



February 3, 2022

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

We have audited the financial statements of Butler Public Power District as of and for the year ended December 31, 2020, and have issued our report thereon dated February 3, 2022. 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 14, 2021, 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 findings regarding our 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 February 3, 2022.

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 and our firm have complied with all relevant ethical requirements regarding independence.

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 2020. 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 estimates affecting the financial statements was:

Depreciation Expense – The District utilizes composite depreciation methods for each distribution and transmission 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.

Other Post-employment Benefit Obligation – Estimates of the accumulated postretirement benefit obligation take into consideration health care cost trends, probability factors, and a present value factor. These factors are determined by management 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 the District's financial statements relate to:

The disclosure of the accumulated postretirement benefit obligation in Note 8 discloses the postretirement benefit that the District offers to employees for health care costs after retirement and management's estimate of this future liability.

The disclosure of commitments and contingencies in Note 10 to the financial statements includes the disclosure of significant long-term commitments and legal and regulatory matters that could have an impact on the financial position.

The disclosure of related party transactions in Note 11 to the financial statements includes a description of the nature, type, and significance of transactions the District has with its wholesale power supplier.

The disclosure of significant concentrations in Note 12 to the financial statements includes a description of a major customer that the District receives revenues from and therefore has a concentration in their financial statements.

The disclosure of restatements to the financial statements as of and for the year ending December 31, 2019 in Note 13 to the financial statements includes a description of the changes to the financial statements and provides a summary of the effects to the financial statements for the restatement.

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

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 accumulate all known and likely misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The misstatements that were detected as a result of our audit procedures and have been corrected by management are included as an attachment to this letter.

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.

An unrecorded liability for construction completed on a work order from October through December 2020 in the amount of \$88,000 resulting in an understatement of current liabilities and an understatement of construction work in progress. This result had no effect on net margin.

An understatement of accounts receivable related to credit balances in the amount of \$180,000 resulting in an understatement of current liabilities. This result had no effect on net margin.

An understatement of construction work in process related to excess contribution in aid to construction record to work orders in the amount of \$75,000 resulting in an understatement of accounts payable and current liabilities. This result had no effect on net margin.

An understatement of capital assets for adjustment to the continuing property records in the amount of \$107,000 resulting in an understatement of accumulated depreciation. This result had no effect on net margin.

The effect of these uncorrected misstatements, including the effect of the reversal of prior year uncorrected misstatements as of and for the year ended December 31, 2020, is an understatement of current assets of approximately \$268,000, an understatement of capital assets of approximately \$75,000, an understatement of current liabilities of approximately \$255,000, and an understatement of noncurrent liabilities of approximately \$88,000.

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.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated February 3, 2022.

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.

Existence of a Material Misstatement that Affects the Financial Statements of a Prior Period in Which There Was a Predecessor Auditor

We have identified the existence of material misstatements that affect the prior period financial statements on which the predecessor auditor had previously reported without modification. As described in Note 13 to the financial statements, the District restated its previously issued financial statements for the year ended December 31, 2019 to account for changes to the financial statements.

EB identified a material weakness in financial statements related to the restatements and adjustments were proposed as part of the audit. As the financials presented are comparative, the impact to all line items impacted are disclosed.

This report is intended solely for the information and use of the Board of Directors, 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.

Eide Bailly LLP

Sioux Falls, South Dakota

Client: **229298 - Butler Public Power District**
 Engagement: **AA 2020 - Butler Public Power District**
 Period Ending: **12/31/2020**
 Trial Balance: **3.00 - Trial Balance**
 Workpaper:

