Cash W/ Treasurer		1,274.00
502-6148-00-1000	Cash W/ Treasurer		139.00
505-4502-00-1000	Cash W/ Treasurer		15,922.00
505-6138-00-1000	Cash w/ Treasurer		345.00
505-6140-00-1000	Cash w/Treasurer		110.00
505-6141-00-1000	Cash w/Treasurer		1,119.00
505-6142-00-1000	Cash W/ Treasurer		4,377.00
505-6144-00-1000	Cash W/ Treasurer		292.00
505-6146-00-1000	Cash W/ Treasurer		485.00
505-6149-00-1000	Cash W/ Treasurer		5,010.00
505-6143-00-2555	RE Unreserved		
Total		**110,627.00**	**110,627.00**

Reclassifying Journal Entries JE # 17

To reclassify amounts due to a customer (Tronox) out of accounts payable and into payables to customers.

505-4502-00-2000	Accounts Payable	285,415.00	
505-4502-00-2600	Payable to Customers		285,415.00
Total		**285,415.00**	**285,415.00**

Reclassifying Journal Entries JE # 19			
To reclassify power purchase credit to power sales to capture net impact of 2018 recording error relating to NV Energy credits.			
505-4502-00-4041	Power Sales	793,936.00	
505-4502-10-7310	Power Purchases		793,936.00
Total		**793,936.00**	**793,936.00**

Reclassifying Journal Entries JE # 23			
To correct 2019 posting error in fund 502 relating to correction of 2018 error.			
502-4501-10-7399	Cost Allocations	81,636.00	
502-4501-00-4041	Power Sales		81,636.00
Total		**81,636.00**	**81,636.00**

All identified errors were corrected by management. Accordingly, there are no uncorrected misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated XXXXXXX, 2019.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Colorado River Commission of Nevada, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Colorado River Commission of Nevada's auditors.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing the Commission's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the other information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Modification of the Auditor's Report

We have made the following modification to our auditor's report relating to the correction of an error:

> **Correction of Error**
> As discussed in Note 15 to the financial statements, certain errors resulting in understatement of amounts previously reported for expenditures in the general fund as of June 30, 2018, were discovered during the audit. Accordingly, an adjustment has been made to fund balance of the general fund and net position of governmental activities as of June 30, 2018, to correct the error. Our opinion is not modified with respect to that matter.

This report is intended solely for the information and use of the board of directors and management of Colorado River Commission of Nevada and is not intended to be and should not be used by anyone other than these specified parties.

EB Signature

Las Vegas, Nevada

Basic Financial Statements
June 30, 2019

Colorado River Commission of Nevada

	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents, unrestricted	$ 12,992,622	$ 4,813,643	$ 17,806,265
Receivables			
Accounts	10,505	1,338,252	1,348,757
Accrued interest	120,540	58,067	178,607
Internal balances	242,746	(242,746)	-
Prepaid items	9,200	530,545	539,745
Current portion of prepaid power	-	1,686,284	1,686,284
Total current assets	13,375,613	8,184,045	21,559,658
Noncurrent assets			
Restricted cash and cash equivalents	-	2,501,597	2,501,597
Capital assets being depreciated, net of accumulated depreciation	16,284	47,131,765	47,148,049
Prepaid power, net of current portion	-	24,624,045	24,624,045
Total noncurrent assets	16,284	74,257,407	74,273,691
Total assets	13,391,897	82,441,452	95,833,349
Deferred Outflows of Resources			
Deferred amounts related to OPEB	69,279	-	69,279
Deferred amounts related to pensions	1,049,737	-	1,049,737
Total deferred outflows of resources	1,119,016	-	1,119,016
Total assets and deferred outflows of resources	$ 14,510,913	$ 82,441,452	$ 96,952,365
Liabilities			
Current Liabilities			
Accounts payable	$ 11,925	$ 2,802,674	$ 2,814,599
Accrued payroll	147,586	-	147,586
Unearned revenue	71,988	3,259,843	3,331,831
Payable to customers	-	1,630,529	1,630,529
Customer collateral and other deposits	-	1,187,913	1,187,913
Current portion of accrued compensated absences	282,168	-	282,168
Current portion of bonds payable	-	740,000	740,000
Accrued interest	-	264,356	264,356
Total current liabilities	513,667	9,885,315	10,398,982
Noncurrent liabilities			
Bonds payable, net of current portion	-	26,596,123	26,596,123
Unearned revenue, net of current portion	-	44,206,447	44,206,447
Accrued compensated absences, net of current portion	175,941	-	175,941
Net OPEB liability	2,218,398	-	2,218,398
Net pension liability	5,993,734	-	5,993,734
Total noncurrent liabilities	8,388,073	70,802,570	79,190,643
Deferred Inflows of Resources			
Deferred amounts related to OPEB	148,748	-	148,748
Deferred amounts related to pensions	434,704	-	434,704
Total deferred inflows of resources	583,452	-	583,452
Total liabilities and deferred inflows of resources	9,485,192	80,687,885	90,173,077
Net Position			
Net Investment in Capital Assets	16,284	47,131,765	47,148,049
Restricted for Research and Development	11,199,713	-	11,199,713
Unrestricted	(6,190,276)	(45,378,198)	(51,568,474)
Total net position	5,025,721	1,753,567	6,779,288
Total liabilities, deferred inflows of resources and net position	$ 14,510,913	$ 82,441,452	$ 96,952,365

