

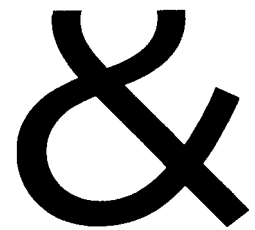
OVERTON POWER DISTRICT NO. 5

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012
AND
AUDITOR'S REPORT

OVERTON POWER DISTRICT NO. 5

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	3-5
Financial Statements:	
Balance Sheets	6
Statements of Operations	7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9-19
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20-21



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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement.

Auditor's Responsibility

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. 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 performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013 and 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

February 15, 2014

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, 2013. 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 decreased by \$535,194 during 2013 and by \$2,145,790 during 2012.
- The District's net assets increased by \$2,110,982 during 2013 and increased \$157,481 during 2012.
- The District received contributions in aid of construction totaling \$354,648 during 2013 and \$415,016 during 2012.
- The District repaid \$1,914,576 of long term debt principal during 2013 and \$1,765,915 during 2012.

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 \$34.5m at the close of the fiscal year 2013. This represents an increase from the prior year figure of \$2.1m.

The largest assets of the District are the electrical plant in service (\$75.3m). 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 (\$60.1m), 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)

	12/31/2013	12/31/2012	12/21/2011
Utility Plant	\$75,332,042	\$75,867,236	\$73,721,446
Other Non-Current Assets	4,525,008	4,530,774	5,054,752
Current Assets	11,780,216	9,413,199	14,868,332
Total Assets	91,637,267	89,811,209	93,644,531
Current Liabilities	5,660,584	3,880,615	5,957,230
Non-Current Liabilities	51,494,719	53,559,612	55,473,799
Total Liabilities	57,155,303	57,440,227	61,431,029
Net Assets	\$34,481,964	\$32,370,982	\$32,213,501

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

	12/31/2013	12/31/2012	12/31/2011
Total Operating Revenues	\$36,775,197	\$35,431,372	\$35,636,702
Total Operating Expenses	30,967,089	31,908,123	32,318,794
Operating Income/(Loss)	5,808,108	3,523,249	3,317,907
Non-Operating Revenues/(Expenses)	(3,070,456)	(3,237,999)	(3,287,597)
Change in Net Assets	\$2,737,652	\$285,250	\$30,310

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.

	12/31/2013	12/31/2012	Change 2013 less 2012
Transmission Plant	\$21,725,478	\$21,646,056	\$79,422
Distribution Plant	64,472,421	63,531,380	941,041
General Plant	8,583,291	8,591,836	(8,545)
Under Construction	5,105,567	4,589,252	516,315
Accumulated Depreciation	(24,554,715)	(22,491,288)	(2,063,427)
Total	\$75,332,042	\$75,867,236	(\$535,194)

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:

	12/31/2013	12/31/2012	Change 2013 less 2012
NRUCFC Loan Payable	\$37,942,480	\$39,637,057	\$(1,694,577)
Special Revenue Bonds Payable	15,145,000	15,365,000	(220,000)
Total	\$53,087,480	\$55,002,057	\$(1,914,577)

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 all financial data to ensure the District can meet all upcoming obligations and responsibilities.

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, Assistant General Manager/Manager of Finance and Administration, PO BOX 395 Overton, NV 89040.