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
To eliminate the amount recorded as investment in NE Rural TV			
108.70	ACCUM DEPREC NEBRASKA RURAL TV	150,000.00	
123.25	INVESTMENT - NE RURAL TV STOCK		150,000.00
Total		150,000.00	150,000.00
Adjusting Journal Entries JE # 2			
To record the OPEB liability and related accounts as of 12/31/20.			
182.30	Deferred Outflows of Resources - OPEB	1,312,427.98	
219.10	OPERATING MARGINS	69,109.87	
571.00	MAINTENANCE OF TRANSMISSION LI	140.37	
583.00	OVERHEAD LINE EXPENSE	11,499.20	
593.00	MAINTENANCE OF OVERHEAD LINES	9,725.12	
903.00	COLLECTION EXP(CONSUMER RECORDS)	3,490.79	
910.00	CUSTOMER SERVICE AND INFORMATION	1,163.98	
920.00	ADMINISTRATIVE & GENERAL SALAR	9,711.60	
228.30	Postemployment Benefit Liability		1,413,404.34
253.30	Deferred Inflows of Resources - OPEB		3,864.57
Total		1,417,268.91	1,417,268.91
Adjusting Journal Entries JE # 3			
To adjust the plant balances for the incorrect plant retirements made previously.			
108.51	LOSS DUE TO RETIRE-TRANSMISSION	3,891.18	
108.61	LOSS DUE TO RETIRE-DISTRIBUTION	347,717.82	
356.00	OVERHEAD CONDUCTORS & DEVICES	17,966.27	
358.00	UNDERGROUND CONDUCTORS & DEVICES	0.03	
362.00	STATION EQUIPMENT DISTRIBUTION	637,091.96	
365.00	O/H CONDUCTOR & DEVICES - RURAL	5,395,150.63	
367.00	UNDERGROUND CONDUCTOR & DEVICES	702,711.90	
368.00	LINE TRANSFORMERS	133,887.57	
108.61	LOSS DUE TO RETIRE-DISTRIBUTION		5,696,043.54
355.00	POLES & FIXTURES TRANSMISSION		21,857.48
362.00	STATION EQUIPMENT DISTRIBUTION		481,605.39
364.00	POLES/TOWERS/FIXTRUES - RURAL		144,480.21
368.00	LINE TRANSFORMERS		593,028.35
369.00	SERVICES - RURAL		222,368.10
370.00	METERS		66,088.73
371.00	INSTL SEC LIGHT ON CONSUMER PR		12,555.65
397.10	LOAD MANAGEMENT EQUIP - CPR		389.91
Total		7,238,417.36	7,238,417.36
Adjusting Journal Entries JE # 4			
To adjust amounts to general ledger balances for insignificant changes to accounts for only quantity adjustments. This entry reverses the previous dollar amount adjusted.			
108.51	LOSS DUE TO RETIRE-TRANSMISSION	0.06	
108.61	LOSS DUE TO RETIRE-DISTRIBUTION	0.23	
356.00	OVERHEAD CONDUCTORS & DEVICES		0.06
358.00	UNDERGROUND CONDUCTORS & DEVICES		0.03
365.00	O/H CONDUCTOR & DEVICES - RURAL		0.14
367.00	UNDERGROUND CONDUCTOR & DEVICES		0.06
Total		0.29	0.29
Adjusting Journal Entries JE # 5			
To zero out dummy record units recorded in the plant record units.			
108.51	LOSS DUE TO RETIRE-TRANSMISSION	87,127.30	
108.61	LOSS DUE TO RETIRE-DISTRIBUTION	2,089,912.99	
355.00	POLES & FIXTURES TRANSMISSION		87,127.30
362.00	STATION EQUIPMENT DISTRIBUTION		395,352.01
365.00	O/H CONDUCTOR & DEVICES - RURAL		53,106.78
370.00	METERS		1,641,454.20
Total		2,177,040.29	2,177,040.29

Adjusting Journal Entries JE # 6

To adjust to move the dummy record units from 599.99 to new record units

356.00	OVERHEAD CONDUCTORS & DEVICES	53,362.48	
362.00	STATION EQUIPMENT DISTRIBUTION	340,351.96	
364.00	POLES/TOWERS/FIXTRUES - RURAL	313.22	
365.00	O/H CONDUCTOR & DEVICES - RURAL	18,273.60	
368.00	LINE TRANSFORMERS	7,378.32	
369.00	SERVICES - RURAL	6.32	
370.00	METERS	1,591,128.59	
371.00	INSTL SEC LIGHT ON CONSUMER PR	3,130.71	
397.10	LOAD MANAGEMENT EQUIP - CPR	1,858.48	
108.51	LOSS DUE TO RETIRE-TRANSMISSION		53,362.48
108.61	LOSS DUE TO RETIRE-DISTRIBUTION		1,962,441.20
Total		2,015,803.68	2,015,803.68

Adjusting Journal Entries JE # 7

To adjust obsolete substation charges that were identified through the continuing property records cleanup process.

