REPORT DATE

To the Board of Directors
Butler Public Power District
David City, Nebraska

We have audited the financial statements of Butler Public Power District (the District) as of and for the year ended December 31, 2022, and have issued our report thereon dated REPORT DATE. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our engagement letter dated January 10, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of Butler Public Power District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding the identification of deficiencies in internal control during our audit in our 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* dated REPORT DATE.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

The above risk warrants specific detailed audit testing as the potential impact of risk could be material to the financial statements.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Butler Public Power District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements was:

> *Depreciation Expense* – The District utilizes composite depreciation methods for each distribution plant account. The rates are determined based on management's estimate of the average useful life of the assets along with future cost of removal and salvage factor estimates. Industry guidelines are also utilized to assist with determining the appropriate rates. General plant assets are depreciated on the unit basis based on management's best estimate of the useful life of the assets and also include estimates for salvage and cost of removal, if applicable.
>
> *Accumulated Postretirement Benefit Obligation* – Estimates of the accumulated postretirement benefit obligation take into consideration wage cost trends, probability factors, and a present value factor. These factors are determined by management and an outside party and are updated annually.

We evaluated the key factors and assumptions used to develop the above estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Butler Public Power District's financial statements relate to the following:

> The disclosure of costs recoverable from future billings in Note 5 describes those regulatory assets that the District plans to recover in future periods through the District's rate making process.
>
> The disclosure of the other post-employment benefit obligation (OPEB) in Note 8 describes the OPEB plan, actuarial assumptions, the sensitivity of the total OPEB to changes in the discount rate and healthcare cost trend rates, and changes in the total OPEB liability.
>
> The disclosure in Note 10 to the financial statements describes the related party transactions that the District has with its power supplier. The footnote describes the nature, type, and significance of these transactions which the District receives from its power supplier in providing services to its customers.
>
> The disclosure in Note 11 to the financial statements describes a major customer of the District and the concentrations of revenue and accounts receivable that are significant to the Association.
>
> The disclosure of significant commitments and contingencies in Note 12 discloses those commitments identified by management, including the long-term wholesale power agreements.

The financial statement disclosures are neutral, consistent, and clear.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were not any significant unusual transactions identified.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management:

> An adjustment was proposed and recorded to decrease accumulated depreciation and depreciation expense for the over-depreciation of various assets in service. The adjustment resulted in an increase to electric plant in service and unrestricted net position of approximately $82,900.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

> An entry to increase deferred outflows of resources and decrease expense of $106,227 related to employer contributions towards the postretirement benefit plan made after the December 31, 2021 measurement date and on or before the December 31, 2022 reporting date.

The effect of this uncorrected misstatement, including the impact of prior year uncorrected misstatements, as of and for the year ended December 31, 2022, is an understatement of changes in net position of $29,501 and net position of approximately $106,227.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, `which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated REPORT DATE.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Butler Public Power District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Butler Public Power District's auditors.

This report is intended solely for the information and use of the Board of Directions, and management of Butler Public Power District and is not intended to be and should not be used by anyone other than these specified parties.

Sioux Falls, South Dakota

Financial Statements
December 31, 2022 and 2021

Butler Public Power District

Daryl Crook, President
Rising City, Nebraska

Mike DeWispelare, Vice President
David City, Nebraska

Mark Blazek, Treasurer
Valparaiso, Nebraska

Larry Dauel, Director
Malmo, Nebraska

Gary Kucera, Director
Brainard, Nebraska

John Schmid, Director
Bellwood, Nebraska

Gary Yindrick, Director
David City, Nebraska

Mark Kirby, General Manager
David City, Nebraska

Independent Auditor's Report

The Board of Directors
Butler Public Power District
David City, Nebraska

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Butler Public Power District (the District), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of net position, revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Butler Public Power District as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Butler Public Power District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 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 Butler Public Power District's ability to continue as a going concern for twelve months beyond the financial statement date, including 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 opinion. 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 GAAS 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 GAAS 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 Butler Public Power 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 Butler Public Power 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 discussion and analysis, the schedule of changes in other postemployment benefit liability, and the schedule of employer's required contributions – defined benefit plan be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 inquires, 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 a report dated April 3, 2023 on our consideration of Butler Public Power District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 Butler Public Power 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 Butler Public Power District's internal control over financial reporting and compliance.

Sioux Falls, South Dakota
April 3, 2023

This discussion and analysis presents an overview of the financial activities and financial position for Butler Public Power District (the District) for the years ended December 31, 2022 and 2021. The information presented in this section should be considered in conjunction with the basic financial statements and notes to the financial statements.

The District is a political subdivision of the State of Nebraska. Control of the District and its operations are vested in a Board of Directors consisting of seven members. The District is an electric distribution utility serving approximately 6,450 customers in rural Butler and Saunders counties, and the villages of Abie, Bellwood, Bruno, Dwight, Garrison, Linwood, Loma, Malmo, Octavia, Rising City, Surprise, Touhy, Ulysses and Valparaiso.

Overview

Public power is a Nebraska tradition that works for local communities and consumers across the state. The purpose of public power is to provide excellent, efficient service to its customer. Unlike private power companies, public power utilities do not have to serve stockholders. Butler Public Power District's hometown advantages of low rates, commitment to local communities, public accountability, local decision making and strong customer service all contribute to making the District a success. The District is dedicated to providing safe, reliable, dependable, and affordable energy to its customers. By controlling costs and employing effective financial planning, the District will strive to continue providing superior customer satisfaction for many years to come.

This discussion and analysis serves as an introduction to Butler Public Power District’s financial statements, which consists of the financial statements and notes to the financial statements. The statements of net position present information on all of the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as net position. Increases or decreases over time may serve as a useful indicator of whether the District’s financial position is improving or deteriorating.

The statements of revenues, expenses, and changes in net position present information showing how the District’s net position changed during the years presented. Changes to net position results from the collection of user charges and is offset by the cost of operations of the District. All revenues are recognized when earned and all expenses are recognized when incurred, regardless of the timing of the related cash flows.

The following table includes condensed statements of net position as of December 31, 2022, 2021, and 2020.

