

**NEBRASKA 59 BUTLER  
BUTLER PUBLIC POWER DISTRICT**

DAVID CITY, NEBRASKA

---

**REPORT ON FINANCIAL STATEMENTS**

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

---

**FREEMAN & RIGGS**

Certified Public Accountants

FREMONT, NEBRASKA  
OMAHA, NEBRASKA

**BUTLER PUBLIC POWER DISTRICT**  
**DAVID CITY, NEBRASKA**

**I-N-D-E-X**

	<u>Page</u>
Directors, Officers, and Manager	1
Management's Discussion and Analysis	2 – 6
Independent Auditors' Report	7 – 8
Financial Statements	
Statements of Net Position	9
Statements of Revenue and Expense and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	12 – 19
Schedule and Notes of Required RS Plan Contributions (Schedule I)	20
Report Required by <u>Government Auditing Standards</u>	21 – 22
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	

**BUTLER PUBLIC POWER DISTRICT**  
**DAVID CITY, NEBRASKA**

**BOARD OF DIRECTORS**

<u>Name</u>	<u>Address</u>	<u>Business</u>
Mark Blazek	Valparaiso, NE	Banking
John D. Schmid	Bellwood, NE	Farming
Larry A. Dauel	Malmo, NE	Farming
Mike Dewispelare	David City, NE	Farming
Daryl Crook	Rising City, NE	Farming
Gary Yindrick	David City, NE	Retired
Gary L. Kucera	Brainard, NE	Farming

**OFFICERS, MANAGER AND ATTORNEY**

John D. Schmid	President
Mike Dewispelare	Vice-President
James E. Papik	Secretary/Attorney
Mark Blazek	Treasurer
Mark Kirby	General Manager
Darlene Stara	Accounting Manager

**BUTLER PUBLIC POWER DISTRICT**  
**1331 N 4<sup>th</sup> ST.      DAVID CITY, NE 68632**

**MANAGEMENTS DISCUSSION AND ANALYSIS**

This section of the Butler Public Power District's annual Financial Report presents an analysis of the District's financial performance during the fiscal year ending December 31, 2019. This information is presented in conjunction with the audited basic financial statements, which follow.

**FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2019**

- The District's assets increased by \$2.0 million or 3.37% from \$61.2 million to \$63.2.
- Operating revenues decreased by \$.2 million or 1.0% from \$19.8 million to \$19.6 million.
- Operating expenses decreased by \$.4 million or 2.43% from \$17.1 million to \$16.7 million.

**PROJECTS UNDERTAKEN DURING THE FISCAL YEAR ENDING DEC. 31, 2019:**

➤ **Transmission Line Projects**

- Completion of 4.0 miles of 34.5Kv Transmission line built to 69K spec, from Saunders County Rd N & 20 to Saunders County Road N & 24.
  - The new line was constructed at 69Kv and operates at 34.5Kv. The project included 4.0 miles of 69Kv transmission line built with T-2 4/0 ACSR and has 2.75 miles of 1-phase 1/0 ACSR under build on it. This was the second phase of a 3-year project for Butler PPD. This is providing lightning protection to the transmission line to increase reliability through thunderstorms to customers in the eastern part of Butler PPD's service territory. The 1-phase distribution under build on this gives Butler's customers an upgrade from aging 8A copper-weld conductor to 1/0 ACSR conductor to provide better reliability.

➤ **Major Distribution Projects**

- Completion of 2.5 miles of T-2 1/0 ACSR out of the 59-01 Substation Circuit (2)
  - This project will help with voltage issues during the irrigation season. This replaced old #2 ACSR conductor that we have had issues with the last two years in the winter months, due to icing events. It also improves the reliability to Butler's customers and lowers line loss.

➤ **Gridstream Project**

- The "Grid Stream Project" began in 2015 and was completed in 2019.
  - The new AMI System allows us to offer better customer service by getting multiple meter reads per day, faster read times and more data points. The new Load Control System offers two-way communication with load control switches for more dependable control and verification of irrigation load during billable demand times.

➤ **Substation Project**

- Completion of a new substation (59-43).
  - It is located along Highway 66 and ST Road in Butler County, just southeast of the Village of Dwight. The new substation project also included a new 3-way load break switch and a new laminated pole outside of the substation. The new substation will take care of safety concerns dealing with clearances in the former substation located in the Village. The new substation increases reliability to the customers of Dwight and surrounding areas, with potential back feeding capabilities in the future with Substation 59-10. With the completion of this substation, the old substation in Village of Dwight will be retired.