VERTON POWER DISTRICT NO. 5
Statements of Net Assets
December 31, 2013 and 2012

	<u>Assets</u>	
	2013	2012
Utility Plant:		
Electric plant in service	\$ 94,781,190	\$ 93,769,272
Under construction	5,105,567	4,589,252
Total	99,886,757	98,358,524
Less accumulated depreciation and amortization	(24,554,715)	(22,491,288)
Net Utility Plant	75,332,042	75,867,236
Other Non-Current Assets:		
Restricted cash, cash equivalents, and investments		
Revenue bond covenant accounts - Cash and cash equivalents	1,512,104	1,515,434
Revenue bond covenant accounts - Investments	21,879	18,334
Investments in associated organizations	2,630,975	2,510,964
Feasibility study costs	-	53,855
Deferred charges	299,910	311,906
Unamortized loss on reacquired debt	60,140	120,281
Total Other Non-Current Assets	4,525,008	4,530,774
Current Assets:		
Cash and cash equivalents	7,120,278	4,529,426
Temporary cash investments:		
Unrestricted	-	-
Accounts receivable - Principally customer (less allowance for doubtful accounts of \$3,431 in 2013 and \$4,034 in 2012)	3,418,762	3,582,387
Materials and supplies	1,114,285	1,182,980
Prepayments and other assets	126,892	118,406
Total Current Assets	11,780,216	9,413,199
Total Assets	\$ 91,637,267	\$ 89,811,209
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 2,267,174	\$ 254,931
Customer deposits	133,900	128,500
Accrued expenses	851,029	984,666
Long-term debt due within one year	2,040,971	1,903,936
Deferred credits	367,510	608,922
Total Current Liabilities	5,660,584	3,880,955
Non-Current Liabilities:		
Long-term portion of termination benefits payable	421,831	433,719
Long-term debt, less amount due within one year	51,072,888	53,125,553
Total Non-current Liabilities	51,494,719	53,559,272
Net Assets:		
Invested in utility plant, net of related debt	60,160,664	60,474,803
Restricted for:		
Debt service	1,512,104	1,515,434
Utility plant additions	21,879	18,334
Unrestricted	(27,212,683)	(29,637,589)
Total Net Assets	34,481,964	32,370,982
Total Liabilities and Net Assets	\$ 91,637,267	\$ 89,811,209

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
December 31, 2013 and 2012

	2013	2012
Operating Revenues	\$ 36,775,197	\$ 35,431,372
Operating Expenses:		
Operation-		
Power purchased	24,074,512	24,543,057
Distribution - Operation	392,896	667,484
Distribution - Maintenance	1,435,719	1,357,380
Transmission - Maintenance	653,197	464,759
Depreciation and amortization	1,368,969	1,738,734
General and administrative-		
Customer accounts	1,028,275	1,085,983
Other	2,013,521	2,050,726
Total Operating Expenses	30,967,088	31,908,123
Operating Income / (Loss)	5,808,108	3,523,249
Non-Operating Revenues (Expenses):		
Interest income	20,961	21,953
Interest expense	(3,168,728)	(3,346,630)
Gain/(loss) on sale of assets	(85,963)	(58,888)
Amortization	(72,137)	(80,729)
Patronage capital credits CFC	235,411	226,295
Total Non-Operating Revenues (Expenses)	(3,070,456)	(3,237,999)
Change in Net Assets	2,737,652	285,250
Total Net Assets - Beginning of Year	32,370,982	32,213,501
Contributions In Aid of Construction-net	(626,671)	(127,769)
Total Net Assets - End of Year	\$ 34,481,964	\$ 32,370,982