	2022	2021	2020
Assets			
Current assets	$ 9,937,495	$ 10,127,400	$ 9,797,522
Noncurrent assets	2,904,289	1,596,166	1,791,709
Capital assets, net	53,581,793	52,840,131	51,788,158
Total Assets	$ 66,423,577	$ 64,563,697	$ 63,377,389
Liabilities and Net Position			
Current liabilities	$ 3,761,563	$ 3,687,897	$ 4,333,629
Noncurrent liabilities	10,866,851	12,210,234	13,251,325
Total liabilities	14,628,414	15,898,131	17,584,954
Deferred Inflows of Resources			
Customer deposits	112,425	90,439	-
Net position			
Net investment in capital assets	43,761,793	41,685,131	39,513,158
Restricted	547,910	552,284	554,134
Unrestricted	7,373,035	6,337,712	5,725,143
Total net position	51,682,738	48,575,127	45,792,435
Total Liabilities and Net Position	$ 66,423,577	$ 64,563,697	$ 63,377,389

Capital Assets

Net electric plant increased 1.4% to $53,581,793 in 2022 from $52,840,131 in 2021 as a result of continued improvements in distribution plant. Net electric plant increased 2.0% to $52,840,131 in 2021 from $51,788,158 in 2020. See Note 2 for the disclosure of capital assets.

Long-Term Debt

Long-term debt, net of current maturities, at December 31, 2022, was $8,490,000 as compared to $9,820,000 at December 31, 2021. The decrease is the result of 2022 payments on long-term debt. There were no new advances on long-term debt.

Long-term debt, net of current maturities, at December 31, 2021, was $9,820,000 as compared to $11,100,000 at December 31, 2020. The District redeemed the Electric System Revenue and Refunding Bonds, Series 2016 Bonds and issued the Electric System Revenue and Refunding Bonds, Series 2021.

See Note 6 for the disclosure of long-term debt.

The following table includes condensed statements of revenues, expenses, and changes in net position for the years ended December 31, 2022, 2021, and 2020.

	2022	2021	2020
Revenues, Expenses, and Changes in Net Position			
Operating revenues	$ 21,907,032	$ 20,954,696	$ 21,118,609
Operating expenses			
Cost of power	12,417,859	11,925,452	11,534,215
Other operating expenses	6,438,406	6,186,241	5,904,439
Total operating expenses	18,856,265	18,111,693	17,438,654
Operating income	3,050,767	2,843,003	3,679,955
Nonoperating Income (Expense)			
Investment income	109,671	79,679	110,498
Patronage capital credit allocations	48,782	42,916	18,954
Interest expense	(141,295)	(256,949)	(303,802)
Other nonoperating income, net	39,686	74,043	30,801
Total nonoperating income (expense)	56,844	(60,311)	(143,549)
Change in net position	3,107,611	2,782,692	3,536,406
Net position - beginning of year	48,575,127	45,792,435	42,256,029
Net position - end of year	$ 51,682,738	$ 48,575,127	$ 45,792,435

Operating Revenues

Operating revenues increased approximately 4.5% to $21.91 million in 2022 from $20.95 million in 2021. The increase in operating revenues in 2022 was primarily due to an increase in kilowatt hours sold along with a power cost adjustment that the District approved and provided to customers that reduced the operating revenues in 2021. The revenues per kilowatt hour increased slightly compared to 2021.

Operating revenues decreased approximately 0.8% to $20.95 million in 2021 from $21.12 million in 2020. The revenues per kilowatt hour decreased slightly when compared to 2020 as a result of a power cost adjustment that the District approved and provided to customers that reduced the operating revenues in 2021.

Cost of Power

Cost of power increased 4.1% to $12.42 million in 2022 from $11.93 million in 2021 due to increased kilowatt hours purchased.

Cost of power increased 3.4% to $11.93 million in 2021 from $11.53 million in 2020 as a result of increases in kilowatt hours purchased.

Other Operating Expenses

Other operating expenses increased 4.1% to $6.44 million in 2022 from $6.19 million in 2021 as a result of labor cost increases and normal inflationary increases in other costs.

Other operating expenses increased 4.8% to $6.19 million in 2021 from $5.90 million in 2020.

Nonoperating Revenues and Expenses

Interest and dividend income increased by $29,992 in 2022 in comparison to 2021 due to increasing interest rates. Interest and dividend income decreased by $30,819 in 2021 in comparison to 2020 due to declining interest rates in 2021.

Interest expense decreased by $115,654 in 2022 in comparison to 2021 and decreased by $46,853 in 2021 in comparison to 2020 as a result of continued paydown of bond obligations.

Contacting Butler Public Power District's Management

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Butler Public Power District, 1331 N 4th Street, David City, NE 68632.

	2022	2021
Assets		
Capital Assets		
Electric plant in service	$ 73,325,655	$ 71,282,043
Construction in progress	795,593	480,324
	74,121,248	71,762,367
Less accumulated depreciation	(20,539,455)	(18,922,236)
Capital assets, net	53,581,793	52,840,131
Noncurrent Assets		
Investments in associated companies	614,037	594,781
Other investments	1,820,354	320,354
Costs recoverable from future billings	469,898	681,031
Total noncurrent assets	2,904,289	1,596,166
Current Assets		
Cash and cash equivalents	2,315,139	6,596,982
Restricted cash and cash equivalents	547,910	552,284
Accounts receivable	1,637,903	1,789,756
Materials and supplies	2,166,857	1,169,325
Prepayments	19,686	19,053
Other investments	3,250,000	-
Total current assets	9,937,495	10,127,400
Total Assets	$ 66,423,577	$ 64,563,697

	2022	2021
Liabilities, Deferred Inflows of Resources, and Net Position		
Net Position		
Net investment in capital assets	$ 43,761,793	$ 41,685,131
Restricted for debt service	547,910	552,284
Unrestricted	7,373,035	6,337,712
Total net position	51,682,738	48,575,127
Noncurrent Liabilities		
Long-term debt, less current maturities	8,490,000	9,820,000
Other post-employment benefit obligation	2,376,851	2,390,234
Total noncurrent liabilities	10,866,851	12,210,234
Current Liabilities		
Current maturities of long-term debt	1,330,000	1,335,000
Accounts payable	1,605,455	1,536,710
Accrued expenses	278,546	258,011
Customer deposits	547,562	558,176
Total current liabilities	3,761,563	3,687,897
Deferred Inflows of Resources		
Deferred customer credits	112,425	90,439
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 66,423,577	$ 64,563,697

