

OVERTON POWER DISTRICT NO. 5

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2011 AND 2010

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, 2011 and 2010, which collectively comprise the District's basis 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, 2011 and 2010, 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 22, 2012, 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 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



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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon, dated February 22, 2012. 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.

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, 2011. 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 \$452,758 during 2011 and by \$4,605,551 during 2010.
- The District's net assets decreased by \$154,818 during 2011 and increased \$367,163 during 2010.
- The District received contributions in aid of construction totaling \$439,014 during 2011 and \$584,475 during 2010.
- The District repaid \$1,655,937 of long term debt principal during 2011 and \$1,540,817 during 2010.

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.

Prior Period Restatement: In prior periods, the District did not record patronage capital allocated by some associated organizations. During 2011, the District recorded that patronage capital income and the investment in associated organizations from prior years which resulted in a restatement to the 2010 financial statements.

Also during 2011 the District reclassified expenses from prior years as costs of utility plant under construction which resulted in a restatement to the 2010 financial statements.

The restatements to the 2010 financial statement are as follows:

	As Originally Reported	As Restated	Effect of Change
Statement of Net Assets			
Utility plant under construction	\$5,753,403	\$6,344,075	\$590,672
Investments in associated organizations	\$2,146,871	\$2,254,352	\$107,481

Statement of revenues			
Operating expenses	\$34,044,800	\$33,531,844	\$512,956
Non-operating revenues	\$289,129	\$306,740	\$17,611
Change in net assets	(\$308,773)	\$221,794	\$530,567
Total net assets –beginning of year	\$32,001,156	\$32,168,743	\$167,587

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 \$32.2m at the close of the fiscal year 2011. This represents a decrease from the prior year figure of \$154,818.

The largest assets of the District are the electrical plant in service (\$73.7m). 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 (\$55.0m), 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)

	12/31/2011	12/31/2010	12/31/2009
Utility Plant	\$73,721,446	\$73,268,687	\$68,663,136
Other Non-Current Assets	5,054,752	8,777,274	13,666,702
Current Assets	14,868,332	13,712,495	14,723,887
Total Assets	93,644,531	95,758,456	97,053,725
Current Liabilities	5,957,230	6,096,308	6,107,419
Non-Current Liabilities	55,473,799	57,293,830	58,945,150
Total Liabilities	61,431,029	63,390,138	65,052,569
Net Assets	\$32,213,501	\$32,368,319	\$32,001,156

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

	12/31/2011	12/31/2010	12/31/2009
Total Operating Revenues	\$35,636,702	\$37,081,813	\$38,291,321
Total Operating Expenses	32,318,794	33,531,844	32,455,353
Operating Income/(Loss)	3,317,907	3,549,968	5,835,968
Non-Operating Revenues/(Expenses)	(3,287,597)	(3,328,174)	(3,779,008)
Change in Net Assets	\$30,310	\$221,794	\$2,056,960

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.

	12/31/2011	12/31/2010	Change 2011 less 2010
Transmission Plant	\$21,637,849	\$16,787,220	\$4,850,629
Distribution Plant	62,356,983	60,431,472	1,925,511
General Plant	8,563,484	8,525,830	37,654
Under Construction	1,536,257	6,344,075	(4,807,818)
Accumulated Depreciation	(20,373,127)	(18,819,909)	(1,553,218)
Total	\$73,721,446	\$73,268,688	\$452,758

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:

	12/31/2011	12/31/2010	Change 2011 less 2010
NRUCFC Loan Payable	\$41,192,971	\$42,648,907	\$(1,455,936)
Special Revenue Bonds Payable	15,575,000	15,775,000	(190,000)
Total	\$56,767,971	\$58,423,907	\$(1,656,936)

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 2012 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, 2011 and 2010