108.61	LOSS DUE TO RETIRE-DISTRIBUTION	446,701.76	
362.00	STATION EQUIPMENT DISTRIBUTION		446,701.76
Total		446,701.76	446,701.76

Adjusting Journal Entries JE # 8

To adjust amounts to general ledger balances for insignificant changes to accounts for only quantity adjustments. This entry reverses the previous dollar amount adjusted.

108.61	LOSS DUE TO RETIRE-DISTRIBUTION	0.15	
362.00	STATION EQUIPMENT DISTRIBUTION		0.15
Total		0.15	0.15

Adjusting Journal Entries JE # 9

To adjust the property and equipment general ledger balances for write-off of obsolete Cannon meter equipment.

108.60	ACCUM DEPREC (DISTRIBUTION)	643,331.29	
397.10	LOAD MANAGEMENT EQUIP - CPR		643,331.29
Total		643,331.29	643,331.29

Adjusting Journal Entries JE # 10

To adjust the property and equipment general ledger balances for the write off of old record units no longer in use.

108.61	LOSS DUE TO RETIRE-DISTRIBUTION	1,286,949.65	
397.10	LOAD MANAGEMENT EQUIP - CPR	22,811.32	
360.00	LAND & RIGHTS DISTRIBUTION		4,502.18
365.00	O/H CONDUCTOR & DEVICES - RURAL		18,529.10
367.00	UNDERGROUND CONDUCTOR & DEVICES		765.87
368.00	LINE TRANSFORMERS		1,024,608.38
370.00	METERS		256,004.63
371.00	INSTL SEC LIGHT ON CONSUMER PR		5,350.81
Total		1,309,760.97	1,309,760.97

Adjusting Journal Entries JE # 11

To adjust additional balances after initial spreadsheet for changes to bring all transmission and distribution balances to positive amounts in the CPRs.

365.00	O/H CONDUCTOR & DEVICES - RURAL	84,427.69	
365.00	O/H CONDUCTOR & DEVICES - RURAL	109,070.79	
369.00	SERVICES - RURAL	26.04	
108.61	LOSS DUE TO RETIRE-DISTRIBUTION		193,524.52
Total		193,524.52	193,524.52

Adjusting Journal Entries JE # 12

Adjustment for substation cost recorded to the incorrect CPR unit and G/L balance in prior years. The following adjustment was made to properly reflect the plant balances.

108.61	LOSS DUE TO RETIRE-DISTRIBUTION	769,757.96	
364.00	POLES/TOWERS/FIXTRUES - RURAL		104,605.85
367.00	UNDERGROUND CONDUCTOR & DEVICES		291,325.88
368.00	LINE TRANSFORMERS		373,826.23
Total		769,757.96	769,757.96

Adjusting Journal Entries JE # 13

Adjustment for substation cost recorded to the incorrect CPR unit and G/L balance in prior years. The following adjustment was made to properly reflect the plant balances.

362.00	STATION EQUIPMENT DISTRIBUTION	1,239,560.62	
108.61	LOSS DUE TO RETIRE-DISTRIBUTION		1,239,560.62
Total		1,239,560.62	1,239,560.62

Adjusting Journal Entries JE # 14

To adjust amounts for 2021 changes that were initially made in 2020 based on K.90

365.00	O/H CONDUCTOR & DEVICES - RURAL	165,140.70	
368.00	LINE TRANSFORMERS	18,137.41	
369.00	SERVICES - RURAL	17,730.41	
370.00	METERS	50,143.05	
108.61	LOSS DUE TO RETIRE-DISTRIBUTION		122,051.61
362.00	STATION EQUIPMENT DISTRIBUTION		129,099.96
Total		251,151.57	251,151.57