	2022	2021
Operating Revenues		
Electric energy revenue	$ 21,852,687	$ 20,892,551
Other	54,345	62,145
Total operating revenues	21,907,032	20,954,696
Operating Expenses		
Cost of power	12,417,859	11,925,452
Transmission - maintenance	10,886	45,902
Distribution - operating	880,730	871,666
Distribution - maintenance	1,757,379	1,536,477
Customer accounts	468,158	472,558
Customer service and informational	106,194	91,027
Administrative and general	1,283,333	1,273,505
Depreciation	1,930,734	1,894,114
Taxes	992	992
Total operating expenses	18,856,265	18,111,693
Operating Income	3,050,767	2,843,003
Nonoperating Income (Expense)		
Investment income	109,671	79,679
Patronage capital credit allocations	48,782	42,916
Interest expense	(141,295)	(256,949)
Other nonoperating income, net	39,686	74,043
Total nonoperating income (expense)	56,844	(60,311)
Change in Net Position	3,107,611	2,782,692
Net Position - Beginning of Year	48,575,127	45,792,435
Net Position - End of Year	$ 51,682,738	$ 48,575,127

	2022	2021
Operating Activities		
Receipts from customers and others	$ 22,080,871	$ 20,863,822
Payments to suppliers and vendors	(14,184,176)	(14,160,927)
Payments to employees	(2,201,920)	(2,168,097)
Net Cash Provided by Operating Activities	5,694,775	4,534,798
Capital and Related Financing Activities		
Electric plant additions and retirements, net	(2,939,176)	(3,226,917)
Change in materials and supplies	(997,532)	(260,459)
Proceeds from long-term debt	-	5,970,000
Principal payments on long-term debt	(1,335,000)	(7,090,000)
Interest payments on long-term debt	(138,167)	(223,806)
Net Cash Used for Capital and Related Financing Activities	(5,409,875)	(4,831,182)
Investing Activities		
Interest and dividends received	109,671	79,679
Purchases of other investments	(4,750,000)	-
Maturities of other investments	-	1,250,000
Cash received from associated companies	29,526	32,799
Other nonoperating income, net	39,686	74,043
Net Cash (Used for) Provided by Investing Activities	(4,571,117)	1,436,521
Net Change in Cash and Cash Equivalents	(4,286,217)	1,140,137
Cash and Cash Equivalents, Beginning of Year	7,149,266	6,009,129
Cash and Cash Equivalents, End of Year	$ 2,863,049	$ 7,149,266
Cash and cash equivalents	$ 2,315,139	$ 6,596,982
Restricted cash and cash equivalents	547,910	552,284
Total cash and cash equivalents	$ 2,863,049	$ 7,149,266

	2022	2021
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 3,050,767	$ 2,843,003
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	2,197,514	2,174,944
Amortization of prepaid pension costs	215,548	216,589
Change in assets and liabilities		
Accounts receivable	151,853	(181,313)
Prepayments	(633)	2,031
Costs recoverable from future billings	(4,415)	(10,929)
Accounts payable	68,745	(847,661)
Accrued expenses and taxes	17,407	(57,237)
Customer deposits	(10,614)	66,023
Deferred credits	21,986	90,439
Other post-employment benefit obligation	(13,383)	238,909
Net Cash Provided by Operating Activities	$ 5,694,775	$ 4,534,798

Note 1 - Summary of Significant Accounting Policies

General

Butler Public Power District (the District), a public corporation and a political subdivision of the State of Nebraska, furnishes electric power to customers in rural Butler and Saunders counties. The headquarters is located in David City, Nebraska. The control of the District is vested in the Board of Directors consisting of members elected from the District's chartered territory. The Board of Directors is authorized to establish electric rates.

The District, as a political subdivision of the State of Nebraska, is exempt from federal and state income taxes.

Basis of Accounting

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and follow accounting guidance provided by the Governmental Accounting Standards Board (GASB). GASB is responsible for establishing GAAP for state and local governments through its pronouncements. The financial statements are prepared in accordance with the accrual basis of accounting. Under this basis, revenues are recognized in the period earned and expenses are recognized in the period incurred.

The accounting records of the District are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission. The significant accounting and reporting policies and practices used by the District are described below.

Regulatory Accounting

The District's accounting policies and the accompanying financial statements conforms to generally accepted accounting principles applicable to rate-regulated enterprises and reflect the effects of the ratemaking process.

As a result of the ratemaking process, the District applies GASB No. 62, paragraphs 476-500, *Regulated Operations*. The application of this generally accepted accounting principle by the District differs in certain respects from the application by non-regulated businesses as a result of applying GASB No. 62. The provisions allow the District to defer certain expenses or revenues that would otherwise be recognized when incurred to the extent that the ratemaking entity is recovering or expects to recover such amounts in rates charges to its customers.

Proprietary Fund

An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net position is appropriate. All operations of Butler Public Power District are reported in the Proprietary Fund.

Accounting 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 at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Electric plant in service is stated at cost. The cost of additions to electric plant includes contracted work, direct labor and materials, and allocable overheads. When units of property are retired, sold or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense.

Depreciation

The District utilizes composite depreciation methods for distribution and transmission plant. The rate is determined based on management estimates of the average useful life of the assets along with future cost of removal and salvage factor estimates. Industry guidelines are utilized to assist with determining the appropriate composite rate for the District. General plant assets are depreciated on the unit basis based on management's best estimate of the useful life of the assets and also include estimates for salvage and cost of removal if applicable.

Transmission plant	2.75%
Distribution plant	2.70%
General plant	2.40% - 16.70%

Recoverability of Long-Term Assets

The District reviews the carrying value of electric plant for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. An impairment loss is recognized when estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset are less than the carrying value of the asset. Management has determined that no impairment exists at December 31, 2022 and 2021.

Investments in Associated Companies

Investments in associated organizations are stated at cost and are recorded at the District's share of allocated patronage capital. Patronage capital credits allocated to the District are included in nonoperating income (expense) on the statements of revenues, expenses, and changes in net position.

Costs Recoverable from Future Billings

As part of the District's ratemaking policy, proposed rates are designed to recover costs over a period of time. Costs recoverable from future billings are expenses that the District has incurred, but that will be recovered through future ratemaking.