**OVERVIEW OF FINANCIAL STATEMENTS**

This annual report consists of the following three parts: Management’s Discussion and Analysis, Basic Financial Statements and Other Required Supplementary Information. The Financial Statements include notes which explain in detail some of the information included in the basic financial statements.

**REQUIRED FINANCIAL STATEMENTS**

The Financial Statements of the District report information utilizing the full accrual basis of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America. The Statement of Net Assets includes information on the District’s assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District’s creditors (liabilities). The Statement of Revenues, Expenses and Changes in Net Assets identify the Districts revenues and expenses for the fiscal year ended December 31, 2019. This statement provides information on the District’s operations of the past fiscal year and can be used to determine whether the District has recovered all of its actual and projected costs through utility rates and other charges.

**FINANCIAL ANALYSIS OF THE DISTRICT**

The Statements of Net Assets and the Statements of Revenue, Expenses and Changes in Net Assets provide an indication of the District’s financial condition. The District’s net assets reflect the difference between assets and liabilities. An increase in assets over time typically indicates an improvement in financial condition.

## NET ASSETS

A summary of the District's Statements of Net Assets is presented below.

**Table 1**  
Condensed Statements of Net Assets (In millions of Dollars)

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Current & Other Assets	10.266	11.190	- .924	- 8.26
Capital Assets, net	52.367	50.210	2.157	4.30
<b>Total Assets</b>	<b>62.633</b>	<b>61.400</b>	<b>1.233</b>	<b>2.01</b>
Long-term Debt	13.450	14.550	-1.100	- 7.56
Other Liabilities	2.352	3.104	- .752	- 24.23
<b>Total Liabilities</b>	<b>15.802</b>	<b>17.654</b>	<b>-1.852</b>	<b>- 10.49</b>
Net assets invested in Capital assets, net of Related debt	38.622	35.357	3.265	9.23
Unrestricted net assets	8.209	8.389	- .180	- 2.15
<b>Total Net Assets</b>	<b>62.633</b>	<b>61.400</b>	<b>1.233</b>	<b>2.01</b>

As the above table indicates, total assets increased by \$1.233 million from \$61.40 million to \$62.633 million during the fiscal year ending December 31, 2019. This is comprised of a decrease of \$.924 million in current assets and an increase of \$2.157 million in capital assets.

Total liabilities reflect a decrease of \$1.852 million. This includes a decrease of \$1.1 million in long-term debt and a decrease of \$.752 million in other liabilities.

In addition, net assets invested in capital assets, net of related debt, increased by \$3.265 million.

**Table 2**  
Condensed Statements of Revenue, Expenses  
And Changes in Net Assets (In millions of Dollars)

	<u>2019</u>	<u>2018</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue	19.644	19.843	- .199	- 1.00
Non-Operating Revenue	.176	.125	.051	40.80
<b>Total Revenue</b>	<b>19.820</b>	<b>19.968</b>	<b>- .148</b>	<b>- .74</b>
Depreciation Expense	1.507	1.422	.085	5.98
Other Operating Expenses	14.857	15.368	- .511	- 3.33
Non-Operating Expenses	.369	.360	.009	2.50
<b>Total Expenses</b>	<b>16.733</b>	<b>17.150</b>	<b>- .417</b>	<b>- 2.43</b>
Operating Margins	3.086	2.818	.268	9.51
Miscellaneous Items	1.853	- .518	1.335	257.72
Change in Assets	1.233	2.292	- 1.059	- 46.20
Beginning Net Assets	61.400	59.108	2.292	3.88
<b>Ending Net Assets</b>	<b>62.633</b>	<b>61.400</b>	<b>1.233</b>	<b>2.01</b>

The Statement of Revenues, Expenses and Changes in Net Assets identify various revenue and expense items which affect the change in net assets. As the information in Table 2 indicates, operating margins of \$3.086 million resulted in an increase of \$1.233 million in net assets by the end of the 2019 fiscal year.

Table 2 indicates that the District's revenues decreased by \$.148 million to \$19.82 million in the fiscal year that ended December 31, 2019. The decrease in revenue was due to the decrease in operating revenue of \$.199 million from \$19.843 million to \$19.644 million, non-operating revenue increased by .051 million. Total expenses decreased by \$.417 million or 2.43 percent.

