



FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Directors and Members of the Board
Overton Power District No. 5
Overton, Nevada

We have audited the accompanying basic financial statements of Overton Power District #5 as of and for the years ended December 31, 2008 and 2007, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Overton Power District No. 5, as of December 31, 2008 and 2007 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 of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 6, 2009, on our consideration of the District'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, 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 should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hinton, Burdick, Hall & Spilker, PLLC
HINTON, BURDICK, HALL & SPILKER PLLC
March 6, 2009

OVERTON POWER DISTRICT #5

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Overton Power District #5, we offer readers of these financial statements a narrative overview and analysis of the financial activities of Overton Power District #5 for the fiscal years ended December 31, 2008 and 2007. Please read it in conjunction with the accompanying basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements of Overton Power District #5 (a business-type activity) consist of the following:

Statement of Net Assets – Presents information on all of Overton Power District #5's assets and liabilities, with the difference reported as "Total Net Assets." The total net assets, when viewed over time, will track Overton Power District #5's financial position.

Statement of Revenues, Expense, and Changes in Net Assets - Presents information regarding the change in Overton Power District #5's net assets during the year. Overton Power District #5 uses the accrual basis of accounting in which revenues and expenditures are recognized when earned and incurred. Thus, revenues and expenditures are reported in these statements for items that will affect future cash flows.

Statement of Cash Flows – Presents net cash flows for operating activities, investing activities, and capital and related financing activities. It also includes the net cash increase for the period, cash at the beginning of the period and cash at the end of the period.

Notes to the Financial Statements – Provide additional information that is essential to a full understanding of the financial statements, as described above, including significant accounting policies, commitments, obligations, risks, contingencies and other financial matters of the District.

FINANCIAL HIGHLIGHTS

- Total net assets increased by \$7,644,112 during 2008 to \$27,524,052 at December 31, 2008. Net asset increased by \$6,198,717 during 2007 to \$19,879,939 at December 31, 2007.
- Net utility plant increased by \$5,929,237 during 2008 to \$63,900,127 at December 31, 2008. Net utility plant increased by \$5,631,407 during 2007 to \$57,970,890.
- The District received contributions aid of construction from customers and contractors totaling \$2,788,456 in 2008 and \$1,772,576 in 2007.
- The District repaid \$2,105,535 in principal on long-term debt and issued new debt totaling \$15,996,654, increasing the total long term debt to \$61,234,119 at December 31, 2008.
- Operating income as a percentage of revenue increased from 15.82% in 2007 to 17.80% in 2008. Operating income as a percentage of revenue decreased from 26.17% in 2006 to 15.82% in 2007.

FINANCIAL ANALYSIS

Condensed financial information derived from the basic financial statements is presented below followed by a brief narrative on selected items.

	12/31/2008	12/31/2007	12/31/2006
Current Assets	\$ 10,917,121	\$ 15,985,093	\$ 15,876,317
Other Non-Current Assets	21,099,354	2,749,713	2,735,270
Net Utility Plant	63,900,127	57,970,890	52,339,483
Total Assets	<u>95,916,602</u>	<u>76,705,696</u>	<u>70,951,070</u>
Current Liabilities	10,438,558	12,585,466	9,926,848
Non-Current Liabilities	57,953,992	44,240,291	47,343,000
Total Liabilities	<u>68,392,550</u>	<u>56,825,757</u>	<u>57,269,848</u>
Net Assets:			
Invested in Utility Plant, Net of Related Debt	17,628,382	11,091,766	2,561,192
Restricted	1,514,442	-	-
Unrestricted	8,381,228	8,788,173	11,120,030
Total Net Assets	<u>\$ 27,524,052</u>	<u>\$ 19,879,939</u>	<u>\$ 13,681,222</u>

Statement of Revenues, Expenses and Changes in Net Assets (Condensed)