Investments and Investment Income

The District's investments consist primarily of notes issued by the National Rural Utilities Cooperative Finance Corporation (NRUCFC). The District's investments in NRUCFC notes cannot be redeemed prior to maturity and are carried at cost in the statements of net position. Investment income includes interest income.

Cash and Cash Equivalents

For purposes of reporting cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash investments are carried at cost which approximates market.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include are set aside as required by the District's revenue refunding bond agreements for the debt service funds.

A reserve fund that consists of funds that have been imposed by debt covenants to be held in a separate account for debt service. It is to be maintained by the District apart from its other funds and to be available by mutual agreement only for the purposes of holding funds for debt service. The funds have been invested in interest-bearing accounts.

Accounts Receivable

Accounts receivable are un-collateralized customer obligations due under normal trade terms requiring payments within 30 days from the invoice date. The District requires deposits from customers with poor credit history. Accounts receivable are stated at the amount billed to the customer plus any accrued late fees. Payments of accounts receivable are allocated to the specific customer's remittance advice or, if unspecified, are applied to the oldest outstanding balance.

The carrying amount of accounts receivable is reduced by an amount that reflects management's best estimate of amounts that will not be collected. Management individually reviews accounts receivable balances that exceed 90 days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. As of December 31, 2022 and 2021, the allowance was $45,882 and $44,520, respectively.

Material and Supplies

Material and supplies are stated at the lower of average cost or market on an average cost method.

Net Position

The net position of the District is presented in the following components:

Net Investment in Capital Assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted – Consists of restricted assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation, reduced by liabilities related to those assets. Generally, a liability relates to restricted assets if the assets results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted – Consists of all other assets that do not meet the definition of "restricted" or "net investment in capital assets”.

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

Other Post-Employment Benefit Obligation

For purposes of measuring the total other post-employment benefit obligation (OPEB) liability and OPEB expense, information has been determined based on the District’s actuarial report. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms.

Compensated Absences

District employees earn vacation, sick leave, and other compensatory time at specific rates during their employment that may be realized as paid time off or, in some circumstances, as a cash payment upon their separation from the District. Upon retirement or termination, an employee is reimbursed for accumulated vacation time up to a maximum allowed accumulation of no more than 28 days or 224 hours. Compensated absence liabilities are computed using the regular pay rates in effect at the statement of net position date. The District expenses compensated absences at the time it is earned by the employees.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period and a deferred inflow of resource is an acquisition of net position that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statements of net position but are not recognized in the financial statements as revenues and expenses until the period to which they relate. The District has no deferred outflows of resources at December 31, 2022 and 2021. The District has one item that qualifies for reporting as deferred inflows of resources. Deferred customer credits consist of customer advanced payments.

Revenue and Expense Recognition

Electric energy revenues and purchased power costs are recorded in the period in which services are rendered. Revenues and expenses related to providing electric energy services as part of the District's ongoing operations are classified as operating. All other revenues and expenses are classified as nonoperating and reported as nonoperating income in the statements of revenues, expenses, and changes in net position.

The District is required under the Revenue Bond Resolution to charge rates for electric services so that revenues will be at least sufficient to pay operating expenses, aggregate debt service on the revenues bonds, amounts to be paid into the debt reserve fund, and all other charges or liens payable out of revenues.

Operating Revenues and Expenses

The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing electric services to customers, the District's principal activity. Operating expenses include the cost of purchased power, depreciation, and all other expenses in providing electric services to customers. Revenues and expenses not meeting the criteria as operating are reported as nonoperating revenues.

Recovery of Capital Assets Costs

Contributions in aid of construction are received from customers and other third parties primarily to offset the costs associated with construction of the District's capital assets. The District follows FERC guidelines for recording contributions in aid of construction. These guidelines direct the reduction of electric plant by the amount of these contributions. In order to comply with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, while continuing to follow FERC guidelines, contributions in aid of construction are recorded as contributions and offset by an expense in the same amount representing the recovery of plant costs in the statements of revenues, expenses, and changes in net position.

Sales Taxes

The District has customers in Nebraska and in municipalities in which those governmental units impose a sales tax on certain sales. The District collects those sales taxes from its customers and remits the entire amount to the various governmental units. The District's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

Business Credit Risk

The District provides electrical service on account to its members in rural Butler and Saunders counties

The District maintains its cash accounts in a financial institution located in the area. All funds of the District that are deposited with the financial institution are secured by the Federal Deposit Insurance Corporation (FDIC) or secured with pledged securities unless otherwise approved by the Board of Directors. At times during the years ended December 31, 2021 and 2020, the District's balances exceeded the insurance limit of the FDIC.

Income Taxes

The District as a political subdivision of the state of Nebraska is exempt from federal and state income taxes.

Note 2 - Capital Assets

A summary of changes in capital assets for the year ended December 31, 2022 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Nondepreciable Electric Plant				
Land	$ 77,633	$ -	$ -	$ 77,633
Construction work in progress	480,324	2,254,023	(1,938,754)	795,593
Intangible Plant	1,320	-	-	1,320
Total nondepreciable electric plant	559,277	2,254,023	(1,938,754)	874,546
Depreciable Electric Plant				
Transmission plant	9,712,297	13,004	(10,077)	9,715,224
Distribution plant	49,352,807	2,407,037	(401,060)	51,358,784
Transmission and distribution plant	59,065,104	2,420,041	(411,137)	61,074,008
General plant	12,137,986	34,708	-	12,172,694
Total depreciable electric plant	71,203,090	2,454,749	(411,137)	73,246,702
Less Accumulated Depreciation				
Transmission and distribution plant	(14,942,822)	(1,622,031)	567,825	(15,997,028)
General plant	(3,984,560)	(575,483)	-	(4,560,043)
Retirement work in progress	5,146	-	12,470	17,616
Total accumulated depreciation	(18,922,236)	(2,197,514)	580,295	(20,539,455)
Capital assets, net	$ 52,840,131	$ 2,511,258	$ (1,769,596)	$ 53,581,793

