

OVERTON POWER DISTRICT NO. 5

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2021, AND 2020
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

Report on the Audit of the Financial Statements

Opinions

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, 2021, and 2020, and the related notes to the financial statements, which collectively comprise the District's basis financial statements as listed in the table of contents.

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, 2021, and 2020, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management 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, and for 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, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

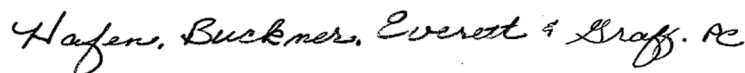
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 16, 2022, on our consideration of Overton Power District No. 5's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Overton Power District No. 5's internal control over financial reporting and compliance.



Hafen, Buckner, Everett & Graff, PC

February 16, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Overton Power District No. 5's (OPD5) Basic Financial Statements presents management's discussion and analysis of OPD5's financial performance during the year ending December 31, 2021. 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 \$6,579,370 in 2021 and increased by \$6,122,671 during 2020.
- The districts net assets increased by \$9,029,822 in 2021 and \$8,788,285 during 2020.
- The District received a net amount of contributions in aid of construction totaling \$-11,881 in 2021 and \$225,786 during 2020.
- The District repaid \$2,858,805 of long-term debt principal during 2021 and \$2,656,159 during 2020.
- The District has exceeded all coverage metrics required, reduced long term debt as a percentage of plant, While proving high quality reliable power to our customers.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the 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 OPD5, 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 OPD5 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 OPD5's financial statements including significant accounting policies, commitments, obligations, risks, contingencies and other financial matters.

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 OPD5, assets exceeded liabilities by \$82.0m at the close of the fiscal year 2021. This represents an increase from the prior year figure of \$9.0m.

The largest assets of OPD5 are the electrical plant in service (\$94.4m). We use these capital assets to provide electrical services to our customers; consequently, these assets are not available for future spending. Although the investment in its capital assets reported net of related debt totals (\$62.5m), 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)

	12/31/2021	12/31/2020	12/31/2019
Utility Plant	\$94,456,222	\$87,876,850	\$81,754,179
Other Non-Current Assets	3,943,128	3,231,916	3,997,955
Current Assets	26,542,297	25,029,698	24,010,495
Deferred Outflow Resource	5,626,717	5,536,173	5,010,574
Total Assets	130,568,366	121,674,637	114,773,202
Current Liabilities	10,133,250	7,529,295	9,259,969
Non-Current Liabilities	37,795,849	40,236,433	43,001,041
Deferred Inflow Resources	562,954	862,418	751,001
Total Liabilities	48,920,053	50,613,160	53,012,011
Net Assets	\$82,076,312	\$73,046,490	61,761,191

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

	12/31/2021	12/31/2020	12/31/2019
Total Operating Revenues	\$41,473,966	\$40,953,619	\$40,346,989
Total Operating Expenses	30,348,037	30,810,908	30,081,344
Operating Income/(Loss)	11,125,929	10,142,711	10,265,645
Non-Operating Revenues/(Expenses)	(2,084,226)	(1,580,212)	(1,632,707)
Change in Net Assets	\$9,041,703	\$8,562,499	\$8,632,939

Utility Plant and Debt Administration and Pension

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.

	12/31/2021	12/31/2020	Change 2021 less 2020
Transmission Plant	\$26,181,100	\$25,794,326	\$386,774
Distribution Plant	86,151,310	84,040,860	2,110,450
General Plant	14,400,421	13,527,425	872,996
Under Construction	9,304,884	3,790,030	5,514,854
Accumulated Depreciation	(41,581,495)	(39,275,791)	(2,305,704)
Total	\$94,456,220	\$87,876,850	\$6,579,370

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:

	12/31/2021	12/31/2020	Change 2021 less 2020
NRUCFC Loan Payable	\$18,035,168	\$20,366,643	\$(2,152,405)
NRUCFC Loan Payable 2015	13,872,381	14,399,711	(503,755)
Total	\$31,907,549	\$34,766,354	\$(2,656,159)

Pension

OPD5 adopted new accounting guidance, GASB Statement No. 68 *Accounting and Financial Report for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the District to recognize its proportionate share of the net pension liability, deferred outflows and deferred inflows of resources, and related expenses from the District's participation in the Public Employees' Retirement System of the State of Nevada (PERS). By adopting this new accounting guidance, OPD5 would be required to restate its beginning net position. The Deferred Outflows of Resources of \$3,000,817 and Deferred Inflows of Resources are \$562,954 and a net Pension Cost to be recorded of \$102,581.