		Program Revenues	Net (Expenses) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Governmental Activities	Business-type Activities	Total
Governmental Activities					
General government	$ 2,839,717	$ 2,487,823	$ (351,894)	$ -	$ (351,894)
Research and development	408,828	699,050	290,222	-	290,222
	3,248,545	3,186,873	(61,672)	-	(61,672)
Business-type Activities					
Power marketing	28,220,693	28,186,312	-	(34,381)	(34,381)
Power delivery	15,565,314	15,520,258	-	(45,056)	(45,056)
	43,786,007	43,706,570	-	(79,437)	(79,437)
Total	$ 47,034,552	$ 46,893,443	(61,672)	(79,437)	(141,109)
General Revenues					
Investment income			212,331	47,021	259,352
Gain on disposition of property and equipment			-	7,876	7,876
Miscellaneous			61,251	-	61,251
			273,582	54,897	328,479
Change in net position			211,910	(24,540)	187,370
Net position, beginning			4,895,447	1,778,107	6,673,554
Restatement (Note 15)			(81,636)	-	(81,636)
Net position, beginning (as restated)			4,813,811	1,778,107	6,591,918
Net position, ending			$ 5,025,721	$ 1,753,567	$ 6,779,288

	General Fund	Research and Development Special Revenue Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalents	$ 1,843,055	$ 11,149,567	$ 12,992,622
Receivables			
Accounts	10,493	12	10,505
Accrued interest	17,720	102,820	120,540
Prepaid items	9,200	-	9,200
Due from Other Funds	242,746	-	242,746
Total assets	$ 2,123,214	$ 11,252,399	$ 13,375,613
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 11,925	$ -	$ 11,925
Accrued payroll	147,586	-	147,586
Unearned revenue	19,302	52,686	71,988
Total liabilities	178,813	52,686	231,499
Fund Balances			
Nonspendable - prepaid items	9,200	-	9,200
Restricted for research and development	-	11,199,713	11,199,713
Unassigned	1,935,201	-	1,935,201
Total fund balances	1,944,401	11,199,713	13,144,114
Total liabilities and fund balances	$ 2,123,214	$ 11,252,399	

Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position

Amounts reported for governmental activities in the statement of net position are different because long-term liabilities that are not due and payable in the current period are not reported in the funds.		
Accrued compensated absences	$ (458,109)	
Net OPEB liability	(2,218,398)	
Net pension liability	(5,993,734)	
		(8,670,241)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred inflows of resources related to OPEB	(148,748)	
Deferred inflows of resources related to pensions	(434,704)	
Deferred outflows of resources related to OPEB	69,279	
Deferred outflows of resources related to pensions	1,049,737	
		535,564
Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. For governmental activities, these costs are capitalized in the statement of net position and depreciated over their estimated useful lives.		16,284
Net position of governmental activities		$ 5,025,721

	General Fund	Research and Development Special Revenue Fund	Total Governmental Funds
Revenues			
Charges for services	$ 2,487,823	$ -	$ 2,487,823
Investment income	33,969	178,362	212,331
Multi-species surcharge	-	699,050	699,050
Miscellaneous	61,251	-	61,251
Total revenues	2,583,043	877,412	3,460,455
Expenditures			
Current			
General administration	5,445,745	-	5,445,745
Less salaries and overhead recovered by allocation	(2,686,771)	-	(2,686,771)
Net general administration expenditures	2,758,974	-	2,758,974
Multi-species assessment	-	408,828	408,828
Water purchases	12,229	-	12,229
Total expenditures	2,771,203	408,828	3,180,031
Excess (deficiency) of revenues over (under) expenditures and change in fund balances	(188,160)	468,584	280,424
Fund balances, beginning	2,214,197	10,731,129	12,945,326
Restatement (Note 15)	(81,636)	-	(81,636)
Fund balances, beginning (as restated)	2,132,561	10,731,129	12,863,690
Fund balances, ending	$ 1,944,401	$ 11,199,713	$ 13,144,114

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, governmental funds		$ 280,424
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 capital outlays were greater than depreciation in the current period.		(5,594)
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	(49,743)	
Change in net OPEB liability and related deferred outflows and inflows of resources	37,147	
Change in net pension liability and related deferred outflows and inflows of resources	(50,324)	
		(62,920)
Change in net position of governmental activities		$ 211,910

Colorado River Commission of Nevada

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

General Fund

Year Ended June 30, 2019

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Power administrative charge	$ 1,074,752	$ 1,074,752	$ 1,025,858	$ (48,894)
Water charges	2,394,157	2,394,157	1,461,965	(932,192)
Investment income	27,593	27,593	33,969	6,376
Miscellaneous	55,776	55,776	61,251	5,475
Total revenues	3,552,278	3,552,278	2,583,043	(969,235)
Expenditures				
Current				
General government				
Personnel services	5,018,143	5,018,143	4,097,092	921,051
Travel				
Out-of-state	59,839	63,839	51,528	12,311
In-state	25,641	25,641	13,119	12,522
Operating				
Rent and insurance	141,687	141,687	144,206	(2,519)
Dues and registration fees	67,977	67,977	61,246	6,731
Contractual services	816,865	816,865	226,436	590,429
Other	253,162	253,357	271,223	(17,866)
Legal	554,498	554,498	555,470	(972)
Equipment, furniture and software	54,532	54,532	25,425	29,107
Water purchases	13,717	13,717	12,229	1,488
Total expenditures	7,006,061	7,010,256	5,457,974	1,552,282
Less salaries and overhead recovered by allocation	(3,040,876)	(3,040,876)	(2,686,771)	(354,105)
Net expenditures	3,965,185	3,969,380	2,771,203	1,198,177
Excess (deficiency) of revenues over (under) expenditures and change in fund balance	(412,907)	(417,102)	(188,160)	228,942
Fund balance, beginning	2,421,632	2,662,036	2,214,197	(447,839)
Restatement (Note 15)	-	-	(81,636)	(81,636)
Fund balance, beginning (as restated)	2,421,632	2,662,036	2,132,561	(529,475)
Fund balance, ending	$ 2,008,725	$ 2,244,934	$ 1,944,401	$ (300,533)