	12/31/2008	12/31/2007	12/31/2006
Total Operating Revenues	\$ 41,557,852	\$ 39,821,068	\$ 39,661,400
Total Operating Expenses	34,160,484	33,521,682	29,283,129
Operating Income/(Loss)	<u>7,397,368</u>	<u>6,299,386</u>	<u>10,378,271</u>
Non-Operating Revenues/(Expenses)	(2,541,711)	(1,873,245)	(2,038,713)
Contributions in Aid of Construction	2,788,456	1,772,576	3,150,802
Change in Net Assets	<u>\$ 7,644,113</u>	<u>\$ 6,198,717</u>	<u>\$ 11,490,360</u>

- Net Utility Plant increased by \$5,929,236. \$5,582,275 of that was in Underground Conductor and Devices and Line Transformers. Both of which can be directly related to growth.
- Non Current Liabilities increased by \$13,682,047 as a result of the issuance of new revenue bonds in conjunction with the repayment of Long Term Debt.

UTILITY PLANT AND DEBT ADMINISTRATION

Net Utility Plant

Net Utility plant of Overton Power District #5 are those assets that are used in performance of Overton Power District #5's functions including transmission plant, distribution plant and general plant which includes buildings, transportation equipment, communication equipment, power operating equipment and other equipment. At the end of 2008, net utility plant of the District totaled \$63,900,127. (See notes to the financial statements for detailed descriptions).

Debt

At December 31, 2008, the District had \$61,234,119 in long-term debt. (See notes to the financial statements for detailed descriptions.)

CURRENTLY KNOWN FACTS, DECISIONS, AND CONDITIONS

A description of currently known facts, decisions, and conditions that are expected to have a significant affect on future financial position or results of operations are as follows.

- None noted

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the Districts' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Terry Romero, Manager Finance & Accounting, P.O. Box 395, Overton, Nevada, 89040.

OVERTON POWER DISTRICT NO. 5
Statements of Net Assets
December 31, 2008 and 2007

Assets	2008	2007
Current Assets:		
Cash and cash equivalents	\$ 682,188	\$ 886,312
Temporary cash investments:		
Unrestricted	4,755,178	10,192,953
Accounts receivable - principally customer (less allowance for doubtful accounts of \$8,330 in 2007 and \$3,434 in 2008)	3,899,687	3,216,461
Materials and supplies	1,439,148	1,549,921
Prepayments and other assets	115,124	115,149
Note receivable - due within one year	25,796	24,297
Total Current Assets	10,917,121	15,985,093
Other Non-Current Assets		
Restricted cash, cash equivalents, and investments		
Revenue bond covenant accounts - cash and cash equivalents	2,932,094	-
Revenue bond covenant accounts - investments	14,207,371	-
Note receivable (less amount due within one year)	231,458	257,254
Investments in associated organizations	1,691,648	1,598,581
Feasibility study costs	1,281,780	430,002
Deferred charges	359,892	-
Unamortized loss on reacquired debt	395,111	463,876
Total Other Non-Current Assets	21,099,354	2,749,713
Utility Plant		
Electric plant in service	73,794,308	68,380,444
Under construction	5,295,968	2,903,879
Total	79,090,276	71,284,323
Less accumulated depreciation and amortization	(15,190,149)	(13,313,433)
Net Utility Plant	63,900,127	57,970,890
Total Assets	\$ 95,916,602	\$ 76,705,696

The accompanying notes are an integral part of the financial statements.

OVERTON POWER DISTRICT NO. 5
Statements of Net Assets, continued
December 31, 2008 and 2007

Liabilities and Net Assets	2008	2007
Current Liabilities:		
Accounts payable	\$ 2,793,000	\$ 2,877,697
Customer deposits	109,500	122,850
Accrued expenses	638,522	649,992
Long-term debt due within one year	3,280,127	3,102,709
Customer advances for construction	3,617,409	5,832,218
Total Current Liabilities	10,438,558	12,585,466
Non-Current Liabilities:		
Long-term debt, less amount due within one year	57,953,992	44,240,291
Total Non-current Liabilities	57,953,992	44,240,291
Net Assets		
Invested in utility plant, net of related debt	17,628,382	11,091,766
Restricted for:		
Debt service	1,514,442	-
Unrestricted	8,381,228	8,788,173
Total Net Assets	27,524,052	19,879,939
Total Liabilities and Net Assets	\$ 95,916,602	\$ 76,705,696

The accompanying notes are an integral part of the financial statements.