The accompanying notes are an integral part of the
financial statements

OVERTON POWER DISTRICT NO. 5

**Statements of Cash Flows
December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Cash received from customers	\$ 36,938,822	\$ 35,246,478
Cash paid to suppliers	(23,727,247)	(26,483,397)
Cash paid to employees	(3,943,947)	(3,943,947)
Cash Flows From Operating Activities	<u>9,267,628</u>	<u>4,819,134</u>
Cash Flows From investing Activities:		
Additions to utility plant	(833,776)	(3,884,525)
Proceeds from the sale of utility plant assets	(85,963)	(58,888)
Investment earnings	20,961	21,953
Investment in feasibility study costs	53,855	14,860
Patronage capital credits	235,411	226,295
Investment in related organization	(120,011)	(120,364)
Cash Flows From Investing Activities	<u>(729,523)</u>	<u>(3,800,670)</u>
Cash Flows From Financing Activities:		
Proceeds from issuance of bonds	-	-
Repayment of principal on long-term debt	(1,915,629)	(1,766,970)
Interest paid	(3,168,728)	(3,346,630)
Contributions in aid of construction and customer advances	(868,083)	(129,845)
Customer deposits	5,400	1,300
Cash Flows From Financing Activities	<u>(5,947,040)</u>	<u>(5,242,145)</u>
Net Change in Cash and Cash Equivalents	2,591,065	(4,223,680)
Cash and Cash Equivalents including Restricted Cash, Beginning of Year	<u>6,063,194</u>	<u>10,286,874</u>
Cash and Cash Equivalents including Restricted Cash, End of Year	<u>\$ 8,654,259</u>	<u>\$ 6,063,194</u>
Reconciliation of Operating Income / (Loss) to Net Cash Flows from Operating Activities:		
Operating income / (loss)	\$ 5,808,108	\$ 3,523,249
Adjustments to reconcile operating income / (loss) to cash flows from operating activities-		
Depreciation and amortization	1,368,969	1,738,734
Changes in assets and liabilities-		
(Increase)/decrease in accounts receivable	163,625	(184,894)
(Increase)/decrease in materials and supplies	68,695	55,383
(Increase)/decrease in prepayments and other assets	(8,486)	1,909,718
Increase/(decrease) in accounts payable	2,012,243	(2,330,458)
Increase/(decrease) in accrued expenses	(145,526)	107,402
Cash Flows From Operating Activities	<u>\$ 9,267,628</u>	<u>\$ 4,819,134</u>

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

Interest paid during the year amounted to \$3,168,728 in 2013, and \$3,346,630 in 2012.

The District disposed of equipment costing \$360,507 and \$304,401 less accumulated depreciation of \$274,544 and \$283,276, net of sales proceeds of \$-0- and \$2,237, resulting in a non-cash loss of \$85,963 and \$58,888 in 2013 and 2012 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

I. 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, 2013 and 2012 the District had the following investments and maturities:

2013- Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
U.S. Government Securities	\$ 21,879	\$ 21,879	\$ -	\$ -	\$ -
Total Fair Value	\$ 21,879	\$ 21,879	\$ -	\$ -	\$ -

2012- Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
U.S. Government Securities	\$ 18,334	\$ 18,334	\$ -	\$ -	\$ -
Total Fair Value	\$ 18,334	\$ 18,334	\$ -	\$ -	\$ -

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, 2013 and 2012 the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
U.S. Government Securities	\$ 21,879	\$ 21,879	\$ -	\$ -	\$ -
Total Fair Value	\$ 21,879	\$ 21,879	\$ -	\$ -	\$ -

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
U.S. Government Securities	\$ 18,334	\$ 18,334	\$ -	\$ -	\$ -
Total Fair Value	\$ 18,334	\$ 18,334	\$ -	\$ -	\$ -

3. UTILITY PLANT

During the years ended December 31, 2013 and 2012, the following changes occurred in the District's utility plant as follows:

	Balance at 12/31/2012	Additions	Deletions	Balance at 12/31/2013
Transmission Plant	\$ 21,646,059	\$ 85,666	\$ (6,247)	\$ 21,725,478
Distribution Plant	63,547,354	1,254,459	(329,392)	64,472,421
General Plant	8,575,859	49,516	(42,084)	8,583,291
Under construction	4,589,252	1,549,304	(1,032,989)	5,105,567
Subtotal	98,358,524	2,938,945	(1,410,712)	99,886,757
Accumulated depreciation	(22,491,288)	(2,838,444)	775,017	(24,554,715)
Net Utility Plant Assets	\$ 75,867,236	\$ 100,501	\$ (635,695)	\$ 75,332,042

