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Documents for: OVERTON POWER DISTRICT #5
Audits

[2010 Audited Financial Statements](#)

OVERTON POWER DISTRICT NO. 5

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009
AND
AUDITOR'S REPORT

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 years ended December 31, 2010 and 2009, which collectively comprise the District's basic financial statements 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 audits.

We conducted our audits 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 opinions.

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, 2010 and 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 18, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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 audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, 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.

Hafen, Buckner, Everett & Graff, PC

Hafen, Buckner, Everett & Graff, PC
February 18, 2011

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, 2010. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the Independent Auditor's report.

Financial Highlights

- Net utility plant increased by \$4,014,280 during 2010 and by \$4,763,009 during 2009.
- The District's net assets decreased by \$331,000 during 2010 and increased \$5,149,206 during 2009.
- The District received contributions in aid of construction totaling \$739,141 during 2010 and \$3,639,955 during 2009.
- The District repaid \$1,540,817 of long term debt principal during 2010 and \$1,238,796 during 2009.

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 Revenue, 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 understand 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 \$31.6m at the close of the fiscal year 2010. This represents a decrease from the prior year figure of \$331,000.

The largest assets of the District are the electrical plant in service (\$72.7m). 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 (\$56.8m), it should be noted that the resources needed to repay this debt must be provided from revenue sources, as the capital assets themselves cannot be used to liquidate these liabilities.

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

	12/31/2010	12/31/2009	12/31/2008
Utility Plant	\$72,678,016	\$68,663,136	\$63,900,127
Other Non-Current Assets	8,669,793	13,666,702	21,099,354
Current Assets	13,712,495	14,723,887	10,917,121
Total Assets	95,060,304	97,053,725	95,916,602
Current Liabilities	6,096,308	6,107,419	10,475,934
Non-Current Liabilities	57,293,830	58,945,150	58,588,718
Total Liabilities	63,390,138	65,052,569	69,064,652
Net Assets	\$31,670,166	\$32,001,156	\$26,851,950

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

	12/31/2010	12/31/2009	12/31/2008
Total Operating Revenues	\$37,081,813	\$38,291,321	\$41,557,852
Total Operating Expenses	34,044,797	32,455,353	34,365,252
Operating Income/(Loss)	3,037,016	5,835,968	7,192,600
Non-Operating Revenues/(Expenses)	(3,345,785)	(3,779,008)	(2,541,711)
Change in Net Assets	\$(308,770)	\$2,056,960	\$4,650,889

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.

	12/31/2010	12/31/2009	Change 2010 less 2009
Transmission Plant	\$16,787,219	\$16,667,733	\$119,486
Distribution Plant	60,431,472	56,354,600	4,076,872
General Plant	8,525,831	8,610,835	(85,004)
Under Construction	5,753,403	3,942,700	1,810,703
Accumulated Depreciation	(18,819,909)	(16,912,732)	(1,907,177)
Total	\$72,678,016	\$68,663,136	\$4,014,880

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 statement:

	12/31/2010	12/31/2009	Change 2010 less 2009
NRUCFC Loan Payable	\$42,648,907	\$43,999,724	\$(1,350,817)
Special Revenue Bonds Payable	15,775,000	15,965,000	(190,000)
Bond Premiums	29,544	30,599	(1,055)
Total	\$58,453,451	\$59,995,323	\$(1,541,872)

Currently Known Facts, Decisions, and Conditions

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

We are monitoring the debt service coverage levels for 2011 and will watch for triggers that will indicate the need for a rate increase.

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 of Finance and Accounting, PO BOX 395 Overton, NV 89040.