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:

OPD5 seeks to deliver strong and consistent business and financial results by providing the necessary services and constructing a well built and reliable power system that enables us to sell electrical capacity and energy to its customers.

OPD5 monitors all financial data to ensure that we can achieve its core mission and meet all upcoming obligations and responsibilities.

As OPD5 adds new customers, new facilities are required to serve new loads. Additional new facilities are required to add system reliability.

OPD5 seeks to maintain this balance by utilizing its financial strength to achieve these goals.

Request for Information

This financial report is designed to provide interested parties with a general overview of OPD5'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 MeLisa Garcia, Manager of Financial Services, PO BOX 395 Overton, NV 89040.

OVERTON POWER DISTRICT NO. 5
Statements of Net Assets
December 31, 2021 and 2020

	<u>Assets</u>	
	2021	2020
Utility Plant:		
Electric plant in service	\$ 126,732,833	\$ 123,362,611
Under construction	9,304,884	3,790,030
Total	136,037,716	127,152,641
Less accumulated depreciation and amortization	(41,581,495)	(39,275,791)
Net Utility Plant	94,456,222	87,876,850
Other Non-Current Assets:		
Investments in associated organizations	3,840,548	3,761,084
Pension costs	102,581	(529,168)
Total Other Non-Current Assets	3,943,129	3,231,916
Current Assets:		
Cash and cash equivalents	7,826,389	13,405,215
Temporary cash investments:	12,004,835	5,561,000
Accounts receivable - Principally customer (less allowance for doubtful accounts of \$3,319 in 2021 and \$3,162 in 2020)	3,626,753	3,331,324
Materials and supplies	2,770,375	2,021,280
Prepayments and other assets	313,946	710,877
Total Current Assets	26,542,297	25,029,698
Deferred Outflows of Resources:		
Deferred charge on pensions	3,000,817	2,746,154
Deferred charges on refunding debt	2,625,900	2,790,019
Total deferred outflows of resources	5,626,717	5,536,173
Total Assets	\$ 130,568,366	\$ 121,674,637
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 2,374,490	\$ 2,126,964
Customer deposits	309,800	292,350
Accrued expenses	1,245,701	1,246,910
Long-term debt due within one year	2,968,862	2,754,280
Deferred credits	3,234,397	1,108,791
Total Current Liabilities	10,133,250	7,529,295
Non-Current Liabilities:		
Long-term portion of termination benefits payable	215,951	239,855
Long-term debt, less amount due within one year	28,938,688	32,012,075
Net pension liability	8,641,211	7,984,503
Total Non-current Liabilities	37,795,849	40,236,433
Deferred Inflows of Resources:		
Deferred charge on pensions	562,954	862,418
Total deferred outflows of resources	562,954	862,418
Net Assets:		
Invested in utility plant, net of related debt	94,456,222	87,876,850
Restricted for:		
Debt service	-	-
Utility plant additions	-	-
Unrestricted	(12,379,909)	(14,830,360)
Total Net Assets	82,076,313	73,046,490
Total Liabilities and Net Assets	\$ 130,568,366	\$ 121,674,637

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, 2021 and 2020

	2021	2020
Operating Revenues	\$ 41,473,966	\$ 40,953,619
Operating Expenses:		
Operation-		
Power purchased	20,681,714	20,039,559
Distribution - Operation	908,294	1,289,585
Distribution - Maintenance	1,796,205	1,794,516
Transmission - Maintenance	609,827	738,572
Depreciation and amortization	2,242,558	2,162,900
General and administrative-		
Customer accounts	1,402,679	1,548,919
Other	2,706,760	3,236,857
Total Operating Expenses	30,348,037	30,810,908
Operating Income / (Loss)	11,125,929	10,142,711
Non-Operating Revenues (Expenses):		
Interest income	71,519	147,300
Interest expense	(1,184,735)	(1,425,023)
Gain/(loss) on sale of assets	(976,244)	(342,981)
Amortization	(164,119)	(164,119)
Patronage capital credits CFC	169,353	204,611
Total Non-Operating Revenues (Expenses)	(2,084,226)	(1,580,212)
Change in Net Assets	9,041,703	8,562,499
Total Net Assets - Beginning of Year	73,046,490	64,258,205
Contributions In Aid of Construction-net	(11,881)	225,787
Total Net Assets - End of Year	82,076,313	\$ 73,046,490