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Investment income	$ 121,591	$ 240,183	$ 178,362	$ (61,821)
Multi-species surcharge	751,339	751,339	699,050	(52,289)
Total revenues	872,930	991,522	877,412	(114,110)
Expenditures				
Multi-species assessment	973,302	973,302	408,828	564,474
Net expenditures	973,302	973,302	408,828	564,474
Excess (deficiency) of revenues over (under) expenditures and change in fund balance	(100,372)	18,220	468,584	450,364
Fund balance, beginning	8,035,476	9,013,983	10,731,129	1,717,146
Fund balance, ending	$ 7,935,104	$ 9,032,203	$ 11,199,713	$ 2,167,510

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
Assets			
Current Assets			
Cash and cash equivalents, unrestricted	$ 3,215,835	$ 1,597,808	$ 4,813,643
Receivables			
Accounts	573,287	764,965	1,338,252
Accrued interest	44,078	13,989	58,067
Prepaid items	484,075	46,470	530,545
Current portion of prepaid power	1,686,284	-	1,686,284
Total current assets	6,003,559	2,423,232	8,426,791
Noncurrent Assets			
Restricted cash and cash equivalents	2,179,678	321,919	2,501,597
Capital assets			
Power transmission system, net	7,205,007	39,739,837	46,944,844
Automobiles and equipment, net	-	186,921	186,921
Prepaid power, net of current portion	24,624,045	-	24,624,045
Total non current assets	34,008,730	40,248,677	74,257,407
Total assets	$ 40,012,289	$ 42,671,909	$ 82,684,198
Liabilities			
Current Liabilities			
Accounts payable	$ 1,859,608	$ 943,066	$ 2,802,674
Unearned revenue	1,489,280	1,770,563	3,259,843
Payable to customers	345,204	1,285,325	1,630,529
Customer collateral and other deposits	1,094,730	93,183	1,187,913
Current portion of bonds payable	740,000	-	740,000
Due to other funds	4,538	238,208	242,746
Accrued interest	264,356	-	264,356
Total current liabilities	5,797,716	4,330,345	10,128,061
Noncurrent Liabilities			
Bonds payable, net of current portion	26,596,123	-	26,596,123
Unearned revenue	6,142,236	38,064,211	44,206,447
Total noncurrent liabilities	32,738,359	38,064,211	70,802,570
Total liabilities	38,536,075	42,394,556	80,930,631
Net Position			
Net investment in capital assets	7,205,007	39,926,758	47,131,765
Unrestricted	(5,728,793)	(39,649,405)	(45,378,198)
Total net position	1,476,214	277,353	1,753,567
Total liabilities and net position	$ 40,012,289	$ 42,671,909	$ 82,684,198

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
Operating Revenues			
Power sales	$ 28,186,312	$ 15,520,258	$ 43,706,570
Operating Expenses			
Power purchases	25,941,015	10,816,730	36,757,745
Prepaid power advances	1,684,284	-	1,684,284
Depreciation	317,868	1,720,682	2,038,550
General administration	277,526	3,027,902	3,305,428
Total operating expenses	28,220,693	15,565,314	43,786,007
Operating income (loss)	(34,381)	(45,056)	(79,437)
Nonoperating Revenues (Expenses)			
Gain on disposition of property and equipment	-	7,876	7,876
Investment income	15,903	31,118	47,021
Change in Net Position	(18,478)	(6,062)	(24,540)
Net Position, Beginning	1,494,692	283,415	1,778,107
Net Position, Ending	$ 1,476,214	$ 277,353	$ 1,753,567

	Business-type Activities Enterprise Funds		
	Power Marketing	Power Delivery	Totals
Cash Flows from Operating Activities			
Cash received from customers	$ 24,278,996	$ 14,513,143	$ 38,792,139
Cash paid for goods and services	(26,136,898)	(13,484,213)	(39,621,111)
Net cash provided (used) by operating activities	(1,857,902)	1,028,930	(828,972)
Cash Flows from Noncapital Financing Activities			
Cash used for debt service:			
Principal	(730,000)	-	(730,000)
Interest	(1,062,535)	-	(1,062,535)
Net cash used by noncapital financing activities	(1,792,535)	-	(1,792,535)
Cash Flows from Investing Activities			
Acquisition of capital assets	-	(76,441)	(76,441)
Proceeds received on sale of capital assets	-	7,876	7,876
Interest received	(4,063)	27,282	23,219
Net cash used by investing activities	(4,063)	(41,283)	(45,346)
Net change in cash and cash equivalents (restricted and unrestricted)	(3,654,500)	987,647	(2,666,853)
Cash and Cash Equivalents, Beginning	9,050,013	932,080	9,982,093
Cash and Cash Equivalents, Ending	$ 5,395,513	$ 1,919,727	$ 7,315,240
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities			
Operating loss	$ (34,381)	$ (45,056)	$ (79,437)
Depreciation	317,868	1,720,682	2,038,550
Gain on sale of capital assets	-	(7,876)	(7,876)
Amortization of prepaid power	1,809,516	-	1,809,516
Amortization of unearned revenue - power transmission	(283,488)	(1,675,628)	(1,959,116)
Amortization of bond premiums and discounts	5,995	-	5,995
(Increase) decrease in operating assets			
Accounts receivable	(437,887)	(130,906)	(568,793)
Prepaid items	(168,682)	(7,514)	(176,196)
Increase (decrease) in operating liabilities			
Accounts payable	248,877	294,893	543,770
Unearned revenue	57,352	55,982	113,334
Payable to customers	(1,092,476)	754,429	(338,047)
Customer collateral and other deposits	(2,279,490)	(3,116)	(2,282,606)
Due to other funds	1,449	73,040	74,489
Accrued interest	(2,555)	-	(2,555)
Net cash provided (used) by operating activities	$ (1,857,902)	$ 1,028,930	$ (828,972)

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Colorado River Commission of Nevada (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, thus requiring them to be reported as component units of the Commission.

