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 multiple counties in Nebraska. 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 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).

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 presented in accordance with accounting principles generally accepted in the United States (GAAP). 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.

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, 2020 and 2019, the allowance was $40,299 and $38,712, respectively.

Material and Supplies

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

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 (losses) on the statements of revenues, expenses, and changes in net position.

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.

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.

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, 2020.

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.

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.

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.

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 which are located in several counties in eastern Nebraska.

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, 2020 and 2019, 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.

Comparative Data and Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net position.

Note 2 - 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.

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, 2020 and 2019, the District had the following investments:

	Maturities (in Years)			
	Carrying Value	Less Than 1	Greater Than 1	Credit Rating S&P
December 31, 2020				
CFC capital term certificates	$ 320,354	$ -	$ 320,354	A
December 31, 2019				
CFC capital term certificates	$ 320,354	$ -	$ 320,354	A

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, 2020 and 2019, 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 CFC totaled $320,354, or 4.23% and $320,354, or 5.09%, of total deposits and investments as of December 31, 2020 and 2019, respectively.

The carrying values of deposits and investments shown below are included in the statements of net position at December 31, 2020 and 2019, as follows:

	2020	2019
Deposits		
Checking and savings accounts	$ 6,009,129	$ 1,969,751
Certificates of deposit	1,250,000	4,000,000
	7,259,129	5,969,751
Investments	320,354	320,354
	$ 7,579,483	$ 6,290,105

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

	2020	2019
Current Assets		
Cash and cash equivalents	$ 5,454,995	$ 1,546,763
Restricted cash	554,134	422,988
Other investments	1,250,000	4,000,000
	7,259,129	5,969,751
Noncurrent Assets		
Other investments	320,354	320,354
	$ 7,579,483	$ 6,290,105

Note 3 - Investments in Associated Companies

	2020	2019
Patronage capital credits		
Nebraska Electric Generation and Transmission Cooperative, Inc.	$ 43,317	$ 43,317
Nebraska Rural TV	331,264	349,028
Federated Rural Electric Insurance Corporation	122,816	116,453
Southeastern Data Cooperative	50,283	47,711
National Rural Telecommunications Cooperative	19,238	19,238
National Rural Utilities Cooperative Finance Corporation (CFC)	6,365	6,365
National Information Solutions Cooperative	6,221	6,711
Rural Electric Supply Cooperative	945	1,827
Frontier Corporation	916	916
Other patronage investments	3,299	3,299
Total investments in associated companies	$ 584,664	$ 594,865

Note 4 - Costs Recoverable from Future Billings

	2020	2019
NRECA RS Plan Prepayment	$ 240,446	$ 343,494
NRECA RS Plan Voluntary Contribution Acceleration Program	645,833	200,000
Total costs recoverable from future billings	$ 886,279	$ 543,494

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, 2020 and 2019 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 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, 2020 and 2019 was $54,167 and $50,000, respectively.

Note 5 - Capital Assets

A summary of changes in capital assets for the year ended December 31, 2020 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Nondepreciable Electric Plant				
Land	$ 82,135	$ -	$ -	$ 82,135
Construction work in progress	1,789,665	2,821,219	(4,289,528)	321,356
Intangible Plant	1,320	-	-	1,320
Total nondepreciable electric plant	1,873,120	2,821,219	(4,289,528)	404,811
Depreciable Electric Plant				
Transmission plant	8,722,174	1,024,408	(59,998)	9,686,584
Distribution plant	40,065,311	3,652,069	(237,429)	43,479,951
General plant	12,560,822	704,158	(560,239)	12,704,741
Total depreciable electric plant	61,348,307	5,380,635	(857,666)	65,871,276
Less Accumulated Depreciation				
Transmission plant	(3,354,320)	(242,284)	-	(3,596,604)
Distribution plant	(12,673,805)	(1,025,882)	39,410	(13,660,277)
General plant	5,058,267	(540,493)	550,460	5,068,234
Retirement work in progress	9,735,266	-	351,089	10,086,355
Total accumulated depreciation	(1,234,592)	(1,808,659)	940,959	(2,102,292)
Capital assets, net	$ 61,986,835	$ 6,393,195	$ (4,206,235)	$ 64,173,795

