Silver State Energy Association

Annual Financial Report
For the Years Ended June 30, 2021 and 2020

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

Silver State Energy Association

Annual Financial Report
For the Years Ended June 30, 2021 and 2020

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Introductory Section

silver state energy association

P.O. Box 99956, MS 115
Las Vegas, NV 89193-9956

June 20, 2022

To the Board of Directors
Silver State Energy Association
Las Vegas, Nevada

We are pleased to present the Annual Financial Report (AFR) of the Silver State Energy Association (the SSEA) for the fiscal years ended June 30, 2021 and 2020. The AFR was prepared in conformance with accounting principles generally accepted in the United States of America (GAAP).

The SSEA's management is responsible for the completeness and reliability of the financial information presented in this report. To provide reasonable assurance of the proper recording of transactions, management has established and maintains a system of internal accounting and other controls. The concept of reasonable assurance recognizes the cost of internal controls should not exceed the benefits derived. Where necessary, the basic financial statements include amounts based upon management's best estimates and judgments.

The SSEA Cooperative Agreement requires an annual audit of the basic financial statements of the SSEA. BDO USA, LLP, a firm of licensed certified public accountants, has audited the SSEA's basic financial statements as of and for the years ended June 30, 2021 and 2020. The objective of the independent audit was to provide reasonable assurance that the basic financial statements of the SSEA are free of material misstatement. An independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded there was a reasonable basis for rendering an unmodified ("clean") opinion that the SSEA's basic financial statements for the fiscal years ended June 30, 2021 and 2020, are fairly presented in all material respects in conformity with GAAP.

Management's Discussion and Analysis (MD&A) provides a narrative introduction, overview and analysis of the basic financial statements. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

The Reporting Entity and its Services

The SSEA is a joint powers agency comprised of public agencies that are authorized by law to engage in certain activities associated with the acquisition and disposition of electric power to meet their own needs and those of their customers. The SSEA was created under Nevada Revised Statutes (NRS) Chapter 277, *Cooperative Agreements: States, Counties, Cities, Districts and other Public Agencies*, and is a political subdivision of the State of Nevada (the State or Nevada) and was established on August 1, 2007. The SSEA is governed by a Cooperative Agreement among its five members, each member with an appointed Board representative, which include:

The Southern Nevada Water Authority, a political subdivision of the State charged with managing the region's water resources.

The City of Boulder City, Nevada a municipal corporation of the State since 1960. The Boulder City municipal electric utility serves the portion of the incorporated area of the City that is populated.

Overton Power District No. 5, a not-for-profit general improvement district created in 1935 by the State. The District's service area encompasses the northeast quadrant of Clark County, Nevada, which includes the City of Mesquite and the unincorporated towns of Bunkerville, Glendale, Logandale, Moapa and Overton

Lincoln County Power District No. 1, a not-for-profit general improvement district created in 1935 by the State. The District's service area encompasses most of Lincoln County, Nevada and a portion of Clark County, Nevada known as the Coyote Springs LLC.

The Colorado River Commission of Nevada, an executive agency of the State responsible for acquiring and managing Nevada's share of water and hydropower resources from the Colorado River.

Operations and Budgets

The operations of the SSEA are broken down into projects, each with specific member participants, project scope, objectives, budgets and timelines. Each member has determined if and to what degree they wish to participate in each of the three existing Project Service Agreements (PSAs). As required by the Cooperative Agreement, an Administrative and General (A&G) Expense budget is approved by the Board on or before June 1 of each year. Additionally, the Board approves specific budgets for each of the capital projects and periodically reviews expenditures to date for those projects.

Management and Staffing

The SSEA has no employees. Necessary staff is provided by two of the member agencies: the Colorado River Commission (CRC) and the Southern Nevada Water Authority (SNWA). Currently, the Board appointed SSEA manager is also the Director of Energy Management for the SNWA. Personnel supporting the trading, analysis, accounting, project management and administrative functions are balanced between CRC and SNWA employees.

Factors Affecting Financial Condition

<u>Relevant Financial Policies</u>

In accordance with the SSEA Cooperative Agreement, two working capital bank accounts have been established, one of which is interest bearing. The amount of working capital is set by the Agreement at 3 months of budgeted expenses. If any member's working capital account is in excess of the minimum required 3 months expenses, the SSEA Manager may suspend billings to the member until the amount of the member's working capital is reduced to an amount equal to the member's required share.

On an annual basis, any fiscal year-end working capital balance will be applied to the following year's working capital needs. If excess working capital remains after it has been applied to the following year's working capital needs, it will be refunded, including interest, upon request by the member.

Long-term Financial Planning

To date, the SSEA has not engaged in documented long-term financial planning. Potential future drivers of major funding requirements have been identified, but have not received preliminary evaluation, such as if the SSEA would be called upon to fund energy facilities on behalf of its members. Potential funding sources, including the possibility of the SSEA issuing debt as well as the requisites to successfully issuing the debt, have not been evaluated.