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

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 Utilities 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 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. Any remaining governmental and enterprise funds are aggregated and reported as non-major 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 following major governmental funds:

General 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.

Research and Development fund – This fund is used to account for the Lower Colorado River Multi-Species Conservation Program (LCRMSCP or MSCP), a fifty-year program that provides for Endangered Species Act (ESA) compliance. The program is administered by the United States Bureau of Reclamation (USBR) and the Fish and Wildlife Service. Program costs are paid by the USBR and the States of Nevada, California and Arizona. Nevada's share of Program funding is paid partially by the Southern Nevada Water Authority (paid directly to the USBR), and partially by the Commission's hydropower customers. The fund accounts for the collection and remittance of the Hydropower customers' portion of the program. In addition, certain program reserves are maintained in the fund for future MSCP needs. These reserves are contractually committed to the MSCP program.

Additionally, 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 Authority (SNWA).

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, 2019, there were no non-exchange 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 liability is incurred, except for principal and interest on general long-term debt, claims and judgments, pension liabilities, 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.

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, 2019.

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".

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 the improvement and renovation ("uprating") of the electrical power generation plant and visitors' center 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 over the estimated useful life of 30 years.

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. Net position is restricted to the extent restricted assets exceed related liabilities and contractually with regard to certain operations and maintenance costs.

Capital Assets

Purchased or constructed capital assets are recorded at cost or estimated historical cost. Donated capital assets are reported at acquisition value. 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, if any, is included as part of the capitalized value of the assets constructed.

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

Governmental Activities	Years
Office equipment	5
Office furniture and fixtures	5
Automobiles	4 – 6

Business-type Activities	Years
Power transmission systems	10 – 50
Office equipment	5
Automobiles	4 – 6

Estimated useful lives are determined by the State and the Commission has no authority to alter the estimated useful lives prescribed by the State.

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.

Multiple-Employer Cost-Sharing Defined Benefit Pension Plan

The Commission uses the same basis used in the Public Employees' Retirement System of Nevada's (PERS) Comprehensive Annual Financial Report for reporting its proportionate share of the PERS collective net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, including information related to PERS fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized by PERS when due and payable in accordance with the benefit terms. PERS investments are reported at fair value.

Deferred Inflows and Outflows of Resources

Deferred outflows of resources represent a consumption of net position or fund balance that applies to future periods; and therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The government-wide statement of net position reports 1) unamortized bond refunding charges, 2) the changes in proportion and differences between actual contributions and proportionate share of contributions related to pensions, which will be amortized over the average expected remaining service life of all employees that are provided with pension benefits, 3) the net difference between projected and actual earnings on pension plan investments, which are deferred and amortized over five years, and 4) contributions for pensions and OPEB made subsequent to the measurement date, which will be recognized in the subsequent year.

Deferred inflows of resources represent an acquisition of net position that applies to a future periods(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government-wide statement of net position reports 1) the differences between expected and actual experience and changes of assumptions, which will be amortized over the average expected remaining service life of all employees that are provided with pension benefits, 2) the net difference between projected and actual earnings on investments, which will be amortized over five years, and 3) changes in assumptions or other inputs to the total OPEB liability which are deferred and amortized over the average expected remaining service life of all employees that are provided with health benefits.

Unearned Revenue

Unearned revenue represents advanced funding to the Commission from certain customers for the construction of electric power facilities to provide power for the customer's operations. These facilities are dedicated to the exclusive use of those customers and are the only existing method of delivery of electrical resources for their operations. Recovery of the cost of the facilities is a component of the cost of power resources provided and is being recognized over the life of the assets as the assets are consumed (depreciated).

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 are deferred and amortized over the life of the bonds using the straight-line method. Issuance costs are expensed as incurred.

Fund Equity or Net Position

In the fund financial statements, governmental funds report five classifications of fund balance. Nonspendable are amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted is the result of constraints placed on assets that are externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation. Committed are amounts set aside by formal action of the Commission's members. Formal Commission action is also required to modify or rescind an established commitment. Assigned is the result of constraints on amounts imposed by the government's intent to be used for specific purposes, but are neither restricted nor committed.

In the government-wide statements, equity is classified as net position and displayed in the following three components:

Net Investments in Capital Assets - This is the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted - The component of net position that reports the constraints placed on the use of assets by either external parties and/or enabling legislation.

Unrestricted - The difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that is not reported in Net Investment in Capital Assets or Restricted Net Position.

Note 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, of each budget year. The biennium budgets are transmitted to the State Legislature no later than the 10th day of the legislative session held in odd-numbered years and, for 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 $30,000 in the aggregate, of the respective budget categories. Any changes exceeding 10% or $30,000 require approval of the State Legislature's Interim Finance Committee.

Budgetary Information

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

The Commission is required to charge purchasers of 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 principal 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 SNWA 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, 2019, the Commission complied with all requirements of the bond covenants.

Note 3 - Cash Deposits

At June 30, 2019, the Commission's carrying amount of restricted and unrestricted cash and cash equivalents was $20,307,862. 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. Securities used as such collateral must total 102 percent of the deposits with each financial institution.