A summary of changes in capital assets for the year ended December 31, 2019 is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Nondepreciable Electric Plant				
Land	$ 82,135	$ -	$ -	$ 82,135
Construction work in progress	1,136,713	2,915,589	(2,262,637)	1,789,665
Intangible Plant	1,320	-	-	1,320
Total nondepreciable electric plant	1,220,168	2,915,589	(2,262,637)	1,873,120
Depreciable Electric Plant				
Transmission plant	8,665,701	76,591	(20,118)	8,722,174
Distribution plant	39,210,114	2,398,577	(1,543,380)	40,065,311
General plant	12,065,309	593,837	(98,324)	12,560,822
Total depreciable electric plant	59,941,124	3,069,005	(1,661,822)	61,348,307
Less Accumulated Depreciation				
Transmission plant	(3,125,501)	(228,819)	-	(3,354,320)
Distribution plant	(13,150,451)	(980,203)	1,456,849	(12,673,805)
General plant	5,445,525	(484,504)	97,246	5,058,267
Retirement work in progress	9,499,750	-	235,516	9,735,266
Total accumulated depreciation	(1,330,677)	(1,693,526)	1,789,611	(1,234,592)
Capital assets, net	$ 59,830,615	$ 4,291,068	$ (2,134,848)	$ 61,986,835

The provision for depreciation is as follows:

	2020	2019
Charged to depreciation expense	$ 1,571,619	$ 1,507,485
Charged to clearing accounts	237,040	186,041
	$ 1,808,659	$ 1,693,526

Note 6 - Long-Term Debt

A summary of the changes in long-term debt for the year ended December 31, 2020, is as follows:

	2019	Advances	Payments	2020	Estimated Principal Due in 2021
Electric System Revenue Refunding Bonds					
Series 2014	$ 170,000	$ -	$ (170,000)	$ -	$ -
Series 2015A	690,000	-	(125,000)	565,000	135,000
Series 2015B	1,720,000	-	(1,720,000)	-	-
Series 2016A	2,305,000	-	(205,000)	2,100,000	210,000
Series 2016B	4,470,000	-	(220,000)	4,250,000	225,000
Series 2017	1,935,000	-	(215,000)	1,720,000	215,000
Series 2018	405,000	-	(50,000)	355,000	45,000
Series 2019	1,755,000	-	(20,000)	1,735,000	185,000
Series 2020	-	1,550,000	-	1,550,000	160,000
	$ 13,450,000	$ 1,550,000	$ (2,725,000)	$ 12,275,000	$ 1,175,000

A summary of the changes in long-term debt for the year ended December 31, 2019, is as follows:

	2018	Advances	Payments	2019	Estimated Principal Due in 2020
Electric System Revenue Refunding Bonds					
Series 2014	$ 2,075,000	$ -	$ (1,905,000)	$ 170,000	$ 170,000
Series 2015A	810,000	-	(120,000)	690,000	125,000
Series 2015B	1,875,000	-	(155,000)	1,720,000	160,000
Series 2016A	2,505,000	-	(200,000)	2,305,000	205,000
Series 2016B	4,690,000	-	(220,000)	4,470,000	220,000
Series 2017	2,145,000	-	(210,000)	1,935,000	215,000
Series 2018	450,000	-	(45,000)	405,000	50,000
Series 2019	-	1,755,000	-	1,755,000	20,000
	$ 14,550,000	$ 1,755,000	$ (2,855,000)	$ 13,450,000	$ 1,165,000

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 covenants of the bond issues.

Long-term debt as of December 31, 2020 and 2019, is comprised of the following:

