# LINCOLN COUNTY POWER DISTRICT NO. 1

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2023
AND
AUDITOR'S REPORT
********************************

LINCOLN COUNTY POWER DISTRICT NO. 1

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lincoln County Power District No. 1
Panaca, Nevada

**Report on the Audit of the Financial Statements**

*Opinions*

We have audited the accompanying basic financial statements of Lincoln County Power District No. 1 (the District) as of and for the year ended December 31, 2023 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 Lincoln County Power District No. 1 as of December 31, 2023, and the results of its operations and its cash flows for the seven months 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 April 19, 2024, on our consideration of Lincoln County Power District No. 1'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 Lincoln County Power District No. 1's internal control over financial reporting and compliance.

Hafen, Buckner, Everett & Graff, PC

Hafen, Buckner, Everett & Graff, PC
St. George, Utah
April 19, 2024

# Lincoln County Power District No. 1
# Management's Discussion and Analysis

Management's discussion and analysis is intended to provide an overview of the financial performance and activities of Lincoln County Power District No. 1 (Lincoln County Power) for the period ended December 31, 2023 and is prepared by Lincoln County Power's management. The information presented should be read in conjunction with the basic financial statements, the accompanying notes to the financial statements, and the Independent Auditor's report.

**Financial Highlights**

The District had a net operating loss of $181,981 during 2023. While this alone is not a financial highlight, in 2022 the District experienced a much larger loss of $937,578. Even though the District experienced an operating loss, the District had a net position increase of $101,520.

The Purchase Power Adjustment Rate (PPAR) was adjusted on October 1, 2023. The increased revenues from this charge have significantly contributed to cost recovery from power supply expenses during FY2024.

While showing a net operating loss of $181,981 during 2023, Lincoln County Power did have expenses for two large work orders totaling $252,445.61. These expenses will be recovered by payment from customers in FY2024.

**Financial Statements Overview**

Lincoln County Power operates as a general improvement district under chapter 318 of the Nevada Revised Statutes and substantially follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. The accompanying basic financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Lincoln County Power's basic financial statements include the statements of net position (balance sheet); the statements of revenues, expenses and changes in net position; and the statements of cash flows.

The statements of net position contain information about the nature and amount of assets and liabilities of Lincoln County Power. A summary appears below. The statements of revenues, expenses and changes in net position report the revenues and expenses for Lincoln County Power. A summary appears on the following page. The statements of cash flows identify cash receipts, cash payments, and net changes in cash resulting from operating, capital and related financing activities, and investing activities. These statements can be found in the attached basic financial statements.

**Condensed Statements of Net Position**

The following condensed statements of net position summarize the financial position of Lincoln County Power for the period ended December 31, 2023.

**Statements of Net Position**
**December 31, 2023 and 2022**

| | 2023 | 2022 | Dollar Change |
|---|---|---|---|
| **Assets** | | | |
| Utility Plant, Net | $ 36,002,303 | $ 36,039,006 | $ (36,703) |
| Investments and Other | 379,836 | 407,430 | (27,594) |
| Current Assets | 6,161,027 | 6,546,040 | (385,013) |
| Deferred Outflows on | 1,977,396 | 1,947,435 | 29,961 |
| **Subtotal** | 44,520,563 | 44,939,911 | (419,348) |
| **Liabilities and Deferred Inflows** | | | |
| Long-Term Debt | 3,483,930 | 3,652,889 | (168,959) |
| Net Pension Liability | 3,996,851 | 2,097,893 | 1,898,958 |
| Deferred Inflows on | 132,293 | 1,794,584 | (1,662,291) |
| Other Current Liabilities | 1,217,952 | 1,806,528 | (588,576) |
| **Subtotal** | 8,831,026 | 9,351,894 | (520,868) |
| **Net Position** | | | |
| Invested in Utility Plant Net | 32,589,532 | 32,556,251 | 33,281 |
| Restricted | | - | - |
| Unrestricted | 3,100,004 | 3,031,766 | 68,238 |
| **Subtotal** | 35,689,537 | 35,588,017 | 101,520 |
| **Total Liabilities, and Net Position** | $ 44,520,563 | $ 44,939,911 | $ (419,348) |

- Management offers the following comments:

  - Utility plant decreased from the amount reported on December 31, 2022, by $36,703. Changes in utility plant are attributable to work orders that were transferred to plant during the fiscal year, less retirements of plant that occurred, and less depreciation on assets. For the twelve-month reporting period, 40 projects were completed and capitalized as utility plant assets. However, most of these were customer related line extensions. Lincoln County Power did not transfer any large capital projects to plant during this period. As a result, the value for depreciation of assets exceeded new plant additions, resulting in a decline in the value of reported utility plant.