	<u>Assets</u>	
	2011	2010
Utility Plant:		
Electric plant in service	\$ 92,558,317	\$ 85,744,522
Under construction	1,536,257	6,344,075
Total	94,094,574	92,088,596
Less accumulated depreciation and amortization	(20,373,127)	(18,819,909)
Net Utility Plant	73,721,446	73,268,687
Other Non-Current Assets:		
Restricted cash, cash equivalents, and investments		
Revenue bond covenant accounts - Cash and cash equivalents	2,065,021	1,413,863
Revenue bond covenant accounts - Investments	17,501	4,515,415
Investments in associated organizations	2,390,600	2,254,352
Feasibility study costs	68,715	-
Deferred charges	323,902	335,899
Unamortized loss on reacquired debt	189,013	257,745
Total Other Non-Current Assets	5,054,752	8,777,274
Current Assets:		
Cash and cash equivalents	8,204,352	648,748
Temporary cash investments:		
Unrestricted	-	8,061,398
Accounts receivable - Principally customer (less allowance for doubtful accounts of \$2,848 in 2011 and \$2,819 in 2010)	3,397,493	3,633,198
Materials and supplies	1,238,363	1,250,711
Prepayments and other assets	2,028,124	118,440
Total Current Assets	14,868,332	13,712,495
Total Assets	\$ 93,644,531	\$ 95,758,456
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 2,585,389	\$ 2,511,869
Customer deposits	127,200	118,600
Accrued expenses	886,221	859,450
Long-term debt due within one year	1,747,422	1,629,311
Deferred credits	610,999	977,078
Total Current Liabilities	5,957,230	6,096,308
Non-Current Liabilities:		
Long-term portion of termination benefits payable	424,762	469,690
Long-term debt, less amount due within one year	55,049,037	56,824,140
Total Non-current Liabilities	55,473,799	57,293,830
Net Assets:		
Invested in utility plant, net of related debt	58,117,958	57,464,143
Restricted for:		
Debt service	2,065,021	1,413,863
Utility plant additions	17,501	4,515,415
Unrestricted	(27,986,978)	(31,025,103)
Total Net Assets	32,213,501	32,368,319
Total Liabilities and Net Assets	\$ 93,644,531	\$ 95,758,456

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating Revenues	\$ 35,636,702	\$ 37,081,813
Operating Expenses:		
Operation-		
Power purchased	25,086,521	26,913,047
Distribution - Operation	508,022	479,194
Distribution - Maintenance	1,552,779	1,057,952
Transmission - Maintenance	406,753	501,046
Depreciation and amortization	1,620,866	1,476,528
General and administrative-		
Customer accounts	1,115,888	1,033,381
Other	2,027,966	2,070,697
Total Operating Expenses	<u>32,318,794</u>	<u>33,531,844</u>
Operating Income / (Loss)	3,317,907	3,549,968
Non-Operating Revenues (Expenses):		
Interest income	98,722	127,994
Interest expense	(3,475,892)	(3,629,255)
Gain/(loss) on sale of assets	(94,717)	(52,925)
Amortization	(80,729)	(80,729)
Patronage capital credits CFC	265,017	306,740
Total Non-Operating Revenues (Expenses)	<u>(3,287,597)</u>	<u>(3,328,174)</u>
Change in Net Assets	30,310	221,794
Total Net Assets - Beginning of Year	32,368,319	32,168,743
Contributions In Aid of Construction-net	<u>(185,128)</u>	<u>(22,218)</u>
Total Net Assets - End of Year	<u>\$ 32,213,501</u>	<u>\$ 32,368,319</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, 2011 and 2010

	2011	2010
Cash Flows From Operating Activities:		
Cash received from customers	\$ 35,872,406	\$ 37,756,726
Cash paid to suppliers	(28,702,937)	(28,158,038)
Cash paid to employees	(3,836,964)	(3,728,209)
Cash Flows From Operating Activities	3,332,505	5,870,479
Cash Flows From investing Activities:		
Additions to utility plant	(2,680,319)	(6,611,056)
Proceeds from the sale of utility plant assets	(94,717)	(52,925)
Collection of notes receivable	-	231,480
Investment earnings	98,722	127,994
Investment in feasibility study costs	(68,715)	584,870
Patronage capital credits	265,017	306,740
Investment in related organization	(136,248)	(153,357)
Cash Flows From Investing Activities	(2,616,259)	(5,566,253)
Cash Flows From Financing Activities:		
Proceeds from issuance of bonds	-	-
Repayment of principal on long-term debt	(1,656,992)	(1,541,872)
Interest paid	(3,475,892)	(3,629,255)
Contributions in aid of construction and customer advances	55,486	394,364
Customer deposits	8,600	21,300
Cash Flows From Financing Activities	(5,068,797)	(4,755,464)
Net Change in Cash and Cash Equivalents	(4,352,551)	(4,451,238)
Cash and Cash Equivalents including Restricted Cash, Beginning of Year	14,639,425	19,090,663
Cash and Cash Equivalents including Restricted Cash, End of Year	\$ 10,286,874	\$ 14,639,425
Reconciliation of Operating Income / (Loss) to Net Cash Flows from Operating Activities:		
Operating income / (loss)	\$ 3,317,907	\$ 3,549,968
Adjustments to reconcile operating income / (loss) to cash flows from operating activities-		
Depreciation and amortization	1,620,866	1,476,528
Changes in assets and liabilities-		
(Increase)/decrease in accounts receivable	235,705	674,913
(Increase)/decrease in materials and supplies	12,348	116,036
(Increase)/decrease in prepayments and other assets	(1,909,684)	4,783
Increase/(decrease) in accounts payable	73,520	(65,885)
Increase/(decrease) in accrued expenses	(18,157)	114,137
Cash Flows From Operating Activities	\$ 3,332,505	\$ 5,870,479

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

Interest paid during the year amounted to \$3,475,892 in 2011, and \$3,629,255 in 2010.

