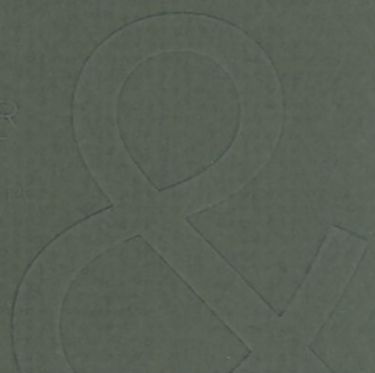


OVERTON POWER DISTRICT NO. 5

FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2009 AND 2008  
AND  
AUDITOR'S REPORT

\*\*\*\*\*

HAFEN  
BUCKNER  
EVERETT  
& GRAFF



OVERTON POWER DISTRICT NO. 5

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of Overton Power District No. 5 (the District) as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the District's Management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the District as of December 31, 2008, were audited by other auditors whose report dated March 6, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Overton Power District No. 5 as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated February 10, 2010, on our consideration of the District's internal control over financial reporting and out tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Hafen, Buckner, Everett & Graff, PC*

Hafen, Buckner, Everett & Graff, PC

February 10, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Overton Power District No. 5's (the District) Basic Financial Statements presents management's discussion and analysis of the District's financial performance during the year ending December 31, 2009. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the Independent Auditor's report.

### Financial Highlights

- The District's net assets increased by \$5,149,206 during 2009 and by \$6,972,010, during 2008.
- Net utility plant increased by \$4,763,009 during 2009 and by \$5,929,237 during 2007.
- The District received contributions in aid of construction totaling \$3,639,935 during 2009 and \$2,788,456 during 2008.
- The District repaid \$1,238,796 of long-term debt principal during 2009 and \$2,105,535 during 2008.
- Fiscal year 2009 operating expenditures (excluding capital outlay and debt service) increased by almost \$0.8m compared to the prior year. This increase was primarily in personnel-related costs.

### Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These basic financial statements are comprised of two primary components: 1) financial statements, and 2) notes to the financial statements.

#### **Financial Statements**

The *Statement of Net Assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Assets* presents information showing how the net assets of the District changed during the year. All changes in net assets 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 affect cash flows in future periods.

The *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 the end of the period.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to fully understanding the District's financial statements including significant accounting policies, commitments, obligations, risks, contingencies and other financial matters of the District.

## Financial Analysis

### **Net Assets**

As previously noted, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by \$32m at the close of fiscal year 2009. This represents an increase over the prior year figure of \$5.1m, demonstrating that the District's financial position continues to be stable and sound.

The largest assets of the District are the electrical plant in service (\$68.6m). The District uses these capital assets to provide electrical services to clients; consequently, these assets are not available for future spending. Although the District's investment in its capital assets reported net of related debt totals \$52.6m, it should be noted that the resources needed to repay this debt must be provided from other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

### OVERTON POWER DISTRICT NO. 5's Net Assets (Condensed)

	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>
Utility Plant	\$ 68,663,136	\$ 63,900,127	\$ 57,970,890
Other Non-Current Assets	13,666,702	21,099,354	2,749,713
Current Assets	14,723,887	10,917,121	15,985,093
Total Assets	<u>97,053,725</u>	<u>95,916,602</u>	<u>76,705,696</u>
Current Liabilities	5,946,311	10,475,934	12,585,466
Non-Current Liabilities	59,106,258	58,588,718	44,240,291
Total Liabilities	<u>65,052,569</u>	<u>69,064,652</u>	<u>56,825,757</u>
Net Assets	<u>\$ 32,001,156</u>	<u>\$ 26,851,950</u>	<u>\$ 19,879,939</u>

### OVERTON POWER DISTRICT NO. 5's Revenues, Expenses and Changes in Net Assets (Condensed)

	<u>12/31/2009</u>	<u>12/31/2008</u>	<u>12/31/2007</u>
Total Operating Revenues	\$ 38,291,321	\$ 41,557,852	\$ 39,821,068
Total Operating Expenses	32,455,353	34,365,252	33,521,682
Operating Income/(Loss)	5,835,968	7,192,600	6,299,386
Non-Operating Revenues/(Expenses)	(3,779,008)	(2,541,711)	(1,873,245)
Change in Net Assets	<u>\$ 2,056,960</u>	<u>\$ 4,650,889</u>	<u>\$ 4,426,141</u>