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

3. UTILITY PLANT – CONTINUED

	Balance at 12/31/2011	Additions	Deletions	Balance at 12/31/2012
Transmission Plant	\$ 21,637,849	\$ 57,994	\$ (49,784)	\$ 21,646,059
Distribution Plant	62,356,983	1,484,988	(294,617)	63,547,354
General Plant	8,563,484	12,375	-	8,575,859
Under construction	1,536,257	4,005,506	(952,511)	4,589,252
Subtotal	94,094,573	5,560,863	(1,296,912)	98,358,524
Accumulated depreciation	(20,373,127)	(2,268,795)	150,634	(22,491,288)
Net Utility Plant Assets	\$ 73,721,446	\$ 3,292,068	\$ (1,146,278)	\$ 75,867,236

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:

	2013	2012
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	933,877	834,666
CFC Patronage Capital Securities	200,000	200,000
SEDC Patronage Capital	79,056	66,040
FREIE Patronage Capital	93,442	85,657
	<u>\$ 2,630,975</u>	<u>\$ 2,510,963</u>

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 2013 and 2012 was \$623,806 and \$630,673.

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

5. CONTRIBUTED CAPITAL – CONTINUED

	<u>As of</u> <u>12/31/2013</u>	<u>As of</u> <u>12/31/2012</u>
Contributed Amount	\$ 25,300,381	\$ 25,153,440
Accumulated Amortization	(6,800,775)	(6,027,164)
Net	<u>\$ 18,499,606</u>	<u>\$ 19,126,276</u>

6. LONG-TERM DEBT

During the years ended December 31, 2013 and 2012, the following changes occurred in the District's long term debt:

	<u>Balance</u> <u>12/31/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2013</u>	<u>Current</u> <u>Portion</u>
NRUCFC Loans Payable	\$ 39,637,057	\$ -	\$ (1,694,574)	\$ 37,942,483	\$ 1,810,971
Series 2008 Special Revenue Bonds Payable	15,365,000	-	(220,000)	15,145,000	230,000
Bond Premiums	27,434	-	(1,056)	26,378	-
Voluntary Termination Benefits	459,323	14,165	(26,393)	447,095	-
Total Long-Term Debt	<u>\$ 55,488,814</u>	<u>\$ 14,165</u>	<u>\$ (1,942,023)</u>	<u>\$ 53,560,956</u>	<u>\$ 2,040,971</u>

	<u>Balance</u> <u>12/31/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2012</u>	<u>Current</u> <u>Portion</u>
NRUCF Loans Payable	\$ 41,192,971	\$ -	\$ (1,555,914)	\$ 39,637,057	\$ 1,683,935
Series 2008 Special Revenue Bonds Payable	15,575,000	-	(210,000)	15,365,000	220,000
Bond Premiums	28,489	-	(1,055)	27,434	-
Voluntary Termination Benefits	450,366	8,957	-	459,323	25,264
Total Long-Term Debt	<u>\$ 57,246,826</u>	<u>\$ 8,957</u>	<u>\$ (1,766,969)</u>	<u>\$ 55,488,814</u>	<u>\$ 1,929,199</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

6. LONG-TERM DEBT - CONTINUED

Long-term debt consists of the following:

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 3.25% 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.

	2013	2012
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.95%, maturing September	\$ 3,307,404	\$ 3,443,898
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.95%, maturing September	3,307,404	3,443,898
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.95%, maturing September	4,655,399	4,847,523
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.23%, maturing September	4,509,041	4,690,588
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 6.33%, maturing September	4,494,905	4,674,289
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 3.25%, maturing September	4,446,178	4,677,594
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 3.45%, maturing September	4,305,812	4,526,187
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 3.80%, maturing September	4,377,948	4,595,487
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.90%, maturing September	4,538,390	4,737,591
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	15,145,000	15,365,000
Bond premiums on 2008 Special Obligation	26,378	27,434
Total long term debt	53,113,859	55,029,489
Less amounts due within one year	(2,040,971)	(1,903,936)
Long term debt, net of current portion	\$ 51,072,888	\$ 53,125,553