### **CAPITAL ASSETS**

As of December 31, 2019, the District's investment in capital assets totaled \$52.367 million, which is an increase of \$2.157 million or 4.3 percent over the capital asset balance of \$50.210 million as of December 31, 2018.

The District has active construction projects as of December 31, 2019 totaling \$1.790 million as compared to \$1.137 million as of December 31, 2018.

### **LONG TERM DEBT**

As of December 31, 2019, the District had \$13.450 million in outstanding debt compared to \$14.550 million as of December 31, 2018. The outstanding debt is all in revenue bonds.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Board of Directors adopted the District's 2020 Fiscal Year Budget on December 10, 2019. The budget provides funding for the District's operating, capital and debt service costs for the 2020 Fiscal Year. There are a few capital projects that are funded in the budget, including transmission and distribution projects.

The transmission line project will be phase 3 of 3 of the NPPD's Wahoo 115Kv Substation. Starting at the end of last year's project, it will continue west for 3 miles. It will be constructed 69Kv and operated at 34.5Kv. The transmission line conductor will be T-2 4/0 ACSR, with 1/0 ACSR under build. The project also includes a new 3-way load break switch. This is the final phase of a 3 phase 10.75-mile project that will provide reliable service to the customers in this area. The adding of a static wire to the transmission line, adds lightning protection to the line.

There are three distribution line projects to replace aging poles and conductors out of two different substations, David City 59-01 and rural Prague 59-02.

The first of the projects is to rebuild 1.5 miles of 12470Kv 3 phase distribution line with T-2 1/0 ACSR out of the 59-01, Circuit (2) David City substation. This rebuild will help with the line voltages during the irrigation season. This will replace old #2 ACSR conductor. The project will help improve reliability to Butler's customers and lower line loss issues.

The second and third project is to rebuild 4 miles of 12470Kv 3 phase distribution line with T-2 1/0 ACSR out of the 59-02, Circuit (2) rural Prague substation. This rebuild will help with line voltages with the fast-growing lake area north of Wahoo. It also helps with the ability of back-feeding the 59-02, Circuit (2) rural Prague substation from the 59-12, Circuit (2) Abie substation to provide better reliability to customers. It will replace old 8A copper-weld conductor with T-2 1/0 ACSR.

The "Futura Staking Software" is a software package that will replace three separate software programs currently being used. We will be paying for this project over three years, completing in 2021. This software will allow us to seamlessly integrate with our Customer Information System (SEDC) utilizing GIS mapping, Staking and OMS in the office as well as on mobile devices in the field. We will be able to make mapping changes in house instead of through an engineering firm.

## **ADDITIONAL FINANCIAL INFORMATION**

This financial report is designed to provide the District's customers and other interested parties an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information in this report or wish to request additional financial information, please contact the Accounting Manager at the Butler Public Power District, 1331 N 4<sup>th</sup> St., David City, Nebraska 68632.



# FREEMAN & RIGGS

RONALD V. FREEMAN, CPA

CERTIFIED PUBLIC ACCOUNTANTS

LAURA RIGGS, CPA

## **INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION**

Board of Directors  
Butler Public Power District  
David City, Nebraska

We have audited the accompanying financial statements of Butler Public Power District which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of revenue and expense and changes in net position and cash flows for the years then ended and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the table of contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Butler Public Power District as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## OTHER MATTERS

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 6 and required RS Plan contributions on page 20 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 inquires 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 March 20, 2020, on our consideration of Butler Public Power District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and in considering the District's control over financial reporting and compliance.

FREEMAN & RIGGS  
CERTIFIED PUBLIC ACCOUNTANTS  
Fremont, Nebraska  
March 20, 2020