Adjusting Journal Entries JE # 15

To adjust depreciation expense on transmission plant for adjustments to the property and equipment balances and unrecord depreciation expense during the year ended 12/31/2020

108.50	DEPRECIATION TRANSMISSION PLANT	2,997.08	
403.50	DEPRECIATION EXPENSE - TRANSMI	8,180.36	
108.50	DEPRECIATION TRANSMISSION PLANT		9,215.90
108.50	DEPRECIATION TRANSMISSION PLANT		1,961.54
Total		11,177.44	11,177.44

Adjusting Journal Entries JE # 16

To adjust depreciation expense on transmission plant for adjustments to the property and equipment balances and unrecord depreciation expense during the year ended 12/31/2019

108.50	DEPRECIATION TRANSMISSION PLANT	2,997.08	
219.10	OPERATING MARGINS	8,847.24	
108.50	DEPRECIATION TRANSMISSION PLANT		9,215.90
108.50	DEPRECIATION TRANSMISSION PLANT		2,628.42
Total		11,844.32	11,844.32

Adjusting Journal Entries JE # 17

To adjust depreciation expense on transmission plant for adjustments to the property and equipment balances and unrecord depreciation expense during the year ended 12/31/2018

108.50	DEPRECIATION TRANSMISSION PLANT	1,543.84	
219.10	OPERATING MARGINS	9,025.50	
108.50	DEPRECIATION TRANSMISSION PLANT		9,215.90
108.50	DEPRECIATION TRANSMISSION PLANT		1,353.44
Total		10,569.34	10,569.34

Adjusting Journal Entries JE # 18

To adjust depreciation expense on transmission plant for adjustments to the property and equipment balances and unrecord depreciation expense prior to 12/31/2017

108.50	DEPRECIATION TRANSMISSION PLANT	6,380.13	
219.10	OPERATING MARGINS	48,450.97	
108.50	DEPRECIATION TRANSMISSION PLANT		7,215.63
108.50	DEPRECIATION TRANSMISSION PLANT		47,615.47
Total		54,831.10	54,831.10

Adjusting Journal Entries JE # 19

To adjust depreciation expense on distribution plant for adjustments to the property and equipment balances and unrecord depreciation expense during the year ended 12/31/2020

108.60	ACCUM DEPREC (DISTRIBUTION)	6,716.87	
108.60	ACCUM DEPREC (DISTRIBUTION)	8,367.21	
108.60	ACCUM DEPREC (DISTRIBUTION)	49,465.61	
108.60	ACCUM DEPREC (DISTRIBUTION)	5,430.88	
108.60	ACCUM DEPREC (DISTRIBUTION)	8,701.45	
108.60	ACCUM DEPREC (DISTRIBUTION)	398.95	
403.60	DEPRECIATION EXPENSE - DISTRIB	199,095.94	
108.60	ACCUM DEPREC (DISTRIBUTION)		124,265.37
108.60	ACCUM DEPREC (DISTRIBUTION)		153,911.54
Total		278,176.91	278,176.91

Adjusting Journal Entries JE # 20

To adjust depreciation expense on distribution plant for adjustments to the property and equipment balances and unrecord depreciation expense during the year ended 12/31/2019

108.60	ACCUM DEPREC (DISTRIBUTION)	6,385.10	
108.60	ACCUM DEPREC (DISTRIBUTION)	294.46	
108.60	ACCUM DEPREC (DISTRIBUTION)	41,932.87	
108.60	ACCUM DEPREC (DISTRIBUTION)	4,244.93	
108.60	ACCUM DEPREC (DISTRIBUTION)	3,970.79	
108.60	ACCUM DEPREC (DISTRIBUTION)	398.95	
219.10	OPERATING MARGINS	212,242.83	
108.60	ACCUM DEPREC (DISTRIBUTION)		107,809.49
108.60	ACCUM DEPREC (DISTRIBUTION)		161,660.44
Total		269,469.93	269,469.93

Adjusting Journal Entries JE # 21

To adjust depreciation expense on distribution plant for adjustments to the property and equipment balances and unrecorded depreciation expense during the year ended 12/31/2018