	2020	2019
Electric System Revenue Refunding Bonds		
Series 2014, due in varying amounts through October 2020; interest payable semiannually on April 15 and October 15, interest rates varying 1.90% as of December 31, 2019	$ -	$ 170,000
Series 2015A, due in varying amounts through January 2025; interest payable semiannually on January 1 and July 1, interest rates varying from 1.60% to 2.60% as of December 31, 2020 depending on length of time to maturity	565,000	690,000
Series 2015B, refinanced with Seriese 2020 during 2020	-	1,720,000
Series 2016A, due in varying amounts through June 2030; interest payable semiannually on June 15 and December 15, interest rates varying from 1.30% to 3.00% as of December 31, 2020 depending on length of time to maturity	2,100,000	2,305,000
Series 2016B, due in varying amounts through August 2036; interest payable semiannually on February 15 and August 15, interest rates varying from 1.35% to 3.50% as of December 31, 2020 depending on length of time to maturity	4,250,000	4,470,000
Series 2017, due in varying amounts through November 2028; interest payable semiannually on May 15 and November 15, interest rates varying from 1.35% to 2.75% as of December 31, 2020 depending on length of time to maturity	1,720,000	1,935,000
Series 2018, due in varying amounts through November 2027; interest payable semiannually on May 15 and November 15, interest rates varying from 2.00% to 3.00% as of December 31, 2020 depending on length of time to maturity	355,000	405,000
Series 2019, due in varying amounts through October 2029; interest payable semiannually on April 15 and October 15, interest rates varying from 1.60% to 2.25% as of December 31, 2020 depending on length of time to maturity	1,735,000	1,755,000
Series 2020, due in varying amounts through June 2029; interest payable semiannually on June 15 and December 15, interest rates varying from 0.75% to 1.45% as of December 31, 2020 depending on length of time to maturity	1,550,000	-
Total	12,275,000	13,450,000
Less current maturities of long-term debt	(1,175,000)	(1,165,000)
Long-term debt, less current maturities	$ 11,100,000	$ 12,285,000

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

	Revenue Bonds		
	Principal	Interest	Total
2021	$ 1,175,000	$ 16,980	$ 1,191,980
2022	1,230,000	19,618	1,249,618
2023	1,235,000	21,415	1,256,415
2024	1,260,000	23,905	1,283,905
2025	1,145,000	22,675	1,167,675
2026-2030	4,425,000	103,298	4,528,298
2031-2035	860,000	26,095	886,095
2036	945,000	33,075	978,075
	$ 12,275,000	$ 267,060	$ 12,542,060

Note 7 - Line of Credit

The District has executed a 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. 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 (2.45% at December 31, 2020). There was no balance outstanding on this line-of-credit for the years ended December 31, 2020 and 2019.

Note 8 - Other Post-Employment Benefit Obligation

For employees of the District hired on or before May 10, 1994, the District will provide the following insurance coverage for said employees and their eligible dependents upon the employee’s retirement. The definition of a retired employee shall be an employee who has been a regular full time employee of the District and who retires after 62 years of age or has 30 years of full time employment with the District or whose age plus number of years of service with the District equals 80 or more. 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 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 HRA 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 has elected to fund the plan on a pay-as-you-go method.

Employees Covered by Benefit Terms

As of January 1, 2020, the following employees were covered by the benefit terms:

Active employees	3
Beneficiaris of active employees	3
Inactive employees or beneficiearies receiving benefit payments	15
	21

Total OPEB Liability

The District's total OPEB liability was measured as of December 31, 2020 and was determined by a valuation as of January 1, 2020.

Assumptions

The total OPEB liability in the January 1, 2020 valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.25%
Healthcare Cost Trend Rate	4.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 3.25%, which is determined by taking any rate within a range of 52 basis points of the average for the FTSE Pension Liability Index and Moody's Long-Term Corporate Bond Yield.

Mortality Rates

The mortality rates used to measure the total OPEB liability reflect the adoption of the Social Security Administration period life table.

Changes in the Total OPEB Liability

	2020	2019
OPEB liability, beginning of year	$ 1,385,457	$ 1,389,911
Changes for the year		
Service and interest cost	16,856	39,565
Changes in assumptions and differences between expected and actual experiences	61,508	(4,068)
Benefit payments	(50,417)	(39,951)
OPEB liability, end of year	$ 1,413,404	$ 1,385,457

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

The following presents the total OPEB liability of the District, calculated using the discount rate of 3.25%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.25%) or 1% higher (4.25%) than the current discount rate.

	1% Decrease (2.25%)	Discount Rate (3.25%)	1% Increase (4.25%)
OPEB liability	$ 1,591,854	$ 1,413,404	$ 1,263,229

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

The following presents the total OPEB liability of the District, calculated using the healthcare cost trend rates of 4.25%, as well as what the District's total OPEB liability would be it were calculated using healthcare cost trend rates that are 1% lower (3.25%) or 1% higher (5.25%) than the current healthcare cost trend rates.