A summary of changes in capital assets for the year ended December 31, 2021 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Nondepreciable Electric Plant				
Land	$ 77,633	$ -	$ -	$ 77,633
Construction work in progress	380,225	2,007,734	(1,907,635)	480,324
Intangible Plant	1,320	-	-	1,320
Total nondepreciable electric plant	459,178	2,007,734	(1,907,635)	559,277
Depreciable Electric Plant				
Transmission plant	9,648,928	68,570	(5,201)	9,712,297
Distribution plant	47,732,755	2,412,910	(792,858)	49,352,807
Transmission and distribution plant	57,381,683	2,481,480	(798,059)	59,065,104
General plant	12,086,232	798,573	(746,819)	12,137,986
Total depreciable electric plant	69,467,915	3,280,053	(1,544,878)	71,203,090
Less Accumulated Depreciation				
Transmission and distribution plant	(14,005,224)	(1,587,758)	650,160	(14,942,822)
General plant	(4,144,193)	(587,186)	746,819	(3,984,560)
Retirement work in progress	10,482	-	(5,336)	5,146
Total accumulated depreciation	(18,138,935)	(2,174,944)	1,391,643	(18,922,236)
Capital assets, net	$ 51,788,158	$ 3,112,843	$ (2,060,870)	$ 52,840,131

The provision for depreciation is as follows:

	2022	2021
Charged to depreciation expense	$ 1,930,734	$ 1,894,114
Charged to clearing accounts	266,780	280,830
	$ 2,197,514	$ 2,174,944

Note 3 - Investments in Associated Companies

	2022	2021
Patronage capital credits		
Nebraska Electric Generation and Transmission Cooperative, Inc.	$ 51,130	$ 48,448
Nebraska Rural TV	295,252	313,105
Federated Rural Electric Insurance Corporation	146,715	132,068
Southeastern Data Cooperative	57,062	50,686
National Rural Telecommunications Cooperative	19,947	19,947
National Rural Utilities Cooperative Finance Corporation (CFC)	6,365	6,365
National Information Solutions Cooperative	6,008	6,161
Rural Electric Supply Cooperative	27,290	13,785
Frontier Corporation	968	916
Other patronage investments	3,300	3,300
Total investments in associated companies	$ 614,037	$ 594,781

Note 4 - Cash and Investments

Deposits

State statutes require banks to either give a bond or pledge government securities to the District in the amount of the District's deposits. The statutes allow pledged securities to be reduced by the amount of the deposits insured by the FDIC. Cash deposits, primarily interest-bearing, are covered by federal depository insurance or pledged collateral of unregistered U.S. government securities held by various depositories.

At December 31, 2022 and 2021, the District's deposits were undercollateralized by $-0- and $2,218,780, respectively.

Investments

The District may invest in U.S. Government securities and agencies, federal instrumentalities, repurchase agreements, corporate issues, money market mutual funds, interest bearing time deposits or savings accounts, state and/or local government taxable and/or tax-exempt debt and other fixed term investments as designated by state law.

As of December 31, 2022 and 2021, the District had the following investments:

	Maturities (in Years)			
	Carrying Value	Less Than 1	Greater Than 1	Credit Rating S&P
December 31, 2022				
CFC medium term notes	$ 4,000,000	$ 2,500,000	$ 1,500,000	A-
CFC capital term certificates	320,354	-	320,354	BBB
CFC select notes	750,000	750,000	-	Not rated
	$ 5,070,354	$ 3,250,000	$ 1,820,354	
December 31, 2021				
CFC capital term certificates	$ 320,354	$ -	$ 320,354	BBB

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. It is the District's policy to only invest its funds in authorized investments as that term is defined by the laws of the State of Nebraska and as further limited by the District's bond covenants as a means of managing its exposure to fair value losses.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the District's policy to only invest in highly rated fixed income securities, or fixed income instruments guaranteed as to principal and interest.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, the District would not be able to recover the value of its investment securities that are in the possession of an outside party. Investments at December 31, 2022 and 2021, were held in the District's name by the custodial banks, as required by the District's investment policy.

Concentration of Credit Risk – Concentration of credit risk is the risk associated with the amount of investments the District has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government are excluded from this requirement. The District's investment policy places no limit that may be invested at any one issuer. The District's investments in notes issued by National Rural Utilities Cooperative Finance Corporation (CFC) totaled $5,070,354, or 63.91% and $320,354, or 4.29%, of total deposits and investments as of December 31, 2022 and 2021, respectively.

The carrying values of deposits and investments shown below are included in the statements of net position at December 31, 2022 and 2021, as follows:

	2022	2021
Deposits		
Checking and savings accounts	$ 2,863,049	$ 7,149,266
Investments	5,070,354	320,354
	$ 7,933,403	$ 7,469,620

The following are included in the statements of net position captions:

	2022	2021
Current assets		
Cash and cash equivalents	$ 2,315,139	$ 6,596,982
Restricted cash and cash equivalents	547,910	552,284
Other investments	3,250,000	-
	6,113,049	7,149,266
Noncurrent assets		
Other investments	1,820,354	320,354
	$ 7,933,403	$ 7,469,620

Note 5 - Costs Recoverable from Future Billings

	2022	2021
NRECA RS Plan Prepayment	$ 34,350	$ 137,398
NRECA RS Plan Voluntary Contribution Acceleration Program	419,792	532,292
Other	15,756	11,341
Total costs recoverable from future billings	$ 469,898	$ 681,031

During the year ended December 31, 2013, the District made an accelerated funding payment of $1,030,480 under the National Rural Electric Cooperative Association (NRECA)'s Retirement and Security Plan (RS Plan) voluntary prepayment option. Participation in the RS prepayment option will reduce the District's RS billing rates by approximately 25% effective March 1, 2013, lower ongoing contributions, and minimize the likelihood and impact of any future Deficit Reduction Contributions. The prepayment will be amortized over 10 years. Amortization expense for the years ended December 31, 2022 and 2021 was $103,048.

The District also participated in NRECA's Voluntary Contribution Acceleration Program in order to reduce the benefit funding portion of its billing rate over 10 years by approximately 25%. The District made contributions of $250,000 during the year ended December 31, 2018 and $500,000 during the year ended December 31, 2020. The 2018 prepayment will be amortized over 5 years and the 2020 prepayment will be amortized over 8 years. Amortization expense for the years ended December 31, 2022 and 2021 was $112,500 and $113,541, respectively.