108.60	ACCUM DEPREC (DISTRIBUTION)	6,385.10	
108.60	ACCUM DEPREC (DISTRIBUTION)	294.46	
108.60	ACCUM DEPREC (DISTRIBUTION)	41,932.87	
108.60	ACCUM DEPREC (DISTRIBUTION)	3,556.92	
108.60	ACCUM DEPREC (DISTRIBUTION)	398.95	
219.10	OPERATING MARGINS	237,752.57	
108.60	ACCUM DEPREC (DISTRIBUTION)		107,706.46
108.60	ACCUM DEPREC (DISTRIBUTION)		164,498.99
108.60	ACCUM DEPREC (DISTRIBUTION)		18,115.42
Total		290,320.87	290,320.87

Adjusting Journal Entries JE # 22

To adjust depreciation expense on distribution plant for adjustments to the property and equipment balances and unrecorded depreciation expense prior to 12/31/2017

108.60	ACCUM DEPREC (DISTRIBUTION)	13,891.06	
108.60	ACCUM DEPREC (DISTRIBUTION)	593.47	
108.60	ACCUM DEPREC (DISTRIBUTION)	275,673.07	
108.60	ACCUM DEPREC (DISTRIBUTION)	6,082.99	
108.60	ACCUM DEPREC (DISTRIBUTION)	28,776.48	
108.60	ACCUM DEPREC (DISTRIBUTION)	2,916.84	
219.10	OPERATING MARGINS	1,889,975.00	
108.60	ACCUM DEPREC (DISTRIBUTION)		748,398.98
108.60	ACCUM DEPREC (DISTRIBUTION)		1,469,509.93
Total		2,217,908.91	2,217,908.91

Adjusting Journal Entries JE # 23

To adjust the general plant general ledger balances to actual based on the District's underlying detailed records.

109.41	ACCUM DEPREC - BELLWOOD	2,976.00	
109.42	ACCUM DEPREC - BRUNO	419.54	
109.43	ACCUM DEPREC - DWIGHT	2,618.99	
109.46	ACCUM DEPREC - VALPARAISO	9,568.67	
219.10	OPERATING MARGINS	277,013.75	
391.99	COMPUTER EQUIPMENT-BALANCE ACCT	6,081.33	
392.99	TRANSPORTATION EQ-BALANCE ACCT	26,656.16	
108.99	ACCUM DEPR - BALANCE ACCOUNT		293,139.48
394.99	TOOLS,SHOP,GARAGE EQ-BAL ACCT		356.78
397.99	LOAD MANAGEMENT EQ-BALANCE ACCT		31,838.18
Total		325,334.44	325,334.44

Adjusting Journal Entries JE # 24

To adjust the retirement of the load management equipment - CPR balances. Originally completed through the CPR adjustments, but recorded to the incorrect accumulated depreciation account.

108.76	ACCUM DEPREC COMMUNICATIONS EQ	535,402.57	
403.60	DEPRECIATION EXPENSE - DISTRIB	83,648.83	
108.60	ACCUM DEPREC (DISTRIBUTION)		535,402.57
108.60	ACCUM DEPREC (DISTRIBUTION)		83,648.83
Total		619,051.40	619,051.40
Total Adjusting Journal Entries		21,941,004.03	21,941,004.03

Reclassifying Journal Entries

Reclassifying Journal Entries JE # 101

To reclassify current maturities of long term debt.

221.RJE	LESS CURRENT PORTION OF LONG TERM DEBT	1,175,000.00	
221.CUR	CURRENT PORTION OF LONG TERM DEBT		1,175,000.00
Total		1,175,000.00	1,175,000.00

Reclassifying Journal Entries JE # 102

To reclassify funds for debt service fund.

125.RJE	BOND DEBT SERVICE FUND	554,133.85	
136.RJE	LESS RESTRICTED FUNDS AND OTHER INVESTMENTS		554,133.85
Total		554,133.85	554,133.85
Total Reclassifying Journal Entries		1,729,133.85	1,729,133.85
Total All Journal Entries		23,670,137.88	23,670,137.88