The accompanying notes are an integral part of the
financial statements

OVERTON POWER DISTRICT NO. 5

Statements of Cash Flows

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash received from customers	\$ 41,178,537	\$ 40,990,084
Cash paid to suppliers	(24,073,459)	(23,701,488)
Cash paid to employees	(4,690,939)	(4,627,342)
Cash Flows From Operating Activities	<u>12,414,139</u>	<u>12,661,254</u>
Cash Flows From investing Activities:		
Additions to utility plant	(8,821,930)	(8,285,571)
Proceeds from the sale of utility plant assets	(976,244)	(342,981)
Investment earnings	71,519	147,300
Patronage capital credits	169,353	204,610
Investment in related organization	(79,464)	(97,256)
Temporary investments	(6,443,835)	(1,509,370)
Cash Flows From Investing Activities	<u>(16,080,602)</u>	<u>(9,883,268)</u>
Cash Flows From Financing Activities:		
Repayment of principal on long-term debt	(2,858,803)	(2,656,159)
Interest paid	(1,184,735)	(1,425,023)
Contributions in aid of construction and customer advances	2,113,726	(199,959)
Customer deposits	17,450	38,650
Cash Flows From Financing Activities	<u>(1,912,362)</u>	<u>(4,242,491)</u>
Net Change in Cash and Cash Equivalents	(5,578,824)	(1,464,505)
Cash and Cash Equivalents including Restricted Cash, Beginning of Year	<u>13,405,216</u>	<u>14,869,721</u>
Cash and Cash Equivalents including Restricted Cash, End of Year	<u>\$ 7,826,392</u>	<u>\$ 13,405,216</u>
Reconciliation of Operating Income / (Loss) to Net Cash Flows from Operating Activities:		
Operating income / (loss)	\$ 11,125,929	\$ 10,142,711
Adjustments to reconcile operating income / (loss) to cash flows from operating activities-		
Depreciation and amortization	2,242,558	2,162,900
Changes in assets and liabilities-		
(Increase)/decrease in accounts receivable	(295,429)	36,465
(Increase)/decrease in materials and supplies	(749,094)	(567,795)
(Increase)/decrease in prepayments and other assets	396,932	68,992
(Increase)/decrease in investments in associated	(631,749)	863,295
(Increase)/decrease in deferred outflows	(254,663)	(689,718)
Increase/(decrease) in accounts payable	247,526	357,196
Increase/(decrease) in accrued expenses	(25,114)	126,658
Increase/(decrease) in net pension liability	656,708	49,133
Increase/(decrease) in deferred charge in pensions	(299,464)	111,417
Cash Flows From Operating Activities	<u>\$ 12,414,139</u>	<u>\$ 12,661,254</u>

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

Interest paid during the year amounted to \$1,184,735 in 2021, and \$1,425,023 in 2020.

The District disposed of equipment costing \$1,098,713 and \$526,307 less accumulated depreciation of \$122,469 and \$183,155, net of sales proceeds of \$-0- and \$-0-, resulting in a non-cash loss of \$976,244 and \$343,152 in 2021 and 2020 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 Trustees, 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

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

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

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 7.

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.

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).

Fair Value Measurements

The District categorizes their fair value measurement within the fair value hierarchy established

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

All of the District’s temporary cash investments totaling \$12,504,835 are valued at the daily closing price as reported (Level 1 inputs).

3. UTILITY PLANT

During the years ended December 31, 2020 and 2021, the following changes occurred in the District’s utility plant as follows:

	Balance at 12/31/2020	Additions	Deletions	Balance at 12/31/2021
Transmission Plant	\$ 25,794,325	\$ 619,533	\$ (232,758)	\$ 26,181,100
Distribution Plant	84,040,860	4,607,929	(2,497,479)	86,151,310
General Plant	13,527,426	938,955	(65,960)	14,400,421
Under construction	3,790,030	7,610,339	(2,095,485)	9,304,884
Subtotal	<u>127,152,641</u>	<u>13,776,756</u>	<u>(4,891,682)</u>	<u>136,037,715</u>
Accumulated depreciation	(39,275,791)	(6,166,417)	3,860,713	(41,581,495)
Net Utility Plant Assets	<u>\$ 87,876,850</u>	<u>\$ 7,610,339</u>	<u>\$ (1,030,969)</u>	<u>\$ 94,456,220</u>
	Balance at 12/31/2019	Additions	Deletions	Balance at 12/31/2020
Transmission Plant	\$ 25,706,728	\$ 375,526	\$ (287,929)	\$ 25,794,325
Distribution Plant	80,243,173	5,254,865	(1,457,178)	84,040,860
General Plant	10,935,152	2,613,121	(20,847)	13,527,426
Under construction	2,106,219	8,108,833	(6,425,022)	3,790,030
Subtotal	<u>118,991,272</u>	<u>16,352,345</u>	<u>(8,190,976)</u>	<u>127,152,641</u>
Accumulated depreciation	(37,237,093)	(3,175,287)	1,136,589	(39,275,791)
Net Utility Plant Assets	<u>\$ 81,754,179</u>	<u>\$ 13,177,058</u>	<u>\$ (7,054,387)</u>	<u>\$ 87,876,850</u>

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 twelve years, 4% thereafter. The loan certificates have no yield and mature and will be returned when the loans are paid off. The member capital securities yield 5% and have various maturity dates through 2048.

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

Investments in associated organizations consists of the following:

	2021	2020
NRUCFC Membership	\$ 1,000	\$ 1,000
NRUCFC Subscription Certificates	143,600	143,600
NRUCFC Loan Certificates	1,180,000	1,180,000
NRUCFC Member Capital Securities	500,000	500,000
CFC Patronage Capital Certificates	1,598,553	1,542,548
SEDC Patronage Capital	130,457	129,604
FREIE Patronage Capital	235,141	222,355
Western Unit Patronage Capital	36,938	27,762
Investment in Cobank	1,000	1,000
Investment in CRC	13,859	13,215
	\$ 3,840,548	\$3,761,084

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 2020 and 2021 was \$716,916 and \$738,665.

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

	As of 12/31/2021	As of 12/31/2020
Contributed Amount	\$ 29,908,006	\$ 29,181,221
Accumulated Amortization	(12,348,801)	(11,610,136)
Net	\$ 17,559,205	\$ 17,571,085

6. LONG-TERM DEBT

During the years ended December 31, 2020, and 2021, 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.

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

	Balance			Balance	Current
	12/31/2020	Additions	Retirements	12/31/2021	Portion
NRUCFC Loans Payable	\$ 34,766,355	\$ -	\$ (2,858,805)	\$ 31,907,550	\$ 2,909,753
Voluntary Termination Benefits	259,795		(24,942)	234,853	18,903
Total Long-Term Debt	\$ 35,026,150	\$ -	\$ (2,883,747)	\$ 32,142,403	\$ 2,928,656

	Balance			Balance	Current
	12/31/2019	Additions	Retirements	12/31/2020	Portion
NRUCFC Loans Payable	\$ 37,422,513	\$ -	\$ (2,656,158)	\$ 34,766,355	\$ 2,754,280
Voluntary Termination Benefits	302,554	-	(42,759)	259,795	19,940
Total Long-Term Debt	\$ 37,725,067	\$ -	\$ (2,698,917)	\$ 35,026,150	\$ 2,774,220

Long-term debt consists of the following:

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

	<u>2021</u>	<u>2020</u>
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 2.28%, maturing September 30, 2028.	\$ 1,832,117	\$ 2,080,414
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 2.28%, maturing September 30, 2028.	1,832,117	2,080,414
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 2.28%, maturing September 30, 2028.	2,578,832	2,928,326
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.90%, maturing September 30, 2028.	2,525,532	2,833,975
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 2.41%, maturing September 30, 2028.	2,294,193	2,598,482
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 3.71%, maturing September 30, 2028.	2,245,662	2,533,265
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 5.05%, maturing September 30, 2028.	2,334,989	2,618,451
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.10%, maturing September 30, 2028.	2,391,726	2,693,316
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.60%	13,826,979	14,352,584
Loan payable to National Rural Utilities Cooperative Finance Corporation, due in quarterly installments bearing interest at 4.60%	45,402	47,128
Total long term debt	<u>31,907,549</u>	<u>34,766,355</u>
Less amounts due within one year	<u>(2,909,753)</u>	<u>(2,754,280)</u>
Long term debt, net of current portion	<u>\$ 28,997,796</u>	<u>\$ 32,012,075</u>

On December 29, 2003, the District borrowed \$59,000,000, from National Rural Utilities Cooperative Finance Corporation (NRUCFC) in the form of nine separate notes ranging from \$5,000,000 to \$7,000,000. The notes are payable quarterly with interest ranging from 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.