OVERTON POWER DISTRICT NO. 5
Statements of Net Assets
December 31, 2010 and 2009

	<u>Assets</u>	
	<u>2010</u>	<u>2009</u>
Utility Plant:		
Electric plant in service	\$ 85,744,522	\$ 81,633,168
Under construction	5,753,403	3,942,700
Total	<u>91,497,925</u>	<u>85,575,868</u>
Less accumulated depreciation and amortization	<u>(18,819,909)</u>	<u>(16,912,732)</u>
Net Utility Plant	<u>72,678,016</u>	<u>68,663,136</u>
Other Non-Current Assets:		
Restricted cash, cash equivalents, and investments		
Revenue bond covenant accounts - Cash and cash equivalents	1,413,863	1,770,404
Revenue bond covenant accounts - Investments	4,515,415	8,421,806
Note receivable (less amount due within one year)	-	204,126
Investments in associated organizations	2,146,871	2,011,123
Feasibility study costs	-	584,870
Deferred charges	335,899	347,895
Unamortized loss on reacquired debt	257,745	326,477
Total Other Non-Current Assets	<u>8,669,793</u>	<u>13,666,702</u>
Current Assets:		
Cash and cash equivalents	648,748	699,086
Temporary cash investments:		
Unrestricted	8,061,398	8,199,366
Accounts receivable - Principally customer (less allowance for doubtful accounts of \$2,819 in 2010 and \$3,372 in 2009)	3,633,198	4,308,111
Materials and supplies	1,250,711	1,366,747
Prepayments and other assets	118,440	123,223
Note receivable - Due within one year	-	27,354
Total Current Assets	<u>13,712,495</u>	<u>14,723,887</u>
Total Assets	<u>\$ 95,060,304</u>	<u>\$ 97,053,725</u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities:		
Accounts payable	\$ 2,511,869	\$ 2,577,754
Customer deposits	118,600	97,300
Accrued expenses	859,450	724,359
Long-term debt due within one year	1,629,311	1,540,817
Deferred credits	977,078	1,167,189
Total Current Liabilities	<u>6,096,308</u>	<u>6,107,419</u>
Non-Current Liabilities:		
Long-term portion of termination benefits payable	469,690	490,644
Long-term debt, less amount due within one year	56,824,140	58,454,506
Total Non-current Liabilities	<u>57,293,830</u>	<u>58,945,150</u>
Net Assets:		
Invested in utility plant, net of related debt	56,873,472	52,667,537
Restricted for:		
Debt service	1,413,863	1,770,404
Utility plant additions	4,515,415	8,421,806
Unrestricted	<u>(31,132,585)</u>	<u>(30,858,591)</u>
Total Net Assets	<u>31,670,166</u>	<u>32,001,156</u>
Total Liabilities and Net Assets	<u>\$ 95,060,304</u>	<u>\$ 97,053,725</u>

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operating Revenues	<u>\$ 37,081,813</u>	<u>\$ 38,291,321</u>
Operating Expenses:		
Operation-		
Power purchased	26,913,047	25,626,677
Distribution - Operation	499,877	572,257
Distribution - Maintenance	1,057,952	1,309,856
Transmission - Maintenance	993,319	652,460
Depreciation and amortization	1,476,528	1,421,783
General and administrative-		
Customer accounts	1,033,381	1,020,429
Other	2,070,697	1,851,891
Total Operating Expenses	<u>34,044,800</u>	<u>32,455,353</u>
Operating Income / (Loss)	3,037,012	5,835,969
Non-Operating Revenues (Expenses):		
Interest income	127,994	188,972
Interest expense	(3,629,255)	(3,761,921)
Gain/(loss) on sale of assets	(52,925)	(372,635)
Amortization	(80,729)	(80,630)
Patronage capital credits CFC	289,129	247,206
Total Non-Operating Revenues (Expenses)	<u>(3,345,785)</u>	<u>(3,779,008)</u>
Change in Net Assets	(308,773)	2,056,961
Total Net Assets - Beginning of Year	32,001,156	26,851,949
Contributions In Aid of Construction-net	(22,218)	3,092,246
Total Net Assets - End of Year	<u>\$ 31,670,165</u>	<u>\$ 32,001,156</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, 2010 and 2009

	2010	2009
Cash Flows From Operating Activities:		
Cash received from customers	\$ 37,756,726	\$ 37,882,897
Cash paid to suppliers	(28,670,993)	(27,749,423)
Cash paid to employees	(3,728,209)	(3,530,710)
Cash Flows From Operating Activities	5,357,524	6,602,764
Cash Flows From investing Activities:		
Additions to utility plant	(6,098,101)	(6,732,481)
Proceeds from the sale of utility plant assets	(52,925)	(372,635)
Collection of notes receivable	231,480	25,774
Investment earnings	127,994	188,972
Investment in feasibility study costs	584,870	696,910
Patronage capital credits	289,129	247,206
Investment in related organization	(135,747)	(319,475)
Cash Flows From Investing Activities	(5,053,299)	(6,265,729)
Cash Flows From Financing Activities:		
Proceeds from issuance of bonds	-	-
Repayment of principal on long-term debt	(1,541,872)	(1,238,796)
Interest paid	(3,629,255)	(3,761,921)
Contributions in aid of construction and customer advances	394,364	1,189,713
Customer deposits	21,300	(12,200)
Cash Flows From Financing Activities	(4,755,463)	(3,823,204)
Net Change in Cash and Cash Equivalents	(4,451,239)	(3,486,168)
Cash and Cash Equivalents including Restricted Cash, Beginning of Year	19,090,663	22,576,831
Cash and Cash Equivalents including Restricted Cash, End of Year	\$ 14,639,424	\$ 19,090,663
Reconciliation of Operating Income / (Loss) to Net Cash Flows from Operating Activities:		
Operating income / (loss)	\$ 3,037,012	\$ 5,835,969
Adjustments to reconcile operating income / (loss) to cash flows from operating activities-		
Depreciation and amortization	1,476,528	1,421,783
Changes in assets and liabilities-		
(Increase)/decrease in accounts receivable	674,913	(408,424)
(Increase)/decrease in materials and supplies	116,036	72,401
(Increase)/decrease in prepayments and other assets	4,783	(8,099)
Increase/(decrease) in accounts payable	(65,885)	(215,246)
Increase/(decrease) in accrued expenses	114,137	(95,620)
Cash Flows From Operating Activities	\$ 5,357,524	\$ 6,602,764

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

Interest paid during the year amounted to \$3,629,255 in 2010, and \$3,761,921 in 2009.

The District disposed of equipment costing \$412,282 and \$501,826 less accumulated depreciation of \$352,222 and \$129,191, net of sales proceeds of \$7,135 and \$ -0-, resulting in a non-cash loss of \$372,635 and \$52,925 in 2010 and 2009 respectively.

The accompanying notes are an integral part of the financial statements

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

1. 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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

	Annual Percentage Range
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

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. All of the District's deposits are covered by FDIC insurance or are collateralized.

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, 2010 and 2009 the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
U.S. Government Securities	\$ 12,133,878	\$ 12,133,878	\$ -	\$ -	\$ -
Total Fair Value	\$ 12,133,878	\$ 12,133,878	\$ -	\$ -	\$ -

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
U.S. Government Securities	\$ 16,469,516	\$ 16,469,516	\$ -	\$ -	\$ -
Total Fair Value	\$ 16,469,516	\$ 16,469,516	\$ -	\$ -	\$ -

3. UTILITY PLANT

During the years ended December 31, 2010 and 2009, the following changes occurred in the District's utility plant as follows:

	Balance at 12/31/2009	Additions	Deletions	Balance at 12/31/2010
Transmission Plant	\$ 16,667,733	\$ 119,486	\$ -	\$ 16,787,219
Distribution Plant	56,354,600	4,343,178	(282,282)	60,415,496
General Plant	8,610,835	60,972	(130,000)	8,541,807
Under construction	3,942,700	5,682,907	(3,872,204)	5,753,403
Subtotal	85,575,868	10,206,543	(4,284,486)	91,497,925
Accumulated depreciation	(16,912,732)	(2,243,227)	336,050	(18,819,909)
Net Utility Plant Assets	\$ 68,663,136	\$ 7,963,316	\$ (3,948,436)	\$ 72,678,016

	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	4,073,625	(5,426,893)	3,942,700
Subtotal	79,090,276	12,791,360	(6,305,768)	85,575,868
Accumulated depreciation	(15,190,149)	(2,205,482)	482,899	(16,912,732)
Net Utility Plant Assets	\$ 63,900,127	\$ 10,585,878	\$ (5,822,869)	\$ 68,663,136

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:

	2010	2009
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	622,271	486,523
CFC Patronage Capital Securities	200,000	200,000
	\$2,146,871	\$ 2,011,123

5. NOTE RECEIVABLE

Note receivable consists of the following:

	2010	2009
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
Amount due within one year	-	(27,354)
Notes receivable, net of current portion	\$ -	\$ 204,126

The note receivable was collected in its entirety in 2010.