OVERTON POWER DISTRICT NO. 5
Statements of Revenues, Expenses, and Changes In Net Assets
For the Years Ended December 31, 2008 and 2007

	2008	2007
Operating Revenues	\$ 41,557,852	\$ 39,821,068
Operating Expenses		
Operation:		
Power purchased	26,861,991	27,002,939
Distribution - operation	577,143	335,030
Distribution - maintenance	1,184,537	1,055,384
Transmission - maintenance	455,931	363,528
Depreciation and amortization	1,934,875	1,652,694
General and administrative		
Customer accounts	895,841	941,315
Other	2,250,166	2,170,792
Total Operating Expenses	34,160,484	33,521,682
Operating Income / (Loss)	7,397,368	6,299,386
Non-Operating Revenues (Expenses)		
Interest income	166,689	536,739
Interest expense	(2,711,745)	(2,607,811)
Gain/(loss) on sale of assets	(238,112)	(29,926)
Amortization	(68,765)	(68,765)
Patronage capital credits CFC	310,222	296,518
Total Non-Operating Revenues (Expenses)	(2,541,711)	(1,873,245)
Income Before Contributions	4,855,657	4,426,141
Contributions in aid of construction - customers	2,328,493	1,212,630
Contributions in aid of construction - contractors	459,963	559,946
Change in Net Assets	7,644,113	6,198,717
Total Net Assets - Beginning of Year	19,879,939	13,681,222
Total Net Assets - End of Year	\$ 27,524,052	\$ 19,879,939

The accompanying notes are an integral part of the financial statements.

OVERTON POWER DISTRICT NO. 5
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows From Operating Activities:		
Cash received from customers	\$ 40,861,276	\$ 40,309,409
Cash paid to suppliers	(29,288,113)	(29,185,777)
Cash paid to employees	(2,922,865)	(2,671,028)
Cash Flows From Operating Activities	<u>8,650,298</u>	<u>8,452,604</u>
Cash Flows From Investing Activities:		
Additions to utility plant	(7,647,697)	(6,777,327)
Proceeds from the sale of utility plant assets	5,436	23,246
Collection of notes receivable	24,297	22,847
Investment earnings	166,689	536,739
Investment in feasibility study costs	(851,778)	(18,582)
Patronage capital credits	217,155	174,706
Cash Flows From Investing Activities	<u>(8,085,898)</u>	<u>(6,038,371)</u>
Cash Flows From Financing Activities:		
Proceeds from issuance of bonds	15,636,762	-
Repayment of principal on long-term debt	(2,105,535)	(2,935,005)
Interest paid	(2,711,745)	(2,607,811)
Contributions in aid of construction - customers	113,684	3,480,612
Cash Flows From Financing Activities	<u>10,933,166</u>	<u>(2,062,204)</u>
Net Change in Cash and Cash Equivalents	11,497,566	352,029
Cash and Cash Equivalents including Restricted Cash, Beginning of Year	<u>11,079,265</u>	<u>10,727,236</u>
Cash and Cash Equivalents including Restricted Cash, End of Year	<u>\$ 22,576,831</u>	<u>\$ 11,079,265</u>

The accompanying notes are an integral part of the financial statements.