Major Initiatives

The SSEA is engaged on behalf of its members on several major energy fronts, which are best addressed by focusing on each of the specific PSAs currently in place.

Project Service Agreement #1: *Joint Generation Resource Planning and Evaluation*. This project involves the joint exploration, research, investigation, review, evaluation and feasibility of implementing, operating and maintaining electric generation projects and such other projects, whether physical or financial, designed to meet the future power needs of member participants. Of the original $1 million project budget, only $10,000 has been expended and there are currently no active energy targets being sought.

Project Services Agreement #2: *Eastern Nevada Transmission Project Development Agreement*. This project involves the joint exploration, research, investigation, review, and evaluation of the feasibility of constructing 230-kilovolt high voltage transmission lines and related facilities to allow the interconnection of the participant member electrical systems with the Mead Substation in Nevada. This project was replaced in May of 2014 with PSA #2A, a continuation of PSA #2, on a reduced scope with a five-year term and budget of $100,000. In early 2016, a project right-of-way was granted and the project is awaiting a decision by the members to move forward. PSA #2 was completed and terminated effective July 17, 2019.

Project Services Agreement #3: *Power Supply Management Services Agreement*. This project allows member participants to request that the SSEA provide various power supply management services in connection with the operation, scheduling or optimization to meet a project participant's needs. Fiscal year 2014 was the first full year during which the SSEA provided full service to two of its members, the City of Boulder City and the SNWA, as well as targeted power purchases and sales for other members, which could choose to become full-service members at any time.

Sincerely,

SILVER STATE ENERGY ASSOCIATION

By: Scott P. Krantz Dated: 6/20/2022
Scott P. Krantz, SSEA Manager

By: Michael L. Gonzales Dated: 06/20/2022
Michael L. Gonzales, Manager, Energy Accounting

Silver State Energy Association

Board of Directors, Members and SSEA Staff
For the Years Ended June 30, 2021 and 2020

Board of Directors

Robert Reese, Colorado River Commission of Nevada
Kevin Bethel, Southern Nevada Water Authority
Joseph Stubitz, City of Boulder City
Edward Wright, Lincoln County Power District No. 1
Jack Nelson, Overton Power District No. 5

Members

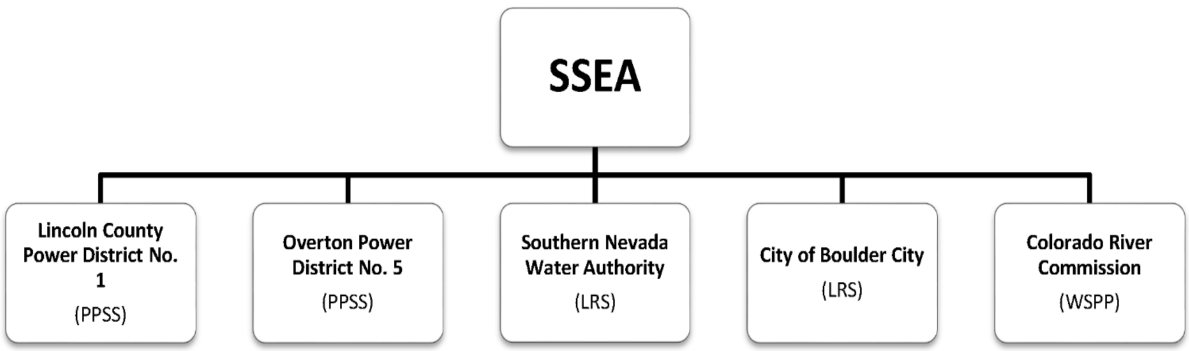
Colorado River Commission of Nevada
Southern Nevada Water Authority
City of Boulder City
Lincoln County Power District No. 1
Overton Power District No. 5

SSEA Staff

Scott P. Krantz, Manager

Silver State Energy Association

Organization Chart
For the Years Ended June 30, 2021 and 2020



Financial Section

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Independent Auditors' Report on Financial Statements and Supplementary Information

Board of Directors
Silver State Energy Association
Las Vegas, Nevada

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Silver State Energy Association ("SSEA" or the "Organization"), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2021 and 2020, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 14 through 19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2022 on our consideration of the Organization'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 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 Organization'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 SSEA's internal control over financial reporting and compliance.

BDO USA, LLP

Las Vegas, Nevada
June 20, 2022

Management’s Discussion and Analysis

We offer readers this narrative overview and analysis of the financial activities of the Silver State Energy Association (the SSEA) for the fiscal years ended June 30, 2021 and 2020. We encourage readers to consider the information presented here in conjunction with our audited basic financial statements and additional information furnished in our letter of transmittal accompanying this report.

Financial Highlights

In 2021 and 2020, the SSEA completed its eighth and seventh full year of providing Load Requirements Service for two of its members.