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 2010 and 2009 was \$606,693 and \$547,648.

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 12/31/2010	As of 12/31/2009
Contributed Amount	\$ 24,312,012	\$ 23,727,536
Accumulated Amortization	(4,872,838)	(4,266,145)
Net	<u>\$ 19,439,174</u>	<u>\$ 19,461,391</u>

7. LONG-TERM DEBT

During the years ended December 31, 2010 and 2009, the following changes occurred in the District's long term debt:

	Balance 12/31/2009	Additions	Retirements	Balance 12/31/2010	Current Portion
NRUCFC Loans Payable	\$ 43,999,724	\$ -	\$ (1,350,817)	\$ 42,648,907	\$ 1,429,311
Series 2008 Special Revenue Bonds Payable	15,965,000	-	(190,000)	15,775,000	200,000
Bond Premiums	30,599	-	(1,055)	29,544	-
Voluntary Termination Benefits	490,644	39,288	(28,892)	501,040	31,350
Total Long-Term Debt	<u>\$ 60,485,967</u>	<u>\$ 39,288</u>	<u>\$ (1,570,764)</u>	<u>\$ 58,954,491</u>	<u>\$ 1,660,661</u>

	Balance 12/31/2008	Additions	Retirements	Balance 12/31/2009	Current Portion
NRUCF 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	<u>\$ 61,906,221</u>	<u>\$ -</u>	<u>\$ (1,420,254)</u>	<u>\$ 60,485,967</u>	<u>\$ 1,569,709</u>

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:

	2010	2009
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.95%, maturing September 30, 2028.	\$ 3,693,851	\$ 3,808,182
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.95%, maturing September 30, 2028.	3,693,851	3,808,182
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.95%, maturing September 30, 2028.	5,199,349	5,360,278
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.23%, maturing September 30, 2028.	5,021,684	5,172,499
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.33%, maturing September 30, 2028.	5,000,962	5,149,541
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.45%, maturing September 30, 2028.	5,008,476	5,151,420
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.85%, maturing September 30, 2028.	4,940,946	5,135,570
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.30%, maturing September 30, 2028.	5,006,643	5,172,729
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing September 30, 2028.	5,083,145	5,241,323
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	15,775,000	15,965,000
Bond premiums on 2008 Special Obligation Revenue	29,544	30,599
Total long term debt	58,453,451	59,995,323
Less amounts due within one year	(1,629,311)	(1,540,817)
Long term debt, net of current portion	\$56,824,140	\$ 58,454,506

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, 2010 and 2009 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	2010	
	Principal	Interest
2011	\$ 1,629,310	\$ 3,639,576
2012	1,722,485	3,546,902
2013	1,820,627	3,448,260
2014	1,924,037	3,343,300
2015	2,038,036	3,231,651
2016-2020	12,130,812	14,210,187
2021-2025	16,276,804	10,061,905
2026-2030	12,786,798	4,875,547
2031-2035	4,465,000	2,578,800
2036-2038	3,630,000	595,600
Totals	\$ 58,423,909	\$ 49,531,728

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 \$58,423,909 and \$59,964,724 at December 31, 2010 and 2009 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

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, 2010 and 2009 were \$3,610,967 and \$3,443,644 respectively. The District's total payroll for the years ended December 31, 2010 and 2009 were \$3,728,209 and \$3,658,542 respectively.

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

Year	Contribution Rate Regular Members	Total Contributions
2010	21.42%	\$ 773,355
2009	20.5% - 21.5%	\$ 720,737
2008	20.50%	\$ 702,322

10. COMPENSATED ABSENCES

Included in accrued expenses is \$568,745 and \$479,298 which represents accrued but unpaid vacation and sick pay as of December 31, 2010 and 2009.

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.

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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 18, 2011. 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 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 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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.