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, 2013 and 2012 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	2013		Year Ended	2012	
	Principal	Interest		Principal	Interest
2014	\$ 2,040,971	\$ 2,998,761	2013	\$ 1,903,935	\$ 3,207,424
2015	2,143,632	2,898,451	2014	2,000,512	3,109,298
2016	2,245,874	2,792,121	2015	2,106,831	3,005,329
2017	2,357,951	2,679,744	2016	2,213,164	2,894,907
2018	2,480,133	2,560,687	2017	2,329,801	2,777,971
2019-2023	14,472,993	10,732,219	2018-2022	13,701,578	11,855,768
2024-2028	17,890,926	6,407,049	2023-2027	17,981,764	7,572,570
2029-2033	3,830,000	3,216,000	2028-2032	6,249,471	3,570,982
2034-2038	5,625,000	1,418,800	2033-2037	5,210,000	1,835,600
Thereafter	-	-	Thereafter	1,305,000	104,400
Totals	\$ 53,087,480	\$ 35,703,832	Totals	\$ 55,002,056	\$ 39,934,249

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 \$53,087,480 and \$55,002,056 at December 31, 2013 and 2012 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, 2013 and 2012 were \$3,790,153 and \$3,860,951 respectively. The District's total payroll for the years ended December 31, 2013 and 2012 were \$3,950,065 and \$3,943,947 respectively.

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

Year	Contribution Rate	Total
	Regular Members	Contributions
2013	23.75% - 25.75%	\$ 930,927
2012	23.75%	\$ 903,360
2011	21.5% - 22.453%	\$ 848,187

10. COMPENSATED ABSENCES

Included in accrued expenses is \$565,929 and \$674,403 which represents accrued but unpaid vacation and sick pay as of December 31, 2013 and 2012.

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

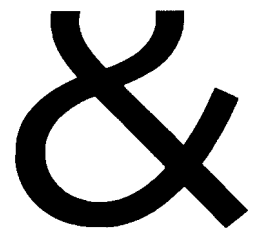
11. VOLUNTARY TERMINATION BENEFITS – CONTINUED

The estimated liability for the benefits as of December 31, 2013 and 2012 are as follows:

Termination benefits payable as of 12/31/12	\$ 459,323
Incremental adjustment for 2013	(12,229)
Termination benefits payable as of 12/31/13	<u>\$ 447,094</u>

12. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through February 15, 2014, the date that the financial statements were available to be issued.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements which collectively comprise the basic financial statements of Overton Power District No.5 (the District), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise The District's basic financial statements, and have issued our report thereon dated February 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did

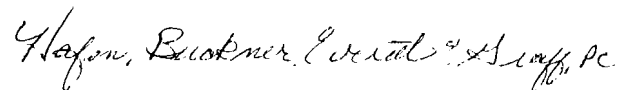
not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

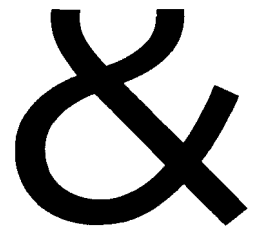
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Hafen, Buckner, Everett, & Graff, PC

February 15, 2014

HAFEN
BUCKNER
EVERETT
& GRAFF, PC
CERTIFIED PUBLIC ACCOUNTANTS



hbeg.com
(435)673-6167 F:(435)673-6166
90 East 200 North, St George, UT 84770

2013 AUDITOR'S CERTIFICATION REGARDING LOAN FUND EXPENDITURES

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

We have audited the basic financial statements of Overton Power District No. 5 (the District) as of and for the year ended December 31, 2013, and issued our report thereon dated February 15, 2014.

During the period of this audit, the District received \$ -0-, in long-term loan fund advances from CFC on loans controlled by the CFC Loan Agreement and/or Mortgage or Security Agreement.

Hafen Buckner Everett & Graff, PC

Hafen, Buckner, Everett & Graff, PC
February 15, 2014