Power sales and assessments to members for the year ended 2021 were $28.8 million lower compared to 2020, as a result of decreased energy costs in 2021 compared to 2020.

Energy, measured in MWh, delivered to the SSEA members declined by 11.9% due to a reduction in members' energy requirements in 2021 and increased by 4.9% in 2020 due to an increase in members' energy requirements.

Financial Statement Overview

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the SSEA's basic financial statements. The SSEA's basic financial statements are comprised of proprietary (enterprise) fund financial statements and notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements.

Fund Financial Statements

A fund is a fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for specific activities or objectives. The SSEA maintains one type of fund, a proprietary fund.

A proprietary fund reports all of the SSEA's operations. The operations are reported similar to a private-sector business enterprise. There are three basic financial statements presented: 1) comparative statements of net position; 2) comparative statements of revenues, expenses and changes in net position; and 3) comparative statements of cash flows.

The comparative statements of net position present the SSEA's assets and liabilities, with the difference reported as "net position." The comparative statements of revenues, expenses and changes in net position outline how the SSEA's net position has changed over time. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.

The primary purpose of the statements of cash flows is to provide relevant information about the SSEA's cash receipts and cash payments; these are segregated among operating, capital and related financing, and investing activities.

The proprietary fund financial statements can be found in the "Basic Financial Statements" section of this report.

Notes to Basic Financial Statements

The notes provide additional information pertaining to the SSEA's operations and financial position and are considered to be an integral part of the financial statements.

The notes to the basic financial statements can also be found in the "Basic Financial Statements" section of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report includes other supplementary information describing the SSEA's member participation in various projects.

The other supplementary information can be found immediately following the "Basic Financial Statements" section of this report.

Proprietary Fund Financial Analysis

Member Investment in Capitalized Project Costs
June 30, 2021 and 2020

	2021	2020
Southern Nevada Water Authority	$ 181,666	$ 181,666
City of Boulder City	4,325	4,325
Lincoln County Power District No. 1	64,881	64,881
Overton Power District No. 5	181,666	181,666
Total capitalized project costs	$ 432,538	$ 432,538

All of the SSEA's net position is in capital assets. Existing capital assets are the result of joint exploration, research, investigation, review and evaluation of the feasibility of constructing a 230-kilovolt high voltage transmission line to serve the needs of the SSEA's members.

Summary Statements of Net Position
June 30, 2021, 2020 and 2019

	2021	2020
ASSETS		
Current assets	$ 47,519,262	$ 22,357,422
Noncurrent assets	432,538	432,538
Total assets	47,951,800	22,789,960
Deferred Outflow of Resources	781,968	1,077,018
LIABILITIES		
Current liabilities	29,069,333	23,434,440
Deferred Inflow of Resources	19,231,897	-
NET POSITION	$ 432,538	$ 432,538

Cash at fiscal year-end 2021 decreased by $0.5 million from 2020 due to lags in invoicing from certain vendors for prepay items.

Accounts receivables increased from $0.4 million in 2020 to $1.3 million in 2021 reflecting a higher amount of power sales to non-members.

Accounts receivable from members decreased from $4.1 million in 2020 to $3.9 million in 2021 due to decreased energy market purchases.

Prepaid items increased from $9.1 million in 2020 to $13.4 million in 2021. The increase of $4.3 million from 2020 to 2021 reflects an increase in prepaid future energy costs and an increase in prepaid expenses.

Accounts payable increased from $3.8 million in 2020 to $4.2 million in 2021, representing amounts due for energy purchases and transmission and ancillary services.

Unearned revenue - advances from members increased from $14.3 million in 2020 to $24.8 million in 2021, primarily as a result of the increase in prepaid items in 2021.

Summary Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2021, 2020 and 2019

	2021	2020
Operating revenues	$ 44,291,557	$ 73,057,145
Operating expenses	51,295,662	62,879,586
Operating (loss) income	(7,004,105)	10,177,559
Nonoperating revenues	7,004,105	(10,177,559)
Change in net position	-	-
Net position, beginning of year	432,538	433,735
Return of member investment in capitalized project cost	-	1,197
Net position, end of year	$ 432,538	$ 432,538

Power sales and other assessments to members in 2021 decreased $28.8 million from 2020. Total operating expenses in 2021 decreased $11.6 million from 2020. The megawatt-hour sales declined from 1.5 million MWh in 2020 to 1.4 million MWh in 2021, a reduction of 4.9%, as Southern Nevada Water Authority purchases increased but were partially offset by a decrease of Colorado River Commission of Nevada and City of Boulder City purchases.