**BUTLER PUBLIC POWER DISTRICT**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2019 AND 2018**

**ASSETS**

	2019	2018
Electric plant, at cost (Note 2)	\$63,221,427	\$61,161,292
Less accumulated depreciation	<u>10,704,865</u>	<u>10,800,950</u>
Net electric plant	<u>52,516,562</u>	<u>50,360,342</u>
Investments:		
Investments in other organizations (Note 3)	<u>915,219</u>	<u>920,674</u>
Current Assets:		
Cash and cash equivalents (Notes 1 and 10)	481,436	290,429
Temporary investments (Notes 4 and 10)	5,488,315	6,563,708
Accounts receivable (Less provision for doubtful accounts of \$38,712 in 2019 and \$38,066 in 2018)	1,662,207	1,688,974
Materials and supplies (Note 1)	994,721	844,858
Prepaid expenses	<u>31,265</u>	<u>34,064</u>
Total current assets	<u>8,657,944</u>	<u>9,422,033</u>
Deferred Outflow of Resources (Note 5)	<u>543,494</u>	<u>696,542</u>
Total Assets	<u>\$62,633,219</u>	<u>\$61,399,591</u>

**LIABILITIES AND NET POSITION**

Net Position:		
Invested in capital assets, net of related debt	\$39,066,652	\$35,810,342
Restricted for debt service	1,467,063	1,453,404
Unrestricted	<u>6,297,655</u>	<u>6,481,618</u>
Total net position	<u>46,831,370</u>	<u>43,745,364</u>
Long-Term Debt, net of current maturities	<u>12,285,000</u>	<u>13,395,000</u>
Current Liabilities:		
Accounts payable	1,787,637	2,550,261
Consumer deposits and prepayments	280,763	260,279
Accrued expenses	283,449	293,687
Current amount of long-term debt (Note 6)	<u>1,165,000</u>	<u>1,155,000</u>
Total current liabilities	<u>3,516,849</u>	<u>4,259,227</u>
Total Liabilities and Net Position	<u>\$62,633,219</u>	<u>\$61,399,591</u>

The accompanying notes are an integral part of these financial statements.

**BUTLER PUBLIC POWER DISTRICT**  
**STATEMENTS OF REVENUE AND EXPENSE AND CHANGE IN NET POSITION**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Operating Revenue:		
Electric energy sales	<u>\$19,643,727</u>	<u>\$19,843,472</u>
Operating Expenses:		
Cost of power	11,415,551	12,102,477
Distribution	1,019,204	933,288
Maintenance	1,125,515	1,070,215
Customer accounts	402,602	391,597
Sales expenses	91,758	97,083
Administration and general	802,778	773,799
Depreciation and amortization	1,507,485	1,422,105
Taxes	<u>20,511</u>	<u>992</u>
Total operating expenses	<u>16,385,404</u>	<u>16,791,556</u>
Net operating revenue	<u>3,258,323</u>	<u>3,051,916</u>
Non-operating Revenue:		
Interest revenue	122,849	116,157
Other non-operating income	<u>52,995</u>	<u>8,839</u>
Total non-operating revenue	<u>175,844</u>	<u>124,996</u>
Interest – Long-term debt	<u>(348,161)</u>	<u>(358,665)</u>
Net revenue	3,086,006	2,818,247
Net Position, beginning of year	<u>43,745,364</u>	<u>40,927,117</u>
Net Position, end of year	<u>\$46,831,370</u>	<u>\$43,745,364</u>

The accompanying notes are an integral part of these financial statements.

**BUTLER PUBLIC POWER DISTRICT**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<u>Cash Flows from Operating Activities:</u>		
Cash received from customers	\$19,670,494	\$19,813,817
Cash payments to suppliers	(12,545,584)	(13,198,746)
Cash payments to employees	<u>(1,997,881)</u>	<u>(1,978,527)</u>
Net cash provided by operating activities	<u>5,127,029</u>	<u>4,636,544</u>
<u>Cash Flows from Capital and Related Financing:</u>		
Additions to electric plant	(4,017,291)	(3,632,821)
Retirement of electric plant	353,586	368,533
Increase in long term debt	1,755,000	450,000
Payments on long-term debt	(2,855,000)	(1,721,767)
Interest paid on long-term debt	<u>(348,161)</u>	<u>(358,665)</u>
Net cash provided by capital & related financing	<u>(5,111,866)</u>	<u>(4,894,720)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest income on investments	122,849	116,157
Miscellaneous non-operating revenue	<u>52,995</u>	<u>8,839</u>
Net cash provided from investing activities	<u>175,844</u>	<u>124,996</u>
<u>Net Increase (Decrease) in Cash</u>	191,007	(133,180)
<u>Cash at Beginning of Year</u>	<u>290,429</u>	<u>423,609</u>
<u>Cash at End of Year</u>	<u>\$481,436</u>	<u>\$290,429</u>
<u>Reconciliation of Operating Income and Net Cash Provided from Operating Activities:</u>		
Operating income	\$3,258,323	\$3,051,916
Adjustments to reconcile operating income to net cash provided from operating activities		
Depreciation	1,507,485	1,422,105
Changes in current assets and liabilities		
(Increase) decrease in other organizations	5,455	171
(Increase) decrease in investments	1,075,393	(467,296)
(Increase) decrease in receivables	26,767	(29,655)
(Increase) decrease in materials and supplies	(149,863)	(18,528)
(Increase) decrease in prepaid expenses	2,799	6,999
(Increase) decrease in debt reserve funds	-	72,933
Increase (decrease) in customer deposits	20,484	58,138
Increase (decrease) in accounts payable	(762,624)	669,968
Increase (decrease) in accrued expenses	(10,238)	16,745
(Increase) decrease in deferred outflow of resources	<u>153,048</u>	<u>(146,952)</u>
Net cash provided by operating activities	<u>\$5,127,029</u>	<u>\$4,636,544</u>