OVERTON POWER DISTRICT NO. 5
Statements of Cash Flows, continued
For the Years Ended December 31, 2008 and 2007

Reconciliation of Operating Income / (Loss) to Net

Cash Flows from Operating Activities

Operating income / (loss)	\$ 7,397,368	\$ 6,299,386
Adjustments to reconcile operating income / (loss) to cash flows from operating activities		
Depreciation and amortization	1,934,875	1,652,694
Changes in assets and liabilities		
(Increase)/decrease in accounts receivable	(683,226)	489,516
(Increase)/decrease in materials and supplies	110,773	(222,675)
(Increase)/decrease in prepayments and other assets	25	(22,176)
Increase/(decrease) in accounts payable	(84,697)	189,800
Increase/(decrease) in accrued expenses	(11,470)	67,234
Increase/(decrease) in customer deposits	(13,350)	(1,175)
Cash Flows From Operating Activities	<u>\$ 8,650,298</u>	<u>\$ 8,452,604</u>

Supplemental Schedule of Interest Paid and Non Cash Investing and Financing Activities

Interest paid during the year amounted to \$2,711,745 in 2008 and \$2,607,811 in 2007.

In 2007, the District disposed of equipment costing \$226,487 less accumulated depreciation of \$173,314, net of sales proceeds of \$23,247, resulting in a non-cash loss of \$29,926.

In 2008, the District disposed of equipment costing \$364,634 less accumulated depreciation of \$121,086, net of sales proceeds of \$5,436, resulting in a non-cash loss of \$238,112.

In 2007 and 2008, the District received non-cash contributions of plant assets from contractors and developers totaling \$559,946 and \$459,963.

The accompanying notes are an integral part of the financial statements.

OVERTON POWER DISTRICT NO. 5
Notes to the Financial Statements
December 31, 2008

Note 1. Summary of Significant Accounting Policies

ORGANIZATION

Overton Power District No. 5 was organized in November of 1935 for the purpose of providing electric service to the rural areas of eastern Clark County, Nevada (the Muddy and Virgin River Valleys). The District's rates are determined by the Board of Directors, subject to certain restrictions.

BASIS OF ACCOUNTING AND PRESENTATION

The accounting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Accounting records are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission (FERC).

GASB Statement No. 20 requires that the District apply all GASB pronouncements as well as the pronouncements issued on or before November 30, 1989, by the Financial Accounting Standards Board (FASB) and its predecessor organizations, unless those pronouncements conflict with or contradict GASB pronouncements. As provided for in GASB Statement No. 20, the District has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

APPLICATION OF ACCOUNTING STANDARDS

Recognizing that the District is a governmental entity organized under Nevada Revised Statute 318, during 2007 the District adopted the accounting and financial reporting policies of the Governmental Accounting Standards Board which is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

As prescribed by GASB 34, management's discussion and analysis is included as required supplementary information.

UTILITY PLANT AND DEPRECIATION

Utility plant in service and under construction is stated at original cost. Cost includes labor, materials, and related indirect costs such as engineering, supervision, transportation, etc. The cost of units of property replaced or renewed, plus removal cost, less salvage, is charged to accumulated depreciation. Maintenance and repairs of utility property are charged to operation expenses.

OVERTON POWER DISTRICT NO. 5
Notes to the Financial Statements
December 31, 2008

Note 1. Summary of Significant Accounting Policies - Continued

The District provides for depreciation on the straight-line basis for all property over the estimated useful lives of the related assets as follows:

	Annual Percentage <u>Range</u>
Transmission Plant	2.75%
Distribution Plant	1.8 – 3.8%
General Plant:	
Buildings	2%
Transportation	15%
Communication	5%
Power Operated Equipment	11%
Other Equipment	4%

REVENUES

Revenues are recognized as customers are billed. The District accrues revenues for energy delivered from the billing date to the end of the accounting period.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 District are charges to customers for the sale of electricity provided by the system. Operating expenses for the District include the cost of purchasing power, administrative expenses, and depreciation on utility plant. All revenues and expenses not meeting this definition are reported as non-operating items.

MATERIALS AND SUPPLIES

Materials and supplies are stated generally at average cost which is not in excess of market.