Annual Power Sales to Members (in MWh)
For the Year Ended June 30, 2021 and 2020

	2021	2020
Colorado River Commission of Nevada	-	185,898
Southern Nevada Water Authority	1,208,833	1,191,991
City of Boulder City	143,324	156,185
Lincoln County Power District No. 1	-	-
Overton Power District No. 5	-	-
Total power sales in MWh	1,352,157	1,534,074

Summary analysis for the year ended June 30, 2021

Member assessments for deferred projects had no significant activity as the Eastern Nevada

Transmission Project (ENTP) received full project right-of-way grant in early 2016. Project participants are evaluating options for further development of this project.

Investment income decreased slightly from $5,882 in 2020 to $4,004 in 2021 due to holding less cash in the interest-bearing account.

Net position remained at $432,538 in 2021, reflecting no additional project costs or a refund of project cost during the year. The entire net position consists of investment in the ENTP.

Summary analysis for the year ended June 30, 2020

Member assessments for deferred projects had no significant activity as the ENTP received full project right-of-way grant in early 2016. Project participants are evaluating options for further development of this project.

Investment income increased slightly to $5,882 in 2020 due to stable investment balances and returns at the financial institution.

Net position decreased slightly to $432,538 in 2020, reflecting a refund of project costs of $1,197 during the year. The entire net position consists of investment in the ENTP.

Economic Factors

Management's financial outlook remains optimistic. The economic environment has improved steadily over the past several years. However, the COVID-19 pandemic has had a significant economic impact on Southern Nevada's tourism concentrated economy which will take some time to recover. Management believes the SSEA is positioned to weather these difficult times. Management continues to monitor the local economy and the SSEA's financial position and actively take steps to ensure the SSEA's financial stability. One of the greatest challenges currently facing Southern Nevada continues to be the multi-year drought affecting the Colorado River Basin. The amount of water in Lake Mead has declined substantially since the year 2000. As of June 30, 2021, the lake level was 1,069 feet, which is 35 percent of capacity.

The improving economic trends are expected to positively impact the growth of the SSEA. Economic growth typically increases power demands, which are the primary driver of the SSEA members' electricity needs. The expected increase, driven by increased population, employment and tourism may be mitigated to some degree by the implementation of additional conservation measures and the installation of more energy efficient equipment.

Requests for Information

This financial report is designed to provide a general overview of the SSEA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Silver State Energy Association
Manager, Energy Accounting
100 City Parkway
Suite 700, MS 115
Las Vegas, NV 89106

This report is also available on the SSEA website:

http://www.silverstateenergy.org/

Basic Financial Statements

Silver State Energy Association

Proprietary Fund
Statement of Net Position
For the Years Ended June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash	$ 8,309,784	$ 8,775,714
Accounts Receivable	1,342,905	393,985
Accounts receivable, members	3,918,309	4,062,095
Prepaid items	13,425,721	9,125,628
Other current assets	2,072,614	-
Hedged assets	18,449,929	-
Total current assets	47,519,262	22,357,422
Noncurrent assets		
Capital assets, net of accumulated depreciation and amortization:		
Capitalized project costs	432,538	432,538
Total assets	47,951,800	22,789,960
Deferred outflow of resources	781,968	1,077,018
LIABILITIES		
Current liabilities		
Accounts payable	4,235,049	3,827,746
Unearned revenue - advances from members	24,834,284	14,319,693
Other current liabilities	-	4,209,983
Hedged liabilities	-	1,077,018
Total liabilities	29,069,333	23,434,440
Deferred inflow of resources	19,231,897	-
NET POSITION		
Net investment in capital assets	$ 432,538	$ 432,538

See accompanying notes to financial statements.

Silver State Energy Association

Proprietary Fund
Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2021 and 2020

	2021	2020
OPERATING REVENUES		
Power sales and member assessments	$ 44,291,557	$ 73,057,145
OPERATING EXPENSES		
Administrative and general	625,760	424,704
Outside services	1,811,386	2,057,842
Power purchases and related expenses	48,858,516	60,397,040
Total operating expenses	51,295,662	62,879,586
Operating (loss) income	(7,004,105)	10,177,559
NONOPERATING REVENUES (EXPENSES)		
Investment income	4,004	5,882
Gain/(loss) on non-hedges	7,000,101	(10,183,441)
Total nonoperating revenues (expenses)	7,004,105	(10,177,559)
CHANGE IN NET POSITION	-	-
NET POSITION, BEGINNING OF YEAR	432,538	433,735
Return of member investment in capitalized project costs	-	(1,197)
NET POSITION, END OF YEAR	$ 432,538	$ 432,538

See accompanying notes to financial statements.