Note 4 - Restricted Cash and Cash Equivalents

Cash and cash equivalents restricted at June 30, 2019, by bond covenants or contractual agreements are summarized as follows:

Restricted for:	
Debt service	$ 1,025,795
Reserve for revenue insufficiency	299,528
Cash held by contractual agreement	1,176,274
Total restricted	$ 2,501,597

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increase	Decrease	Ending Balances
Governmental Activities				
Capital assets being depreciated				
Office equipment	$ 49,672	$ -	$ 4,298	$ 45,374
Office furniture and fixtures	26,739	-	1,165	25,574
Automobiles	109,877	-	-	109,877
Total capital assets being depreciated	186,288	-	5,463	180,825
Less accumulated depreciation				
Office equipment	49,672	-	4,298	45,374
Office furniture and fixtures	26,739	-	1,165	25,574
Automobiles	87,999	5,594	-	93,593
Total accumulated depreciation	164,410	5,594	5,463	164,541
Capital assets, net	$ 21,878	$ (5,594)	$ -	$ 16,284

	Beginning Balances	Increase	Decrease	Ending Balances
Business-type Activities				
Capital assets being depreciated				
Power transmission system	$ 88,278,263	$ -	$ -	$ 88,278,263
Office equipment	92,190	7,900	59,407	40,683
Automobiles	372,575	68,541	51,700	389,416
Total capital assets being depreciated	88,743,028	76,441	111,107	88,708,362
Less accumulated depreciation				
Power transmission system*	39,339,922	1,993,496	-	41,333,418
Office equipment	89,931	2,259	59,407	32,783
Automobiles	219,301	42,795	51,700	210,396
Total accumulated depreciation	39,649,154	2,038,550	111,107	41,576,597
Capital assets, net	$ 49,093,874	$ (1,962,109)	$ -	$ 47,131,765

*The fiscal year 2018 balance for accumulated depreciation related to the power transmission systems for the power delivery fund was adjusted in the business-type activities to correct a depreciation calculation error, which impacted beginning accumulated depreciation and beginning unearned revenue balances by $36,397. This adjustment had a zero net effect to total net position.

Depreciation expense was charged to functions/programs as follows:

Governmental Activities		
General government	$	5,594
Business-type Activities		
Power marketing		317,868
Power delivery		1,720,682
	$	2,044,144

Note 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, 2019, was as follows:

Funds	Due From	Due To
General	$ -	$ 242,746
Power marketing	4,538	-
Power delivery	238,208	-
	$ 242,746	$ 242,746

Note 7 - Unearned Revenue

The Commission has recognized two primary liabilities for unearned revenue, one each in the two enterprise funds. One liability is recorded in Power Delivery Project Fund (PDP) and is related to the electric power transformation and transmission facilities serving the SNWA water treatment and distribution facilities at Lake Mead and in Henderson, Nevada. The other liability is recorded in the Power Marketing Fund and is related to the Basic Step-down Yard facilities serving the Commission's retail Hydropower customers at the industrial complex also in Henderson at a different location. These liabilities represent customer advance funding for Commission owned and operated facilities to provide power for their operations.

The PDP facilities were constructed through the issuance of State of Nevada General Obligation Bonds in September of 1997, September of 1999 and in April of 2005. The facilities constructed are dedicated to the SNWA water related assets and are being used to deliver electric power to the water operations. The cost of the facilities in the form of the bond payment obligation was a component of the charges for power as the Commission delivered electricity to the SNWA. In 2011 and again in 2015 the SNWA prepaid the debt obligation and ultimately extinguished the Commission's Bond liability. This extinguishment constituted a prepayment for a portion of the future cost of the electric resources related to facility use as power will be delivered in the future. The Commission recorded the prepayment and recognizes the revenue from the prepayment in concert with the depreciation of the physical assets to match the revenue to the related depreciation costs as the facilities are used.

The Basic Step-Down yard facilities were constructed beginning in 1999 through 2002 and were funded through assessments on the retail customers as the facilities were built. Due to the number of customers involved there was no need to enter into debt to fund the construction and the project was completed through customer advance funding. The facilities and a liability in the form of unearned revenues were recorded and the depreciation and revenue have been recognized over the life of the assets from the beginning.

$46,165,560 of the total unearned revenue balance at June 30, 2019 relates to construction and facilities and is being amortized over various useful lives as determined during construction for Phase I, Phase II and River Mountains, and over an average life of the 39.5 years for the Basic Step-down Yard. The remaining balance in unearned revenue primarily relates to amounts received for services not yet rendered as of June 30, 2019.

Future amortization of Unearned Revenue relating to construction and facilities will be recognized as follows:

2020	$ 1,959,115
2021	1,959,115
2022	1,959,115
2023	1,959,115
2024	1,959,115
2025 - 2029	9,723,276
2030 - 2034	9,688,355
2035 - 2039	9,090,521
2040 - 2044	4,924,173
2045 - 2049	2,580,692
2050 - 2052	362,968
	$ 46,165,560

During the year ended June 30, 2019, the Commission recognized total revenue of $1,959,115 related to the amortization of construction and facilities unearned revenue.

Note 8 - 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.

On March 12, 2014, because of delays in determining a final allocation of shared costs, interim bonds of $28,425,000 were issued to fund the Commission's expected share of the cost of construction of the visitor's center at Hoover Dam, with expenditures charged to prepaid power. In June 2014, the Commission sold the $29,475,000 Series 2014E General Obligation Refunding bonds, proceeds from which were used to pay off the interim bonds. These bonds mature annually on October 1, 2015 through 2043, with interest payable semi-annually on October 1 and April 1 at annual rates of .50% to 4.25%.