TAXES ON INCOME

The District is a State entity authorized by Nevada Revised Statute 318 and is not required to pay federal income taxes.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, cash in banks, cash temporarily invested in certificates of deposit, money market accounts and open-end mutual funds, and cash restricted for debt service and construction.

OVERTON POWER DISTRICT NO. 5
Notes to the Financial Statements
December 31, 2008

Note 1. Summary of Significant Accounting Policies - Continued

DEPOSITS AND INVESTMENTS

It is the policy of the District to invest their funds not immediately needed for operating or other purposes in a manner that will provide the greatest investment return consistent with maintaining maximum security. All investments will conform to the provisions of the Nevada Revised Statutes (NRS) and any direction by the governing board.

Pursuant to NRS and the District's investment policy the District may only invest in the following types of securities:

- U.S. Treasuries
- U.S. Agencies
- Money Market Mutual Funds
- Negotiable and Non-Negotiable Certificates of Deposit
- Repurchase Agreements

The following securities although authorized by State Statute shall not be part of the investment program of the District:

- Commercial Paper
- Bankers Acceptances
- Corporate Notes or Bonds
- Collateralized Mortgage Obligations
- Asset Backed Securities

CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction are District-mandated customer connection charges used to fund construction of system properties necessary to extend service to a new customer. The payments are initially recorded as liabilities (customer advances for construction), then in accordance with GASB Statement 33, *Accounting and Financial Reporting for Non Exchange Transactions*, the revenues are reclassified to non-operating revenue (contribution in aid of construction-customers) when the associated facilities are constructed or acquired.

ESTIMATES

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

NET ASSETS

Net assets is the difference between assets and liabilities. Net assets invested in utility plant, net of related debt are utility plant assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors. When both restricted and unrestricted assets are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

OVERTON POWER DISTRICT NO. 5
Notes to the Financial Statements
December 31, 2008

Note 2. Deposits and Investments

Deposits and Investments

Deposits and investments of the District are governed by the Nevada Revised Statutes (NRS) except as described in Note 1. The following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial Credit Risk

For deposits, this is the risk that in the event of a bank failure, the District's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of December 31, 2008 and 2007, the District's deposits were insured up to \$100,000 and collateralized with securities held by the District's custodial bank in the District's name. As of December 31, 2008 and 2007, \$0 and \$0 of the District's bank balances of \$3,683,198 and \$767,043 were exposed to custodial credit risk because they were insured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments

The provisions of State law (NRS 355.170) govern the investment of public funds.

Temporary and restricted investments for the District consist of bond proceeds to be used for plant expansions, funds which are held in reserve in compliance with bond requirements, short term government securities, commercial paper and open-end mutual funds. All temporary and restricted investments are held in trust for the District and mutual funds are secured by U.S. Government securities or municipal bonds within the State of Nevada. The portion of temporary and restricted investments consisting of bond proceeds is restricted for plant expansion. Also the portion of temporary and restricted investments set aside for retirement of outstanding bonds is classified as restricted. All temporary and restricted investments are reported at fair value.

As of December 31, 2008 and 2007 the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Securities	\$18,962,548	\$18,962,548	\$ -	\$ -	\$ -
Total Fair Value	\$18,962,548	\$18,962,548	\$ -	\$ -	\$ -

OVERTON POWER DISTRICT NO. 5
Notes to the Financial Statements
December 31, 2008

Note 2. Deposits and Investments, continued

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
U.S. Government Securities	\$10,192,953	\$10,192,953	\$ -	\$ -	-
Total Fair Value	\$10,192,953	\$10,192,953	\$ -	\$ -	-

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (NRS 355.170).

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the provisions of State law (NRS 355.170).

At December 31, 2008 and 2007 the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
U.S. Government Securities	\$18,962,548	\$18,962,548	\$ -	\$ -	-
Total Fair Value	\$18,962,548	\$18,962,548	\$ -	\$ -	-

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
U.S. Government Securities	\$10,192,953	\$10,192,953	\$ -	\$ -	-
Total Fair Value	\$10,192,953	\$10,192,953	\$ -	\$ -	-

OVERTON POWER DISTRICT NO. 5
Notes to the Financial Statements
December 31, 2008

Note 3. Utility Plant

During the years ended December 31, 2008 and 2007, the following changes occurred in the District's utility plant:

	Balance at 12/31/07	Additions	Deletions	Balance at 12/31/08
Transmission Plant	14,645,927	1,711,029	-	16,356,956
Distribution Plant	47,318,697	3,720,523	(294,505)	50,744,715
General Plant	6,415,820	346,947	(70,130)	6,692,637
Under construction	2,903,879	7,222,455	(4,830,366)	5,295,968
Subtotal	<u>71,284,323</u>	<u>13,000,954</u>	<u>(5,195,001)</u>	<u>79,090,276</u>
Accumulated depreciation	<u>(13,313,433)</u>	<u>(1,934,875)</u>	<u>58,159</u>	<u>(15,190,149)</u>
Net Utility Plant Assets	<u>\$ 57,970,890</u>	<u>\$ 11,066,079</u>	<u>\$ (5,136,842)</u>	<u>\$ 63,900,127</u>

	Balance at 12/31/2006	Additions	Deletions	Balance at 12/31/2007
Transmission Plant	13,892,649	753,278	-	14,645,927
Distribution Plant	41,486,479	5,832,218	-	47,318,697
General Plant	6,013,575	617,017	(214,772)	6,415,820
Under construction	2,761,014	6,427,893	(6,285,028)	2,903,879
Subtotal	<u>64,153,717</u>	<u>13,630,406</u>	<u>(6,499,800)</u>	<u>71,284,323</u>
Accumulated depreciation	<u>(11,814,234)</u>	<u>(1,371,224)</u>	<u>(127,975)</u>	<u>(13,313,433)</u>
Net Utility Plant Assets	<u>\$ 52,339,483</u>	<u>\$ 12,259,182</u>	<u>\$ (6,627,775)</u>	<u>\$ 57,970,890</u>

OVERTON POWER DISTRICT NO. 5
Notes to the Financial Statements
December 31, 2008

Note 4. Investments in Associated Organizations

To join NRUCFC and establish eligibility to borrow, the District has executed an irrevocable agreement to subscribe for subscription certificates and loan certificates. The subscription certificates mature in 2085 and bear interest at 3% for the first fifteen years, 4% for the next seven years and 5% thereafter. The loan certificates mature and will be returned when the loans are paid off.

Investments in associated organizations consist of the following:

	2008	2007
NRUCFC Membership	\$ 1,000	\$ 1,000
NRUCFC Subscription Certificates	143,600	143,600
NRUCFC Loan Certificates	1,180,000	1,180,000
CFC Patronage Capital Certificates	367,048	273,981
	\$ 1,691,648	\$ 1,598,581

Note 5. Note Receivable

Note receivable consists of the following:

	2008	2007
Trust deed note dated December 1, 2001 receivable from Moapa Valley Water District in monthly installments of \$3,375 including interest at 6% through 2016.	\$ 257,254	\$ 281,551
Amount due within one year	(25,796)	(24,297)
Notes receivable, net of current portion	\$ 231,458	\$ 257,254

OVERTON POWER DISTRICT NO. 5
Notes to the Financial Statements
December 31, 2008

Note 6. Long-Term Debt

During the years ended December 31, 2008 and 2007, the following changes occurred in the District's long term debt:

	<u>Balance</u> <u>12/31/2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2008</u>	<u>Current</u> <u>Portion</u>
NRUCFC Loans Payable	\$ 47,343,000	\$ -	\$(2,105,535)	\$45,237,465	\$ 3,280,127
Series 2008 Special Revenue Bonds Payable	-	15,965,000	-	15,965,000	-
Bond premiums	-	31,654	-	31,654	-
Total Long-Term Debt	<u>\$ 47,343,000</u>	<u>\$ 15,996,654</u>	<u>\$(2,105,535)</u>	<u>\$ 61,234,119</u>	<u>\$ 3,280,127</u>
	<u>Balance</u> <u>12/31/2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2007</u>	<u>Current</u> <u>Portion</u>
NRUCFC Loans Payable	\$ 50,278,005	\$ -	\$(2,935,005)	\$47,343,000	\$ 3,102,709
NRUCFC Subordinate Certificates Payable	32,927	-	(32,927)	-	-
Series 2008 Special Revenue Bonds Payable	-	-	-	-	-
Total Long-Term Debt	<u>\$ 50,310,932</u>	<u>\$ -</u>	<u>\$(2,967,932)</u>	<u>\$ 47,343,000</u>	<u>\$ 3,102,709</u>

OVERTON POWER DISTRICT NO. 5
Notes to the Financial Statements
December 31, 2008

Note 6. Long-Term Debt - Continued

Long-term debt consists of the following:	2008	2007
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.95%, maturing September 30, 2020.	\$ 3,915,955	\$ 4,076,248
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.95%, maturing September 30, 2020.	3,915,955	4,076,248
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.95%, maturing September 30, 2020.	5,511,976	5,737,599
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.23%, maturing September 30, 2018.	5,314,273	5,567,144
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.33%, maturing September 30, 2018.	5,289,077	5,538,852
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.45%, maturing September 30, 2018.	5,285,176	5,527,876
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.85%, maturing September 30, 2018.	5,284,254	5,563,215
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.30%, maturing September 30, 2018.	5,330,296	5,602,345
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing September 30, 2018.	5,390,503	5,653,473
Special Obligation Revenue Bonds, Series 2008, due in annual principal and interest installments bearing interest at a rate ranging from 4.50% to 8.00%, maturing December 1, 2038.	15,965,000	-
Bond premiums on 2008 Special Obligation Revenue Bonds	31,654	-
Total long term debt	61,234,119	47,343,000
Less amounts due within one year	(3,280,127)	(3,102,709)
Long term debt, net of current portion	\$ 57,953,992	\$ 44,240,291

OVERTON POWER DISTRICT NO. 5
Notes to the Financial Statements
December 31, 2008

Note 6. Long-Term Debt - Continued

On December 29, 2003, the District borrowed \$59,000,000, from National Rural Utilities Cooperative Finance Corporation (NRUCFC) in the form of nine separate notes ranging from \$5,000,000 to \$7,000,000. The notes are payable quarterly with interest ranging from 4.0% to 5.95%. The notes mature on September 30, 2020. Under the terms of the NRUCFC notes, all assets of the District are pledged as security. Proceeds from these notes were used to retire outstanding Special Obligation Bonds and a legal settlement.

The District obtained a perpetual line of credit from NRUCFC in the amount of \$5,000,000. The line of credit currently bears interest at the prime rate plus 1% and renews each year for another twelve months unless either party terminates the agreement by providing written notice. The outstanding balance at December 31, 2008 and 2007 was \$-0- and \$-0- respectively.

To join NRUCFC and establish eligibility to borrow, the District has executed an irrevocable agreement to subscribe for subscription certificates and loan certificates. See Note 5. The subscription certificates will be paid for from patronage capital credits earned. The loan certificates will be paid for in eight quarterly payments of \$147,500, beginning March 31, 2004. The subscription obligations are non-interest bearing.