  - Current assets decreased from the amount reported on December 31, 2022, by $385,013. Of this decrease, $550,407 is attributable to decreases in cash and interest-bearing deposits.

  - Total net position has increased by $101,520 over the amount reported on December 31, 2022.

### Condensed Statements of Revenue, Expenses and Changes in Net Position

The following comparative condensed statements of revenues, expenses and changes in net position summarizes the changes in financial position of Lincoln County Power for the period ended December 31, 2023.

**Statements of Revenues, Expenses and Changes in Net Position**
**December 31, 2023 and 2022**

| | 2023 | 2022 | Dollar Change |
|---|---|---|---|
| Power Sales to Customers | $ 8,081,866 | $ 7,056,537 | $ 1,025,329 |
| Other Operating Revenues | 423,138 | 448,498 | (25,360) |
| **Total Operating Revenues** | 8,505,004 | 7,505,036 | 999,969 |
| Operating Expenses | 8,686,985 | 8,442,614 | 244,371 |
| Electric Operating Income/Loss | (181,981) | (937,578) | 755,597 |
| Interest on Long Term Debt | (151,197) | (152,465) | 1,268 |
| Interest Income | 117,633 | 132,379 | (14,746) |
| Other Gains/(Losses) | 41,300 | 25,614 | 15,686 |
| **Total Non-Operating Income** | 7,736 | 5,528 | 2,209 |
| | | | $ - |
| **Change In Net Position End of Year** | $ (174,246) | $ (932,050) | $ 757,805 |

- Lincoln County Power sold 83,923,710 kWhs of energy to its customers in calendar year 2022, and 81,568,108 kWhs of energy to its customers in calendar year 2023. This represents a 2.81% decrease in year-over-year energy sales.
- Despite the decrease in kWh sales the purchased power adjustment rate that was adjusted in October 2023 increased the revenues to compensate for power purchases late in fiscal year 2022 and the beginning of fiscal year 2023. Due to lower power sales than forecast, the purchased power adjustment rate was not able to fully recover all power supply expenses incurred during FY2023.
- Lincoln Count Power District does not expect operating losses past 2023.

### Long-Term Debt

During fiscal year 2019 Lincoln County Power entered into a loan program with CFC that will allow Lincoln County Power to borrow up to $5,000,000 over a five-year period. The intent of the loan program was to allow Lincoln County Power to finance some or all of the relocation of its operations from Caselton, Nevada to Panaca, Nevada using long-term debt that would be repaid over an extended period. On July 24, 2018 Lincoln County Power drew down $1,700,000 of the available funds in order to construct its new administrative building and operations building. This debt is amortized on a 30-year term at 4.95% interest. On April 14, 2019 Lincoln County Power drew down $2,000,000 of the available funds in order to construct its new shop and warehouse building. The new shop and warehouse building was completed in December of 2020. This debt is amortized on a 30-year term at 4.18% interest.

Lincoln County Power has no current plans to access additional funds from the CFC loan program.

**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:

- As power supply costs and operating costs continue to increase. Lincoln County Power has scheduled to have a Cost-of-Service Study conducted. The study is scheduled to take place in 2025. Through the Cost-of-Service study process, Lincoln County Power will be able to more fully analyze the revenue requirements and cost recovery practices of the company.

- The Purchase Power Adjustment Rate (PPAR) went into effect on October 1, 2022. And was adjusted in October 1, 2023. This rate is designed to collect funds for costs of required power purchased above what was forecast and in excess of the $750,000 budgeted for.

- Current power market price forecasts show signs of stabilizing throughout 2024. This combined with increased hydropower generation forecasts for the next 2 years are anticipated to lower power supply costs for Lincoln County Power District.

- Lincoln County Power's financial condition shows an improvement compared to last fiscal year. This trend is expected to continue as power supply costs are recovered through the PPAR. In addition to cost recovery, Lincoln County Power has submitted a letter of interest for 5MW of energy through the Arizona Electric Power Cooperatives (AEPCO) Apache II solar project. The project has received a notice to proceed from grant administrators and is expected to begin delivering power in Q4 2025. Energy from this project will reduce power supply costs by limiting the amount of power purchased on the energy markets.

- Lincoln County Power's two largest operating costs are purchased power expense and labor costs. Power supply expense remains a significant concern. Approximately, 37% of the energy purchased by Lincoln County Power is purchased from the Arizona G&T Cooperative. Another 63% of the energy purchased by Lincoln County Power comes from a long-term contract for hydroelectric power from Hoover Dam. As the hydrology within the Colorado River drainage basin continues to worsen, Lincoln County Power must purchase increasing amounts of energy from other sources at considerably higher prices. Lincoln County Power's Purchased Power Adjustment Rate (PPAR) is decreasing the gap between power purchased and sold.