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

Business-type Activities	Maturity Dates	Interest Rates	Outstanding at June 30, 2019
General obligation refunding series 2014E	2015 - 2043	0.50 to 4.25%	$ 27,480,000

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

Year ending June 30,	Principal	Interest	Total Requirements
2020	$ 740,000	$ 1,049,840	$ 1,789,840
2021	755,000	1,033,573	1,788,573
2022	770,000	1,014,880	1,784,880
2023	800,000	993,670	1,793,670
2024	815,000	970,653	1,785,653
2025 - 2029	4,490,000	4,420,690	8,910,690
2030 - 2034	5,395,000	3,491,104	8,886,104
2035 - 2039	6,465,000	2,237,731	8,702,731
2040 - 2044	7,250,000	795,812	8,045,812
	$ 27,480,000	$ 16,007,953	$ 43,487,953

Changes in Long-term Obligations

Changes in long-term obligations during the year ended June 30, 2019, are summarized below:

	Balance July 01, 2018	Additions	Reductions	Balance June 30, 2019	Current
Governmental Activities					
Accrued compensated absences	$ 408,365	$ 232,336	$ 182,592	$ 458,109	$ 282,168
Business-type Activities					
General obligation bonds	28,210,000	-	730,000	27,480,000	740,000
Unamortized bond discount	(149,872)	-	(5,995)	(143,877)	-
Total	$ 28,468,493	$ 232,336	$ 906,597	$ 27,794,232	$ 1,022,168

Accrued compensated absences are paid from the general fund.

The Commission has provided to a third-party borrower conduit debt, related to the water treatment and transmission assets transferred to the third party on January 1, 1996, with an outstanding balance of $1,175,000 as of June 30, 2019. Pursuant to an agreement with the third-party borrower, the Commission has no obligation for the debt.

Note 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.

Note 10 - Commitments and Contingencies

Litigation

The Commission may from time to time be a party to 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.

Arbitrage Rebate Requirement

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

Note 11 - Multiple-Employer Cost-Sharing Defined Benefit Pension Plan

The Commission's employees are covered by the Public Employees' Retirement System of Nevada (PERS), which was established by the Nevada Legislature in 1947, effective July 1, 1948, and is governed by the Public Employees Retirement Board (the PERS Board) whose seven members are appointed by the governor. The Commission does not exercise any control over PERS.

PERS is a cost-sharing, multiple-employer, defined benefit public employees' retirement system which includes both regular and police/fire members. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earnings capacities have been removed or substantially impaired by age or disability.

Benefits, as required by NRS, are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the system on or after January 1, 2010, and July 1, 2015. Benefit payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the system on or after January 1, 2010, there is a 2.5% multiplier, and for regular members entering the System on or after July 1, 2015, there is a 2.25% factor. PERS offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death.

Post-retirement increases are provided by authority of NRS 286.575 - .579, which for members entering the system before January 1, 2010, is equal to the lessor of:

1. 2% per year following the third anniversary of the commencement of benefits, 3% per year following the sixth anniversary, 3.5% per year following the ninth anniversary, 4% per year following the twelfth anniversary and 5% per year following the fourteenth anniversary, or

2. The average percentage increase in the Consumer Price Index (or the PERS Board approved index) for the three preceding years.

In any event, a member's benefit must be increased by the percentages in paragraph 1, above, if the benefit of a member has not been increased at a rate greater than or equal to the average of the Consumer Price Index (All Items) (or other PERS Board approved index) for the period between retirement and the date of increase.

For members entering the system on or after January 1, 2010, the post-retirement increases are the same as above, except that the increases do not exceed 4% per year.

Regular members are eligible for retirement at age 65 with 5 years of service, at age 60 with 10 years of service, or at any age with 30 years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with 5 years of service, or age 62 with 10 years of service, or any age with 30 years of service. Regular members entering the System on or after July 1, 2015, are eligible for retirement at age 65 with 5 years of service, or at age 62 with 10 years of service or at age 55 with 30 years of service or any age with 33 1/3 years of service.

The normal ceiling limitation on the monthly benefit allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both regular and police/fire members become fully vested as to benefits upon completion of five years of service.

The authority of establishing and amending the obligation to make contributions and member contribution rates rests with NRS. New hires, in agencies which did not elect the employer-pay contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two alternative contribution plans. Contributions are shared equally by employer and employee in which employees can take a reduced salary and have contributions made by the employer or can make contributions by a payroll deduction matched by the employer.

The PERS basic funding policy provides for periodic contributions at a level pattern of cost as of percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

PERS receives an actuarial valuation on an annual basis for determining the prospective funding contribution rates required to fund the system on an actuarial reserve basis. Contributions actually made are in accordance with the required rates established by NRS. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450. The actuarial funding method used is the entry age normal cost method. It is intended to meet the funding objective and result in a relatively level long-term contributions requirement as a percentage of salary.

Effective July 1, 2015, the required contribution rates for regular members was 14.5% and 28% for employer/employee matching and EPC, respectively.

PERS collective net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. For this purpose, certain actuarial valuation assumptions are stipulated by GASB and may vary from those used to determine the prospective funding contribution rates.

The total PERS pension liability was determined using the following actuarial assumptions (based on the results of an experience study for the period July 1, 2012 to June 30, 2016 dated October 16, 2017), applied to all periods included in the measurement:

Inflation Rate	2.75%
Payroll Growth	5.00% including inflation
Investment Rate of Return	7.5%
Productivity Pay Increase	0.5%
Consumer Price Index	2.75%
Actuarial cost method	Entry age normal and level percentage of payroll
Projected Salary Increases	Regular: 4.25% to 9.15%, depending on service Police/Fire: 4.55% to 13.90%, depending on service Rates include inflation and productivity increases
Other Assumptions	Same as those used in the June 30, 2017 funding actuarial valuation

Mortality rates (Regular and Police/Fire) – For healthy members it is the Headcount-Weighted RP-2014 Healthy Annuitant Table projected to 2020 with Scale MP-2016, set forward one year for spouses and beneficiaries. For ages less than 50, mortality rates are based on the Headcount – Weighted RP-2014 Employee Mortality Tables. Those mortality rates are adjusted by the ratio of the mortality rate for healthy annuitants at age 50 to the mortality rate for employees at age 50. The mortality rates are then projected to 2020 with Scale MP-2016.