Silver State Energy Association

Proprietary Fund
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from power sales and member assessments	**$ 61,954,039**	$ 51,583,143
Cash payments for goods and services	**(56,137,372)**	(58,533,344)
Net cash provided by operating activities	**5,816,667**	(6,950,201)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in fair value of non-hedges	**(6,282,597)**	1,546,533
NET DECREASE IN CASH	**(465,930)**	(5,403,668)
CASH, BEGINNING OF YEAR	**8,775,714**	14,179,382
CASH, END OF YEAR	**$ 8,309,784**	$ 8,775,714
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating loss (Income)	$ -	$ -
Adjustments to reconcile operating loss to net cash provided by operating activities		
(Increase) decrease in operating assets		
Accounts receivable	**(948,920)**	23,052
Accounts receivable, members	**143,786**	1,053,318
Prepaid items	**(4,300,093)**	4,879,757
Hedged assets	**(18,449,929)**	-
Deferred outflow	**295,050**	(1,077,018)
Increase (decrease) in operating liabilities		
Accounts payable	**407,303**	(556,567)
Unearned revenue - advances from members	**10,514,591**	(12,349,761)
Hedged liabilities	**(1,077,018)**	-
Deferred inflow	**19,231,897**	1,077,018
Total adjustments	**5,816,667**	(6,950,201)
Net cash provided by operating activities	**$ 5,816,667**	$ (6,950,201)

1. Summary of Significant Accounting Policies

The financial statements of the Silver State Energy Association (the SSEA) have been prepared in conformity with accounting principles generally accepted in the United States as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Under the provisions of Chapter 277 of the Nevada Revised Statutes (NRS), 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 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. The SSEA is a political subdivision of the State of Nevada (the State or Nevada) and was established August 1, 2007, through a cooperative agreement pursuant to the Interlocal Cooperation Act.

The SSEA was established as a joint venture through an interlocal agreement among the member agencies (Members) consisting of the City of Boulder City, the Colorado River Commission of Nevada (CRC), Lincoln County Power District No. 1, Overton Power District No. 5 and the Southern Nevada Water Authority (SNWA). SNWA provides commodity services for the following entities, among others: the City of Henderson, the City of Las Vegas, the City of North Las Vegas, the Clark County Water Reclamation District and the Las Vegas Valley Water District.

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 (the Board) 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.

GASB defines the reporting entity as the primary government and those component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the organization's governing board and either the ability of the primary government to impose its will on the organization or the possibility that the organization will provide a financial benefit to or impose a financial burden on the primary government. In addition to financial accountability, component units can be other organizations in which the economic resources received or held by that organization are entirely or almost entirely for the direct benefit of the primary government, the primary government is entitled to or has the ability to otherwise access a majority of the economic resources received or held by that organization and the resources to which the primary government is entitled or has the ability to otherwise access are significant to the primary government.

The SSEA has examined its position relative to its Members and determined that there are no requirements that would cause the basic financial statements of the SSEA to be included in the Members' or any other entities' financial reports. In addition, no entities were determined to be component units of the SSEA.

Basic Financial Statements

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) applicable to government units as prescribed by GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The SSEA is not subject to rate regulation by federal or state utility regulatory bodies such as the Federal Energy Regulatory Commission (FERC) or the Public Utilities Commission of Nevada.

The SSEA is accounted for as an enterprise fund, which is a proprietary fund type. Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods and services to customers on a continual basis be financed primarily through user charges.

The financial statements include statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Proprietary (Enterprise) Fund Financial Statements

The 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.

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 the proprietary fund's principal ongoing operations. The principal operating revenues of the SSEA are power sales and member assessments (charges for services). Operating expenses include administrative and general expenses, outside services and the cost of purchased power and related expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets and Liabilities

Receivables, Payables and Unearned Revenues

Amounts due from Members and others are recorded at net realizable value and consist of amounts due for administrative and general expenses and project costs. It is the SSEA's policy to write off uncollectible receivables based on a case-by-case evaluation of facts and circumstances. No allowance for uncollectable amounts receivable has been established since management does not anticipate any material collection loss in respect to delinquent accounts.

In accordance with the cooperative agreement, revenues from Member assessments are recorded when general and administrative expenses and project costs are incurred. Unearned revenues - advances from Members represent any amounts received from Members in excess of incurred expenses and costs.

Prepaid Items

Prepaid items at year end primarily consist of payments related to the SSEA's commitments related to future power purchases (Note 4).

Capital Assets (Capitalized Project Costs)

Consistent with industry standards and GAAP, the expenditures for preliminary surveys, plans, investigations, etc. made for the purpose of determining the feasibility of utility projects under contemplation are held in a capitalized account in accordance with the provisions of FERC. If the project continues to completion, these amounts would be capitalized to property and equipment. If the project is abandoned, they would be charged to expense at that time.

Derivatives

To provide electrical energy at a known and budgeted cost, SSEA actively manages a portfolio of energy resources and adheres to a strict set of energy risk management procedures established to fulfill the Energy Risk Management Policy adopted by the Board. The portfolio is composed of forward electricity contracts as well as electricity and natural gas financial contracts that exist solely for the purpose of serving the SSEA’s projected energy requirements over the next five years.

The forward electricity contracts are considered to be “normal purchases and sales contracts” and, therefore, they are considered to be outside the scope of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*.