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

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, 2019 and 2020 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	2021		Year Ended	2020	
	Principal	Interest		Principal	Interest
2022	2,968,862.00	1,218,774	2021	\$ 2,825,370	\$ 1,304,279
2023	3,078,113.00	1,109,524	2022	2,932,096	1,201,524
2024	3,191,780.00	995,857	2023	3,043,185	1,094,777
2025	3,310,055.00	877,582	2024	3,158,824	983,872
2026	3,433,137.00	754,500	2025	3,279,212	868,640
2027-2031	8,893,491	2,272,171	2026-2030	11,662,416	2,673,680
2032-2036	4,788,362	1,115,174	2031-2035	4,574,287	1,329,249
Thereafter	2,243,749	117,663	Thereafter	3,290,965	251,155
Totals	<u>\$ 31,907,549</u>	<u>\$ 8,461,245</u>	Totals	<u>\$ 34,766,355</u>	<u>\$ 9,707,176</u>

Based on the borrowing rates currently available to the District for loans with similar term and average maturities, the fair value of long-term debt is approximately \$34,766,355 and \$31,907,549 at December 31, 2020 and 2021 respectively.

7. DEFERRED CREDITS

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

8. PENSION PLANS AND RETIREMENT BENEFITS

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

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

Benefits Provided. Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at the time of retirement and the member's highest average compensation in any 36 consecutive months with special provisions for members entering the System on or after January 2010. Benefit payments to which participants of their beneficiaries may be entitled under the plan included pension benefits, disability benefits, and survivor benefits. Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this multiplier is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% multiplier. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death. Post-retirement increases are provided by authority of NRS 286.575-.579.

Regular members are eligible for retirement at age 65 with five years of service, at 60 with 10 years of service, or at any age with 30 years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with five years of service, at age 62 with 10 years of service, or any age with thirty years of service.

Police/Fire members are eligible for retirement at age 65 with five years of service, at age 55 with ten years of service, at age 50 with twenty years of service, or at any age with twenty-five years of service. Police/Fire members entering the System on or after January 1, 2010, are eligible are eligible for retirement at 65 with five years of service, or age 60 with ten years of service, or age 50 with twenty years of service, or at any age with thirty years of service. Only service performed in a position as a police officer or firefighter may be counted towards eligibility for retirement as Police/Fire accredited service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Both Regular and Police/Fire members become fully vested as to benefits upon completion of five years of service.

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. PERS receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis. The contribution requirements of the Plan members and the District are established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450. The payroll for employees covered by PERS for the years ended December 31, 2020, and 2021 were \$4,478,820 and \$4,244,385 respectively. The District's total payroll for the years ended December 31, 2020, and 2021 were \$4,498,484 and \$4,369,264 respectively.

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

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

<u>Year</u>	<u>Contribution Rate Regular Members</u>	<u>Total Contributions</u>
2021	29.25% - 29.75%	\$ 1,325,352
2020	29.25%	\$ 1,310,052
2019	28.00% - 29.25%	\$ 1,204,506

The actuary funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and result in a relatively level long-term contribution requirement as a percentage of salary.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2021, the District reported a liability of \$8,641,211, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net position liability was determined by an actuarial valuation as of that dated. The District's allocation percentage of the net pension liability was based on the total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their combined employer and member contributions relative to the total combined employer and member contributions for all employers for the period ended June 30, 2020. At June 30, 2020, the District's proportion was 0.06204 percent.

For the year ended December 31, 2020, the District recognized pension expense of \$1,325,352. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$ 268,476	\$ 111,579
Changes in assumptions	242,722	
Net difference between projected and actual earnings on pension plan investments	-	326,429
Changes in proportion and differences between District contributions and proportional share of contributions	528,043	124,946
District contributions subsequent to measurement date	1,961,576	-
Total	<u>\$ 3,000,817</u>	<u>\$ 562,954</u>

\$1,961,576 was reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

net position liability in the ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	
2022	\$ (889,158)
2023	442,401
2024	510,920
2025	357,459
2026	51,055
2027	3,610
	<u>\$ 476,287</u>

Actuarial Assumptions. The System's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.75%
Investment rate of return	7.50%
Productivity pay increase	0.50%
Projected salary increases	Regular: 4.25% to 9.15%, depending on service. Police/Fire: 4.55% to 13.9%, depending on service Rates include inflation and productivity increases
Other assumptions	Same as those used in the June 30, 2020 funding actuarial valuation.