The mortality table used in the actuarial valuation to project mortality rates for all disabled regular members is the Headcount – Weighted RP-2014 Disabled Retiree Table, set forward four years.

For pre-retirement members it is the Headcount – Weighted RP-2014 Employee Table, projected to 2020 with Scale MP-2016.

The RP-2014 Headcount-Weighted Mortality Tables, set forward one year for spouses and beneficiaries, reasonably reflect the projected mortality experience of the Plan as of the measurement date. The additional projection of 6 years is a provision made for future mortality improvement.

PERS's policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of PERS. The Following target asset allocation policy was adopted as of June 30, 2018:

Asset Class	Target Allocation	Long-term Geometric Expected Real Rate of Return *
Domestic equity	42%	5.50%
International equity	18%	5.75%
Domestic fixed income	30%	0.25%
Private markets	10%	6.80%

* These geometric return rates are combined to produce the long-term expected rate of return by adding the long-term expected inflation rate of 2.75%.

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified by NRS. Based on the assumption, PERS's fiduciary net position at June 30, 2018, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments (7.50%) was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

The Commission's proportionate share of the net pension liability at year end, calculated using the discount rate of 7.50%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current discount rate was as follows:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Net pension liability	$ 9,140,203	$ 5,993,734	$ 3,379,203

Detailed information about PERS fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website, www.nvpers.org under publications.

The Commission's proportionate share (amount) of the collective net pension liability was $5,993,734 which represents 0.04395% of the collective net pension liability, which is a decrease from the previous year's proportionate share of 0.04412%. Contributions for employer pay dates within the fiscal year ended June 30, 2018, were used as the basis for determining each employer's proportionate share. Each employer's proportion of the net pension liability is based on their employer contributions relative to the total employer contributions for all employers for the period ended June 30, 2018.

For the year ended June 30, 2019, the Commission's pension expense was $472,548 and its reported deferred outflows and inflows of resources related to pensions were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 187,767	$ 278,212
Changes of assumptions or other inputs	315,832	-
Net difference between projected and actual earnings on investments	-	28,536
Changes in proportion and differences between actual contributions and proportionate share of contributrions	123,096	127,956
Contributions subsequent to measurement date	423,042	-
	$ 1,049,737	$ 434,704

At June 30, 2018, the average expected remaining service life was 6.22 years.

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling $423,042 will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	
2020	$ 123,748
2021	22,794
2022	(88,637)
2023	78,189
2024	52,213
2025	3,684

Note 12 - Employee Benefit Plans –

Plan Description – The employees of the Commission participate in a cost-sharing, multiple-employer, defined benefit postemployment plan administered by the Board of the Public Employees' Benefits Program of the State of Nevada (PEBP). NRS 287.023 provides officers and employees eligible to be covered by any group insurance, plan of benefits or medical and hospital service established pursuant to NRS 287 the option upon retirement to cancel or continue any such coverage. The cost to administer the program is financed through the contributions and investment earnings of the plan. The PEBP Board is granted the authority to establish and amend the benefit terms of the program. (NRS 287.043) PEBP issues a publicly available financial report that includes financial statements and the required supplementary information for the plan. That report may be obtained from Public Employees' Benefits Program, 901 South Stewart Street, Suite 1001, Carson City, Nevada 89701.

Benefits Provided - Employees of the Commission, who meet the eligibility requirements for retirement and, at the time of retirement, are participants in the program, have the option upon retirement to continue group insurance pursuant to NAC 287.530. NRS 287.0436 establishes a subsidy to pay an amount toward the cost of the premium or contribution for persons retired from the Commission. Retirees assume any portion of the premium not covered by the State. The current subsidy rates can be found at pebp.state.nv.us. Benefits include health, prescription drug, dental, and life insurance coverage. As required by statute, benefits are determined by the number of years of service at the time of retirement and the individual's initial date of hire. Employees hired after December 31, 2011 are not eligible to receive subsidies to reduce premiums. The following individuals and their dependents are eligible to receive subsidies:

Any PEBP covered retiree with the Commission whose last employer was the state and who:

- Was initially hired prior to January 1, 2010 and has at least five years of public service: or
- Was initially hired on or after January 1, 2010, but before January 1, 2012 and has at least fifteen years of public service: or
- Was initially hired on or after January 1, 2010, but before January 1, 2012 and has at least five years of public service and has a disability: or

Any PEBP covered retiree whose last employer was not the state and who has been continuously covered under PEBP as a retiree since November 30, 2008.

Contributions - The State allocates funds for payment of current and future post-employment benefits other than pensions as a percentage of budgeted payrolls to all State agencies. The required contribution rate for employers, as a percentage of covered payroll, for the fiscal year ended June 30, 2018 was 0.0240. For the year ended June 30, 2019, these payments totaled $69,279 for the Commission.

OPEB liabilities, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB- the Commission's net OPEB liability was measured as of July 1, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuation as of January 1, 2018, which was then adjusted using roll-back procedures to determine the liability at the measurement date of July 1, 2017. The Commission's proportion of the net OPEB liability was based on the Commission's share of contributions to PEBP relative to the total contributions of all participating employers. At June 30, 2019 the Commission's proportion was 0.1675 percent.