As of June 30, 2021 and 2020, prepaid items related to future purchases of power were $13,425,721 and $9,125,628, respectively.

SSEA accounts for derivative instruments, including electricity and natural gas financial contracts using GASB 53. This Statement requires that SSEA report its derivative instruments at fair value. Changes in fair value for effective hedges are to be reported as deferred inflows and outflows of resources on the Statements of Net Position. Changes in fair value of derivative instruments not meeting the criteria for an effective hedge, or that are associated with investments are to be reported in the non-operating revenues section of the Statements of Revenues, Expenses and Changes in Net Position.

See Note 6 for further discussion related to the electricity and natural gas financial contracts.

Net Position

In the proprietary fund financial statements, net position is reported as net investment in capital assets, restricted, or unrestricted. Net position is reported as restricted when constraints placed on it are either imposed by external parties (such as creditors, grantors, contributors or other governments) or imposed by law through a constitutional provision or enabling legislation.

Prioritization and Use of Available Resources

When both restricted resources and other resources can be used for the same purposes, it is the SSEA's policy to use restricted resources first.

Use of Estimates

Timely preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts. Accordingly, these estimates may require revision in future periods.

Immaterial Adjustment - Derivative Instruments

SSEA has determined that electricity and natural gas financial contracts previously reported as normal purchases and sales contracts should be recognized as derivative instruments. This resulted in an immaterial adjustment to beginning balances as of July 1, 2019, related to hedged liabilities and unearned revenue – advances from members, which had no impact on opening net position. The impact of the adjustment is shown in the following table:

Statement of Net Position			
July 1, 2019	**As Previously Reported**	**Adjustment**	**As Adjusted**
Liabilities			
Hedged liabilities	$ -	$ 2,663,450	$ 2,663,450
Unearned revenue - advances from members	$ 29,332,904	$ (2,663,450)	$ 26,669,454

2. Stewardship and Accountability

Budgetary Information

The SSEA manager prepares a tentative budget for administrative and general expenses for each fiscal year on or before April 15th with the final budget being adopted by the Board on or before June 1st of each year. The SSEA administrative and general expenses incurred during any fiscal year may not exceed the budgeted level authorized by the Board. This budget may be amended by the Board as necessary.

Budgets for each project are established consistent with the requirements of each PSA.

3. New Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements, effective for periods beginning after June 15, 2022. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users and requires recognition of right to use assets and corresponding liabilities for SBITA's that meet certain criteria. Management has not yet completed its assessment of this statement.

Management has completed its assessment of all other new, but not yet effective GASB statements and determined that they will not have a material effect on the Organization's financial position or changes therein.

4. Capital Assets (Capitalized Project Costs)

For the year ended June 30, 2021, capital asset activities were as follows:

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
Business-type activities				
Capital assets not being depreciated or amortized	$ 432,538	-	-	$ 432,538
Capitalized project costs	$ 432,538	-	-	$ 432,538

For the year ended June 30, 2020, capital asset activities were as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Business-type activities				
Capital assets not being depreciated or amortized	$ 433,735	-	(1,197)	$ 432,538
Capitalized project costs	$ 433,735	-	(1,197)	$ 432,538

5. Project Service Agreements

Except for CRC, each Member is required to execute one or more PSAs with the SSEA within two years from the date the Member becomes a signatory to the cooperative agreement and within two years from the date when all PSAs to which the Member is a signatory are no longer effective.

On November 7, 2007, the Board approved PSA No. 1, Joint Generation Resource Planning and Evaluation (PSA #1). The project participants include the City of Boulder City, Overton Power District No. 5, Lincoln County Power District No. 1 and SNWA.

PSA #1 involves the joint exploration, research, investigation, review, evaluation and feasibility of implementing, operating and maintaining electric generation projects and such other projects, whether physical or financial, that may be designed to meet the future power needs of the project participants.

The project consists of three phases. The first two phases have been completed. The third phase, which had been put on hold by the members, was reinitiated in 2012 for the purpose of determining the feasibility of the SSEA obtaining an allocation of federal hydropower through Western Area Power Administration or CRC.

The project term was November 7, 2007, through December 31, 2010, with provisions to continue from year-to-year thereafter. The project budget is $1,000,000. Since this is an activity intended to identify projects for future development by the SSEA and not a particular contemplated project, intended to result in the development of capital assets under GAAP and FERC provisions, the related costs are not capitalized, but are recorded as period costs when incurred.

On June 11, 2008, the Board approved PSA No. 2, Eastern Nevada Transmission Project (PSA #2). The project participants are the City of Boulder City, Overton Power District No. 5, Lincoln County Power District No. 1 and SNWA.

