

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018



**DANA F. COLE
& COMPANY, LLP**
CERTIFIED PUBLIC ACCOUNTANTS

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
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DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
DECEMBER 31, 2019

DIRECTORS

Name	Address	Principal Business
Brad Brodine	Elm Creek, Nebraska	Farming
Dave Dwiggins	Gibbon, Nebraska	Farming
A. C. Hecox, II	Gothenburg, Nebraska	Farming
Bill Henry	North Platte, Nebraska	Farming
Joe Jeffrey	Lexington, Nebraska	Farming
Bob Kennicutt	Eddyville, Nebraska	Farming
Dan Muhlbach	Pleasanton, Nebraska	Farming
Paul Neil	Cozad, Nebraska	Farming
Page Peterson	Gothenburg, Nebraska	Farming
Rodger White	Hershey, Nebraska	Farming
Craig Wietjes	Riverdale, Nebraska	Ag Sales

OFFICERS, GENERAL MANAGER, AND ATTORNEY

Paul Neil	President
A. C. Hecox, II	Vice President
Dan Muhlbach	Treasurer
Gwen Kautz	General Manager
Bronson Malcom	Secretary and Attorney



**DANA F. COLE
& COMPANY_{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Dawson Public Power District
Lexington, Nebraska

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16, the schedule of changes in total OPEB liability on page 47, and the schedule of employer's required contributions on pages 48 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Dawson Public Power District's basic financial statements. The supplementary information on pages 51 through 54 is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of maturities of long-term debt on page 51 and the schedules of debt service coverage on pages 52 through 53 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The schedule of insurance coverage on page 54, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Dawson Public Power District's internal control over financial reporting and compliance.

Dana F Cole + Company, LLP

Grand Island, Nebraska
May 19, 2020

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF BUSINESS

Public power is an American tradition that works for local communities and consumers across the country. The purpose of public power is to provide excellent, efficient service to its customer-owners. Unlike private power companies, public power utilities do not have to serve stockholders as well as customers. Dawson Public Power District's (the District) hometown advantages - low rates, commitment to local communities, public accountability, local decision making, and strong customer service have made the District a community success. The District has always been dedicated to providing reliable, dependable, and affordable energy to its customers. By controlling costs and with effective financial planning, the District will continue to provide superior customer satisfaction for many years to come.

The following unaudited management's discussion and analysis should be read in conjunction with the financial statements and notes to the financial statements beginning on page 17 and contains forward-looking statements based largely on the District's current plans.

FINANCIAL POSITION

The following table summarizes the District's financial position at December 31, 2019, 2018, and 2017:

Condensed Statements of Net Position

	2019	2018	2017
Capital assets, net	189,891,510	184,733,835	172,775,403
Noncurrent assets	1,624,496	2,985,875	1,903,345
Deferred outflows of resources	5,889,366	6,743,649	3,379,611
Current assets	19,707,640	21,682,223	26,088,616
Total assets	<u>217,113,012</u>	<u>216,145,582</u>	<u>204,146,975</u>
Net position	131,078,430	128,452,086	124,642,246
Deferred inflows of resources	324,405	290,103	161,616
Long-term debt	59,565,000	60,470,000	55,580,000
Other noncurrent liabilities	11,952,596	11,463,335	8,923,917
Current liabilities	14,192,581	15,470,058	14,839,196
Total liabilities and net position	<u>217,113,012</u>	<u>216,145,582</u>	<u>204,146,975</u>

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL POSITION (Continued)

Operating Results

	2019	2018	2017
Operating revenues	56,898,935	59,478,988	61,838,532
Operating expenses			
Cost of power purchased	(32,183,124)	(34,787,837)	(36,118,053)
Other operating expenses	(20,489,910)	(21,143,913)	(20,385,306)
Operating income	4,225,901	3,547,238	5,335,173
Investment and other income	324,949	229,115	203,702
Debt and other expenses	(1,924,506)	(1,748,951)	(1,533,057)
Increase in net position	<u>2,626,344</u>	<u>2,027,402</u>	<u>4,005,818</u>

The District maintains a strong financial position. Plant additions continue to be made, both in distribution services and backbone subtransmission upgrades.

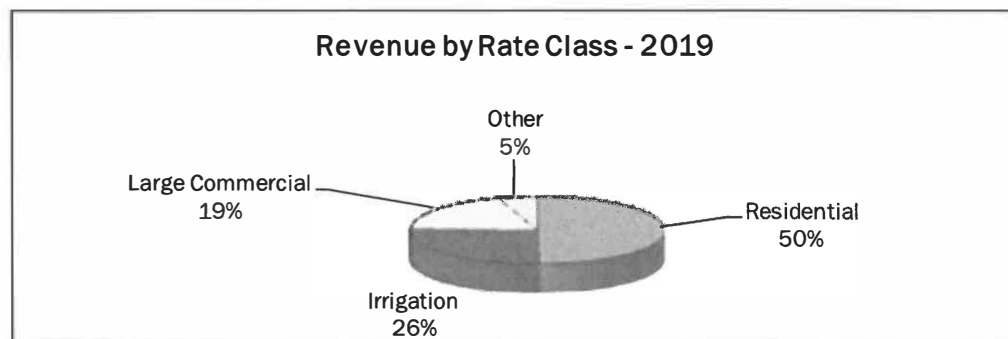
OPERATING REVENUES

2019 Compared to 2018

Total operating revenues were \$56,898,935 for the year ended December 31, 2019, a decrease of \$2,580,053, or 4.34%, from 2018 operating revenues of \$59,478,988. The decrease in operating revenue was primarily due to a 17% decrease in irrigation sales.

2018 Compared to 2017

Total operating revenues were \$59,478,988 for the year ended December 31, 2018, a decrease of \$2,359,544, or 3.82%, from 2017 operating revenues of \$61,838,532. The decrease in operating revenue was primarily due to a 21% decrease in irrigation sales.



DAWSON PUBLIC POWER DISTRICT
 LEXINGTON, NEBRASKA
 MANAGEMENT'S DISCUSSION AND ANALYSIS

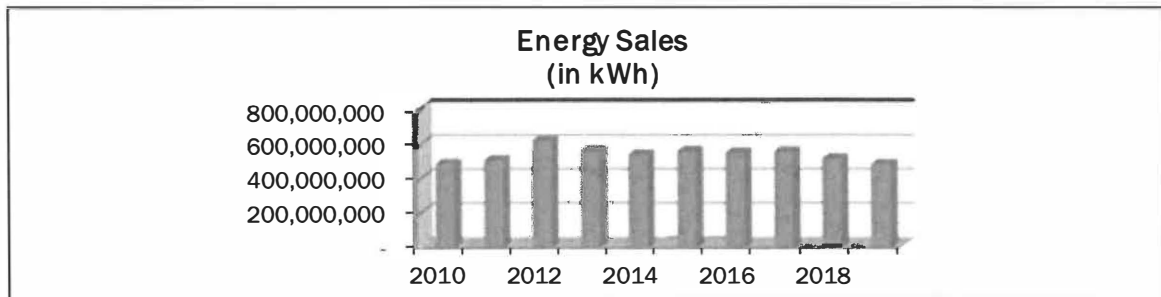
ENERGY SALES

2019 Compared to 2018

Total energy sales were 484,965,936 kilowatt-hours (kWh) for the year ended December 31, 2019, a decrease of 32,131,297 kWh, or 6%, from 2018 energy sales of 517,097,233 kWh. A decrease of 41% in irrigation energy sales due to the weather was the primary reason for the decrease.

2018 Compared to 2017

Total energy sales were 517,097,233 kilowatt-hours (kWh) for the year ended December 31, 2018, a decrease of 39,838,677 kWh, or 7%, from 2017 energy sales of 556,935,910 kWh. A decrease of 43% in irrigation energy sales due to the weather was the primary reason for the decrease.



The following table shows energy sales by customer class (in kWh).

	2019	2018	2017
Energy Sales			
Residential	259,400,003	258,945,451	236,498,416
Irrigation	53,059,518	90,301,607	157,826,649
Small commercial	24,524,173	24,164,495	22,942,958
Large commercial	147,112,703	142,912,910	138,785,953
Public street and highway lighting	869,539	772,770	881,934
Total energy sales	484,965,936	517,097,233	556,935,910

OPERATING EXPENSES

2019 Compared to 2018

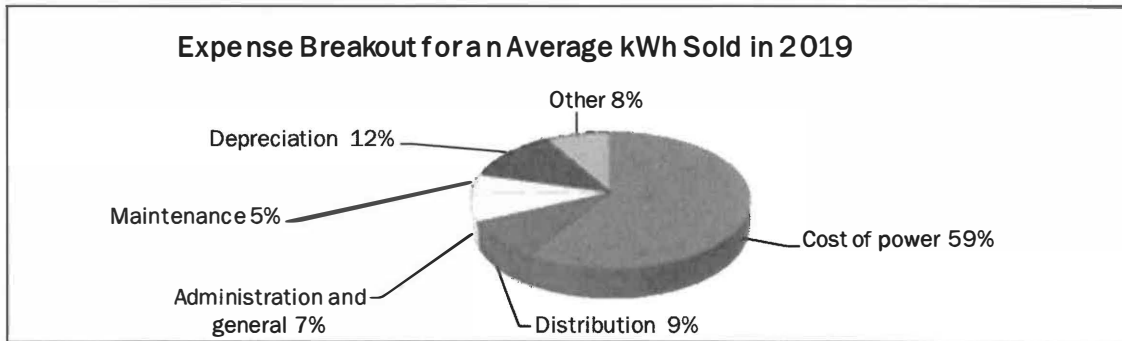
Total operating expenses were \$52,673,034 for the year ended December 31, 2019, a decrease of \$3,258,716, or 5.83%, from 2018 operating expenses of \$55,931,750.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

OPERATING EXPENSES (Continued)

2018 Compared to 2017

Total operating expenses were \$55,931,750 for the year ended December 31, 2018, a decrease of \$571,609, or 1.01%, from 2017 operating expenses of \$56,503,359.



INTEREST EXPENSE

Total interest expense was \$1,710,296 for the year ended December 31, 2019, an increase of 6%, or \$101,611, from 2018 interest expense of \$1,608,685.

Total interest expense was \$1,608,685 for the year ended December 31, 2018, an increase of 15%, or \$207,625, from 2017 interest expense of \$1,401,060.

NUMBER OF CONSUMERS

The District served an average of 23,166 customers for the year ended December 31, 2019, an increase of 32 over the average number of customers for 2018 of 23,134.

The District served an average of 23,134 customers for the year ended December 31, 2018, an increase of 62 over the average number of customers for 2017 of 23,072.

The following table shows the average number of customers by class.

	2019	2018	2017
Number of Customers			
Residential	15,796	15,762	15,706
Irrigation	5,792	5,799	5,801
Small commercial	1,359	1,356	1,345
Large commercial	209	207	208
Public street and highway lighting	10	10	12
Total	<u>23,166</u>	<u>23,134</u>	<u>23,072</u>

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CASH AND LIQUIDITY

The District maintains a strong cash position. Adequate liquidity in an emergency fund for future catastrophes is essential, as the District has experienced substantial losses from ice storms in the past. The District also has a strong position in the bond market, which allows it to finance the plant at very favorable rates.

FINANCING

In 2012, the District issued \$9,025,000 in Electric System Revenue Bonds, 2012 Series. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2007 Series. Principal is due annually on December 1 in varying amounts beginning December 1, 2012 and ending December 1, 2032. The 2012 Series bonds bear interest at rates from 0.25% to 3.50% with interest payable on June 1 and December 1 each year beginning December 1, 2012. These bonds were paid off in 2017 with the proceeds of Electric System Revenue Bonds, 2017B Series.

In 2013, the District issued \$4,625,000 in Electric System Revenue Bonds, 2013A Series, for the purpose of improving the electric system. Principal is due annually on December 1 in varying amounts beginning December 1, 2013 and ending December 1, 2032. The bonds bear interest at rates from 0.35% to 3.00%. Interest is payable on June 1 and December 1 each year beginning June 1, 2013.

In 2013, the District issued \$5,065,000 in Electric System Revenue Bonds, 2013B Series, for the purpose of improving the electric system. Principal is due annually on June 1 in varying amounts beginning June 1, 2014 and ending June 1, 2020. The 2013B Series bonds bear interest at rates from 0.30% to 1.40%. Interest is payable on June 1 and December 1 each year beginning December 1, 2013.

In 2013, the District issued \$8,115,000 in Electric System Revenue Bonds, 2013C Series. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2008 Series. Principal is due annually on December 1 in varying amounts beginning December 1, 2014 and ending December 1, 2028. The bonds bear interest at rates from 0.40% to 4.00%. Interest is payable on June 1 and December 1 each year beginning June 1, 2014. These bonds were paid off in 2018 with Electric System Revenue Refunding Bonds, Series 2018B.

In 2014, the District issued \$8,425,000 in Electric System Revenue Bonds, 2014A Series. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2009 Series, and for the construction of additions and improvements to the electric system of the District. Principal is due annually on August 15 in varying amounts beginning August 15, 2015 and ending August 15, 2034. The 2014A Series bonds bear interest at rates from 1.45% to 3.65%. Interest is payable on February 15 and August 15 each year beginning February 15, 2015.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCING (Continued)

In 2015, the District issued \$6,770,000 in Electric System Revenue Bonds, 2015A Series. The proceeds from the bonds were used for the construction of additions and improvements to the electric system of the District. Principal is due annually on August 15 in varying amounts beginning August 15, 2016 and ending August 15, 2035. The 2015A Series bonds bear interest at rates from 0.50% to 3.55%. Interest is payable on February 15 and August 15 each year beginning February 15, 2016.

In 2015, the District issued \$7,690,000 in Electric System Revenue Bonds, 2015B Series. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2010A Series and 2010B Series. Principal is due annually on September 15 in varying amounts beginning September 15, 2016 and ending September 15, 2030. The 2015B Series bonds bear interest at rates from 0.50% to 3.10%. Interest is payable on March 15 and September 15 each year beginning March 15, 2016.

In 2016, the District issued \$5,940,000 in Electric System Revenue Bonds, 2016A Series. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2011A Series and 2011B Series. Principal is due annually on June 15 in varying amounts beginning June 15, 2017 and ending June 15, 2031. The 2016A Series bonds bear interest at rates from 0.85% to 2.60%. Interest is payable on June 15 and December 15 each year beginning December 15, 2016.

In 2016, the District issued \$6,770,000 in Electric System Revenue Bonds, 2016B Series. The proceeds from the bonds were used for the construction of additions and improvements to the electric system of the District. Principal is due annually on June 15 in varying amounts beginning June 15, 2017 and ending June 15, 2036. The 2016B Series bonds bear interest at rates from 0.75% to 3.05%. Interest is payable on June 15 and December 15 each year beginning December 15, 2016.

In 2017, the District issued \$9,790,000 in Electric System Revenue Bonds, 2017A Series. The proceeds from the bonds were used for the construction of additions and improvements to the electric system of the District. Principal is due annually on June 1 in varying amounts beginning June 1, 2018 and ending June 1, 2037. The 2017A Series bonds bear interest at rates from 1.15% to 3.40%. Interest is payable on June 1 and December 1 each year beginning December 1, 2017.

In 2017, the District issued \$6,515,000 in Electric System Revenue Bonds, 2017B Series. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2012 Series. Principal is due annually on December 1 in varying amounts beginning December 1, 2018 and ending December 1, 2032. The 2017B Series bonds bear interest at rates from 1.00% to 3.10%. Interest is payable on June 1 and December 1 each year beginning June 1, 2018.

In 2018, the District issued \$9,390,000 Electric System Revenue Bonds, 2018A Series. The proceeds from the bonds were used for the construction of additions and improvements to the electric system of the District. Principal is due annually on June 1 in varying amounts beginning June 1, 2019 and ending June 1, 2038. The 2018A Series bonds bear interest at rates from 1.70% to 3.50%. Interest is payable on June 1 and December 1 each year beginning December 1, 2018.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCING (Continued)

In 2018, the District issued \$5,795,000 Electric System Revenue Refunding Bonds, 2018B Series. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2013C Series. Principal is due annually on June 1 in varying amounts beginning June 1, 2019 and ending June 1, 2028. The 2018B Series bonds bear interest at rates from 1.70% to 3.00%. Interest is payable on June 1 and December 1 each year beginning December 1, 2018.

In 2019, the District issued \$9,160,000 Electric System Revenue and Refunding Bonds, 2019 Series. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2014A Series and fund new construction. Principal is due annually on June 1 in varying amounts beginning June 1, 2020 and ending June 1, 2039. The 2019 Series bonds bear interest at rates from 2.00% to 3.00%. Interest is payable on June 1 and December 1 each year beginning December 1, 2019.

CASH FLOWS

The District incurred cash and cash equivalents net decrease of \$1,508,671 and a net decrease \$1,440,074 for the years ended December 31, 2019 and 2018, respectively, and a net increase in cash and cash equivalents of \$4,196,930 for the year ended December 31, 2017. The following table illustrates the cash flows by activity.

	2019	2018	2017
Cash Flows			
Cash flows provided by operating activities	11,979,636	11,637,301	15,461,933
Cash flows used in capital and financing activities	(14,553,209)	(13,972,307)	(12,261,591)
Cash flows provided by investing activities	<u>1,064,902</u>	<u>894,932</u>	<u>996,588</u>
Increase (decrease) in cash and cash equivalents	<u>(1,508,671)</u>	<u>(1,440,074)</u>	<u>4,196,930</u>

Cash flows from operating activities consist of transactions involving changes in current assets, current liabilities, and other transactions that affect operating income.

Cash flows from capital and related financing activities consist of transactions involving long-term debt and the acquisition and construction of capital assets.

Cash flows from investing activities consist of transactions involving the purchase and maturities of investment securities and interest income.

DEBT RATIO

The District has a high equity level. For 2019, the debt-to-equity ratio is 1 to 1.52 or \$86,034,582 to \$131,078,430. This reflects the District's efforts to self-finance the distribution plant and some transmission. The District is in a solid financial position with the ability to acquire new or pay back outstanding debt.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

DEBT SERVICE COVERAGE

The District is required by its bond and loan covenants to maintain debt service coverage of 1.25 times for bonds and 1.35 for CFC loans. The following table reflects the calculation of debt service coverage, indicating the District's solid ability to make required debt service payments.

	2019	2018	2017
Debt Service Coverage			
Net available for debt service			
Increase in net position	2,626,344	2,027,402	4,005,818
Depreciation/amortization	6,720,808	6,797,622	6,391,130
Interest expense	1,710,296	1,608,685	1,401,060
Net available for debt service	<u>11,057,448</u>	<u>10,433,709</u>	<u>11,798,008</u>
Sum of average annual debt service requirement	<u>6,314,000</u>	<u>5,919,397</u>	<u>5,312,509</u>
Debt service coverage	<u>1.75</u>	<u>1.76</u>	<u>2.22</u>
Required debt service coverage	<u>1.25</u>	<u>1.25</u>	<u>1.25</u>

RETIREMENT PLAN

The District participates in the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan), a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multi-employer plan under the accounting standards.

The plan sponsor's employer identification number is 53-0116145 and the plan number is 333.

A unique characteristic of a multi-employer 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 assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Retirement Security Plan (RS Plan), sponsored and administered by the National Rural Electric Cooperative Association (NRECA), is a cost sharing pension plan that has the characteristics described in paragraph 2 of GASB Statement No. 78. The RS Plan must file annual reports with the U.S. Department of Labor (Form 5500) that include a copy of the RS Plan annual financial statements. An electronic copy of Form 5500 and the plan's annual financial statements can be obtained by going to www.efast.dol.gov and using the search tool (EIN 530116145; PN 333). Copies of the RS Plan's annual financial statements are also available to member-system representatives by calling NRECA's Member Contact Center at 866.673.2299.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

RETIREMENT PLAN (Continued)

The District has 78 employees covered by the RS Plan. The RS Plan provides retirement, death, and termination benefits. 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 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 rates for the District were 20.78% and 20.58% for 2019 and 2018, respectively. The required contribution rate for the District's employees was 0% for years 2019 and 2018. Contributions to the RS Plan were \$1,279,937 and \$1,313,225 in 2019 and 2018, respectively. These contributions represented less than 5% of the total contributions made to the plan by all participating employers. 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. The District had no payables related to the RS Plan at December 31, 2019 and 2018.

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 employers. In total, the RS Plan was over 80% funded on January 1, 2018, and over 80% funded at January 1, 2017, 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.

The District participates in the NRECA savings plan, which covers substantially all full-time employees. The District contributes an amount equal to 1% of each participant's salary to the plan and provides a dollar-for-dollar matching contribution on employee voluntary contributions up to 4%. Employee voluntary contributions up to annual limits set forth by the Internal Revenue Service may also be made. The District's contributions to the plan were approximately \$321,384 and \$322,570 for 2019 and 2018, respectively.

The District also has a deferred compensation plan available to management employees at their election and with approval by the Board of Directors. Expenses related to the plan were \$- 0 - in 2019 and \$- 0 - in 2018. The assets to fund the obligation and the related liability in the same amounts were approximately \$7,999 and \$7,887 at December 31, 2019 and 2018, respectively.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL PROGRAM

The District continually evaluates electric system requirements and makes long-range recommendations for capital expenditures necessary to serve the growing load requirements with a reliable and economical power supply. As a result, an aggressive upgrade of the electrical distribution system continues as additional capacity is being built into the system to accommodate future growth. An integral part of the capital program is the aging conductor replacement program implemented by the District in 2011. Since its inception, an average of \$1,200,000 has been budgeted annually to replace aging conductor across the District's service territory. Replacing the old conductor improves system reliability.

The following table shows the District's actual capital program expenditures for the years ended December 31, 2019 and 2018, and projected expenditures for 2020 and 2021. Its capital program is financed with revenues from operations, investment income, financing proceeds, and cash on hand.

	Projected		Actual	
	2021	2020	2019	2018
Transmission plant	1,500,000	1,220,000	2,246,399	2,844,218
Distribution plant	7,500,000	7,850,000	9,985,652	14,740,150
General plant	1,500,000	1,475,000	1,451,322	1,411,256
Total capital program	<u>10,500,000</u>	<u>10,545,000</u>	<u>13,683,373</u>	<u>18,995,624</u>

CRITICAL ACCOUNTING POLICIES

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 as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and the disclosure of contingent assets and liabilities as of the date of the financial statements. Actual results could differ from those estimates.

These judgments, in and of themselves, could materially impact the financial statements and disclosures based on varying assumptions, which may be appropriate to use. In addition, the financial and operating environment also may have a significant effect, not only on the operation of the business, but on the results reported through the application of accounting measures used in preparing the financial statements and related disclosures, even if the nature of the accounting policies has not changed.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CRITICAL ACCOUNTING POLICIES (Continued)

The following is a list of accounting policies that are significant to the District's financial condition and results of operation and require management's most difficult, subjective, or complex judgments. Each of these has a higher likelihood of resulting in materially different reported amounts under different conditions or using different assumptions.

<u>Accounting Policies</u>	<u>Judgments/Uncertainties Affecting Application</u>
Regulated Operations (GASB No. 62 Paragraphs 476 - 500)	- External regulatory requirements - Anticipated future regulatory decisions and their impact
Environment issues	- Approved methods of cleanup - Governmental regulations and standards
Unbilled revenue	- Estimate of customer energy use
Uncollectible receivables	- Economics conditions affecting customers, suppliers, and market prices
Other postemployment benefits	- Estimated future costs of health coverage and life expectancies

CURRENT KNOWN FACTS, DECISIONS, OR CONDITIONS OF FUTURE SIGNIFICANCE

In 2020, the District intends to utilize existing cash and investments to fund the various plant projects.

RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

In 2018, the District implemented GASB 75, which requires the postemployment benefits obligation liability to be fully reported on the statements of net position.

SUMMARY OF FINANCIAL STATEMENTS

The financial statements, related notes, and management's discussion and analysis provide information about the District's financial position and activities. The statements of net position present the District's assets, liabilities, and net position as of December 31, 2019 and 2018, with current and long-term portions of assets and liabilities separately identified. The statements of revenues, expenses, and changes in net position present the District's operating results and changes in net position for the two years ended December 31, 2019 and 2018. The statements of cash flows provide information about the flow of cash within the District by activities for the two years ended December 31, 2019 and 2018. The notes to the financial statements provide additional detailed information.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING THE DISTRICT'S FINANCIAL 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 there are questions about this report or additional information is needed, contact Dawson Public Power District, 75191 Road 433, P.O. Box 777, Lexington, Nebraska, 68850, 308.324.2386.

DAWSON PUBLIC POWER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2019	2018
CAPITAL ASSETS, at cost		
Capital assets	230,464,922	222,156,360
Less accumulated depreciation	<u>(40,573,412)</u>	<u>(37,422,525)</u>
Net capital assets	<u>189,891,510</u>	<u>184,733,835</u>
NONCURRENT ASSETS		
Investments	250,000	250,000
Certificates of deposit	335,211	883,374
Restricted investments - Debt Reserve Fund	190,000	738,000
Designated certificates of deposit - postemployment benefits		250,000
Investments in associated organizations	765,516	732,121
Notes receivable, net of current portion	<u>83,769</u>	<u>132,380</u>
Total noncurrent assets	<u>1,624,496</u>	<u>2,985,875</u>
CURRENT ASSETS		
Cash and cash equivalents	3,173,982	3,434,624
Cash and cash equivalents - designated postemployment benefits	663,629	147,374
Construction projects	2,208,024	4,211,469
Cash and cash equivalents - restricted Debt Service Fund	1,784,291	1,545,130
Certificates of deposit	566,743	300,000
Certificates of deposit - designated postemployment benefits	250,000	500,000
Certificates of deposit - restricted Debt Reserve Fund	619,000	71,000
Accounts receivable (less provision for doubtful accounts of \$91,897 in 2019 and \$133,277 in 2018)	5,343,471	5,628,046
Interest receivable	10,478	18,677
Notes receivable, current portion	98,873	72,838
Materials and supplies inventories	4,636,539	5,428,186
Prepaid expenses	<u>352,610</u>	<u>324,879</u>
Total current assets	<u>19,707,640</u>	<u>21,682,223</u>
TOTAL ASSETS	<u>211,223,646</u>	<u>209,401,933</u>
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized accelerated funding payment	1,112,931	1,464,383
Unamortized bond issue costs	738,526	943,089
OPEB - Economic/demographic and assumption changes	3,276,567	3,585,677
Unamortized loss on refunding	<u>761,342</u>	<u>750,500</u>
Total deferred outflows of resources	<u>5,889,366</u>	<u>6,743,649</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>217,113,012</u>	<u>216,145,582</u>

See accompanying notes to financial statements.

DAWSON PUBLIC POWER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	2019	2018
NET POSITION		
Invested in capital assets, net of related debt	125,466,510	119,683,835
Restricted	2,593,291	2,354,130
Unrestricted	3,018,629	6,414,121
Total net position	<u>131,078,430</u>	<u>128,452,086</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred credits	<u>324,405</u>	<u>290,103</u>
LONG-TERM DEBT		
Bonds payable	64,425,000	65,050,000
Less current maturities	<u>(4,860,000)</u>	<u>(4,580,000)</u>
Total long-term debt	<u>59,565,000</u>	<u>60,470,000</u>
OTHER NONCURRENT LIABILITIES		
Postemployment benefit obligation	<u>11,952,596</u>	<u>11,463,335</u>
CURRENT LIABILITIES		
Accounts payable	5,500,646	7,098,876
Accrued expenses	3,496,035	3,431,582
Consumer deposits	335,900	359,600
Current maturities of long-term debt	4,860,000	4,580,000
Total current liabilities	<u>14,192,581</u>	<u>15,470,058</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u><u>217,113,012</u></u>	<u><u>216,145,582</u></u>

DAWSON PUBLIC POWER DISTRICT
 STATEMENTS OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION
 YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Electric energy sales		
Rural residential	24,803,946	24,541,815
Irrigation	14,851,534	17,991,428
Town and village residential	3,032,988	3,077,781
Small commercial	2,695,212	2,634,512
Large commercial and industrial	10,839,215	10,480,977
Public street and highway lighting	153,827	150,412
Other	522,213	602,063
Total operating revenues	<u>56,898,935</u>	<u>59,478,988</u>
OPERATING EXPENSES		
Cost of power	32,183,124	34,787,837
Transmission	161,675	159,909
Distribution	4,973,438	4,860,271
Consumer accounts	1,375,913	1,418,821
Consumer service, information, and sales	826,715	1,028,801
Administration and general	3,580,267	3,788,910
Maintenance	2,581,978	2,821,381
Depreciation and amortization	6,720,808	6,797,622
Taxes	269,116	268,198
Total operating expenses	<u>52,673,034</u>	<u>55,931,750</u>
OPERATING INCOME	<u>4,225,901</u>	<u>3,547,238</u>
INVESTMENT AND OTHER INCOME		
Interest revenue	129,784	114,203
Other revenue	195,165	114,912
Total investment and other income	<u>324,949</u>	<u>229,115</u>
INCREASE IN NET POSITION BEFORE DEBT AND OTHER EXPENSES	<u>4,550,850</u>	<u>3,776,353</u>
DEBT AND OTHER EXPENSES		
Interest expense	1,710,296	1,608,685
Amortization expense	156,783	139,751
Other expenses	57,427	515
Total debt and other expenses	<u>1,924,506</u>	<u>1,748,951</u>

DAWSON PUBLIC POWER DISTRICT
 STATEMENTS OF REVENUES, EXPENSES, AND
 CHANGES IN NET POSITION
 YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
INCREASE IN NET POSITION	<u>2,626,344</u>	<u>2,027,402</u>
NET POSITION, beginning of year	128,452,086	124,642,246
RESTATEMENT	<u> </u>	<u>1,782,438</u>
NET POSITION, beginning of year, restated	<u>128,452,086</u>	<u>126,424,684</u>
NET POSITION, end of year	<u><u>131,078,430</u></u>	<u><u>128,452,086</u></u>

See accompanying notes to financial statements.

DAWSON PUBLIC POWER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	57,102,210	59,350,265
Cash paid for power	(32,578,170)	(34,739,198)
Cash paid for employees	(5,166,673)	(5,918,063)
Other cash expenses	<u>(7,377,731)</u>	<u>(7,055,703)</u>
Net cash provided by operating activities	<u>11,979,636</u>	<u>11,637,301</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Plant construction and acquisition, net	(12,086,541)	(17,476,775)
Proceeds from issuance of long-term debt	9,160,000	15,185,000
Payments of debt issue costs	(105,350)	(262,900)
Principal payments on long-term debt	(9,785,000)	(9,770,000)
Payments of interest on notes payable and long-term debt	<u>(1,736,318)</u>	<u>(1,647,632)</u>
Net cash used in capital and related financing activities	<u>(14,553,209)</u>	<u>(13,972,307)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales/maturities of certificates of deposit	971,000	2,678,710
Payments for certificates of deposit	(171,000)	(1,992,374)
Cash received on principal of notes receivable	22,576	49,147
Cash received from investments in cooperatives	44,772	34,501
Proceeds from other income	116,998	20,418
Payments for other expenses	(57,427)	(515)
Interest received	<u>137,983</u>	<u>105,045</u>
Net cash provided by investing activities	<u>1,064,902</u>	<u>894,932</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,508,671)	(1,440,074)
CASH AND CASH EQUIVALENTS, beginning of year	<u>9,338,597</u>	<u>10,778,671</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>7,829,926</u></u>	<u><u>9,338,597</u></u>

DAWSON PUBLIC POWER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents, unrestricted	3,173,982	3,434,624
Designated cash - postemployment benefits	663,629	147,374
Designated cash - construction projects	2,208,024	4,211,469
Restricted cash - Debt Service Fund	1,784,291	1,545,130
Total cash and cash equivalents	<u>7,829,926</u>	<u>9,338,597</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	<u>4,225,901</u>	<u>3,547,238</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	6,720,808	6,797,622
Increase (decrease) in accounts receivable	284,575	(33,197)
Increase in prepaid expenses	(27,731)	(7,342)
Decrease in accelerated funding payment	351,452	351,452
Decrease in OPEB economic/demographic assumption change	309,110	309,110
Increase (decrease) in accounts payable	(440,459)	179,434
Increase in accrued expenses	90,419	103,841
Decrease in customer deposits and advance payments	(23,700)	(37,926)
Increase in postretirement benefit obligation	489,261	427,069
Total adjustments	<u>7,753,735</u>	<u>8,090,063</u>
Net cash provided by operating activities	<u>11,979,636</u>	<u>11,637,301</u>
 OTHER DISCLOSURES		
Total payments to employees	(7,772,664)	(7,874,962)
Payments to employees included in construction and costs of removal	<u>2,605,991</u>	<u>1,956,899</u>
Payments to employees for operating activities	<u>(5,166,673)</u>	<u>(5,918,063)</u>
Purchases of materials and supplies	(9,356,855)	(15,185,995)
Payments to employees in construction and removal of plant	(2,605,991)	(1,956,899)
Cash received for aid to construction	585,988	540,675
Salvage from retirements	763,893	586,829
Cost of removal	<u>(1,473,576)</u>	<u>(1,461,385)</u>
Cash payments for plant construction and acquisition, net	<u>(12,086,541)</u>	<u>(17,476,775)</u>

See accompanying notes to financial statements.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Dawson Public Power District (the District) is a public corporation and a political subdivision of the state of Nebraska providing electric power. The District operates an integrated electric utility system, which includes facilities for transmission and distribution of electric power and energy. The control of the District and its operations is vested in a Board of Directors consisting of 11 members popularly elected from county subdivisions of the District's chartered territory. The Board of Directors is authorized to establish rates.

The District, as a political subdivision of the state of Nebraska, is exempt from federal and state income taxes. Payments in lieu of taxes are made to local governments.

Basis of Accounting

The financial statements are presented in accordance with accounting principles generally accepted in the United States (GAAP). The Governmental Accounting Standards Board (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 District follows the provisions of GASB No. 62, paragraphs 476 - 500, *Regulated Operations*. In general, this permits an entity with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to its customers.

Use of Estimates

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

Revenue

Revenues are recorded in the month retail customers are billed. An estimate of revenues applicable to service rendered to customers from the period covered by the last billing in a year to the end of the year (unbilled revenue) is recorded in the year services were rendered.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue (Continued)

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

Revenue and Expense Recognition

The District presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the District. Operating revenues include all charges to customers. Revenues from nonexchange transactions, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Electric Plant and Depreciation

Electric plant assets are stated at cost. The District records depreciation over the estimated useful life of the property primarily on a straight-line basis at rates ranging from 2.75% to 33%. The District's capitalization amount is \$2,000. The District charges maintenance and repairs, including the cost of renewals and replacements of minor items of property, to maintenance expense accounts. Renewals and replacements of property are charged to utility plant accounts. Upon retirement of property subject to depreciation, the cost of property is removed from the electric plant accounts and charged to the reserve for depreciation, along with the removal costs, net salvage.

Bond Issue Costs

Bond issuance costs are being amortized on the interest method over the lives of the respective bond issues, consistent with the District's rate recovery method.

Capital in Other Organizations

Capital in other organizations consists of member equity and patronage capital credits in associated organizations allocated to the District.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

The District follows GASB No. 31 (as amended by GASB No. 40), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB 31 requires the District's investments be recorded at market value with the changes in the market value of investments reported as investment income in the statement of revenues, expenses, and changes in net position. Investments are recorded at the market value as determined by quoted market prices.

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 at December 31, 2019 and 2018, were in unregistered U.S. government securities, federal agency obligations, and certificates of deposit held in the District's name by the custodial banks.

For the purposes of the statements of cash flows, the District considers all highly-liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents in the Debt Reserve Fund are reported as investments.

Debt Service Requirements

The indentures under which the revenue bonds were issued provide for the creation and maintenance of Debt Service and Reserve Funds. The Debt Service and Reserve Funds are invested in United States government securities, federal agency obligations, and certificates of deposit.

Accounts Receivable

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

The District estimates utility revenue from the period of the last meter reading to year end and records the amount as unbilled revenue each year.

The District provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The District's estimate is based on historical collection experience and a review of the current trade accounts receivable.

Concentrations of Credit Risk

Financial instruments which potentially subject the District to concentrations of credit risk consist primarily of trade receivables with a variety of customers. The District generally requires collateral deposits from new customers. Deposits are returned to customers upon establishing good credit history with the District. Management considers such credit risk to be limited due to the District's broad customer base and its customers' financial resources.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Materials and Supplies Inventories

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

Electric Energy Sales and Unbilled Revenue

Billings for electric energy sales, excluding irrigation and other seasonal sales, are rendered monthly. Irrigation horsepower sales are billed in advance in March and due in April, and the balance is billed in October and due in November. The District's unbilled revenues, consisting primarily of consumption between each cycle billing date and the end of the year, are accrued in the period of consumption.

Net Position

The net position of the District is broken down into three categories: (1) invested in capital assets, net of related debt, (2) restricted component of net position, and (3) unrestricted component of net position.

Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows 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 reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset 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 assets that do not meet the definition of restricted net position or net position invested in capital assets, net of related debt.

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.

Restricted Net Position/Debt Reserve

A reserve fund consists of funds that have been imposed by debt covenants to be held in a separate account for debt service and debt reserve. 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 and debt reserve. The funds have been invested in interest-bearing accounts.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources

The District reports decreases in net position that relate to future periods as deferred outflows of resources in a separate section on the statement of net position. The District is amortizing its retirement prepayment option over a period of 10 years relating to this cash outflow. The District has unamortized bond issue costs included here. The difference between the reacquisition price and the net carrying amount of old debt when a current or advance refunding of debt occurs is also reported as unamortized loss on refunding. The unamortized loss amount is amortized as a component of interest expense in a systematic and rational manner over the life of the old debt or the new debt, whichever is shorter.

Deferred Inflows of Resources

Deferred customer credits consist of customer prepayments for energy that will be applied to the customers' future kWh consumption.

Operating Versus Nonoperating

Operating revenues and expenses generally result from providing services in connection with the District's ongoing operations. The principal operating revenues are charges to customers for services. Operating expenses include the cost of service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Compensated Absences

Employees of the District are entitled to vacation depending on job classification, length of service, and other factors. Employees may earn up to a maximum of 96 - 176 hours per year, depending on length of service. Vacation leave may be accumulated up to 20 working days. Upon termination, an employee would be compensated for any accrued but unused vacation. Unused vacation leave included in accrued expenses was \$426,818 and \$402,557 in 2019 and 2018, respectively.

Employees of the District earn 96 hours of sick leave per year, which may accumulate up to a maximum cumulative total of 960 hours. An employee with 10 or more years of service is compensated for any accrued but unused sick leave up to the maximum upon termination of employment. Accumulated unused sick leave included in accrued expenses for employees with 10 or more years of service to the District was \$1,592,058 and \$1,553,015 in 2019 and 2018, respectively.

Retirement Plan

All retirement plan costs are funded as accrued.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Total Data

Comparative total data for the prior year has been presented in some of the accompanying financial statements in order to provide an understanding of changes in the District's financial cash position and operations. Certain reclassifications have been made to prior year totals to conform to the current year presentation.

NOTE 2. ELECTRIC PLANT

Electric plant activity for the year ended December 31, 2019, was as follows:

	Balance January 1, 2019	Additions	Disposals	Balance December 31, 2019
Nondepreciable				
Land	1,338,487			1,338,487
Organizational costs	2,689			2,689
Other intangible costs	169,503			169,503
Construction in progress	3,505,287	9,454,498	(10,796,258)	2,163,527
	<u>5,015,966</u>	<u>9,454,498</u>	<u>(10,796,258)</u>	<u>3,674,206</u>
Depreciable				
Transmission	23,600,000	2,246,399	(202,042)	25,644,357
Distribution	160,598,362	9,711,223	(3,178,777)	167,130,808
Leased facilities	3,401,426	274,429		3,675,855
General	29,540,606	1,451,322	(652,232)	30,339,696
Total depreciable	<u>217,140,394</u>	<u>13,683,373</u>	<u>(4,033,051)</u>	<u>226,790,716</u>
Accumulated depreciation	<u>(37,422,525)</u>	<u>(7,466,527)</u>	<u>4,315,640</u>	<u>(40,573,412)</u>
Electric plant activity, net	<u>184,733,835</u>	<u>15,671,344</u>	<u>(10,513,669)</u>	<u>189,891,510</u>

Electric plant activity for the year ended December 31, 2018, was as follows:

	Balance January 1, 2018	Additions	Disposals	Balance December 31, 2018
Nondepreciable				
Land	1,314,351	24,136		1,338,487
Organizational costs	2,689			2,689
Other intangible costs		169,503		169,503
Construction in progress	3,481,962	14,747,145	(14,723,820)	3,505,287
Total nondepreciable	<u>4,799,002</u>	<u>14,940,784</u>	<u>(14,723,820)</u>	<u>5,015,966</u>

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 2. ELECTRIC PLANT (Continued)

	Balance January 1, 2018	Additions	Disposals	Balance December 31, 2018
Depreciable				
Transmission	21,255,503	2,844,218	(499,721)	23,600,000
Distribution	149,927,814	14,385,219	(3,714,671)	160,598,362
Leased facilities	3,240,134	161,292		3,401,426
General	<u>28,794,222</u>	<u>1,411,256</u>	<u>(664,872)</u>	<u>29,540,606</u>
Total depreciable	<u>203,217,673</u>	<u>18,801,985</u>	<u>(4,879,264)</u>	<u>217,140,394</u>
Accumulated depreciation	<u>(35,241,272)</u>	<u>(7,502,420)</u>	5,321,167	<u>(37,422,525)</u>
Electric plant activity, net	<u>172,775,403</u>	<u>26,240,349</u>	<u>(14,281,917)</u>	<u>184,733,835</u>

Annual Rates of Depreciation

Annual rates of depreciation used are 2.75% for transmission plant, 2.90% for distribution plant, and 2.75% to 33.00% for general plant.

Depreciation and amortization provisions were as follows:

	2019	2018
Charged to depreciation expense	6,720,808	6,797,621
Charged to clearing accounts	745,719	704,799
	<u>7,466,527</u>	<u>7,502,420</u>

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following classifications for the years ended December 31, 2019 and 2018:

	2019	2018
Customers	3,250,340	3,388,948
Unbilled revenue	1,913,802	1,968,820
Other	271,226	403,555
Total accounts receivable	<u>5,435,368</u>	<u>5,761,323</u>
Allowance for doubtful accounts	<u>(91,897)</u>	<u>(133,277)</u>
Accounts receivable, net	<u>5,343,471</u>	<u>5,628,046</u>

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEFERRED OUTFLOWS OF RESOURCES

In March 2013, the District accepted an accelerated funding payment option offered by NRECA to reduce future contribution rates to the defined benefit, retirement, and security program. The District deposited \$3,514,519 into the program in exchange for a 25% reduction in future contribution rates, which is being amortized over 10 years.

Bond issue costs incurred during 2019 were \$105,340, which are being amortized over the term of the bonds as a regulatory asset. As of December 31, 2019 and 2018, accumulated unamortized bond issue costs were \$738,526 and \$943,089, respectively.

Unamortized loss on refunding represents any remaining balance of bond issue costs related to bond issuances that have been refinanced. As of December 31, 2019 and 2018, the balance of unamortized loss on refunding was \$761,342 and \$750,500, respectively.

Amortization expense for bond issue costs on outstanding bonds and loss on refunding for 2019 and 2018 is \$156,783 and \$139,751, respectively.

During 2018, the District implemented GASB 75 which created a deferred outflow of resources account for Other Post Employment Benefit economic/demographic and assumption changes in the amount of \$3,894,787. This will be amortized over the weighted average expected remaining service lives of 12.6. Amortization for 2019 and 2018, was \$309,110.

NOTE 5. RESTRICTED INVESTMENTS - DEBT RESERVE FUND

The indentures under which the revenue bonds were issued provide for the creation and maintenance of certain funds.

Pledged revenues sufficient to make payments of principal and interest are transferred monthly to the Debt Service Fund held by the District.

The Debt Reserve Fund may be used for any deficiencies which may occur in the Debt Service Fund and applied as payment to the outstanding bonds at final maturity. The Debt Reserve Fund is invested in United States government securities and certificates of deposit shown at estimated fair value. The District is in compliance with covenants of the bond issues.

NOTE 6. CASH AND INVESTMENTS

A summary of the cash and investments at December 31, 2019 and 2018, is as follows:

	2019	2018
Statement of net position classification:		
Cash and cash equivalents	3,173,982	3,434,624
Cash and cash equivalents - designated	2,871,653	4,358,843
Cash and cash equivalents - restricted	1,784,291	1,545,130
Certificates of deposit	901,954	1,183,374
Certificates of deposit - designated	250,000	750,000
Debt reserve funds - restricted	809,000	809,000
Investments	250,000	250,000
	<u>10,040,880</u>	<u>12,330,971</u>

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CASH AND INVESTMENTS (Continued)

	2019	2018
Comprised of:		
Checking, savings, money market accounts	7,829,926	9,338,597
Certificates of deposit	1,960,954	2,742,374
Other investments	250,000	250,000
	10,040,880	12,330,971

The indentures under which the revenue bonds were issued provide for the creation and maintenance of certain funds. Funds in the Debt Reserve Fund are restricted for any deficiencies that occur in the Debt Service Fund and are to be applied as payment to the outstanding bonds at final maturity.

The District is authorized by Nebraska state statute to invest in direct obligations of the U.S. government, obligations of agencies that are guaranteed by the U.S. government, and certificates of deposit of banks insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the pledging bank's agent in the District's name.

The Nebraska Public Agency Investment Trust (NPAIT) was established in June 1996 through the Interlocal Cooperation Act and commenced operations July 25, 1996. NPAIT was established to assist public bodies throughout the state of Nebraska with the investment of their available cash reserves. Participation in the investment trust is voluntary for its members. The objective of NPAIT is to provide its owner-members with a conservative and effective investment alternative tailored to the needs of its members. NPAIT portfolio management generally follows established investment criteria developed by the Securities and Exchange Commission (SEC) for money market funds designed to offer acceptable yield while maintaining liquidity. NPAIT is not registered with the Securities and Exchange Commission as an investment company. The District has \$57,134 and \$56,108 with NPAIT as of December 31, 2019 and 2018.

NPAIT's short-term investment portfolio consists of cash and short-term investments valued at amortized cost, which is determined to approximate fair value due to the short-term nature of the instruments. NPAIT maintains a net asset value of \$1.00 per unit.

The District shall exercise direct supervision and control over all investments utilizing sound fiscal controls and prudent fiduciary practices consistent with appropriate state statute and requirements of the adopted bond resolutions.

The District's investments are subject to interest rate risk, custodial credit risk, and concentrations of credit risk.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's bond covenants and state statutes provide limitations in the various types of investments 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. GASB Statement No. 40 requires that disclosure be made as to the credit rating of all fixed income securities except obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. All of the District's fixed income securities as of December 31, 2019 and 2018, are obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government.

Custodial Credit Risk (Investments)

The District's investment securities are exposed to custodial credit risk if the securities are uninsured, not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. The investment risk is that in the event of the failure of the counterparty to a transaction, the District will not be able to recover the sale of the investment or collateral securities that are in the possession of the outside party. As of December 31, 2019 and 2018, the District's investments are uninsured, held by the counterparty's agent in the District's name.

Custodial Credit Risk (Deposits)

All funds of the District are deposited in Board-designated official depositories and are required to be collateralized in accordance with Nebraska statutes. Official depositories may be established with any bank whose principal office is located in Nebraska. Also, the District may establish time deposit accounts, money market accounts, and certificates of deposit. The amount shown on the statement of net position as cash and cash equivalents includes cash on hand totaling \$7,829,926 and bank balances of \$8,017,401. Nebraska statutes require all depositories to collateralize public deposits in excess of federal depository insurance coverage.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2019, all the District's deposits with financial institutions were fully insured or collateralized by securities held in the District's name in the form of joint safekeeping receipts. State law requires all funds in depositories to be fully insured or collateralized, and the District's policy is to require depositories to provide pledged securities to cover deposits in excess of FDIC limits.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 7. NOTES RECEIVABLE

During 2013, the District loaned \$37,500 to Elwood Hometown Cooperative Market for an economic development project in Elwood, Nebraska. The loan bears interest of 4.25% and is scheduled for repayment in 60 monthly installments of \$385 beginning January 2015 and a final balloon payment due with the final normal monthly installment in December 2019. This note was paid in full on January 14, 2020.

The following loans are managed by Nebraska Enterprise Fund (NEF). In exchange for the loan management and administration services, NEF retains the interest portion of each monthly payment. Principal payments collected by NEF are to be remitted to the District quarterly.

During 2016, the District loaned \$18,750 to Shear Elegance for an economic development project in Gothenburg, Nebraska. The loan bears interest of 3.5% and is scheduled for repayment in 60 monthly installments of \$341 beginning November 2016 and ending October 2021.

During 2016, the District loaned \$75,000 to Bella Italia for an economic development project in Cozad, Nebraska. The loan bears interest of 3.5% and is scheduled for repayment in 72 monthly installments of \$1,156 beginning December 2016 and ending November 2022.

During 2017, the District loaned \$20,263 to Cozad Floral for an economic development project in Cozad, Nebraska. The loan bears interest of 3.5% and is scheduled for repayment in 120 monthly installments of \$200 beginning March 2017 and ending January 2027.

During 2017, the District loaned \$104,000 to Innovative Ag for an economic development project in Lexington, Nebraska. The loan bears interest of 4.25% and is scheduled for repayment in 60 monthly installments of \$1,927 beginning November 2017 and ending October 2022.

A summary of the activity of the notes receivable is as follows:

	2019	2018
Beginning balance	205,218	254,365
Repayments	(22,576)	(49,147)
Ending balance	<u>182,642</u>	<u>205,218</u>
Less current maturity	98,873	72,838
Thereafter	<u><u>83,769</u></u>	<u><u>132,380</u></u>

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 7. NOTES RECEIVABLE (Continued)

Annual maturities of the notes receivable at December 31, 2019, are as follows:

	Principal Elwood Market	Principal Shear Elegance	Principal Bella Italia	Principal Cozad Floral	Principal Innovative Ag	Nebraska Enterprise Fund	Total
2020	20,673	6,306	36,118	1,309	20,902	13,565	98,873
2021	-	3,360	13,188	1,910	21,816	-	40,274
2022	-	-	12,499	2,026	18,937	-	33,462
2023	-	-	-	2,149	-	-	2,149
2024	-	-	-	2,279	-	-	2,279
2025	-	-	-	2,420	-	-	2,420
2026	-	-	-	2,569	-	-	2,569
2027	-	-	-	616	-	-	616
	<u>20,673</u>	<u>9,666</u>	<u>61,805</u>	<u>15,278</u>	<u>61,655</u>	<u>13,565</u>	<u>182,642</u>

NOTE 8. LONG-TERM DEBT

In 2013, the District issued \$4,625,000 in Electric System Revenue Bonds, 2013A Series, for the purpose of improving the electric system. Principal is due annually on December 1 in varying amounts beginning December 1, 2013 and ending December 1, 2032. The bonds bear interest at rates from 0.35% to 3.00%. Interest is payable on June 1 and December 1 each year beginning June 1, 2013.

In 2013, the District issued \$5,065,000 in Electric System Revenue Bonds, 2013B Series, for the purpose of improving the electric system. Principal is due annually on June 1 in varying amounts beginning June 1, 2014 and ending June 1, 2020. The 2013B Series bonds bear interest at rates from 0.30% to 1.40%. Interest is payable on June 1 and December 1 each year beginning December 1, 2013.

In 2013, the District issued \$8,115,000 in Electric System Revenue Bonds, 2013C Series. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2008 Series. Principal is due annually on December 1 in varying amounts beginning December 1, 2014 and ending December 1, 2028. The bonds bear interest at rates from 0.40% to 4.00%. Interest is payable on June 1 and December 1 each year beginning June 1, 2014. These bonds were paid off in 2018 with Electric System Revenue Refunding Bonds, Series 2018B.

In 2014, the District issued \$8,425,000 in Electric System Revenue Bonds, 2014A Series. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2009 Series, and for the construction of additions and improvements to the electric system of the District. Principal is due annually on August 15 in varying amounts beginning August 15, 2015 and ending August 15, 2034. The 2014A Series bonds bear interest at rates from 1.45% to 3.65%. Interest is payable on February 15 and August 15 each year beginning February 15, 2015.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

In 2015, the District issued \$6,770,000 in Electric System Revenue Bonds, 2015A Series. The proceeds from the bonds were used for the construction of additions and improvements to the electric system of the District. Principal is due annually on August 15 in varying amounts beginning August 15, 2016 and ending August 15, 2035. The 2015A Series bonds bear interest at rates from 0.50% to 3.55%. Interest is payable on February 15 and August 15 each year beginning February 15, 2016.

In 2015, the District issued \$7,690,000 in Electric System Revenue Bonds, 2015B Series. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2010A Series and 2010B Series. Principal is due annually on September 15 in varying amounts beginning September 15, 2016 and ending September 15, 2030. The 2015B Series bonds bear interest at rates from 0.50% to 3.10%. Interest is payable on March 15 and September 15 each year beginning March 15, 2016.

In 2016, the District issued \$5,940,000 in Electric System Revenue Bonds, 2016A Series. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2011A Series and 2011B Series. Principal is due annually on June 15 in varying amounts beginning June 15, 2017 and ending June 15, 2031. The 2016A Series bonds bear interest at rates from 0.85% to 2.60%. Interest is payable on June 15 and December 15 each year beginning December 15, 2016.

In 2016, the District issued \$6,770,000 in Electric System Revenue Bonds, 2016B Series. The proceeds from the bonds were used for the construction of additions and improvements to the electric system of the District. Principal is due annually on June 15 in varying amounts beginning June 15, 2017 and ending June 15, 2036. The 2016B Series bonds bear interest at rates from 0.75% to 3.05%. Interest is payable on June 15 and December 15 each year beginning December 15, 2016.

In 2017, the District issued \$9,790,000 in Electric System Revenue Bonds, 2017A Series. The proceeds from the bonds were used for the construction of additions and improvements to the electric system of the District. Principal is due annually on June 1 in varying amounts beginning June 1, 2018 and ending June 1, 2037. The 2017A Series bonds bear interest at rates from 1.15% to 3.40%. Interest is payable on June 1 and December 1 each year beginning December 1, 2017.

In 2017, the District issued \$6,515,000 in Electric System Revenue Bonds, 2017B Series. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2012 Series. Principal is due annually on December 1 in varying amounts beginning December 1, 2018 and ending December 1, 2032. The 2017B Series bonds bear interest at rates from 1.00% to 3.10%. Interest is payable on June 1 and December 1 each year beginning June 1, 2018.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

In 2018, the District issued \$9,390,000 Electric System Revenue Bonds, 2018A Series. The proceeds from the bonds were used for the construction of additions and improvements to the electric system of the District. Principal is due annually on June 1 in varying amounts beginning June 1, 2019 and ending June 1, 2038. The 2018A Series bonds bear interest at rates from 1.70% to 3.50%. Interest is payable on June 1 and December 1 each year beginning December 1, 2018.

In 2018, the District issued \$5,795,000 Electric System Revenue Refunding Bonds, 2018B Series. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2013C Series. Principal is due annually on June 1 in varying amounts beginning June 1, 2019 and ending June 1, 2028. The 2018B Series bonds bear interest at rates from 1.70% to 3.00%. Interest is payable on June 1 and December 1 each year beginning December 1, 2018.