For the year ended June 30, 2019, the Commission recognized OPEB expense of $118,034. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 148,473
Net difference between projected and actual earnings	-	275
Contributions subsequent to the measurement date	69,279	-
Total	$ 69,279	$ 148,748

Deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date in the amount of $69,279 will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	$ (39,348)
2021	(39,348)
2022	(39,348)
2023	(30,704)
Total	$ (148,748)

Actuarial Methods and Assumption- The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.50%
Salary Increases	0.50% productivity pay increase, 2.73% average promotional and merit salary increase for Regular, 3.7% for Police & Fire
Investment Rate of Return	3.87%
Healthcare Cost Trend Rates	7.5% initial, 4.50% ultimate

Mortality rates for healthy individuals were based on the RP-2000 combined healthy mortality projected to 2014 with scale AA, set back one year for females. Mortality rates for disabled individuals were based on the RP-2000 disabled retiree mortality projected to 2014 with scale AA, set forward 3 years.

The actuarial assumptions used in the June 30, 2019 valuation were based upon certain demographic and other actuarial assumptions as recommended by the actuary, in conjunction with the State and guidance from the GASB statement.

Discount Rate - The discount rate basis under GASB 75 is required to be consistent with a 20-Year Municipal Bond Index. The Bond Buyer General Obligation 20-Bond Municipal Bond Index is used for the determination of the discount rate. The assets in the trust as of June 30, 2018 are less than the expected benefit payments in the first year; therefore, the crossover period is assumed to be in the first year, which provides additional support for continuing the discount rate at the 20-Year Municipal Bond Index rate. The discount rate used to measure the total OPEB liability was 3.87%.

Sensitivity of the OPEB liabilities to changes in the discount rate - The following presents the net OPEB liabilities of the plans, as well as what each plan's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate:

1% Decrease in Discount Rate 2.87%	Current Discount Rate Rate 3.87%	1% Increase in Discount Rate 4.87%
$ 2,444,282	$ 2,218,398	$ 2,022,087

Sensitivity of the OPEB liabilities to changes in the healthcare cost trend rates- The following presents the net OPEB liabilities of the plans, as well as what each plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates:

1% Decrease in Healthcare Costs Trend Rate	Current Healthcare Costs Trend Rate	1% Increase in in Healthcare Costs Trend Rate
$ 2,069,250	$ 2,218,398	$ 2,394,476

OPEB plan fiduciary net position - Detailed information about the OPEB plans' fiduciary net position is available in the separately issued audited annual financial statements of the State of Nevada State Retirees' Health and Welfare Benefits Fund, Public Employees' Benefits Program financial report.

Note 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 SNWA.

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:

Manager of Energy Accounting for
the Silver State Energy Association
P.O. Box 99956, MS 115
Las Vegas, Nevada 89193-9956

The SSEA website is www.silverstateenergy.org/.

Note 14 - Related Party

The Commission is governed by seven commissioners, three of whom are appointed by the Southern Nevada Water Authority (SNWA) and four, including the board Chair, appointed by the Governor. The Commission and SNWA do not share staff members or members of management. The SNWA, a local governmental organization, is also one of the Commission's principal revenue payers (see Table 5). In fiscal 2019, the Commission received revenues from the SNWA for power and water resources but made no payments to the SNWA for any purpose. The SNWA publishes a Comprehensive Annual Financial Report which can be seen on their website at SNWA.com. In addition, the Commission's capacities work with other public entities, SNWA, other states, and various governmental entities in fulfilling its statutory responsibilities; however, no other entity has representatives on the board. In fiscal 2019, SNWA accounted for revenue of $11,758,064.

Note 15 - Prior Period Restatement

A posting error occurred in 2018 which resulted in the understatement of expenses in the general fund and governmental activities. A restatement has been recorded to correct the impact of this error as follows:

	Governmental Activities	Total
Net position at June 30, 2018, as previously reported	$ 4,895,447	6,673,554
Restatement	(81,636)	(81,636)
Net position at July 1, 2018, as restated	$ 4,813,811	$ 6,591,918

	General Fund	Govermental Funds
Fund balance at June 30, 2018, as previously reported	$ 2,214,197	12,945,326
Restatement	(81,636)	(81,636)
Fund balance at July 1, 2018, as restated	$ 2,132,561	$ 12,863,690

COLORADO RIVER COMMISSION OF NEVADA
AGENDA ITEM E
FOR MEETING OF DECEMBER 10, 2019

SUBJECT:
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.)

RELATED TO AGENDA ITEM:
None.

RECOMMENDATION OR RECOMMENDED MOTION:
None.

FISCAL IMPACT:
None.

STAFF COMMENTS AND BACKGROUND:

COLORADO RIVER COMMISSION OF NEVADA
AGENDA ITEM F
FOR MEETING OF DECEMBER 10, 2019

SUBJECT:
Comments and questions from the Commission members.

RELATED TO AGENDA ITEM:
None.

RECOMMENDATION OR RECOMMENDED MOTION:
None.

FISCAL IMPACT:
None.

STAFF COMMENTS AND BACKGROUND:

COLORADO RIVER COMMISSION OF NEVADA
AGENDA ITEM G
FOR MEETING OF DECEMBER 10, 2019

SUBJECT:
Selection of next possible meeting date.

RELATED TO AGENDA ITEM:
None.

RECOMMENDATION OR RECOMMENDED MOTION:
None.

FISCAL IMPACT:
None.

STAFF COMMENTS AND BACKGROUND:

COLORADO RIVER COMMISSION OF NEVADA
AGENDA ITEM H
FOR MEETING OF DECEMBER 10, 2019

SUBJECT:
Adjournment.

RELATED TO AGENDA ITEM:

None.

RECOMMENDATION OR RECOMMENDED MOTION:

None.

FISCAL IMPACT:

None.

STAFF COMMENTS AND BACKGROUND: