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CLEAN WATER COALITION

**FINANCIAL
STATEMENTS
AND
SUPPLEMENTAL SCHEDULES**

**YEARS ENDED
JUNE 30, 2005
AND 2004**

CLEAN WATER COALITION
JUNE 30, 2005 and 2004

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Clean Water Coalition
Las Vegas, Nevada

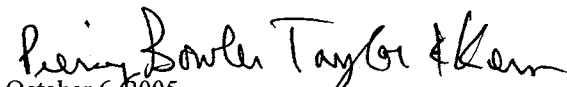
We have audited the accompanying statement of net assets of the Clean Water Coalition (the CWC) as of June 30, 2005 and 2004, and the related statements of expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the CWC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States and 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the CWC as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the CWC taken as a whole. The information contained in the supplementary schedule included on pages 7 and 8 herein for the year ended June 30, 2005, is presented for purposes of additional analysis as required by the Nevada Revised Statutes, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2005, on our consideration of the CWC's internal control over financial reporting and our tests of its compliance with certain laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.


October 6, 2005

**CLEAN WATER COALITION
STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004**

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets		
Cash	\$ 2,350,097	\$ 506,767
Due from members	<u>389,856</u>	<u>2,089,475</u>
	2,739,953	2,596,242
Noncurrent assets		
Construction in process	17,218,955	12,928,665
Property and equipment, net	26,336	33,860
Deposits	<u>3,366</u>	<u>3,366</u>
	<u>\$ 19,988,610</u>	<u>\$ 15,562,133</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 504,802	\$ 30,189
Contracts payable	<u> </u>	<u>297,724</u>
	<u>504,802</u>	<u>327,913</u>
Net assets		
Invested in capital assets	17,212,113	12,962,525
Restricted for capital projects	<u>2,271,695</u>	<u>2,271,695</u>
	<u>19,483,808</u>	<u>15,234,220</u>
	<u>\$ 19,988,610</u>	<u>\$ 15,562,133</u>

See notes to financial statements.

CLEAN WATER COALITION
STATEMENTS OF EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating expenses		
Professional services	\$ 441,325	\$ 582,958
Office	9,489	24,553
Travel	12,253	5,154
Other	719	6,137
Dues	341	3,336
Utilities	10,746	7,591
Rent	37,638	27,957
Depreciation	<u>7,524</u>	<u>3,762</u>
Loss from operations	520,035	661,448
Unrestricted investment earnings	<u>1,373</u>	<u>1,518</u>
Loss before capital contributions	518,662	659,930
Members' capital contributions	<u>4,768,250</u>	<u>6,268,425</u>
Change in net assets	\$ <u>4,249,588</u>	\$ <u>5,608,495</u>
Net assets, beginning of year	\$ 15,234,220	\$ 9,625,725
Change in net assets	<u>4,249,588</u>	<u>5,608,495</u>
Net assets, end of year	\$ <u>19,483,808</u>	\$ <u>15,234,220</u>

**CLEAN WATER COALITION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities		
Cash paid for goods and services	\$ <u>(335,623)</u>	\$ <u>(717,313)</u>
Cash flows from financing activities		
Members' capital contributions received	<u>6,467,871</u>	<u>4,343,585</u>
Cash flows from investing activities		
Cash paid for property and equipment acquisitions		(37,622)
Cash paid for construction	(4,290,291)	(4,215,811)
Interest received	<u>1,373</u>	<u>1,518</u>
Net cash provided by investing activities	<u>(4,288,918)</u>	<u>(4,251,915)</u>
Net increase (decrease) in cash	1,843,330	(625,643)
Cash beginning	<u>506,767</u>	<u>1,132,410</u>
Cash ending	<u>\$ 2,350,097</u>	<u>\$ 506,767</u>
Reconciliation of loss from operations to net cash used in operating activities		
Loss from operations	\$ (520,035)	\$ (661,448)
Depreciation	7,524	3,762
Increase (decrease) in accounts payable	<u>176,888</u>	<u>(59,627)</u>
Net cash used in operating activities	<u>\$ (335,623)</u>	<u>\$ (717,313)</u>

**CLEAN WATER COALITION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2005 AND 2004**

1. Summary of significant accounting policies:

Reporting entity. Under the provisions of Chapter 277 of the Nevada Revised Statutes (NRS), any one or more public agencies may enter into an agreement for the joint exercise of any power, privilege, or authority and may create a separate legal or administrative entity to conduct the joint or cooperative undertaking. The Clean Water Coalition (the CWC) was established as a joint venture on November 20, 2002, through an interlocal agreement among the member agencies consisting of the City of Las Vegas, City of Henderson and the Clark County Water Reclamation District (CCWRD), all of which are public agencies in the State of Nevada. The CWC was created as an enterprise activity and a quasi-municipal corporation to undertake implementation of all aspects of its program known as SCOP (Note 5). Each of the members has appointed a member to the Board of Trustees.