PSA #2 involves the joint exploration, research, investigation, review and evaluation of the feasibility of constructing 230kV high voltage electrical transmission lines and related facilities to allow the interconnection of the participant electrical systems with the Mead Substation in Southern Nevada. Work performed under this agreement includes siting, permitting and preliminary design of the proposed transmission lines, of which $396,551 has been recorded as capitalized project costs under the provisions of GAAP and FERC.

The original project term was June 11, 2008, through June 11, 2011, unless terminated earlier by the project participants. PSA #2 was amended on February 28, 2011, to extend its term for an additional three years. The project budget was $2,600,000.

On July 17, 2014, the Board approved PSA No. 2A, Eastern Nevada Transmission Project (PSA #2A). The project participants are the City of Boulder City, Overton Power District No. 5, Lincoln County Power District No. 1 and SNWA. PSA #2A supersedes PSA #2, which concluded in June 2014.

PSA #2A is a continuation of the project commenced under PSA #2, but with a reduced scope of work and a reduced budget of $100,000, of which $37,184 has been recorded as capitalized project costs under the provisions of GAAP and FERC. The project term is for five years commencing on July 17, 2014.

On November 10, 2009, the Board approved PSA No. 3, Power Supply Management Services Agreement (PSA #3). The project participants are the City of Boulder City, Lincoln County Power District No. 1, Overton Power District No. 5 and SNWA.

PSA #3 allows the project participants to request that the SSEA provide various power supply management services in connection with the operation, scheduling, hedging or optimization of a project participant's resources or in furtherance of meeting the power supply needs of a project participant. There are two service schedules offered under PSA #3: 1) Load Requirements Service (LRS), which includes full commodity management, and 2) Power Purchase and Sale Service (PPSS), which enables the project participant to buy and sell specifically requested products with the SSEA.

The project term is November 10, 2009, to termination of the cooperative agreement. The project budget is to be developed as service is initiated by project participants. Since this is an activity intended to provide ongoing services to the participants and not a particular contemplated project that is intended to result in the development of capital assets, under GAAP and FERC provisions, the related costs are not capitalized, but are recorded as period costs when incurred.

Under the provisions of service schedule LRS of PSA #3, the SSEA has been delivering energy to the City of Boulder City since June 1, 2011, and to SNWA since April 1, 2013. Overton Power District No. 5 and Lincoln County Power District No. 1 entered into service schedule PPSS under PSA #3 on September 1, 2011 and October 1, 2011, respectively.

6. Other Information

Derivatives

Certain of SSEA’s forward electricity and natural gas contracts are settled by a cash payment that is equal to the differential between the contract price and the settlement price (financially settled).

Financially settled forward electricity and natural gas contracts are derivative instruments as defined by GASB 53. SSEA has entered into hedging transactions in the natural gas and electricity energy markets.

SSEA is required to test its derivative transactions for hedge effectiveness as of the reporting date as defined by GASB 53. SSEA’s outstanding electricity financial contracts at June 30, 2021 and 2020 have been determined by management to be effective, while the natural gas financial contracts do not meet the hedge effectiveness criteria. Accordingly, changes in fair value of electricity financial contracts are reported as deferred inflows and outflows of resources on the Statements of Net Position, while changes in fair value of natural gas financial contracts are reported in the non-operating section of the Statements of Revenues, Expenses and Changes in Net Position.

The fair market value for each of SSEA's derivative transactions have been determined by computing the difference between the contractual forward price and the published forward price at the respective energy market's settlement point(s) at market closing as of June 30, 2021 and 2020. All of the derivative transactions are settled and are valued at either the Henry Hub or the Palo Verde Hub, which are settlement hubs in the natural gas and electricity energy markets, respectively.

Electricity financial contracts - As of June 30, 2021, SSEA has recorded hedged assets of \$18.4 million, deferred inflow of \$19.2 million and deferred outflow of \$0.8 million. As of June 30, 2020, SSEA has recorded hedged liabilities of approximately \$1.1 million, deferred inflow of \$0, and deferred outflow of \$1.1 million.

The following tables provide information related to SSEA's outstanding electricity financial contracts as of June 30, 2021 and 2020 (in thousands).

June 30, 2021

Business-type Activities	Trade Date Range	Duration	Notional Amount (MWhs)	Change in Fair value	Ending Fair Value Classification	Ending Fair Value Amount
Fair value Hedges						
Power Fixed for Index						
Unrealized	03/05/2020 – 03/25/2021	07/01/2021 – 12/31/2024	1,241,800	$ 19,231,897	Hedged Asset	$ 18,449,929
	Total		1,241,800			$ 18,449,929

June 30, 2020

Business-type Activities	Trade Date Range	Duration	Notional Amount (MWhs)	Change in Fair value	Ending Fair Value Classification	Ending Fair Value Amount
Fair value Hedges						
Power Fixed for Index						
Unrealized	03/05/2020 – 04/07/2020	07/01/2021 – 12/31/2024	769,200	$ (1,077,018)	Hedged Liabilities	$ (1,077,018)
	Total		769,200			$ (1,077,018)

Natural gas financial contracts – During the year ended June 30, 2021, SSEA has recorded non-operating gain of approximately $7.0 million. During the year ended June 30, 2020, SSEA has recorded non-operating loss of approximately $10.2 million.