The District disposed of equipment costing \$195,462 and \$412,282 less accumulated depreciation of \$100,745 and \$352,222, net of sales proceeds of \$-0- and \$7,135, resulting in a non-cash loss of \$94,717 and \$52,925 in 2011 and 2010 respectively.

The accompanying notes are an integral part of the financial statements

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

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

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, 2011 and 2010 the District had the following investments and maturities:

2011-		Investment Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10	
U.S. Government Securities	\$ 17,501	\$ 17,501	\$ -	\$ -	\$ -	
Total Fair Value	\$ 17,501	\$ 17,501	\$ -	\$ -	\$ -	

2010-		Investment Maturities (in Years)				
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10	
U.S. Government Securities	\$ 12,133,878	\$ 12,133,878	\$ -	\$ -	\$ -	
Total Fair Value	\$ 12,133,878	\$ 12,133,878	\$ -	\$ -	\$ -	

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, 2011 and 2010 the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
U.S. Government Securities	\$ 17,501	\$ 17,501	\$ -	\$ -	\$ -
Total Fair Value	\$ 17,501	\$ 17,501	\$ -	\$ -	\$ -

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
U.S. Government Securities	\$ 12,133,878	\$ 12,138,878	\$ -	\$ -	\$ -
Total Fair Value	\$ 12,133,878	\$ 12,138,878	\$ -	\$ -	\$ -

3. UTILITY PLANT

During the years ended December 31, 2011 and 2010, the following changes occurred in the District's utility plant as follows:

	Balance at 12/31/2010	Additions	Deletions	Balance at 12/31/2011
Transmission Plant	\$ 16,787,220	\$ 5,338,593	\$ (487,964)	\$ 21,637,849
Distribution Plant	60,431,472	2,317,308	(391,797)	62,356,983
General Plant	8,525,830	63,773	(26,119)	8,563,484
Under construction	6,344,074	2,523,674	(7,331,491)	1,536,257
Subtotal	92,088,596	10,243,348	(8,237,371)	94,094,573
Accumulated depreciation	(18,819,909)	(2,382,626)	829,408	(20,373,127)
Net Utility Plant Assets	\$ 73,268,687	\$ 7,860,722	\$ (7,407,963)	\$ 73,721,446

	Balance at 12/31/2009	Additions	Deletions	Balance at 12/31/2010
Transmission Plant	\$ 16,667,733	\$ 123,140	\$ (3,653)	\$ 16,787,220
Distribution Plant	56,370,565	4,317,686	(256,779)	60,431,472
General Plant	8,594,870	60,960	(130,000)	8,525,830
Under construction	3,942,700	6,273,578	(3,872,204)	6,344,074
Subtotal	85,575,868	10,775,364	(4,262,636)	92,088,596
Accumulated depreciation	(16,912,732)	(2,243,227)	336,050	(18,819,909)
Net Utility Plant Assets	\$ 68,663,136	\$ 8,532,137	\$ (3,926,586)	\$ 73,268,687

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:

	2011	2010
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	742,049	622,271
CFC Patronage Capital Securities	200,000	200,000
SEDC Patronage Capital	50,362	43,247
FREIE Patronage Capital	73,589	64,234
	\$ 2,390,600	\$2,254,352

5. 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 2011 and 2010 was \$439,014 and \$606,693.

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

	As of 12/31/2011	As of 12/31/2010
Contributed Amount	\$ 24,751,025	\$ 24,312,012
Accumulated Amortization	(5,496,980)	(4,872,838)
Net	\$ 19,254,045	\$ 19,439,174

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT

During the years ended December 31, 2011 and 2010, the following changes occurred in the District's long term debt:

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

	Balance			Balance	Current
	12/31/2010	Additions	Retirements	12/31/2011	Portion
NRUCFC Loans Payable	\$ 42,648,907	\$ -	\$ (1,455,936)	\$ 41,192,971	\$ 1,537,422
Series 2008 Special Revenue Bonds Payable	15,775,000	-	(200,000)	15,575,000	210,000
Bond Premiums	29,544	-	(1,055)	28,489	-
Voluntary Termination Benefits	501,040	-	(50,674)	450,366	25,604
Total Long-Term Debt	\$ 58,954,491	\$ -	\$ (1,707,665)	\$ 57,246,826	\$ 1,773,026