Basis of presentation. The CWC is accounted for as an enterprise fund. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed primarily through user charges. The acquisition, maintenance, and improvement of the physical plant facilities required to provide services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), and federal grants under the Clean Water Act.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the CWC has chosen not to be bound by apply pronouncements of the Financial Accounting Standards Board issued after November 1989.

Use of estimates. Timely preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts, some of which may require revision in future periods.

Capital assets. Property and equipment is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Net assets. Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of

accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the CWC or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Restricted resources are used first to fund appropriation.

2. Budget and budgetary accounting:

The CWC uses the following procedures to establish, modify, and control budgetary data:

1. Prior to April 15, each year, the Program Administrator submits to the Nevada State Department of taxation the tentative budget for the next fiscal year, commencing on July 1. The budget, as submitted, contains the proposed expenses and means of financing them.

2. The Nevada State Department of Taxation notifies the Program Administrator of its acceptance of the budget.

3. Public hearings are conducted on the third Thursday in May.

4. After all changes have been noted and hearings closed, the Board of Trustees, by unanimous consent, adopts the budget on or before June 1.

5. Increases (augmentations) to the budget must be approved by the Board of Trustees during a public meeting. The letter to the Department of Taxation must be filed prior to fiscal year end and must explain from where the additional revenue to cover the increase in budget expenditures will be derived.

6. Statutory regulations require budget controls to be exercised at the function level.

7. All appropriations lapse at the end of the fiscal year (June 30).

8. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States (GAAP).

3. Cash.

At June 30, 2005, the carrying amount of the CWC's cash deposits in bank was \$2,350,097, and the bank balance was \$2,780,430.

**CLEAN WATER COALITION
 NOTES TO THE FINANCIAL STATEMENTS (Continued)
 YEARS ENDED JUNE 30, 2005 AND 2004**

4. Related party transactions.

The CWC's sources of capital contributions, which are considered to be non-exchange transactions, are assessments billed to the member agencies on an as needed basis to fund capital expenditures. As of June 30, 2005, the percentage allocations for each member agency are: Clark County Water Reclamation District - 46%, City of Las Vegas - 40%, and City of Henderson - 14%. These percentages are based on the approximate amount of waste each agency has historically processed.

As of June 30, 2005, due from members for unpaid capital contributions was \$389,856. Based on the interlocal agreement, all agencies must pay amounts due to the CWC on a timely basis. If a member fails to pay, the other members must cover the cost and commence legal action to collect from the delinquent agency.

Professional services include legal, accounting and management related services contracted through member agencies in the amount of \$441,326.

5. Commitments and contingencies:

Commitments. The CWC has multiple contracts totaling \$18,417,387 with several consultants to assist with its System Conveyance and Operations Program (SCOP). Costs incurred under the contract are capitalized as construction in process until the completion of the contract. As of June 30, 2005, \$17,218,955 in contract costs has been capitalized. The project is estimated to cost in excess of \$800,000,000 and be completed in the 2013.

Lease commitments. Effective July 2003, The CWC is party to an office space lease expiring in October 2006, with monthly lease payments increasing by 3% in the second and third year aggregating annually as follows:

<u>Year ending June 30.</u>	
2006	\$ 38,679
2007	<u>12,988</u>
	<u>\$ 51,667</u>

CLEAN WATER COALITION
SCHEDULE OF CAPITAL CONTRIBUTIONS AND EXPENSES COMPARED TO BUDGET
YEAR ENDED JUNE 30, 2005

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating expenses			
Professional services	\$ 517,000	\$ 441,325	\$ (75,675)
Office and rent	49,000	47,127	(1,873)
Utilities	13,800	10,746	(3,054)
Other	27,700	13,313	(14,387)
Depreciation		7,524	7,524
	<u>607,500</u>	<u>520,035</u>	<u>(87,465)</u>
 Loss from operations	 (607,500)	 (520,035)	 87,465
 Nonoperating income			
Unrestricted investment earnings		1,373	1,373
 Loss before capital contributions	 (607,500)	 (518,662)	 88,838
Capital contributions	<u>9,536,500</u>	<u>4,768,250</u>	<u>(4,768,250)</u>
 Change in net assets	 <u>\$ 8,929,000</u>	 <u>\$ 4,249,588</u>	 <u>\$ (4,679,412)</u>