Maturities of long term debt are as follows:

Year Ended	2008		2007	
	Principal	Interest	Principal	Interest
2008	\$ -	\$ -	\$ 3,102,709	\$ 2,605,822
2009	3,280,127	3,596,381	3,280,127	2,428,401
2010	3,657,830	3,459,460	3,467,830	2,240,698
2011	3,866,420	3,252,320	3,666,420	2,042,108
2012	4,086,537	3,032,703	3,876,537	1,831,991
2013	4,318,858	2,799,884	4,098,857	1,609,671
2014-2018	25,353,586	9,986,735	23,272,431	4,233,759
2019-2023	4,574,107	5,415,526	2,578,089	155,664
2024-2028	2,610,000	4,440,400	-	-
2029-2033	3,830,000	3,216,000	-	-
2034-2038	5,625,000	1,418,800	-	-
Totals	<u>\$61,202,465</u>	<u>\$40,618,209</u>	<u>\$ 47,343,000</u>	<u>\$ 17,148,114</u>

Based on the borrowing rates currently available to the District for loans with similar term and average maturities, the fair value of long term debt is approximately \$61,202,465 and \$47,343,000 at December 31, 2008 and 2007 respectively.

OVERTON POWER DISTRICT NO. 5
Notes to the Financial Statements
December 31, 2008

Note 7. Employee Benefits

Plan Description. The District contributes to the Public Employees Retirement System of the State of Nevada (PERS) which is a multiple-employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada. PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to public employees of the State of Nevada and participating entities. Chapter 286 of the Nevada Revised Statutes establishes the benefit provisions provided to the participants of PERS. These benefit provisions may only be amended through legislation. The System issues a publicly available financial report. That report may be obtained by writing to the Public Employees Retirement System of the State of Nevada, 693 West Nye Lane, Carson City, Nevada 89703-1599.

Funding Policy. Benefits for plan members are funded under the employer pay method. Under the employer pay contribution plan, the District is required to contribute all amounts due under the plan. The contribution requirements of the Plan members and the District are established by Chapter 286 of Nevada Revised Statutes. The payroll for employees covered by PERS for the years ended December 31, 2008 and 2007 were \$3,592,346 and \$3,161,415 respectively. The District's total payroll for the years ended December 31, 2008 and 2007 were \$3,605,717 and \$3,264,655 respectively.

The District's contribution rates and amounts contributed for the last three years are as follows:

<u>Year</u>	<u>Contribution Rate Regular Members</u>	<u>Total Contributions</u>
2008	20.50%	\$ 702,322
2007	19.75% - 20.50%	634,652
2006	19.75%	543,690

OVERTON POWER DISTRICT NO. 5
Notes to the Financial Statements
December 31, 2008

Note 8. Compensated Absences

Included in accrued expenses is \$ 363,205 and \$403,190 which represents accrued but unpaid vacation and sick pay as of December 31, 2008 and 2007 respectively.

Note 9. Subsequent Events

The District is required by generally accepted accounting standards to disclose any event subsequent to the close of the reporting period which may have a direct and material effect on the financial statements. A description of currently known subsequent events that may have a material effect on the District's financial statements is as follows.

In a previous year, the District, entered into a long-term contract with Coral Power/Shell to purchase power at a rate that is now higher than the market price. Because of instability in the market, Coral Power asked the District to obtain a letter of credit from CFC to essentially guarantee future payment on the long term contract. The District did so and executed a \$5 million letter of credit in February 2009.

**OTHER COMMUNICATIONS
FROM
INDEPENDENT AUDITORS**



**Independent Auditors' 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***

Directors and Members of the Board
Overton Power District No. 5
Overton, Nevada

MEMBERS:

CHAD B. ATKINSON
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
TODD B. FELTNER
BRENT R. HALL
TODD R. HESS
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the financial statements of the business-type activities of Overton Power District #5 (the District) as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 6, 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 Overton Power District #5's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District'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 District's internal control.

Our consideration of 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 and Other Matters

As part of obtaining reasonable assurance about whether District'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 or other matters that are required to be reported under *Government Auditing Standards*.

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

Hinton, Burdick, Hall & Spilker, PLLC
HINTON, BURDICK, HALL & SPILKER PLLC
March 6, 2009