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of the experience review completed in 2019.

The System's policies which determine the investment portfolio target asset allocation are established by the Public Employees' Retirement Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs to the System.

The following is the Board adopted policy target asset allocation as of June 30, 2020:

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

Asset Class	Target Allocation	Long-term Geometric Expected Real Rate of
U. S. Stocks	42%	5.50%
International Stocks	18%	5.75%
U.S. Bonds	28%	0.75%
Private Markets	12%	6.65%

*As of June 30, 2020, PERS' long-term inflation assumption was 2.75%.

Discount Rate. The discount rate used to measure the total pension liability was 7.5% as of June 30, 2020. The projections of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan's fiduciary net position at June 30, 2018, was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020.

Sensitivity of the District's proportionate share of the net pension liability to change in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent higher or lower than the current rate.

	1.0 % Decrease in Discount Rate (6.50%)	Discount Rate (7.50%)	1.0 % Increase in Discount Rate (8.50%)
District's proportionate share of the net pension liability	13,476,950	8,641,211	4,620,653

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website.

Pension contributions Payable. The District's accrued contributions payable at December 31, 2020 and 2021 were \$100,292 and \$102,325.

9. COMPENSATED ABSENCES

Included in accrued expenses is \$920,590 and \$905,534 which represents accrued but unpaid vacation and sick pay as of December 31, 2020, and 2021.

OVERTON POWER DISTRICT NO. 5

NOTES TO FINANCIAL STATEMENTS

10. 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.

The estimated liability for the benefits as of December 31, 2020 and 2021 are as follows:

Termination benefits payable as of 12/31/20	\$ 259,795
Incremental adjustment for 2021	(24,942)
Termination benefits payable as of 12/31/21	<u>\$ 234,853</u>

11. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through February 16, 2022, the date that the financial statements were available to be issued.

12. RESTATEMENT OF PRIOR YEAR

The prior years' financial statements were restated to reflect the refunding of over charges for purchased power in prior years. The restated amounts are as follows:

	Originally Reported	Restated	Change
Prepayments and other assets	198,878	710,877	511,999
Deferred Credits	3,093,805	1,108,791	1,985,014
Net Assets (Unrestricted)	17,327,373	14,830,360	(2,497,013)

OVERTON POWER DISTRICT NO. 5
Schedule of the Proportionate Share of The Net Pension Liability
Public Employees Retirement System of Nevada
Last Six Fiscal Years

Year Ended June 30	District's proportion of the net pension liability	District's proportional share of the net pension liability	District's covered-employee payroll	District's proportionate liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	0.057170%	\$ 6,551,367	\$ 3,733,329	175.483%	75.10%
2017	0.057600%	\$ 7,750,973	\$ 3,786,590	204.695%	72.20%
2018	0.059320%	\$ 7,890,020	\$ 3,876,388	203.541%	74.40%
2019	0.058190%	\$ 7,935,370	\$ 4,244,385	186.962%	75.24%
2020	0.058550%	\$ 7,983,857	\$ 4,478,820	178.258%	77.04%
2021	0.062040%	\$ 8,641,211	\$ 4,498,484	192.092%	77.04%

Schedule of Contributions
Public Employees Retirement System of Nevada
Last Six Fiscal Years

Year Ended June 30	Contractually Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2016	\$ 1,046,030	\$ 1,046,030	\$ -	\$ 3,733,329	28.02%
2017	\$ 1,060,243	\$ 1,060,243	\$ -	\$ 3,786,590	28.00%
2018	\$ 1,085,386	\$ 1,085,386	\$ -	\$ 3,876,388	28.00%
2019	\$ 1,211,376	\$ 1,211,376	\$ -	\$ 4,244,385	28.54%
2020	\$ 1,310,052	\$ 1,310,052	\$ -	\$ 4,478,820	29.25%
2021	\$ 1,325,352	\$ 1,325,352	\$ -	\$ 4,498,484	29.46%

The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.



Certified Public Accountants

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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, 2021, 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 16, 2022.

Report on 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.

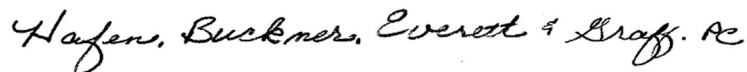
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Report on 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 financial statements. 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 16, 2022