- During FY2023, two significant work orders began that incurred costs that will be recovered in FY2024. $252,445.61 was expensed during FY2023 for these work orders which contributes to the operating loss of $181,981.

**Request for Information**

This financial report is designed to provide interested parties with a general overview of Lincoln County Power's financial status. Questions concerning any of the financial statements and/or information contained in this financial report should be addressed to Lincoln County Power's General Manager at P.O. Box 910, Panaca, Nevada 89042.

**LINCOLN COUNTY POWER DISTRICT NO. 1**
**Statement of Net Position**
**As of December 31, 2023**

**Assets and Deferred Outflows of Resources**

| | | 2023 |
|---|---|---|
| **Utility Plant:** | | |
| Generation | $ | 347,473 |
| Power lines, transmission | | 28,794,337 |
| Power lines, distribution | | 19,301,864 |
| Office, warehouse, and buildings | | 6,750,427 |
| Land and land rights | | 68,097 |
| Tools and maintenance equipment | | 2,183,817 |
| Transportation equipment | | 1,239,151 |
| Office furniture and fixtures | | 307,061 |
| Radio communication equipment | | 271,174 |
| Computer hardware and software | | 585,425 |
| Construction work-in-progress | | 2,166,052 |
| Total | | 62,014,877 |
| Less accumulated depreciation and amortization | | (26,012,573) |
| Net Utility Plant | | 36,002,303 |
| **Other Non-Current Assets:** | | |
| Investments in associated organizations | | 332,884 |
| Contracts receivable (less amount due within one year) | | 24,800 |
| Right-of-use assets | | 22,152 |
| Total Other Non-Current Assets | | 379,836 |
| **Current Assets:** | | |
| Cash and cash equivalents: | | |
| Cash | | 388,063 |
| Interest-bearing deposits | | 3,129,921 |
| Total cash and cash equivalents | | 3,517,983 |
| Accounts receivable | | 816,675 |
| Prepayments and other assets | | 199,442 |
| Materials and supplies | | 1,626,927 |
| Total Current Assets | | 6,161,027 |
| **Deferred Outflows of Resources:** | | |
| Deferred charge on pensions | | 1,977,396 |
| Total deferred outflows of resources | | 1,977,396 |
| **Total Assets and Deferred Outflows of Resources** | $ | 44,520,563 |

**Liabilities, Net Position, and Deferred Inflows of Resources**

| | | |
|---|---|---|
| **Current Liabilities:** | | |
| Accounts payable | $ | 425,424 |
| Customer deposits | | 72,398 |
| Accrued expenses | | 421,184 |
| Long-term debt due within one year | | 73,220 |
| Lease liability | | 22,671 |
| Deferred credits | | 194,367 |
| Total Current Liabilities | | 1,209,264 |
| **Non-Current Liabilities:** | | |
| Long-term debt, less amount due within one year | | 3,339,551 |
| Lease liability | | 153,067 |
| Net pension liability | | 3,996,851 |
| Total Non-current Liabilities | | 7,489,469 |
| **Deferred Inflows of Resources:** | | |
| Deferred charge on pensions | | 132,293 |
| Total deferred inflows of resources | | 132,293 |
| **Net Position:** | | |
| Invested in utility plant net of related debt | | 32,589,532 |
| Restricted | | - |
| Unrestricted | | 3,100,004 |
| Total Net Position | | 35,689,537 |
| **Total Liabilities, Net Position, and Deferred Inflows of Resources** | $ | 44,520,563 |

The accompanying notes are an integral part of the financial statements

**LINCOLN COUNTY POWER DISTRICT NO. 1**
**Statement of Revenues, Expenses, and Changes In Net Position**
**For the Year Ended December 31, 2023**

| | 2023 |
|---|---|
| **Operating Revenues:** | |
| Power sales to customers | $ 8,081,866 |
| Other | 423,138 |
| Total Operating Revenues | 8,505,004 |
| **Operating Expenses:** | |
| Operation- | |
| Power purchased | 3,681,372 |
| General and administrative | 3,395,304 |
| Depreciation and amortization | 1,610,309 |
| Total Operating Expenses | 8,686,985 |
| **Operating Income / (Loss)** | (181,981) |
| **Non-Operating Revenues (Expenses):** | |
| Interest and dividend income | 117,633 |
| Interest expense | (151,197) |
| Other gains /(losses) | 41,300 |
| Total Non-Operating Revenues (Expenses) | 7,736 |
| **Change in Net Position** | (174,246) |
| Total Net Position - Beginning of Year | 35,588,017 |
| Contributions in Aid of Construction-net | 263,994 |
| Main Line Contributions in Aid of Construction | 11,772 |
| Total Net Position - End of Year | $ 35,689,537 |

The accompanying notes are an integral part of the financial statements

**LINCOLN COUNTY POWER DISTRICT NO. 1**
**Statement of Cash Flows**
**December 31, 2023**

| | | 2023 |
|---|---|---|
| **Cash Flows From Operating Activities:** | | |
| Cash received from power sales to customers | $ | 8,077,264 |
| Cash received from other operating revenues | | 423,138 |
| Cash paid to cost of power | | (3,681,372) |
| Cash paid to general and administrative | | (4,028,592) |
| **Cash Flows From Operating Activities** | | 790,437 |
| | | |
| **Cash Flows From Investing Activities:** | | |
| Additions to utility plant | | (1,560,850) |
| (Increase)/decrease in contracts receivable | | 73,049 |
| Interest earnings | | 117,633 |
| Investments in associated organizations | | (45,455) |
| Leased assets | | |
| Other gains / (losses) | | 41,300 |
| **Cash Flows From Investing Activities** | | (1,374,323) |
| | | |
| **Cash Flows From Financing Activities:** | | |
| Proceeds from long-term debt | | (73,220) |
| Proceeds from leases | | |
| Repayment of principal on long-term debt | | 3,236 |
| Lease payments | | (25,755) |
| Interest paid | | (151,197) |
| Increase/(decrease) in customer deposits | | 4,650 |
| Contributions in aid of construction and customer advances | | 275,766 |
| **Cash Flows From Financing Activities** | | 33,480 |
| | | |
| **Net Change in Cash and Cash Equivalents** | | (550,407) |
| | | |
| **Cash and Cash Equivalents, Beginning of Year** | | 4,068,391 |
| | | |
| **Cash and Cash Equivalents, End of Year** | $ | 3,517,984 |
| | | |
| **Reconcilation of Operating Income / (Loss) to** | | |
| **Net Cash Flows from Operating Activities:** | | |
| Operating income / (loss) | $ | (181,981) |
| Adjustments to reconcile operating income / (loss) | | |
| to cash flows from operating activities- | | |
| Depreciation and amortization | | 1,597,553 |
| | | |
| (Increase)/decrease in accounts receivable | | (4,603) |
| (Increase)/decrease in prepayments and other assets | | 101,352 |
| (Increase)/decrease in materials and supplies | | (262,144) |
| Increase/(decrease) in accounts payable | | (631,946) |
| Increase/(decrease) in accrued expenses | | (34,500) |
| Increase/(decrease) in deferred charge on pensions | | (1,692,252) |
| Increase/(decrease) in net pension liability | | 1,898,958 |
| **Cash Flows From Operating Activities** | $ | 790,437 |

**Supplemental Schedule of Non Cash Investing Activities:**
None

The accompanying notes are an integral part of the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Lincoln County Power District No. 1's (the District) significant accounting policies.

Business Activity – The District through its wholesale power agreement purchases and transmits electric power from the Colorado River Commission of Nevada and others and distributes such power through its distribution power lines and equipment to retail and sales for resale customers located within the District's service area.

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.

Use of Estimates in the Preparation of Financial Statements – The preparation of financial statements, in conformity with U.S. Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Materials and Supplies (Inventories) – Inventories are reported at cost as determined on an average cost method.

Other Investments in Associated Organizations - This account represents an equity interest in various cooperatives representing allocated unretired margins as of December 31, 2023 and 2022, as follows:

| | Balance at December 31, 2023 | Balance at December 31, 2022 |
|---|---|---|
| Federated Electric Insurance Corporation | $ 148,547 | $ 149,978 |
| National Rural Utilities Cooperative Finance Corporation | 26,088 | 19,660 |
| Arizona Electric Power Cooperative, Inc. | 7,728 | 7,728 |
| Western United Electric Supply Corporation | 150,522 | 110,064 |
| | **$ 332,884** | **$ 287,429** |

Utility Plant - Property is carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives, according to Federal Energy Regulatory Commission (FERC) guidelines, of the related assets as follows:

| | Annual Percentage Range |
|---|---|
| Generation | 2.78 - 5.56 |
| Transmission Plant | 2.00 - 3.33 |
| Distribution Plant | 2.86 - 10.00 |
| General Plant: | |
| Communication Equipment | 6.66 -10.00 |
| Computers and Equipment | 20.00 |
| Office Furniture and Equipment | 6.66 |
| Other Equipment | 6.66 - 10.00 |
| Power Equipment | 5.00 - 6.66 |
| Structures and Improvements | 3.33 |
| Transportation | 4.00 - 14.29 |

Accounts Receivable - Accounts receivable are recorded at the amount the District expects to collect on balances outstanding, net of allowances for doubtful accounts. The District determines the allowance for doubtful accounts based on accounts receivable aging and bad debt history. In addition, the District closely monitors outstanding balances and writes off all balances that are known not to be collectable against the allowance. The allowance for doubtful accounts as of December 31, 2023 and 2022, was $1,737 and $1,737 respectively.

Concentrations of credit with respect to accounts receivables are generally not significant due to the diversity of the District's customers.

Revenue Recognition - The District recognizes revenue from the sale of power upon distribution to the customer.

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 (deferred credits), then are reclassified to contributed capital when construction is completed.

Income Taxes - The District is considered a quasi-municipal corporation and is therefore not subject to federal or state taxation.

Statements of Cash Flows - For purposes of the statements of cash flows, the District considers interest-bearing deposits with original maturities of less than three months to be cash equivalents.

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

Concentrations - The District predominately maintains its cash balance in three financial institutions. Balances at December 31, 2023, were insured by the Federal Deposit Insurance Corporation up to $884,868. As of December 31, 2023, the District’s uninsured balances were approximately $3,207,930.

## 2. ASSETS PLEDGED

In support of the District financing with the National Rural Utilities Cooperative Finance Corp. (CFC), see Note 4 for details, the District entered into a Mortgage and Security Agreement with CFC on April 3, 2018 (the Mortgage). Pursuant to the Mortgage, the District has pledged its real property as security for existing and future loans that may be obtained by the District from CFC. Real property includes real estate and buildings owned by the District as well as any electric generating plant or plants and facilities and all electric transmission and distribution lines or other electric or non-electric systems and facilities and all rights of way and easements granted or given to the District. The Mortgage shall continue until retirement of all debt to CFC.

3. UTILITY PLANT AND ACCUMULATED DEPRECIATION

The following summary shows the changes in the utility plant accounts for the period ended December 31, 2023:

| Description | Balance 12/31/22 | Additions | Retirements | Balance 12/31/23 |
|---|---|---|---|---|
| Structures and Improvements-Generation | $ 75,355 | $ - | $ - | $ 75,355 |
| Generators-Generation | 213,532 | - | - | 213,532 |
| Accessory Equipment-Generation | 58,586 | - | - | 58,586 |
| | 347,473 | - | - | 347,473 |
| Land and Land Rights-Transmission | 711,285 | - | - | 711,285 |
| Structures and Improvements-Transmission | 865,211 | - | - | 865,211 |
| Station Equipment-Transmission | 11,947,922 | - | - | 11,947,922 |
| Poles and Fixtures-Transmission | 12,250,023 | 70,650 | 1,503 | 12,319,170 |
| OH Conductors and Devices- Transmission | 2,888,264 | - | - | 2,888,264 |
| UG Conduit- Transmission | 16,662 | - | - | 16,662 |
| UG Conductors and Devices- Transmission | 45,822 | - | - | 45,822 |
| | 28,725,190 | 70,650 | 1,503 | 28,794,337 |
| Land and Land Rights-Distribution | 269,088 | - | - | 269,088 |
| Structures and Improvements-Distribution | 50,560 | - | - | 50,560 |
| Station Equipment- Distribution | 3,982,892 | - | - | 3,982,892 |
| Poles Towers and Fixtures-Distribution | 2,837,525 | 178,879 | 15,953 | 3,000,450 |
| OH Conductors and Equip.-Distribution | 2,819,921 | 217,492 | - | 3,037,413 |
| UG Conduit-Distribution | 4,245,210 | 151,033 | - | 4,396,243 |
| Line Transformers-Distribution | 1,136,685 | 153,261 | 10,030 | 1,279,917 |
| Services-Distribution | 2,499,587 | 112,287 | - | 2,611,875 |
| Meters-Distribution | 551,293 | 5,253 | - | 556,545 |
| Installation of Customers Premises | 115,756 | 1,124 | - | 116,880 |
| | 18,508,518 | 819,328 | 25,983 | 19,301,863 |
| Land and Land Rights | 68,097 | - | - | 68,097 |
| Nonutility Property - Dwellings | 51,191 | - | - | 51,191 |
| Structures and Improvements-General | 6,696,503 | 2,733 | - | 6,699,236 |
| Office Furniture and Equipment | 214,152 | - | - | 214,152 |
| Computer Hardware & Software | 574,425 | 11,000 | - | 585,425 |
| Transportation Equipment | 1,129,504 | 247,494 | 137,848 | 1,239,150 |
| Stores Equipment | 133,448 | - | - | 133,448 |
| Tools Shop and Garage Equipment | 151,382 | - | - | 151,382 |
| Test and Laboratory Equipment | 60,658 | 8,356 | - | 69,014 |
| Power Operated Equipment | 1,514,309 | 315,663 | - | 1,829,973 |
| Communication Equipment | 271,174 | - | - | 271,174 |
| Miscellaneous | 3,605 | 8,722 | | 12,327 |
| Other Tangible Property | 80,582 | - | - | 80,582 |
| | 10,949,031 | 593,969 | 137,848 | 11,405,151 |
| | $ 58,530,211 | $ 1,483,947 | $ 165,334 | $ 59,848,825 |

The following summary shows the changes in the utility plant – operating additions accumulated depreciation accounts for the year ended December 31, 2023:

| Description | Balance 12/31/22 | Additions | Retirements | Balance 12/31/23 |
|---|---|---|---|---|
| Structures and Improvements-Generation | $ 22,008 | $ 3,303 | $ - | 25,310 |
| Generators-Generation | 71,521 | 10,677 | - | 82,199 |
| Accessory Equipment-Generation | 20,031 | 2,983 | - | 23,014 |
| | 113,560 | 16,963 | - | 130,523 |
| Land and Land Rights-Transmission | 283,724 | 23,711 | - | 307,435 |
| Structures and Improvements-Transmissio | 688,520 | 28,493 | - | 717,013 |
| Station Equipment-Transmission | 7,603,037 | 317,828 | - | 7,920,865 |
| Poles and Fixtures-Transmission | 3,733,397 | 277,013 | 1,503 | 4,008,907 |
| OH Conductors and Devices- Transmissio | 1,804,390 | 53,883 | - | 1,858,273 |
| UG Conduit- Transmission | 7,378 | 555 | - | 7,934 |
| UG Conductors and Devices- Transmissio | 19,562 | 1,527 | - | 21,090 |
| | 14,140,007 | 703,011 | 1,503 | 14,841,516 |
| Land and Land Rights-Distribution | 97,925 | 8,895 | - | 106,820 |
| Structures and Improvements-Distribution | 30,844 | 837 | - | 31,680 |
| Station Equipment- Distribution | 1,697,537 | 128,182 | - | 1,825,719 |
| Poles Towers and Fixtures-Distribution | 1,421,716 | 76,026 | 15,953 | 1,481,789 |
| OH Conductors and Equipment-Distributi | 588,505 | 81,636 | - | 670,141 |
| UG Conduit-Distribution | 1,204,373 | 141,517 | - | 1,345,890 |
| Line Transformers-Distribution | 301,718 | 39,713 | 2,549 | 338,882 |
| Services-Distribution | 1,555,870 | 70,209 | - | 1,626,079 |
| Meters-Distribution | 98,528 | 27,655 | - | 126,183 |
| Installation of Customers Premises | 21,114 | 3,859 | - | 24,973 |
| | 7,018,130 | 578,529 | 18,502 | 7,578,156 |
| Land and Land Rights | - | - | | - |
| Land and Land Rights | 51,191 | - | | 51,191 |
| Structures and Improvements-General | 792,295 | 189,171 | - | 981,467 |
| Office Furniture and Equipment | 162,674 | 4,910 | - | 167,584 |
| Computer Hardware & Software | 233,706 | 54,994 | - | 288,700 |
| Transportation Equipment | 576,880 | 71,767 | 137,848 | 510,799 |
| Stores Equipment | 14,087 | 8,897 | - | 22,985 |
| Tools Shop and Garage Equipment | 62,468 | 7,010 | - | 69,478 |
| Test and Laboratory Equipment | 32,365 | 6,623 | - | 38,988 |
| Power Operated Equipment | 1,116,616 | 67,422 | - | 1,184,038 |
| Communication Equipment | 89,123 | 23,516 | - | 112,638 |
| Miscellaneous | 2,991 | 2,213 | - | 5,204 |
| Other Tangible Property | 21,703 | 7,604 | - | 29,308 |
| | 3,156,099 | 444,128 | 137,848 | 3,462,379 |
| | $ 24,427,796 | 1,742,631 | $ 157,853 | $ 26,012,573 |

## 4. LONG-TERM DEBT

The following summarizes the district's long-term debt as of December 31, 2023:

| | Dec 31, 2022 | Additions | Retirements | Dec 31, 2023 | Current Portion |
|---|---|---|---|---|---|
| National Rural Utilities Cooperative Finance Corp. | $ 3,482,756 | $ - | $ 69,985 | $ 3,412,771 | $ 73,220 |
| Capital Lease Payable | 197,964 | - | 24,080 | 173,891 | 20,825 |
| Lease Payable | 7,384 | - | 5,538 | 1,846 | 1,846 |
| Total | **$ 3,688,104** | **$ -** | **$ 99,602** | **$ 3,588,509** | **$ 95,891** |

Scheduled maturities of long-term debt by year are as follows:

| Year Ending December 31- | Principal | Interest |
|---|---|---|
| 2024 | 95,891 | 158,046 |
| 2025 | 98,062 | 154,028 |
| 2026 | 102,257 | 149,834 |
| 2027 | 106,636 | 145,454 |
| Thereafter | 3,185,663 | 1,749,869 |
| Total | **$ 3,588,509** | **$ 2,357,231** |

The District has a line-of-credit from National Rural Utilities Cooperative Finance Corporation (CFC) in the amount of $1,500,000, to be used for short-term emergency needs and is to be repaid within one year or converted to long-term debt. As of December 31, 2023, nothing had been drawn on the line-of-credit.

On April 3, 2018, the District approved a long-term financing program with National Rural Utilities Cooperative Finance Corporation (CFC) that will allow the District to borrow up to $5,000,000 over a five-year period. Interest rates and amortization periods will be determined at the time funds are requested. Amortization periods may extend up to 35 years. The intent of the loan agreement with CFC is to allow the District to relocate its headquarters facilities from the current location in Castleton, Nevada to a new site near Panaca, Nevada.

On July 24, 2018, the District received $1,700,000 of the $5,000,000 for the phase I portion of the relocation project. This first loan is payable in 360 monthly payments of $8,556 including interest at 4.95%. This portion of the loan matures on June 30, 2048. On April 14, 2020, the District received an additional $2,000,000 for phase II of the relocation project. The phase II portion of the loan is payable in 359 monthly payments of $9,771 including interest at 4.18%. This portion of the loan matures on May 31, 2050.

5. Lease

The District entered into a lease agreement with Farm Credit Leasing, a division of CoBank, on May 29, 2020, for an electric vehicle. The lease is payable in 48 monthly payments of $462. At the end of the lease term there is an option to purchase the vehicle. The District has not made a decision as to whether the option will be exercised. The vehicle is being carried at the total of the lease payments with a corresponding liability. The lease payments will be amortized over the term of the lease.

The District entered into a lease agreement with Farm Credit Leasing, a division of CoBank, on August 20, 2021, for a bucket truck. The lease is payable in 120 monthly payments of $2,152 including interest. At the end of the lease term there is an option to purchase the truck for $1. The lease is being treated as a capital lease and the truck is being depreciated over 20 years.

6. COMMITMENTS

The District has entered into a contract with the Colorado River Commission of Nevada to purchase electric power and energy from the Boulder Canyon Project (Hoover Dam) through September 30, 2067. The rates paid for such purchases are subject to review annually.

Under the terms of the contract, the District is required to have funds reserved to fund the District's pro rata share of the cost to operate and maintain the Boulder Canyon Project in the event revenues received by the U.S. Bureau of Reclamation for generation from the Hoover Dam are insufficient to meet the cost of its operation and maintenance. For 2018 and thereafter there is no longer a reserve requirement.

7. 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.

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 pan 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 period ended December 31, 2023, was $ 1,530,500. The District's total payroll for the period ended December 31, 2023, was $1,593,854.

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

| Period | Contribution Rate Regular Members | Total Contributions |
|---|---|---|
| 12/31/2023 | 29.75% - 33.50% | $ 491,171 |
| 12/31/2022 | 26.23% - 30.92% | $ 489,291 |
| 12/31/2021 | 29.25% - 29.75% | $ 287,982 |
| 5/31/2021 | 29.25% | $ 479,480 |

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, 2023, the District reported a liability of $3,996,851 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, 2022. At December 31, 2023, the District's proportion was 0.02214 percent.

At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual results | $ 517,526 | $ 2,855 |
| Changes in assumptions | 513,423 | - |
| Net difference between projected and actual earnings on pension plan investments | 48,764 | - |
| Changes in proportion and differences between District contributions and proportional share of contributions | 406,512 | 129,438 |
| District contributions subsequent to measurement date | 491,171 | - |
| Totals: | **$ 1,977,396** | **$ 132,293** |

$491,171 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 net position liability in the year ended December 31, 2023. 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: | |
|---|---|
| 2024 | 207,692 |
| 2025 | 197,112 |
| 2026 | 175,989 |
| 2027 | 680,945 |
| 2028 | 92,194 |
| Thereafter | - |

<u>Actuarial Assumptions</u>. The System's net pension liability was measured as of June 30, 2022 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 | 2.50% |
| Investment rate of return | 7.25% |
| Productivity salary increases | 0.50% |
| Projected salary increases | Regular: 4.20% to 9.10%, depending on service<br>Police/Fire: 4.60% to 14.50%, depending on service<br>Rates include inflation and productivity increeases |
| Other assumptions | Same as those used in the June 30, 2022 funding actuarial valuation. |

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of the experience review completed in 2020.

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, 2022:

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

*As of June 30, 2022, PERS' long-term inflation assumption was 2.50%.

Discount Rate. The discount rate used to measure the total pension liability was 7.25% as of June 30, 2022. The projections of cash flows used to determine the discount rate assumed that employee and employer contributions will be made in amounts consistent with statutory provisions and recognizing the plan's current funding policy and cost-sharing mechanism between employers and members. For this purpose, all contributions that are intended to fund benefits for all plan members and their beneficiaries are included, except that projected contributions that are intended to fund the service cost of future plan members and their beneficiaries are not included.