## Utility Plant and Debt Administration

### **Net Utility Plant**

The following table represents a summary of the District's net utility plant by type, and a comparison to prior year. Further details, by project, can be found in the footnotes to this financial statement:

	12/31/2009	12/31/2008	Change 2009 less 2008
Transmission Plant	\$ 16,667,733	\$ 16,356,956	\$ 310,777
Distribution Plant	56,354,600	50,744,715	5,609,885
General Plant	8,610,835	6,692,637	1,918,198
Under Construction	3,942,700	5,295,968	(1,353,268)
Accumulated Depreciation	(16,912,732)	(15,190,149)	(1,722,583)
Total	<u>\$ 68,663,136</u>	<u>\$ 63,900,127</u>	<u>\$ 4,763,009</u>

### **Long-term Debt**

The following table represents a summary of the District's long-term debt, by type, and a comparison to the prior year. Further details can be found in the footnotes to this financial statements:

	12/31/2009	12/31/2008	Change 2009 less 2008
NRUCFC Loans Payable	\$ 43,999,724	\$ 45,237,465	\$ (1,237,741)
Special Revenue Bonds Payable	15,965,000	15,965,000	-
Bond Premiums	30,599	31,654	(1,055)
Total	<u>\$ 59,995,323</u>	<u>\$ 61,234,119</u>	<u>\$ (1,238,796)</u>

### **Currently Known Facts, Decisions, and Conditions**

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

None noted.

### **Request for Information**

This financial report is designed to provide interested parties with a general overview of the District's financial status. Questions concerning any of the reports and/or information contained in this financial audit, or requests for additional financial information, should be addressed to Terry Romero, Manager Finance & Accounting, P.O. Box 395, Overton, NV 89040.

**OVERTON POWER DISTRICT NO. 5**  
**Statements of Net Assets**  
**December 31, 2009 and 2008**

	<u>Assets</u>	
	2009	2008
<b>Utility Plant:</b>		
Electric plant in service	\$ 81,633,168	\$ 73,794,308
Under construction	3,942,700	5,295,968
Total	85,575,868	79,090,276
Less accumulated depreciation and amortization	(16,912,732)	(15,190,149)
Net Utility Plant	68,663,136	63,900,127
<b>Other Non-Current Assets:</b>		
Restricted cash, cash equivalents, and investments		
Revenue bond covenant accounts - Cash and cash equivalents	1,770,404	2,932,094
Revenue bond covenant accounts - Investments	8,421,806	14,207,371
Note receivable (less amount due within one year)	204,126	231,458
Investments in associated organizations	2,011,123	1,691,648
Feasibility study costs	584,870	1,281,780
Deferred charges	347,895	359,892
Unamortized loss on reacquired debt	326,477	395,111
Total Other Non-Current Assets	13,666,702	21,099,354
<b>Current Assets:</b>		
Cash and cash equivalents	699,086	682,188
Temporary cash investments:		
Unrestricted	8,199,366	4,755,178
Accounts receivable - Principally customer (less allowance for doubtful accounts of \$3,372 in 2009 and \$3,434 in 2008)	4,308,111	3,899,687
Materials and supplies	1,366,747	1,439,148
Prepayments and other assets	123,223	115,124
Note receivable - Due within one year	27,354	25,796
Total Current Assets	14,723,887	10,917,121
<b>Total Assets</b>	\$ 97,053,725	\$ 95,916,602
	<u>Liabilities and Net Assets</u>	
<b>Current Liabilities:</b>		
Accounts payable	\$ 2,577,754	\$ 2,793,000
Customer deposits	97,300	109,500
Accrued expenses	753,251	675,898
Long-term debt due within one year	1,540,817	3,280,127
Deferred credits	1,167,189	3,617,409
Total Current Liabilities	6,136,311	10,475,934
<b>Non-Current Liabilities:</b>		
Long-term portion of termination benefits payable	461,752	634,726
Long-term debt, less amount due within one year	58,454,506	57,953,992
Total Non-current Liabilities	58,916,258	58,588,718
<b>Net Assets:</b>		
Invested in utility plant, net of related debt	52,667,537	47,903,473
Restricted for:		
Debt service	1,770,404	2,932,094
Utility plant additions	8,421,806	14,207,371
Unrestricted	(30,858,591)	(38,190,988)
Total Net Assets	32,001,156	26,851,950
<b>Total Liabilities and Net Assets</b>	\$ 97,053,725	\$ 95,916,602

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, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Operating Revenues</b>	\$ 38,291,321	\$ 41,557,852
<b>Operating Expenses:</b>		
Operation-		
Power purchased	25,626,677	26,861,991
Distribution - Operation	572,257	577,143
Distribution - Maintenance	1,309,856	1,184,537
Transmission - Maintenance	652,460	455,931
Depreciation and amortization	1,421,783	1,467,541
General and administrative-		
Customer accounts	1,020,429	895,841
Other	1,851,891	2,922,268
Total Operating Expenses	<u>32,455,353</u>	<u>34,365,252</u>
<b>Operating Income / (Loss)</b>	5,835,969	7,192,600
<b>Non-Operating Revenues (Expenses):</b>		
Interest income	188,972	166,689
Interest expense	(3,761,921)	(2,711,745)
Gain/(loss) on sale of assets	(372,635)	(238,112)
Amortization	(80,630)	(68,765)
Patronage capital credits CFC	247,206	310,222
Total Non-Operating Revenues (Expenses)	<u>(3,779,008)</u>	<u>(2,541,711)</u>
<b>Change in Net Assets</b>	2,056,961	4,650,889
Total Net Assets - Beginning of Year	26,851,950	19,879,940
Contributions In Aid of Construction-net	3,092,246	2,321,121
Total Net Assets - End of Year	<u>\$ 32,001,157</u>	<u>\$ 26,851,950</u>

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, 2009 and 2008**

	2009	2008
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers	\$ 37,882,897	\$ 40,874,626
Cash paid to suppliers	(27,749,423)	(29,288,113)
Cash paid to employees	(3,530,710)	(2,922,865)
<b>Cash Flows From Operating Activities</b>	6,602,764	8,663,648
<b>Cash Flows From investing Activities:</b>		
Additions to utility plant	(6,732,481)	(7,864,112)
Proceeds from the sale of utility plant assets	(372,635)	(238,112)
Collection of notes receivable	25,774	24,297
Investment earnings	188,972	166,689
Investment in feasibility study costs	696,910	(851,778)
Patronage capital credits	247,206	310,222
Investment in related organization	(319,475)	(93,067)
<b>Cash Flows From Investing Activities</b>	(6,265,729)	(8,545,861)
<b>Cash Flows From Financing Activities:</b>		
Proceeds from issuance of bonds	-	15,996,654
Repayment of principal on long-term debt	(1,238,796)	(2,105,535)
Interest paid	(3,761,921)	(2,711,745)
Contributions in aid of construction and customer advances	1,189,713	213,755
Customer deposits	(12,200)	(13,350)
<b>Cash Flows From Financing Activities</b>	(3,823,204)	11,379,779
<b>Net Change in Cash and Cash Equivalents</b>	(3,486,169)	11,497,566
<b>Cash and Cash Equivalents including Restricted Cash, Beginning of Year</b>	22,576,831	11,079,265
<b>Cash and Cash Equivalents including Restricted Cash, End of Year</b>	\$ 19,090,662	\$ 22,576,831
<b>Reconciliation of Operating Income / (Loss) to Net Cash Flows from Operating Activities:</b>		
Operating income / (loss)	\$ 5,835,970	\$ 7,192,600
Adjustments to reconcile operating income / (loss) to cash flows from operating activities-		
Depreciation and amortization	1,421,783	1,467,541
Changes in assets and liabilities-		
(Increase)/decrease in accounts receivable	(408,424)	(683,226)
(Increase)/decrease in materials and supplies	72,401	110,773
(Increase)/decrease in prepayments and other assets	(8,099)	25
Increase/(decrease) in accounts payable	(215,246)	(84,697)
Increase/(decrease) in accrued expenses	(95,621)	660,632
<b>Cash Flows From Operating Activities</b>	\$ 6,602,764	\$ 8,663,648

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

Interest paid during the year amounted to \$3,761,921 in 2009, and \$2,711,745 in 2008.

The District disposed of equipment costing \$501,826 and \$364,634 less accumulated depreciation of \$129,191 and \$121,086, net of sales proceeds of \$- and \$5,436, resulting in a non-cash loss of \$372,635 and \$238,112 in 2009 and 2008 respectively.

The accompanying notes are an integral part of the financial statements

# OVERTON POWER DISTRICT NO. 5

## NOTES TO FINANCIAL STATEMENTS

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### I. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Nevada 4 Overton, 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 accounting records of the district conform to the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission for Class A and B electric utilities borrowers of the Rural Utilities Service.

Regulation - The District's rates are determined by the Board of Directors, subject to certain restrictions. The District's accounting practices and policies are generally consistent with regulatory authorities and the accounting records are maintained in accordance with the Uniform System of Accounts prescribed by regulatory authorities.

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

# OVERTON POWER DISTRICT NO. 5

## NOTES TO FINANCIAL STATEMENTS

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### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

	<u>Annual Percentage 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 - The principal operating revenues of the District are charges to customers for the sale of electricity. 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.

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 and cash temporarily invested in certificates of deposit, money market accounts, open-end mutual funds and cash restricted for debt service and construction.

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

# OVERTON POWER DISTRICT NO. 5

## NOTES TO FINANCIAL STATEMENTS

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### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Corporate Notes or Bonds
- Collateralized Mortgage Obligations
- Asset Backed Securities

Contributions in Aid of Construction - Contributions in aid of construction are charges to fund construction of the utility plant necessary to extend service to new customers. The payments are initially recorded as liabilities (customer advances for construction), then are reclassified to contributed capital when construction is completed. See note 8.

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.

### 2. DEPOSITS AND INVESTMENTS

#### *Deposits*

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, 2009 and 2008, the District had deposits in excess of FDIC insurance of \$60,247 and \$124,639.

#### *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 and plant expansion is classified as restricted. All temporary and restricted investments are reported at fair value.

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS - CONTINUED

As of December 31, 2009 and 2008 the District had the following investments and maturities:

2009-		Investment Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10	
U.S. Government Securities	\$ 16,621,171	\$ 16,621,171	\$ -	\$ -	\$ -	
Total Fair Value	\$ 16,621,171	\$ 16,621,171	\$ -	\$ -	\$ -	

2008-		Investment Maturities (in Years)				
Investment Type	Fair Value	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	\$ -	\$ -	\$ -	

*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).

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS – CONTINUED

As of December 31, 2009 and 2008 the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
U.S. Government Securities	\$ 16,621,171	\$ 16,621,171	\$ -	\$ -	\$ -
Total Fair Value	\$ 16,621,171	\$ 16,621,171	\$ -	\$ -	\$ -

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	\$ -	\$ -	\$ -

3. UTILITY PLANT

During the years ended December 31, 2009 and 2008, the following changes occurred in the District's utility plant as follows:

	Balance at 12/31/2008	Additions	Deletions	Balance at 12/31/2009
Transmission Plant	\$ 16,356,956	\$ 314,977	\$ (4,200)	\$ 16,667,733
Distribution Plant	50,744,715	6,347,762	(737,877)	56,354,600
General Plant	6,692,637	2,054,996	(136,798)	8,610,835
Under construction	5,295,968	-	(1,353,268)	3,942,700
Subtotal	79,090,276	8,717,735	(2,232,143)	85,575,868
Accumulated depreciation	(15,190,149)	(2,205,482)	482,899	(16,912,732)
Net Utility Plant Assets	\$ 63,900,127	\$ 6,512,253	\$ (1,749,244)	\$ 68,663,136

	Balance at 12/31/2007	Additions	Deletions	Balance at 12/31/2008
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	71,284,323	13,000,954	(5,195,001)	79,090,276
Accumulated depreciation	(13,313,433)	(1,934,875)	58,159	(15,190,149)
Net Utility Plant Assets	\$ 57,970,890	\$ 11,066,079	\$ (5,136,842)	\$ 63,900,127

## OVERTON POWER DISTRICT NO. 5

### NOTES TO FINANCIAL STATEMENTS

#### 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 consists of the following:

	2009	2008
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	486,523	367,048
CFC Patronage Capital Securities	200,000	-
	\$2,011,123	\$ 1,691,648

#### 5. NOTE RECEIVABLE

Note receivable consists of the following:

	2009	2008
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	\$ 231,480	\$ 257,254
Amount due within one year	(27,354)	(25,796)
Notes receivable, net of current portion	\$ 204,126	\$ 231,458

#### 6. CONTRIBUTED CAPITAL

Contributed capital consists of contributions-in-aid to construction from customers. Contributed capital is amortized over the same estimated useful lives of the utility plant constructed with the contributed capital. Depreciation expense is reduced by the amount of contributed capital. The amount of contributed capital amortized during 2009 and 2008 was \$547,648 and \$467,334.

Utility plant in service constructed by the use of contributed capital and related accumulated amortization are summarized as follows:



OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

6. CONTRIBUTED CAPITAL – CONTINUED

	As of 12/31/2009	As of 12/31/2008
Contributed Amount	\$ 23,727,536	\$ 20,087,601
Accumulated Amortization	(4,266,145)	(3,718,456)
Net	\$ 19,461,391	\$ 16,369,145

7. LONG-TERM DEBT

During the years ended December 31, 2009 and 2008, the following changes occurred in the District's long term debt:

	Balance 12/31/2008	Additions	Retirements	Balance 12/31/2009	Current Portion
NRUCFC Loans Payable	\$45,237,465	\$ -	\$(1,237,741)	\$43,999,724	\$ 1,350,817
Series 2008 Special Revenue Bonds Payable	15,965,000	-	-	15,965,000	190,000
Bond Premiums	31,654	-	(1,055)	30,599	-
Voluntary Termination Benefits	672,102	-	(181,458)	490,644	28,892
Total Long-Term Debt	\$61,906,221	\$ -	\$(1,420,254)	\$60,485,967	\$ 1,569,709

	Balance 12/31/2007	Additions	Retirements	Balance 12/31/2008	Current Portion
NRUCF 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	-
Voluntary Termination Benefits	-	672,102	-	672,102	37,376
Total Long-Term Debt	\$47,343,000	\$16,668,756	\$(2,105,535)	\$61,906,221	\$ 3,317,503

The current portion of voluntary benefits payable is included in accrued expenses on the statement of net assets.

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM DEBT - CONTINUED

Long-term debt consists of the following:

	<u>2009</u>	<u>2008</u>
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.95%, maturing September 30, 2028.	\$ 3,808,182	\$ 3,915,955
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.95%, maturing September 30, 2028.	3,808,182	3,915,955
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.95%, maturing September 30, 2028.	5,360,257	5,511,976
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.23%, maturing September 30, 2028.	5,172,499	5,314,273
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.33%, maturing September 30, 2028.	5,149,541	5,289,077
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.45%, maturing September 30, 2028.	5,151,420	5,285,176
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.85%, maturing September 30, 2028.	5,135,570	5,284,254
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.30%, maturing September 30, 2028.	5,172,732	5,330,296
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing September 30, 2028.	5,241,323	5,390,503
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	15,965,000
Bond premiums on 2008 Special Obligation Revenue	31,654	31,654
Total long term debt	59,996,360	61,234,119
Less amounts due within one year	(1,540,817)	(3,280,127)
Long term debt, net of current portion	<u>\$58,455,543</u>	<u>\$57,953,992</u>

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 4.85% to 5.95%. The notes were originally scheduled to mature on September 30, 2020. During 2009 the maturity dates of the notes were extended to 2028. 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

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM DEBT – CONTINUED

twelve months unless either party terminates the agreement by providing written notice. The outstanding balance at December 31, 2009 and 2008 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 4.