The accompanying notes are an integral part of these financial statements.

**BUTLER PUBLIC POWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

All significant activities and organization which the District exercises oversight responsibility have been included in the District's financial statements. There are no component units of the District which need to be considered for inclusion in the financial statements.

Organization and Business

Butler Public Power District is a political subdivision of the State of Nebraska and accordingly, there are no provisions for income taxes. The District follows the uniform system of accounts as prescribed by the Rural Utilities Service (RUS).

The District, as a public electric utility, grants credit to users including residential, commercial and irrigation customers located in Eastern Nebraska.

Electric Plant

Electric plant is stated at cost. The provision for depreciation is computed on a straight-line basis. Costs of labor, materials, supervision and other expenses incurred in making normal repairs and minor replacements and in maintaining the properties in efficient operating condition are charged to expense. Electric plant accounts are charged with the costs of improvements and replacements, except minor replacements and the accumulated provisions for depreciation are charged with retirements, together with removal costs, less salvage.

Cash and Investments

Investments are recorded at cost which approximates fair value.

For the purpose of the statement of cash flows, equivalents are defined as investments which are short-term and highly liquid in nature with original maturities of three months or less.

Materials and Supplies Inventories

Materials and supplies are stated at the lower of cost or replacement market. Cost is generally determined on a weighted average basis.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

**BUTLER PUBLIC POWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Billing for electric energy operating sales, excluding irrigation, are rendered monthly through approximately the 20<sup>th</sup> of each month. Irrigation is billed from June through November. The District does not record unbilled sales representing estimated consumption by consumers for the period between the last billing date and the end of the year.

Basis of Accounting

The financial statements of the District are presented in accordance with generally accepted accounting principles for proprietary funds of governmental entities. Accounting records are maintained generally in accordance with the Uniform System of Accounts prescribed by the Rural Utilities Service (RUS) and all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Net Position

Net Position is reported in three separate components on the Statement of Net Position. Net Investment in Capital Assets is the net position share attributed to net utility plant assets reduced by outstanding, related debt. Restricted is the share of net position that has usage restraints imposed by law or by debt covenants, such as certain revenue bond funds and segregated funds, net of related liabilities. Unrestricted is the share of net position that is neither restricted nor invested in capital assets.

It is the District's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

2. ELECTRIC PLANT

The major classes of electric plant are as follows:

	<u>2019</u>	<u>2018</u>
Intangible plant	\$1,320	\$1,320
Transmission plant	8,746,855	8,690,382
Distribution plant	40,094,023	39,238,826
General plant	<u>12,589,564</u>	<u>12,094,051</u>
Plant in service	61,431,762	60,024,579
Construction work in progress	<u>1,789,665</u>	<u>1,136,713</u>
	<u>63,221,427</u>	<u>61,161,292</u>
Accumulated depreciation:		
Transmission plant	2,746,090	2,534,186
Distribution plant	3,272,746	3,993,937
General plant	4,689,562	4,302,304
Retirement work in progress	<u>(3,533)</u>	<u>(29,477)</u>
Total	<u>10,704,865</u>	<u>10,800,950</u>
Net electric plant	<u>\$52,516,562</u>	<u>\$50,360,342</u>
Depreciation provisions were as follows:		
Charged to depreciation expense	\$1,507,485	\$1,422,105
Charged to other accounts	<u>186,041</u>	<u>174,248</u>
	<u>\$1,693,526</u>	<u>\$1,596,353</u>

**BUTLER PUBLIC POWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(continued)**

2. ELECTRIC PLANT (continued)

Provisions for depreciation have been made on the straight-line method at the following annual rates:

Transmission plant	2.75%
Distribution plant	2.70%
General plant	2.40 – 16.70%
Unclassified plant	2.70 – 2.75%

3. INVESTMENTS IN ASSOCIATED ORGANIZATIONS

The investments in associated organizations were comprised of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
CFC		
Membership fee and patronage		
Capital certificates	\$1,300	\$1,300
Capital term certificates	<u>320,354</u>	<u>320,354</u>
	321,654	321,654
Patronage Capital – NRTV	349,028	366,791
Nebraska Electric Generation and Transmission Cooperative, Inc., membership and patronage Capital credits	43,317	43,317
Other	<u>201,220</u>	<u>188,912</u>
	<u>\$915,219</u>	<u>\$920,674</u>

The interest earned on the capital term certificates is 5 percent. The certificates will mature beginning October 1, 2070, or earlier at the option of CFC.

4. TEMPORARY INVESTMENTS

Temporary investments consisted of certificates of deposit and money markets at banks in the amount of \$5,488,315 at December 31, 2019 and \$6,563,708 at December 31, 2018.

5. DEFERRED OUTFLOWS OF RESOURCES

The District was able to reduce their obligation to the retirement and security program with NRECA by making a prepayment of \$1,030,480. This deferred outflow of resources is being amortized over 10 years beginning in 2013. In December 2018, the District made a prepayment of \$250,000 in order to further reduce their obligation to the retirement and security program. This deferred outflow of resources is being amortized over five years beginning in 2019.



**BUTLER PUBLIC POWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(continued)**

6. LONG-TERM DEBT

A summary of long-term debt is as shown below:

	2018	Additions (Retirements)	2019
2014 Electric System Revenue Refunding Bonds, 1.90% per annum, due in 2020	2,075,000	(1,905,000)	170,000
2015A Electric System Revenue Refunding Bonds, .45% to 2.60% per annum, due in varying amounts through 2025	810,000	(120,000)	690,000
2015B Electric System Revenue Refunding Bonds, .55% to 3.00% per annum, due in varying amounts through 2029	1,875,000	(155,000)	1,720,000
2016A Electric System Revenue Refunding Bonds, .80% to 2.80% per annum, due in varying amounts through 2029	2,505,000	(200,000)	2,305,000
2016B Electric System Revenue Refunding Bonds, .90% to 3.50% per annum, due in varying amounts through 2036	4,690,000	(220,000)	4,470,000
2017 Electric System Revenue Refunding Bonds, 1.15% to 2.75% per annum, due in varying amounts through 2028	2,145,000	(210,000)	1,935,000
2018 Electric System Revenue Refunding Bonds, 1.85% to 3.00% per annum, due in varying amounts through 2027	450,000	(45,000)	405,000
2019 Electric System Revenue Refunding Bonds, 1.60% to 2.25% per annum, due in varying amounts through 2029	-	1,755,000	1,755,000
	14,550,000	(1,100,000)	13,450,000
Less current installments	<u>1,155,000</u>	<u>10,000</u>	<u>1,165,000</u>
	<u>\$13,395,000</u>	<u>(\$1,110,000)</u>	<u>\$12,285,000</u>

During 2018, the District issued \$450,000 in revenue refunding bonds to refund the 2013 bonds, resulting in a net savings over the life of the bonds of \$24,862.

During 2019, the District issued \$1,755,000 in revenue refunding bonds to refund \$1,740,000 of the 2014 bonds, resulting in a net savings over the life of the bonds of \$101,211.

**BUTLER PUBLIC POWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(continued)**

6. LONG-TERM DEBT (continued)

Principal and interest on the revenue bonds are payable from and secured solely by the revenue of the District, after deducting the cost of operation and maintenance, and the funds established by the bond indentures including interest earned on those funds.