Note 6 - Long-Term Debt

A summary of the changes in long-term debt for the year ended December 31, 2022, is as follows:

	2021	Advances	Payments	2022	Due Within One Year
Electric System Revenue Refunding Bonds					
Series 2015A	$ 430,000	$ -	$ (135,000)	$ 295,000	$ 140,000
Series 2017	1,505,000	-	(215,000)	1,290,000	220,000
Series 2018	310,000	-	(50,000)	260,000	50,000
Series 2019	1,550,000	-	(195,000)	1,355,000	195,000
Series 2020	1,390,000	-	(190,000)	1,200,000	185,000
Series 2021	5,970,000	-	(550,000)	5,420,000	540,000
	$ 11,155,000	$ -	$ (1,335,000)	$ 9,820,000	$ 1,330,000

A summary of the changes in long-term debt for the year ended December 31, 2021, is as follows:

	2020	Advances	Payments	2021	Due Within One Year
Electric System Revenue Refunding Bonds					
Series 2015A	$ 565,000	$ -	$ (135,000)	$ 430,000	$ 135,000
Series 2016A	2,100,000	-	(2,100,000)	-	-
Series 2016B	4,250,000	-	(4,250,000)	-	-
Series 2017	1,720,000	-	(215,000)	1,505,000	215,000
Series 2018	355,000	-	(45,000)	310,000	50,000
Series 2019	1,735,000	-	(185,000)	1,550,000	195,000
Series 2020	1,550,000	-	(160,000)	1,390,000	190,000
Series 2021	-	5,970,000	-	5,970,000	550,000
	$ 12,275,000	$ 5,970,000	$ (7,090,000)	$ 11,155,000	$ 1,335,000
	-			-	-

Long-term debt is represented by Electric System Revenue Refunding Bonds. All revenues are pledged to secure revenue bonds. Covenant provisions apply to the revenue bonds. The District is in compliance with all covenants of the bond issues as of December 31, 2022 and 2021.

Long-term debt as of December 31, 2022 and 2021, is comprised of the following:

	2022	2021
Electric System Revenue Refunding Bonds		
Series 2015A, due in varying amounts through January 2025; interest payable semiannually on January 1 and July 1, interest rates varying from 1.80% to 2.60% as of December 31, 2022 depending on length of time to maturity	$ 295,000	$ 430,000
Series 2017, due in varying amounts through November 2028; interest payable semiannually on May 15 and November 15, interest rates varying from 1.65% to 2.75% as of December 31, 2022 depending on length of time to maturity	1,290,000	1,505,000
Series 2018, due in varying amounts through November 2027; interest payable semiannually on May 15 and November 15, interest rates varying from 2.25% to 3.00% as of December 31, 2022 depending on length of time to maturity	260,000	310,000
Series 2019, due in varying amounts through October 2029; interest payable semiannually on April 15 and October 15, interest rates varying from 1.70% to 2.25% as of December 31, 2022 depending on length of time to maturity	1,355,000	1,550,000
Series 2020, due in varying amounts through June 2029; interest payable semiannually on June 15 and December 15, interest rates varying from 0.80% to 1.45% as of December 31, 2022 depending on length of time to maturity	1,200,000	1,390,000
Series 2021, due in varying amounts through June 2035; interest payable semiannually on February 15 and August 15, interest rates varying from 0.35% to 1.55% as of December 31, 2022 depending on length of time to maturity	5,420,000	5,970,000
Total	9,820,000	11,155,000
Less current maturities of long-term debt	(1,330,000)	(1,335,000)
Long-term debt, less current maturities	$ 8,490,000	$ 9,820,000

In March 2021, the District issued Series 2021 Electric System Revenue Refunding Bonds. Proceeds from these bonds were used to call the Series 2016A Electric System Revenue Refunding Bonds in April 2021 and the Series 2016B Electric System Revenue Refunding Bonds in May 2021. The total par amount for the Series 2016A Electric System Revenue Refunding Bonds were $1,890,000 and the total par amount for the Series 2016B Electric System Revenue Refunding Bonds were $4,025,000. The net interest rate over the life of the Series 2016A Electric System Revenue Refunding Bonds was 2.49% and the net interest rate over the life of the Series 2016B Electric System Revenue Refunding Bonds was 3.02%. The average annual debt service savings over the life of the bonds was $770,710, resulting in a net present value percentage savings of 12.26%.

It is estimated that principal repayments on the above revenue bonds for the succeeding years will be as follows:

	Revenue Bonds		
	Principal	Interest	Total
2023	$ 1,330,000	$ 128,218	$ 1,458,218
2024	1,350,000	112,405	1,462,405
2025	1,230,000	96,404	1,326,404
2026	1,255,000	80,653	1,335,653
2027	1,260,000	63,042	1,323,042
2028-2032	2,865,000	121,000	2,986,000
2033-2037	530,000	11,068	541,068
	$ 9,820,000	$ 612,790	$ 10,432,790

Note 7 - Line of Credit

The District has executed an unsecured line of credit agreement with CFC providing the District with short-term loans in the total amount of $1,500,000 on a revolving basis that is renewable annually through 2049. Interest on unpaid principal is payable quarterly at rates established by NRUCFC, which are not to exceed the lowest prime rate as published in the “Money Rates” column of “The Wall Street Journal” plus 1% per annum (6.25% at December 31, 2022). There was no balance outstanding on this line-of-credit for the years ended December 31, 2022 and 2021.

Note 8 - Other Post-Employment Benefit Obligation

Plan Description

The District offers major medical insurance to retired employees and their dependents through a post-employment benefit plan. The post-employment benefit plan is available to employees who were employed prior to May 10, 1994. Eligible employees, who qualify for Medicare upon reaching age 65 will receive coordinated coverage only. The post-employment benefit plan continues for the life of the employee and spouse. There are no assets accumulated in a trust in connection with this plan and no separate financial reporting is done by the plan.

Obligations of Plan Members and Sponsoring Organization

For eligible retired employees under age 65, the District will pay for 2% of the monthly premium cost of the major medical insurance through NRECA for each year of service of the employee, up to a maximum of 90%. The retired employee will pay for the remaining premium amount. For retired employees over the age of 65, the District will deposit an amount equal to 2% of an amount approved by the Board of Directors, for each year of service of the employee, up to a maximum of 90%, into a retiree health reimbursement arrangement account. This amount can be used by the retired employee towards the purchase of a Medicare supplement and drug plan of their choice.