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 7.25 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 (6.25%) | Discount Rate (7.25%) | 1.0% Increase in Discount Rate (8.25%) |
|---|---|---|---|
| District's proportionate share of the net pension liability | $ 6,136,474 | $ 3,996,851 | $ 2,231,341 |

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.

8. ASSET RETIREMENT OBLIGATIONS

In June 2001, the Financial Accounting Standards Board issued SFAS No, 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 provides accounting requirements for costs associated with legal obligations to retire tangible long- lived assets: SFAS No. 143 requires the fair value of an asset retirement obligation to be recorded as a liability in the period in which the obligation is incurred, if a reasonable estimate of fair value can be made. At the same time the liability is recorded, the costs of the asset retirement obligation is recorded as an addition to the carrying amount of the related asset. Overtime, the liability is accreted to its present value and the addition to the carrying amount of the asset is depreciated over the asset's useful life. Upon retirement of the asset, the District will settle the retirement obligation against the recorded balance of the liability. Any difference in the final retirement obligation cost and the liability will result in either a gain or loss.

The District's transmission facilities are generally located upon land that is leased from either the Federal government or through private leases. Upon termination of the leases, the structures, improvements, and equipment are to be removed and the land is to be restored. Because these leases are expected to be renewed indefinitely and because of the inherent value of the transmission facilities, the leases have no foreseeable termination date and, therefore, the fair value of asset retirement obligations related to the transmission facilities cannot be reasonably estimated. The District will continue to evaluate its asset retirement obligation and adjust its asset retirement liabilities accordingly.

In March 2005, the FASB issued interpretation No, 47, Accounting for Conditional Asset Retirement Obligations ("FIN 47"). FIN 47 clarifies the term conditional asset retirement obligation as used in FASB Statement No. 143. More specifically, an asset retirement obligation is unconditional, even though the timing or methods of settlement are conditional on a future event which may or may not be within the control of the District. FIN 47 requires recognition of a liability for the fair value of a conditional asset retirement obligation when sufficient information exists for the measurement of the liability. FIN 47 became effective for fiscal year 2006. The adoption of FIN 47 did not have a material impact on the financial statements.

9. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through April 19, 2024, the date that the financial statements were available to be issued.

## LINCOLN COUNTY POWER DISTRICT NO. 1
### Schedule of the Proportionate Share of The Net Pension Liability
### Public Employees Retirement System of Nevada
### Last Eight Fiscal Years

| | 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 share of the net pension liability as a percentage of its covered-employee | Plan fiduciary net position as a percentage of the total pension liability |
|---|---|---|---|---|---|
| 2016 | 0.01815% | $ 2,079,564 | $ 1,176,992 | 176.68% | 75.10% |
| 2017 | 0.01946% | $ 2,618,692 | $ 1,209,329 | 216.54% | 72.20% |
| 2018 | 0.01887% | $ 2,509,656 | $ 1,382,843 | 181.49% | 74.40% |
| 2019 | 0.01880% | $ 2,564,197 | $ 1,242,850 | 206.32% | 75.24% |
| 2020 | 0.01809% | $ 2,467,410 | $ 1,412,263 | 174.71% | 76.46% |
| 2021 | 0.02026% | $ 2,821,311 | $ 1,639,247 | 172.11% | 77.04% |
| 2022 | 0.02300% | $ 2,097,893 | $ 1,644,675 | 127.56% | 86.51% |
| 2023 | 0.02214% | $ 3,996,851 | $ 1,530,500 | 261.15% | 75.12% |

### Schedule of Contributions
### Public Employees Retirement System of Nevada
### Last Eight Fiscal Years

| | 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 | $ 326,377 | $ 326,377 | $ - | $ 1,176,992 | 27.73% |
| 2017 | $ 338,612 | $ 338,612 | $ - | $ 1,209,329 | 28.00% |
| 2018 | $ 387,196 | $ 387,196 | $ - | $ 1,382,843 | 28.00% |
| 2019 | $ 347,988 | $ 347,988 | $ - | $ 1,242,850 | 28.00% |
| 2020 | $ 411,796 | $ 411,796 | $ - | $ 1,412,263 | 29.16% |
| 2021 | $ 479,480 | $ 479,480 | $ - | $ 1,639,247 | 29.25% |
| 2022 | $ 489,494 | $ 489,494 | $ - | $ 1,644,675 | 29.76% |
| 2023 | $ 491,171 | $ 491,171 | $ - | $ 1,530,500 | 32.09% |

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.

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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
Lincoln County Power District No. 1
Panaca, 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 of Lincoln County Power District No. 1 (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 19, 2024.

**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 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.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 Governmental 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
St. George, Utah
April 19, 2024