As of December 31, 2019, approximate principal and interest payments are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$1,165,000	\$302,063	\$1,467,063
2021	1,185,000	285,128	1,470,128
2022	1,210,000	265,425	1,475,425
2023	1,220,000	243,448	1,463,448
2024	1,245,000	219,357	1,464,357
2025 – 2029	5,305,000	698,534	6,003,534
2030 – 2034	1,480,000	252,910	1,732,910
2035 – 2039	<u>640,000</u>	<u>33,775</u>	<u>673,775</u>
	<u>\$13,450,000</u>	<u>\$2,300,640</u>	<u>\$15,750,640</u>

7. RETIREMENT PLAN

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The RS Plan must file annual reports with the U.S. Department of Labor (Form 5500) that include a copy of the RS Plan annual financial statements. An electronic copy of Form 5500, and the plan's annual financial statements, can be obtained by going to [www.efast.dol.gov](http://www.efast.dol.gov) and using the search tool (EIN 530116145; PN 333). Copies of the RS Plan's annual financial statements are also available to district representatives by calling NRECA's Member Contact Center at 866.673.2299.

Twenty-four employees of the District participate in the RS Plan. The plan provides for normal retirement at age 62.

The District may amend certain terms of the plan, including benefit levels provided for each year of service, normal retirement age, cost-of-living (COLA) adjustments to retiree annuity payments, eligibility for participation, and required employee contributions to the plan. Other plan terms, such as vesting periods, forms of payment, and factors used to reduce benefits for early retirement and conversion of benefits to optional forms of payment, are governed at the overall plan level and cannot be adjusted by individual districts or co-ops (such provisions require approval by the NRECA board of directors). Each district or co-op elects to participate in the plan.

**BUTLER PUBLIC POWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(continued)**

7. RETIREMENT PLAN (continued)

The total annual contribution is determined actuarially to be sufficient in funding the benefits of the RS Plan as a level percentage of covered payroll over the average-expected remaining working lifetime of its participants. The amount is determined annually. This total annual contribution is allocated based on each district or co-op employer's RS Plan provisions and participant demographics (in particular, the average age of participants and each participant's pay level).

The District must contribute annually in accordance with the terms of the RS Plan. The District may amend certain benefit provisions, changing the corresponding contribution level after the effective date of the amendment. The District's required contribution rate is 17.30%. Butler Public Power District's contributions to the RS Plan in 2019 and in 2018 represented less than 5 percent of the total contributions made to the plan by all participating employers. Butler Public Power District made contributions to the plan of \$315,154 in 2019, \$349,182 in 2018. There have been no significant changes that affect the comparability of 2019 and 2018 contributions. The RS Plan must meet minimum funding requirements under ERISA, as determined by Internal Revenue Service regulations. The District can choose to withdraw from the RS Plan, subject to plan provisions that require the District to fully fund its share of RS Plan liabilities before withdrawing.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

The District also has 401(K) Plan for its employees. The District's contributions for the years ended December 31, 2019 and 2018 were \$55,214 and \$53,456, respectively.

8. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 7, the District provides post-retirement health care benefits (the Plan) to all full-time employees hired prior to 1994, who retire after age 62. The District will contribute 2% of the monthly health insurance premium to the Plan for each retiree for each year of service to a maximum of 90%. Expenditures for post-retirement health care benefits are recognized when paid. Expenditures for post-retirement health care were \$41,479 in 2019 and \$43,417 in 2018.

9. POWER SUPPLY CONTRACT

"The District purchases power under a "long-term" wholesale power supply agreement with the Nebraska Electric Generation & Transmission Cooperative, Inc. (NEG&T), which contains an option allowing the District to self-supply up to 10% of the District's requirements with renewable resources. The agreement is subject to periodic rate reviews, and a related performance standard whereby the District may elect to reduce purchases from NEG&T should wholesale power production rates become greater than a specified level as outlined in wholesale power agreement."

**BUTLER PUBLIC POWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(continued)**

10. CASH AND INVESTMENTS

As of December 31, 2019, the bank balances were \$2,278,635. Of the bank balances, \$1,000,000 was insured by Federal Depository Insurance and \$4,165,000 was covered by securities held by agents of the depositories in the District's name in the form of joint safekeeping receipts. State law required all funds in depositories to be fully insured or collateralized.

Nebraska Statutes limit the District to investments as provided in the authorized investment guidelines of the Nebraska Investment Council.

Custodial Credit Risk – The amounts pledged by the banks and FDIC insurance were adequate to protect deposits at December 31, 2019. The Board of Directors approve the banks in which monies or securities of the District will be deposited.

