

NEVADA POWER AUTHORITY

FINANCIAL REPORT

FOR THE FIFTEEN MONTHS
ENDED MARCH 31, 2009

NEVADA POWER AUTHORITY
California

Annual Financial Report
For the Fifteen Month Period Ended March 31, 2009

Board of Directors

<u>Member</u>	<u>Position</u>
Nancy Weber	Chairperson
Reinette Senum	Director
Hank Weston	Director

Secretary
Ron Nelson

Treasurer
Marie G. Owens

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NEVADA POWER AUTHORITY

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BOLER & ASSOCIATES

PROFESSIONAL ACCOUNTANCY CORPORATION
750 F STREET ♦ DAVIS, CA 95616

(530) 756-1735

INDEPENDENT AUDITORS' REPORT

Board of Directors
Nevada Power Authority
Grass Valley, California

We have audited the accompanying financial statements of the business-type activities of the Nevada Power Authority (Authority), California, as of and for the fifteen months ended March 31, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Nevada Power Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Nevada Power Authority, California as of March 31, 2009, and the respective changes in financial position and cash flows for the fourteen months then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Board of Directors
Nevada Power Authority
Grass Valley, California

The Authority has not presented the management's discussion and analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Certified Public Accountants
Davis, California
April 2, 2009

BASIC FINANCIAL STATEMENTS

NEVADA POWER AUTHORITY

STATEMENT OF NET ASSETS AS OF MARCH 31, 2009

	<u>Business-type Activities Enterprise Fund</u>
ASSETS	
Cash and investments	\$ 3,006
Interest receivable	<u>3</u>
TOTAL ASSETS	<u>\$ 3,009</u>
LIABILITIES	
Accounts payable	\$ 2,200
Due to member agencies	<u>809</u>
TOTAL LIABILITIES	<u>3,009</u>
NET ASSETS	
Unrestricted	<u>-</u>
TOTAL NET ASSETS	<u>\$ -</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

NEVADA POWER AUTHORITY

STATEMENT OF NET ASSETS - PROPRIETARY FUND FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2009

ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 3,006	
Interest receivable	<u>3</u>	
TOTAL ASSETS	<u>\$ 3,009</u>	
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 2,200	
Due to member agencies	<u>809</u>	
TOTAL LIABILITIES	<u>\$ 3,009</u>	
NET ASSETS		
Unrestricted	<u>\$ -</u>	

The accompanying notes to the basic financial statements are an integral part of this statement.

NEVADA POWER AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROPRIETARY FUND FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2009

OPERATING EXPENSES:	
Operating costs	<u>\$ 16,255</u>
NET OPERATING LOSS	<u>(16,255)</u>
NONOPERATING INCOME	
Investment earnings	<u>58</u>
TOTAL NONOPERATING REVENUE	<u>58</u>
NET LOSS	(16,197)
Net assets, January 1, 2008	<u>16,197</u>
NET ASSETS, MARCH 31, 2009	<u><u>\$ -</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

NEVADA POWER AUTHORITY

STATEMENT OF CASH FLOWS - PROPRIETARY FUND FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Payments to suppliers	<u>\$ (13,246)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(13,246)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment earnings received	<u>55</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>55</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(13,191)
Cash and cash equivalents, January 1, 2008	<u>16,197</u>
CASH AND CASH EQUIVALENTS, MARCH 31, 2009	<u><u>\$ 3,006</u></u>

Reconciliation of operating income from operations to
cash provided by operating activities:

 Operating loss \$ (16,255)

Adjustments to reconcile operating income to net cash
provided by operating activities:

 Change in liabilities:

 Increase in accounts payable 2,200
 Increase in due to member agencies 809

NET CASH USED BY OPERATING ACTIVITIES \$ (13,246)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

(None noted)

The accompanying notes to the basic financial statements are an integral part of this statement.

NEVADA POWER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2009

The notes to the basic financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the Authority as follows:

Note 1 - Summary of Significant Accounting Policies

Note 2 - Cash and Investments

Note 3 - Insurance Coverage

Note 4 - Management and Administration

Note 5 - Subsequent Event

NEVADA POWER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2009

Note 1 - Summary of Significant Accounting Policies

The Authority complies with generally accepted accounting principles (GAAP) which includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Numbers 20 and 34 provide the Authority the option of electing to apply FASB pronouncements issued after November 30, 1989. The Authority has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. Financial Reporting Entity

The Nevada Power Authority (the "Authority") is composed of members from the County of Nevada, the City of Nevada City, and the Nevada Irrigation District. The Authority was created by a joint powers agreement executed on March 25, 1983, by the parties named above. The purpose of the Authority is to investigate the feasibility of power development projects in Nevada and adjoining counties and to provide for the development of engineering, design, financing, acquisition, construction, and operation and maintenance of electrical power facilities.

B. Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting Authority as a whole. They include all funds of the reporting entity except for fiduciary funds of which the Authority has none. The Authority does not have governmental activities. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

NEVADA POWER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues when all eligibility requirements are met.

Fund Financial Statements:

The fund financial statements of the Authority are organized into funds, each of which is considered to be separate accounting entities. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Authority has the following fund:

Proprietary fund

Enterprise funds – Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NEVADA POWER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

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

C. Cash and Investments

Cash balances of the majority of Authority funds are pooled in order to maximize investment opportunities. Interest earned from investments purchased with pooled cash is allocated to each of the funds based on the fund's overall cash balance. Investments are recorded at fair value based upon quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid investment instruments purchased with a maturity of ninety days or less to be cash and cash equivalents.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Cash and Investments

Cash and investments as of March 31, 2009 in the accompanying financial statements are as follows:

Statement of Net Assets	
Pooled cash with Nevada Irrigation District	\$ 2,505
Local Agency Investment Fund	<u>501</u>
 TOTAL CASH AND INVESTMENTS	 <u><u>\$ 3,006</u></u>

The Authority pooled its savings account balance with the Nevada Irrigation District (the District). The following is the District's cash and investment disclosure:

NEVADA POWER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2009

Note 2 - Cash and Investments (continued)

Investments Authorized by the Authority's Investment Policy

The District's treasurer is granted the authority to invest funds for the benefit of the Authority in accordance with the District's investment policy and California Government Code Section 53600, Chapter 4 - Financial Affairs.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority's policy limits investments in long term securities with maturity dates in excess of ten (10) years to twenty percent (20%) of the portfolio. Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the weighted average maturity (years) of each investment type:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Deposits with financial institutions in:		
• Money market accounts	\$ 14,829,504	N/A
• Checking accounts	2,527,746	N/A
• Cash on hand	2,100	N/A
• Trust fund cash	4,052,526	N/A
• Guaranty investment contract	872,500	N/A
Investment in Local Agency Investment Fund (LAIF)	17,171,250	N/A
Investment in Rodeo Flat Bond	681,628	0.7
Investment in US Government obligations	23,031,176	3.9
Investment in US Treasury Strips	<u>23,591,390</u>	<u>5.6</u>
 Total Cash and investments	 <u>\$ 86,759,820</u>	 <u>2.8</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

NEVADA POWER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2009

Note 2 - Cash and Investments (continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The District's portfolio is concentrated primarily in four types of investments: US Treasury Strips – 27.19%, US Government Obligations – 26.55%, Money Market accounts – 17.09% and LAIF – 19.79%.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

At December 31, 2008, the carrying amount of the District's deposits was \$467,256 and the balances in financial institutions were \$3,347,870. Of the balance in financial institutions, \$100,000 was covered by federal depository insurance and \$3,247,870 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City.

NEVADA POWER AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FIFTEEN MONTHS ENDED MARCH 31, 2009

Note 2 - Cash and Investments (continued)

Investment in State Investment Pool

The Authority maintains its own account with the Local Agency Investment Fund (LAIF). The LAIF is a special fund of the California State Treasury through which local governments may pool investments. The LAIF is stated at amortized cost, which approximates fair value. At February 28, 2009, the total fair value amount invested by all public agencies in LAIF is \$59,674,499,799 managed by the State Treasurer. Of that amount, 87.64 percent is invested in non-derivative financial products and 12.36 percent in asset-backed securities and structured financial instruments. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Note 3 – Insurance Coverage

The Authority does not have errors and omissions insurance coverage. At the date of this report, no claims have been made against the Authority. The liability coverage for the directors is provided individually by their respective employer organization.

Note 4 – Management and Administration

By agreement, the Nevada Irrigation District provides management and administration support without remuneration.

Note 5 – Authority Dissolution

On February 26, 2009, the Board of Directors voted unanimously to dissolve the Authority. Any monies remaining after payment of all expenses will be distributed equally between the three entities.

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OTHER REPORT

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BOLER & ASSOCIATES

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

Board of Directors
Nevada Power Authority
Grass Valley, California

We have audited the financial statements of the business-type activities of the Nevada Power Authority, California, as of and for the fifteen months ended March 31, 2009, which collectively comprise of the Nevada Power Authority, California's basic financial statements and have issued our report thereon dated April 2, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nevada Power Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Nevada Power Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Nevada Power Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Nevada Power Authority's financial statements that is more than inconsequential will not be prevented or detected by Nevada Power Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Nevada Power Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Nevada Power Authority's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Nevada Power Authority, in a separate letter dated April 2, 2009.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.



Certified Public Accountants
Davis, California
April 2, 2009