Funding Policy

The District's obligation is unfunded at December 31, 2022 and 2021. There are no assets accumulated that meets the criteria in paragraph 4 of GASB Statement No. 75. The District has elected to fund the plan on a pay-as-you-go method.

Employees Covered by Benefit Terms

As of December 31, 2022, the following active and inactive employees were covered by the benefit terms under the plan:

Active employees	25
Active employees waiving coverage	3
Inactive employees or beneficiaries currently receiving benefit payments	9
	37

Total OPEB Liability

The District's total OPEB liability of $2,376,851 was measured as of December 31, 2022 and was determined by a valuation as of January 1, 2022. The District's total OPEB liability of $2,390,234 was measured as of December 31, 2021 and was determined by an actuarial valuation as of January 1, 2021. Procedures were used to roll forward the service cost and total OPEB liability from the actuarial valuation date to the measurement dates.

Actuarial Assumptions

The total OPEB liability in the January 1, 2022 valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Rate of Inflation	2.25%
Rate of Salary Increase	Based on the rates from the Nebraska Public Employees Retirement Systems 1/1/2022 Actuarial Valuation. Rates are starting at 9.5% and decreasing to 3.15%.
Discount Rate	1.84%
Healthcare Cost Trend Rate	6.2% pre-65, 4.7% post-65. All rates gradually decreasing over several decades to 3.7% in 2074 and later years.

Discount Rate

The discount rate used to measure the total OPEB liability was and 2.00% for the years ended December 31, 2022 and 2021, respectively, which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA or higher as of the measurement date.

Mortality Rates

The mortality rates used to measure the total OPEB liability reflect the adoption of the PUB-2010 General Managers (Above Median) Mortality Table (100% of male rates, 95% of female rates), both male and female rates set back one year, projected generationally using MP-2019 modified to 75% of the ultimate rates.

Changes in the Total OPEB Liability

	2022	2021
OPEB liability, beginning of year	$ 2,390,234	$ 2,151,325
Changes for the year		
Service cost	34,114	25,593
Interest cost	47,654	58,780
Changes in assumptions and differences between expected and actual experiences	(11,824)	233,481
Benefit payments	(83,327)	(78,945)
OPEB liability, end of year	$ 2,376,851	$ 2,390,234

The District does not recognize deferred outflows of resources or deferred inflows of resources related to OPEB because the District uses the Alternative Measurement Method allowed under GASB 75.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District as of December 31, 2022, calculated using the discount rate of 1.84%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (.84%) or 1% higher (2.84%) than the current discount rate.

	1% Decrease (.84%)	Discount Rate (1.84%)	1% Increase (2.84%)
OPEB liability	$ 2,744,509	$ 2,376,851	$ 2,079,756

The following presents the total OPEB liability of the District as of December 31, 2021, calculated using the discount rate of 2.00%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.00%) or 1% higher (3.00%) than the current discount rate.

	1% Decrease (1.00%)	Discount Rate (2.00%)	1% Increase (3.00%)
OPEB liability	$ 2,759,039	$ 2,390,234	$ 2,091,765

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District as of December 31, 2022, calculated using the healthcare cost trend rates of 6.20% and decreasing to 3.70%, as well as what the District's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (5.20% and decreasing to 2.70%) or 1% higher (7.20% and decreasing to 4.70%) than the current healthcare cost trend rates.

	1% Decrease (5.20% decreasing to 2.70%)	Healthcare Cost Trend Rates (6.20% decreasing to 3.70%)	1% Increase (7.20% decreasing to 4.70%)
OPEB liability	$ 2,067,057	$ 2,376,851	$ 2,762,744

The following presents the total OPEB liability of the District as of December 31, 2021, calculated using the healthcare cost trend rates of 6.20% and decreasing to 3.70%, as well as what the District's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (5.20% and decreasing to 2.70%) or 1% higher (7.20% and decreasing to 4.70%) than the current healthcare cost trend rates.

	1% Decrease (5.20% decreasing to 2.70%)	Healthcare Cost Trend Rates (6.20% decreasing to 3.70%)	1% Increase (7.20% decreasing to 4.70%)
OPEB liability	$ 2,055,673	$ 2,390,234	$ 2,808,367

Benefit payments are projected to be as follows including the estimated cost of the implicit subsidy related to benefit payments made:

	Implicit	Explicit	Total
2023	$ 50,000	$ 62,000	$ 112,000
2024	51,000	64,000	115,000
2025	35,000	60,000	95,000
2026	19,000	55,000	74,000
2027	-	50,000	50,000
2028 - 2032	146,000	361,000	507,000
	$ 301,000	$ 652,000	$ 953,000

Note 9 - Pension Plan

Defined Benefit Pension Plan

The District participates in the RS Plan sponsored and administered by NRECA. The RS Plan is a cost-sharing defined benefit pension plan that has the characteristics described in paragraph 2 of GASB Statement No. 78. The RS Plan is intended to be qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. The plan is a multiemployer plan under accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

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 the Form 5500, and the plan's annual financial statements, can be obtained by going to www.efast.dol.gov and using the search tool (EIN: 530116145; PIN: 333). Copies of the RS Plan's annual financial statements are also available to District representatives by calling NRECA's Member Contact Center at 1-866-673-2299.

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 District's contributions to the plan in 2022 and 2021 represent less than 5% of the total contributions made to the plan by all participating employers.

In 2013, the District made an accelerated funding payment of $1,030,480 under NRECA's Retirement and Security (RS) Plan voluntary prepayment option. Participation in the RS prepayment option will reduce the District's RS billing rates by approximately 25% effective March 1, 2013, lower ongoing contributions and minimize the likelihood and impact of any future Deficit Reduction Contributions. The prepayment is included in costs recoverable from future billings and will be amortized over 10 years.

The District also participated in NRECA's Voluntary Contribution Acceleration Program in order to reduce the benefit funding portion of its billing rate over 10 years by approximately 25%. The District made contributions of $250,000 during the year ended December 31, 2018 and $500,000 during the year December 31, 2020. The 2018 prepayment will be amortized over 5 years and the 2020 prepayment will be amortized over 8 years. The balance is included in costs recoverable from future billings.

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. In total, the Retirement Security Plan was over the 80 percent required funding threshold on January 1, 2022 and 2021 based on the PPA funding target and PPA actuarial value of assets on those dates. 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.