	1% Decrease (3.25%)	Healthcare Cost Trend Rates (4.25%)	1% Increase (5.25%)
OPEB liability	$ 1,275,463	$ 1,413,404	$ 1,573,070

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the District recognized OPEB expense of $86,148. At December 31, 2020, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions and differences between expected and actual experiences	$ 1,312,428	$ 3,865

The amount reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Years Ending December 31,	
2021	$ 72,529
2022	72,529
2023	72,529
2024	72,529
2025	72,529
Thereafter	945,918
	$ 1,308,563

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 2020 and 2019 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, 2020 and 2019 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, 2020, the District has 24 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 17.30% and 0%, respectively. The District made normal contributions to the plan of approximately $301,000 in 2020 and $315,000 in 2019. 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 $53,600 and $55,200 for the years ended December 31, 2020 and 2019, respectively.

Note 10 - 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.

Note 11 - 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, 2020 and 2019.

	2020	2019
Purchase of wholesale power	$ 11,534,215	$ 11,415,551
Accumulated capital credits	$ 43,317	$ 43,317
Due to Nebraska Electric G & T Cooperative, Inc.	$ 1,786,963	$ 965,730

Note 12 - 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, 2020 and 2019, respectively. The total revenue received from the customer for the years ended December 31, 2020 and 2019, was approximately $6,433,000 and $6,308,000, respectively. Total accounts receivable due from the customer at December 31, 2020 and 2019 was $588,200 and $587,995, respectively.

Note 13 - Restatement

During the year ended December 31, 2020, the District restated its previously issued financial statements for the year ended December 31, 2019 to account for changes to deferred outflows of resources, noncurrent liabilities, deferred inflows of resources, net position, and expenses related to the recognition of the other post-employment benefit obligation. The restatement impacted deferred outflows of resources, noncurrent liabilities, deferred inflows of resources, net position, and expenses for the year ended December 31, 2019.

The following is a summary of the effects of the restatement on the District’s 2019 statement of net position:

	As Previously Reported	Adjustment	As Restated
Assets and Deferred Outflows of Resources			
Deferred Outflows of Resources			
Related to other post-employment benefits	$ -	$ 1,320,415	$ 1,320,415
Total Assets and Deferred Outflows of Resources	62,633,219	1,320,415	63,953,634
Liabilities, Deferred Inflows of Resources, and Net Position			
Noncurrent Liabilities			
Other post-employment benefit obligation	-	1,385,457	1,385,457
Total noncurrent liabilities	12,285,000	1,385,457	13,670,457
Deferred Inflows of Resources			
Related to other post-employment benefits	-	4,068	4,068
Net Position			
Restricted for debt service	1,467,063	(1,044,075)	422,988
Unrestricted	6,297,655	975,055	7,272,710
Total net position	46,831,370	(69,110)	46,762,260
Total Liabilities, Deferred Inflows of Resources, and Net Position	62,633,219	1,320,415	63,953,634

The following is a summary of the effects of the restatement on the District's 2019 statement of revenues, expenses, and changes in net position:

	As Previously Reported	Adjustment	As Restated
Operating Expenses			
Transmission - maintenance	$ 13,637	$ 561	$ 14,198
Distribution - operating	1,005,568	23,239	1,028,807
Distribution - maintenance	1,125,515	20,210	1,145,725
Customer accounts	402,602	6,853	409,455
Customer service and informational	91,758	2,804	94,562
Administrative and general	802,778	15,442	818,220
Total operating expenses	16,385,404	69,110	16,454,514
Operating Income	3,258,323	(69,110)	3,189,213
Change in Net Position	3,086,006	(69,110)	3,016,896
Net Position - End of Year	46,831,370	(69,110)	46,762,260

The following is a summary of the effects of the restatement on the District's 2019 statement of cash flows:

	As Previously Reported	Adjustment	As Restated
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	$ 3,258,323	$ (69,110)	$ 3,189,213
Change in assets and liabilities			
OPEB related deferred outflows of resources	-	69,496	69,496
Other post-employment benefit obligation	-	(4,454)	(4,454)
OPEB related deferred inflows of resources	-	4,068	4,068

Note 14 - Subsequent Events

The District has evaluated subsequent events through REPORT DATE, the date which the financial statements were available to be issued.