	Balance			Balance	Current
	12/31/2009	Additions	Retirements	12/31/2010	Portion
NRUCF 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	\$ 60,485,967	\$ 39,288	\$ (1,570,764)	\$ 58,954,491	\$ 1,660,661

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT - CONTINUED

Long-term debt consists of the following:

	2011	2010
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.95%, maturing September	\$ 3,572,564	\$ 3,693,851
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.95%, maturing September	3,572,564	3,693,851
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.95%, maturing September	5,028,630	5,199,349
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.23%, maturing September	4,861,251	5,021,684
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.33%, maturing September	4,842,753	5,000,962
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.70%, maturing September	4,855,710	5,008,476
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 3.45%, maturing September	4,739,120	4,940,946
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 3.80%, maturing September	4,804,952	5,006,643
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing September	4,915,426	5,083,145
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	15,575,000	15,775,000
Bond premiums on 2008 Special Obligation	28,489	29,544
Total long term debt	56,796,459	58,453,451
Less amounts due within one year	(1,747,422)	(1,629,311)
Long term debt, net of current portion	\$ 55,049,037	\$ 56,824,140

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.

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT – CONTINUED

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, 2011 and 2010 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	2011		Year Ended	2010	
	Principal	Interest		Principal	Interest
2012	\$ 1,747,422	\$ 3,474,082	2011	\$ 1,629,310	\$ 3,639,576
2013	1,843,661	3,377,342	2012	1,722,485	3,546,902
2014	1,944,940	3,274,513	2013	1,820,627	3,448,260
2015	2,056,563	3,165,240	2014	1,924,037	3,343,300
2016	2,168,852	3,048,864	2015	2,038,036	3,231,651
2017-2021	12,887,037	13,216,754	2016-2020	12,130,812	14,210,187
2022-2026	17,192,757	8,908,595	2021-2025	16,276,804	10,061,905
2027-2031	9,591,738	4,124,537	2026-2030	12,786,798	4,875,547
2032-2036	4,825,000	2,221,600	2031-2035	4,465,000	2,578,800
Thereafter	2,510,000	305,200	Thereafter	3,630,000	595,600
Totals	\$ 56,767,970	\$ 45,116,727	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 \$56,767,970 and \$58,423,909 at December 31, 2011 and 2010 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

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

9. EMPLOYEE BENEFITS - CONTINUED

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. This 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, 2011 and 2010 were \$3,777,616 and \$3,610,967 respectively. The District's total payroll for the years ended December 31, 2011 and 2010 were \$3,747,218 and \$3,728,209 respectively.

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

Year	Contribution Rate	Total
	Regular Members	Contributions
2011	21.5% - 22.453%	\$ 848,187
2010	20.5% - 21.5%	\$ 702,322
2009	20.50%	\$ 702,737

10. COMPENSATED ABSENCES

Included in accrued expenses is \$596,110 and \$568,745 which represents accrued but unpaid vacation and sick pay as of December 31, 2011 and 2010.

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.

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

11. VOLUNTARY TERMINATION BENEFITS – CONTINUED

The estimated liability for the benefits as of December 31, 2011 and 2010 are as follows:

Termination benefits payable as of 12/31/10	\$ 501,040
Incremental adjustment for 2011	(50,674)
Termination benefits payable as of 12/31/11	<u>\$ 450,366</u>

12. 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 an \$11 million letter of credit in February 2009. The letter of credit was renewed in February of 2011.

In 2011 the District agreed with Coral Power/Shell to prepay on month's estimated cost of purchased power in-lieu of the letter of credit mentioned above. The letter of credit with CFC will not be renewed when it expires in February of 2012.

13. PRIOR PERIOD RESTATEMENT

In prior periods, the District did not record patronage capital allocated by some associated organizations. During 2011, the District recorded the patronage capital income and the investment in associated organizations from prior years which resulted in a restatement to the 2010 financial statements.

Also, during 2011 the District reclassified expenses from prior years as costs of utility plant under construction which resulted in a restatement to the 2010 financial statements.

The restatements to the 2010 financial statements are as follows:

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

13. PRIOR PERIOD RESTATEMENT

	As Originally Reported	As Restated	Effect of Change
Statement of net assets:			
Utility plant under construction	\$ 5,753,403	\$ 6,344,075	\$ 590,672
Investments in associated organizations	2,146,871	2,254,352	107,481
Statement of revenues, expenses, and changes in net assets:			
Operating expenses	34,044,800	33,531,844	512,956
Non-operating revenues	289,129	306,740	17,611
Change in net assets	(308,773)	221,794	530,567
Total net assets - beginning of year	32,001,156	32,168,743	167,587

14. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through February 22, 2012, the date that the financial statements were available to be issued.

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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon, dated February 22, 2012. 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.

Compliance and Other matters

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 22, 2012