At December 31, 2022, the District has 25 employees covered under the RS Plan. The RS Plan is a defined benefit pension plan. 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 employers (such provisions require approval by the NRECA board of directors). Each employer elects to participate in the plan.

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 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 required contribution rate of the employer and employee is 15.82% and 0%, respectively. The District made normal contributions to the plan of approximately $319,000 in 2022 and $256,000 in 2021. 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.

Defined Contribution Plan

The District participates in the NRECA 401(k) savings plan, which covers substantially all full-time employees with one year of service. The District contributes 3% for an employee who contributes no less than 3% of the employee's bas pay. The contributions by the District were approximately $61,600 and $63,300 for the years ended December 31, 2022 and 2021, respectively.

Note 10 - Related Party Transactions

The District is a member of and purchases its wholesale power from Nebraska Electric Generation and Transmission Cooperative, Inc. Following is a summary of material transactions with Nebraska Electric Generation and Transmission Cooperative, Inc. for the years ended December 31, 2022 and 2021.

	2022	2021
Purchase of wholesale power	$ 12,417,859	$ 11,925,452
Accumulated patronage capital credits	$ 51,130	$ 48,448
Due to Nebraska Electric Generation & Transmission Cooperative, Inc.	$ 911,854	$ 945,605

Note 11 - Major Customer

The District received approximately 30% and 32% of its operating revenue from sales to a major customer for the years ended December 31, 2022 and 2021, respectively. The total revenue received from the customer for the years ended December 31, 2022 and 2021, was approximately $6,663,000 and $6,773,000, respectively. Total accounts receivable due from the customer at December 31, 2022 and 2021 was $428,600 and $580,400, respectively.

Note 12 - Commitment

Wholesale Power Agreement

The District is committed under a long-term wholesale power agreement whereby it is to purchase its electric power and energy requirements from Nebraska Electric Generation and Transmission Cooperative, Inc., until January 1, 2036. The rates paid are subject to periodic review.

Required Supplementary Information
December 31, 2022 and 2021

Butler Public Power District

Schedule of Changes in Other Postemployment Benefit Obligation Liability

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Service cost	$ 34,114	$ 25,593	$ 16,856	$ 10,683	**	**	**	**	**	**
Interest cost	47,654	58,780	$ 44,900	$ 28,882	**	**	**	**	**	**
Changes in assumptions and differences between expected and actual experiences	(11,824)	233,481	239,102	18,932	**	**	**	**	**	**
Benefit payments	(83,327)	(78,945)	$ (41,565)	$ (39,951)	**	**	**	**	**	**
Net change in OPEB liability	(13,383)	238,909	259,293	18,546	**	**	**	**	**	**
OPEB liability, beginning	2,390,234	2,151,325	1,892,032	1,873,486	**	**	**	**	**	**
OPEB liability, ending	$ 2,376,851	$ 2,390,234	$ 2,151,325	$ 1,892,032	$ 1,873,486	**	**	**	**	**

Notes to Schedule of Changes in Total OPEB Liability

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in Benefits

There were no significant changes in benefit terms.

Changes in Assumptions

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period along with changes in medical premiums and other assumptions. The following are the discount rates used in each period.

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Discount rate	1.84%	2.00%	2.75%	3.25%	3.25%	**	**	**	**	**

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full ten-year trend is compiled, the District will present information for these years for which information is available.

Schedule of Employer's Required Contributions

The District's required contributions for each of the 10 most recent fiscal years are presented below:

	Defined Benefit Plan Contributions
2013	$ 315,628
2014	272,173
2015	282,195
2016	290,745
2017	312,020
2018	349,182
2019	315,154
2020	300,971
2021	255,945
2022	319,059

Notes to the Schedule of Employer's Required Contributions

The District should review its historical information on changes in plan provisions as well as the size and compensation levels of its participant population in explaining significant changes in contribution patterns in its 10-year contribution history. Below is a table of plan-level adjustments to base contribution rates that are applicable to all plans, along with an explanation of significant increases.

	Proportional Change Compared With Prior Year	Primary reason for increase
2013	8%	Actual 2011 investment return was significantly lower than the assumed 8.5% expected annual return
2014	0%	
2015	0%	
2016	3%	Actual 2014 investment return was lower than the assumed 8.0% expected annual return
2017	3%	Adjust billing rate to improve current funded status and reach projected funded status of 100%
2018	3%	Adjust billing rate to improve current funded status and reach projected funded status of 100%
2019	1%	Adjust billing rate to improve current funded status and reach projected funded status of 100%
2020	2%	Actual 2018 investment return was lower than the assumed 7.25% expected annual return
2021	3%	Decreases in the assumed future annual asset return and lump sum interest rates increased the present value of benefits.
2022	2%	Adjust billing rate as a result of changes in actuarial assumptions including interest rates

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*

The Board of Directors
Butler Public Power District
David City, Nebraska

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 Butler Public Power District, which comprise the statement of net position as of December 31, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 3, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be a significant deficiency (Findings 2022-001).

Report Compliance and Other Matters

As part of obtaining reasonable assurance about whether Butler Public Power District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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*.

Butler Public Power District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Butler Public Power District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. Butler Public Power District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sioux Falls, South Dakota
April 3, 2023

Finding 2022-001 – Preparation of Full Disclosure Financial Statements
Significant Deficiency

Criteria: Proper controls over financial reporting include the ability to prepare financial statements with accompanying notes to the financial statements that are materially correct and include all required disclosures.

Condition: The District does not have an internal control system designed to provide for the preparation of the full disclosure financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause: The District has limited staff. They cannot justify incurring the costs necessary for preparing the financial statements with accompanying notes to the financial statements.

Effect: Inadequate controls over financial reporting of the District could result in the likelihood that the District would not be able to draft the financial statements with accompanying notes to the financial statements without the assistance of the auditors.

Recommendation: While we recognize that this condition is not unusual for an organization of your size, it is important that you be aware of this condition for financial reporting purposes.

View of Responsible Officials: Since it is not cost effective for an organization of our size to prepare audit ready financial statements, we have chosen to hire Eide Bailly, a public accounting firm, to prepare our full disclosure financial statements as part of the annual audit. We have designated a member of management to review the propriety of the draft financial statements and accompanying notes to the financial statements.