Required Supplementary Information
December 31, 2020 and 2019

Butler Public Power District

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Service and interest cost	$ 16,856	$ 39,565	**	**	**	**	**	**	**	**
Changes in assumptions and differences between expected and actual experiences	61,508	(4,068)	**	**	**	**	**	**	**	**
Benefit payments	(50,417)	(39,951)	**	**	**	**	**	**	**	**
Net change in OPEB liability	27,947	(4,454)	**	**	**	**	**	**	**	**
OPEB liability, beginning	1,385,457	1,389,911	**	**	**	**	**	**	**	**
OPEB liability, ending	$ 1,413,404	$ 1,385,457	$ 1,389,911	**	**	**	**	**	**	**

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

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 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. The following are the discount rates used in each period.

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Discount rate	3.25%	3.25%	3.25%	**	**	**	**	**	**	**

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
2011	$ 395,445
2012	399,136
2013	315,628
2014	272,173
2015	282,195
2016	290,745
2017	312,020
2018	349,182
2019	315,154
2020	300,971

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
2011	0%	
2012	0%	
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

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, 2020, 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 REPORT DATE.

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 over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings, that we consider to be a material weakness (Finding 2020-A) and significant deficiencies (Findings 2020-B and 2020-C).

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*.

We noted certain matters that we reported to management of Butler Public Power District in a separate letter dated REPORT DATE.

Butler Public Power District's Response to Findings
Butler Public Power District's response to the findings identified in our audit is described in the accompanying schedule of audit findings. Butler Public Power District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
REPORT DATE

Finding 2020-A – Financial Statement Restatement
Material Weakness

Criteria: Proper controls over financial reporting include the ability to identify the application of generally accepted accounting principles (GAAP) to prepare financial statements that are materially correct and in accordance with professional accounting standards.

Condition: During the audit, misstatements were identified that were significant to the financial statements. Adjustments were proposed and recorded that were material to the financial statements that were related to the recognition of the other post-employment benefit obligation, that resulted in a restatement to the financial statements for the year ended December 31, 2019.

Cause: The District's lack of internal control over the monitoring and reconciliation of significant accounts and balances in the financial statements resulted in the adjustments proposed as part of the audit.

Effect: A monitoring system that does not appropriately identify the application of generally accepted accounting principles can lead to misstatements in the financial statements.

Recommendation: The District needs to develop proper internal controls to allow for the monitoring of the reconciliation and financial statement processes. We would also recommend that management continually assess their accounting under generally accepted accounting principles for transactions that are entered into by the District.

Management's Response: Management will further evaluate the lack of controls that resulted in the adjustments proposed as part of the audit and the restatement to the financial statements. Management has designated members of the accounting staff and additional processes in the reconciliation of the general ledger accounts to the underlying subsidiary documentation.

Finding 2020-A 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.

Management's Response: 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.

Finding 2020-C – Lack of Proper Segregation of Duties and Review Processes
Significant Deficiency

Criteria: In order to achieve a high level of internal control, the functions of executing transactions, recording transactions and maintaining accountability for assets should be performed by different employees or be maintained under dual control.

Condition: The District does not currently have an internal control system to allow for proper segregation of duties in certain areas of the accounting function. We noted certain accounting reconciliations that were not reviewed by a second person. We also noted certain errors in accounting that were not identified by management.

Cause: The District has limited staff and cannot justify hiring an additional individual in order to better segregate accounting duties.

Effect: Proper segregation of duties helps to minimize the chance of undetected errors or defalcations, since the work of one person serves as a "check" on the work of another.

Recommendation: Due to the small size of the office, the District is limited in the options available to them. Under this situation, the most effective control is management and the board's oversight and knowledge of matters relating to the operations of the District. We also recommend the District review and update the reconciliation process in the areas that errors were identified during the audit process.

Management's Response: We have evaluated the segregation of duties and have segregated duties to the extent possible with our available staff. Management and the board of directors will continue to exercise oversight of the accounting functions, which we believe mitigates the risk of material misstatement to a low level. Management will review the control processes and duties of the accounting and other staff to determine if additional internal control processes can be implemented.