The following tables provide information related to SSEA's outstanding natural gas financial contracts as of June 30, 2021 and 2020 (in thousands).

June 30, 2021

Business-type Activities	Trade Date Range	Duration	Notional Amount (MWhs)	Change in Fair value	Ending Fair Value Classification	Ending Fair Value Amount
Investment Derivative						
Gas Fixed for Index Unrealized	01/09/2017 – 06/15/2021	07/01/2021 – 12/31/2025	7,155,000	$ 3,593,938	Other Current Assets	$ 2,072,614
	Total		7,155,000			$ 2,072,614

June 30, 2020

Business-type Activities	Trade Date Range	Duration	Notional Amount (MWhs)	Change in Fair value	Ending Fair Value Classification	Ending Fair Value Amount
Investment Derivative						
Gas Fixed for Index Unrealized	12/28/2015 – 6/22/2020	07/01/2020 – 12/31/2024	13,552,500	$ (1,546,533)	Other Current Liabilities	$ (4,209,983)
	Total		13,552,500			$ (4,209,983)

Credit Risk - All of SSEA's derivative transactions were transacted on exchanges. Exchanges are designed to avoid contract defaults and credit risk. Exchanges utilize clearing houses to guarantee the performance of each market participant for each transaction. The clearing house requires every market participant to deposit funds into a margin account. There is a required deposit for a percent of the nominal value of outstanding contracts and a deposit to reflect each market participant's daily gain or loss in the market. These funds are held by the clearing house and available to settle any defaults by market participants, thus mitigating credit risk related to SSEA's outstanding financially settled forward contracts.

Basis Risk – SSEA is exposed to basis risk on its electricity derivative transactions because the pricing point of the hedging instrument is different than that of the physical electricity location SSEA is hedging. A hedge effectiveness test was performed as required by GASB 53 and the hedges were determined to be "effective" for the periods ended June 30, 2021 and 2020.

Termination Risk - SSEA is exposed to termination risk on its derivative transactions because a counterparty may fail to perform under the terms of one or more contracts resulting in the termination of the contract with that counterparty. SSEA's termination risk is mitigated for those forward contracts transacted on the Exchanges.

Commitments

In relation to the aforementioned forward energy contracts, the SSEA had commitments at June 30, 2021 and 2020, to sell energy in the amounts of $85,580,500 and $70,013,446, respectively, (net of commitments to purchase energy). The SSEA intends to enter into additional energy supply contracts in the future as the delivery period for the committed sales nears.

Litigation

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

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

Risk Management

The SSEA often carries cash on deposit with a financial institution in excess of federally insured limits. The financial institution pledges sufficient collateral (AAA rated instruments) with the Nevada State Treasurer for all amounts that exceed the applicable FDIC insurance.

7. Subsequent Event

Management has performed a search for, and determined there were no events subsequent to June 30, 2021, requiring accounting recognition or disclosure through June 20, 2022, the date the accompanying financial statements were available for issuance.

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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*

Board of Directors
Silver State Energy Association
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 Silver State Energy Association ("SSEA" or the "Organization"), which comprise the statement of financial position as of June 30, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SSEA internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiency in internal control that we consider to be material weakness.

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 Organization's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item, 2020-001 to be a material weakness

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. Given the limitation above, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. However, significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-001.

Organization's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

BDO USA, LLP

Las Vegas, Nevada
June 20, 2022

Financial Statements Finding – Material Weakness in Internal Control Over Financial Reporting

Criteria	Government financial statements are required to be prepared in accordance with accounting principles generally accepted in the United States (GAAP), free of material misstatements, and management is required to establish appropriate cost-effective internal controls that provide for reasonable assurance that such objectives are achieved, assuming satisfactory compliance.
Condition and context	As described in Note 1, prior to July 1, 2019, the Organization did not appropriately reflect the fair value and changes in fair value of certain derivative and hedging transactions, in accordance with Governmental Accounting Standards Board Statement (GASB) No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). The Organization has restated its opening amounts of hedged liabilities and unearned revenue - advances from members as of July 1, 2019 to properly account for these transactions.
Effect	Financial statements might not be prepared in accordance with GAAP and misstatements might not be identified and corrected timely.
Cause	The Organization did not properly assess the accounting for derivative and hedging transactions in accordance with GASB 53.
Recommendation	We recommend that the financial statements should be formally reviewed by the accounting team and manager to ensure GASB 53 and other complex standards are appropriately implemented.
View of Responsible Officials	Management informed us that the financial statements will be formally reviewed by the accounting team and manager to ensure GASB 53 and other complex standards are appropriately implemented.