Maturities of long term debt are as follows:

Year Ended	2009		2008	
	Principal	Interest	Principal	Interest
2009	\$ -	\$ -	\$ 3,280,127	\$ 3,596,381
2010	1,540,817	3,226,282	3,657,830	3,459,460
2011	1,629,310	3,194,451	3,866,420	3,252,320
2012	1,722,485	3,156,089	4,086,537	3,032,703
2013	1,820,627	3,095,439	4,318,858	2,799,884
2014	1,924,037	3,027,902	4,564,098	2,553,093
2015-2019	11,449,309	13,856,871	22,745,963	8,883,030
2020-2024	15,339,542	10,660,586	3,062,632	4,931,338
2025-2029	15,738,596	5,736,542	2,820,000	4,231,600
2030-2034	4,135,000	2,909,600	4,135,000	2,909,600
2035-2038	4,665,000	968,800	4,665,000	968,800
Totals	\$59,964,723	\$49,832,562	\$61,202,465	\$40,618,209

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 \$59,996,360 and \$61,234,119 at December 31, 2009 and 2008 respectively.

8. DEFERRED CREDITS

Deferred credits consist of customer advances for construction which will be transferred to contributed capital when the construction is completed.

9. 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

# OVERTON POWER DISTRICT NO. 5

## NOTES TO FINANCIAL STATEMENTS

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### 9. EMPLOYEE BENEFITS - CONTINUED

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, 2009 and 2008 were \$3,443,644 and \$3,592,346 respectively. The District's total payroll for the years ended December 31, 2009 and 2008 were \$3,658,542 and \$3,605,717 respectively.

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

Year	Contribution Rate Regular Members	Total Contributions
2009	20.5% - 21.5%	\$ 720,737
2008	20.50%	\$ 702,322
2006	19.75 % - 20.50%	\$ 634,652

### 10. COMPENSATED ABSENCES

Included in accrued expenses is \$479,298 and \$363,205 which represents accrued but unpaid vacation and sick pay as of December 31, 2009 and 2008.

### 11. VOLUNTARY TERMINATION BENEFITS

In 2008 the State of Nevada offered an early retirement incentive to employees who would retire prior to August 31, 2008. The incentive provided health insurance benefits with coverage limited to the retired employee and their spouse (if applicable). The District as a political subdivision of the State of Nevada was obligated to offer the benefits to its qualifying employees. As of August 31, 2008 seven District employees opted to retire and receive the benefit.

In accordance with Statement No. 47 issued by the Governmental Accounting Standards Board, an employer should recognize a liability and expense for the voluntary termination benefits when the employees accept the offer and the amounts can be estimated. Measurement of the liability should be updated with any incremental liability and expense (positive or negative) to be recognized, as of the end of each subsequent reporting period.

No liability or expense was reported in the financial statements for the year ending December 31, 2008. Therefore, as described in Note 12, the 2008 financial statements were restated to reflect the estimated liability and expense.

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

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11. VOLUNTARY TERMINATION BENEFITS – CONTINUED

The estimated liability for the benefits as of December 31, 2009 and 2008 are as follows:

Termination benefits payable as of 12/31/08	\$672,102
Incremental adjustment for 2009	<u>(181,458)</u>
Termination benefits payable as of 12/31/09	<u>\$490,644</u>

12. RESTATEMENT

During 2009 it was detected that the liability and expense for the voluntary termination benefit as explained in Note 11, had not been reported in 2008 when the employees accepted the offer. Therefore, the financial statements for the year ended December 31, 2008 were restated to reflect the liability and the expense.

13. 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. The letter of credit was renewed in March of 2010.



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*

The Board of Directors  
Overton Power District No. 5  
Overton, Nevada

We have audited the financial statements of Overton Power District No. 5 (the District) as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 10, 2010. We conducted our audit in accordance with generally accepted auditing standards 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 the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 result 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly,

would not necessarily disclose all significant deficiencies described above is a material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance

As part of obtaining reasonable assurance about whether the 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 that are required to be reported under *Government Auditing Standards*.

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

*Hafen, Buckner, Everett & Graff, PC*

Hafen, Buckner, Everett & Graff, PC

St. George, Utah  
February 10, 2010