Credit-Risk – The District's investment policy is to comply with state statutes for governmental entities, which limits investments to investment grade fixed income obligations. Financial instruments that potentially subject the District to concentration of credit risk consist principally of NRECFC Medium Term Notes held at a creditworthy financial institution. These funds are pooled investments and are guaranteed by RUS.

Interest Rate Risk – The District is a buy-and-hold investor, which minimizes interest rate risk.

11. LINE OF CREDIT

As of December 31, 2019 and 2018, the District had a line of credit of \$1,500,000 of which none is being used, with the National Rural Utilities Cooperative Finance Corporation, Herndon, Virginia. The line of credit renews automatically each year.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Certain assets and liabilities are presented on our financial statements at fair value. Currently, only cash and cash equivalents are measured at fair value on a recurring basis on the balance sheet. Receivables and current liabilities approximate their fair value because of the near-term maturity of those instruments.

Investments in associated organizations (Note 3) are measured at fair value on a non-recurring basis.

**BUTLER PUBLIC POWER DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**  
**(continued)**

12. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

**Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

In determining fair value, the District uses various valuation methodologies and prioritizes the use of observable inputs. The availability of observable inputs varies by instrument and depends on a variety of factors including the type of instrument, whether the instrument is actively traded, and other characteristics particular to the transaction. For many financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by market participants, and the valuation does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the marketplace and may require management judgment.

The inputs used to measure fair value are assessed using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market:

Level 1 – inputs include quoted prices for identical instruments and are the most observable.

Level 2 – inputs include quoted prices for similar assets and observable inputs such as interest rates, currency exchange rates and yield curves.

Level 3 – inputs are not observable in the market and include management’s judgments about the assumptions market participants would use in pricing the asset or liability.

**Input Hierarchy of Items Measured as Fair Value on a Non-Recurring Basis**

The following tables summarize the fair values by input hierarchy of items measured at fair value on a non-recurring basis for the years ended December 31, 2019 and 2018:

December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Gains/ (Losses)</u>
Investments in associated organizations	\$ -	\$ -	\$920,674	\$920,674	\$ -
December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Gains/ (Losses)</u>
Investments in associated organizations	\$ -	\$ -	\$915,219	\$915,219	\$ -

13. Major Customers

Approximately 32% of the District’s electric energy sales are to TransCanada.

**BUTLER PUBLIC POWER DISTRICT**  
**SCHEDULE OF REQUIRED RS PLAN CONTRIBUTIONS**  
**FOR THE PAST TEN YEARS**  
**DECEMBER 31, 2019**

2019	315,154	Note 5	2014	272,173	
2018	349,182	Note 4	2013	315,628	Note 2
2017	312,020	Note 4	2012	399,136	
2016	290,745	Note 3	2011	395,445	
2015	282,195		2010	429,493	Note 1

Notes to the Supplementary Schedule

1. Actual 2008 investment return was significantly lower than the 8.5% expected annual return.
2. Actual 2011 investment return was significantly lower than assumed 8.5% expected annual return. The District was able to reduce their obligation by making a prepayment of \$1,229,428 in 2013. This payment is being amortized over 10 years.
3. Actual 2014 investment return was lower than the assumed 8% expected annual return.
4. Adjusted billing rate to improve current funded status and reach projected status to 100%.
5. In December 2018, District made a prepayment of \$250,000 in order to further reduce their obligation to the retirement and security program.

At its December 2012, the I&FS Committee of the NRECA Board of Directors approved an option to allow participating districts in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a district's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a district's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, the billing rate for most districts is reduced by approximately 25%, retroactive to the January 1 of the year in which the amount is paid to the RS Plan. The 25% differential in billing rates is expected to continue for approximately 15 years from January 1, 2013. However, unexpected changes in interest rates, asset returns and other plan experience, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15-year period.

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

**INDEPENDENT AUDITORS' 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**

Board of Directors  
Butler Public Power District  
David City, Nebraska

We have audited, in accordance with 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 Butler Public Power District as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Butler Public Power District's basic financial statements, and have issued our report thereon dated March 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Butler Public Power 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 Butler Public Power District's internal control, accordingly, we do not express an opinion on the effectiveness of Butler Public Power 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 over financial reporting 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 significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Butler Public Power 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 Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FREEMAN & RIGGS  
CERTIFIED PUBLIC ACCOUNTANTS

Fremont, Nebraska  
March 20, 2020