In 2019, the District issued \$9,160,000 Electric System Revenue and Refunding Bonds, 2019 Series. The proceeds from the bonds were used to refund a portion of the remaining bonds outstanding from the Electric System Revenue Bonds, 2014A Series and fund new construction. Principal is due annually on June 1 in varying amounts beginning June 1, 2020 and ending June 1, 2039. The 2019 Series bonds bear interest at rates from 2.00% to 3.00%. Interest is payable on June 1 and December 1 each year beginning December 1, 2019.

A summary of long-term debt is shown below:

	2019	2018
Electric System Revenue Bonds - 2013A	3,180,000	3,390,000
Electric System Revenue Bonds - 2013B	740,000	1,475,000
Electric System Revenue Bonds - 2014A	655,000	6,180,000
Electric System Revenue Bonds - 2015A	5,635,000	5,925,000
Electric System Revenue Bonds - 2015B	5,645,000	6,155,000
Electric System Revenue Bonds - 2016A	4,615,000	5,065,000
Electric System Revenue Bonds - 2016B	5,875,000	6,165,000
Electric System Revenue Bonds - 2017A	9,040,000	9,450,000
Electric System Revenue Bonds - 2017B	5,575,000	6,060,000
Electric System Revenue Bonds - 2018A	9,035,000	9,390,000
Electric System Revenue Bonds - 2018B	5,270,000	5,795,000
Electric System Revenue Bonds - 2019	9,160,000	
Total outstanding	<u>64,425,000</u>	<u>65,050,000</u>
Less current maturities	<u>(4,860,000)</u>	<u>(4,580,000)</u>
Long-term debt, excluding current installments	<u>59,565,000</u>	<u>60,470,000</u>

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

	2019	2018
Balances, beginning of year	65,050,000	59,635,000
Principal issued	9,160,000	15,185,000
Principal paid	<u>(9,785,000)</u>	<u>(9,770,000)</u>
Balances, end of year	<u>64,425,000</u>	<u>65,050,000</u>

Annual maturities of long-term debt at December 31, 2019, are as follows:

Years Ended December 31,	Revenue Bonds	Interest	Total
2020	4,860,000	1,656,634	6,516,634
2021	4,185,000	1,578,815	5,763,815
2022	4,285,000	1,492,510	5,777,510
2023	4,380,000	1,403,046	5,783,046
2024	4,480,000	1,304,485	5,784,485
2025 - 2029	20,690,000	4,868,855	25,558,855
2030 - 2034	14,830,000	2,286,619	17,116,619
2035 - 2039	<u>6,715,000</u>	<u>399,946</u>	<u>7,114,946</u>
	<u>64,425,000</u>	<u>14,990,910</u>	<u>79,415,910</u>

The District is in compliance with covenant provisions of the bond and loan resolutions.

NOTE 9. ACCRUED EXPENSES

Accrued expenses consist of amounts due employees, bondholders, and other agencies and are composed of the following:

	2019	2018
Property taxes	556,637	544,697
Payroll taxes	36,183	49,445
Sales tax	157,501	161,949
Interest on long-term debt	209,064	235,086
Payroll and vacation	2,369,678	2,273,776
Other	<u>166,972</u>	<u>166,629</u>
Total	<u>3,496,035</u>	<u>3,431,582</u>

NOTE 10. RETIREMENT AND DEFERRED COMPENSATION PLANS

The District participates in the National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan), a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multi-employer plan under the accounting standards.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT AND DEFERRED COMPENSATION PLANS (Continued)

The plan sponsor's employer identification number is 53-0116145 and the plan number is 333.

A unique characteristic of a multi-employer 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 assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Retirement Security Plan (RS Plan), sponsored and administered by the National Rural Electric Cooperative Association (NRECA), is a cost sharing pension plan that has the characteristics described in paragraph 2 of GASB Statement No. 78. The RS Plan must file annual reports with the U.S. Department of Labor (Form 5500) that include a copy of the RS Plan annual financial statements. An electronic copy of Form 5500 and the plan's annual financial statements can be obtained by going to www.efast.dol.gov and using the search tool (EIN 530116145; PN 333). Copies of the RS Plan's annual financial statements are also available to member-system representatives by calling NRECA's Member Contact Center at 866.673.2299.

The District has 78 employees covered by the RS Plan. The RS Plan provides retirement, death, and termination benefits. 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 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 rates for the District were 20.78% and 20.58% for 2019 and 2018, respectively. The required contribution rate for the District's employees was 0% for years 2019 and 2018. Contributions to the RS Plan were \$1,279,937 and \$1,313,225 in 2019 and 2018, respectively. These contributions represented less than 5% of the total contributions made to the plan by all participating employers. The RS Plan must meet minimum funding requirements under ERISA, as determined by Internal Revenue Service Regulations. The District can

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 10. RETIREMENT AND DEFERRED COMPENSATION PLANS (Continued)

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. The District had no payables related to the RS Plan at December 31, 2019 and 2018.

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 employers. In total, the RS Plan was over 80% funded on January 1, 2017, and over 80% funded at January 1, 2016, 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.

The District participates in the NRECA savings plan, which covers substantially all full-time employees. The District contributes an amount equal to 1% of each participant's salary to

the plan and provides a dollar-for-dollar matching contribution on employee voluntary contributions up to 4%. Employee voluntary contributions up to annual limits set forth by the Internal Revenue Service may also be made. The District's contributions to the plan were approximately \$321,384 and \$322,570 for 2019 and 2018, respectively.

The District also has a deferred compensation plan available to management employees at their election and with approval by the Board of Directors. Expenses related to the plan were \$- 0 - in 2019 and \$- 0 - in 2018. The assets to fund the obligation and the related liability in the same amounts were approximately \$7,999 and \$7,887 at December 31, 2019 and 2018, respectively.

NOTE 11. RS PLAN PREPAYMENT OPTION

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating member-systems in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a member-system's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a member-system's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most member-systems the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years, up from the originally estimated 10 years. However, changes in interest rates, asset returns, and other plan experience different from expected, plan assumption changes, and other factors may have an impact on the differential in billing rates and the 15-year period.

DAWSON PUBLIC POWER DISTRICT
 LEXINGTON, NEBRASKA
 NOTES TO FINANCIAL STATEMENTS

NOTE 11. RS PLAN PREPAYMENT OPTION (Continued)

The District is amortizing the prepayment over 10 years, the original estimated benefit period. The District amortized \$351,451 during 2019. The future amortization of the prepayment is as follows:

Year Ended December 31,	
2020	351,451
2021	351,451
2022	351,451
2023	58,578
	1,112,931

NOTE 12. POWER SUPPLY CONTRACT

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

NOTE 13. POSTEMPLOYMENT MEDICAL INSURANCE PLAN

In an effort to enhance the understandability and usefulness of the OPEB information that is included in the financial reports of OPEB plans for state and local governments, the Governmental Accounting Standards Board (GASB) has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (effective for fiscal years beginning after June 15, 2017) which replaces the requirements of Statement No. 45.

GASB Statement No. 75 establishes financial reporting standards for state and local governmental employers whose employees are provided with OPEB. The statement requires financial statements and accompanying notes disclosing information relative to the funded status of the plan, OPEB accounting expense, historical contribution patterns, and certain other information.

Plan Administration

The District administers an OPEB plan providing medical and prescription drugs to retired employees and their dependents under certain conditions. The District does not issue a separate report that includes financial statements and required supplementary information for the OPEB plan.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 13. POSTEMPLOYMENT MEDICAL INSURANCE PLAN (Continued)

Benefits Provided

Individuals who are employees of Dawson Public Power District and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement if they are age 55. Retirees covered by the plan make contributions toward the plan premiums in certain situations. Retirees hired before June 1, 2007, receive District contributions toward the premium costs.

Plan Membership

As of January 1, 2019, plan membership consisted of the following:

Inactive members currently receiving benefits	30
Inactive members entitled to but not yet receiving benefits	- 0 -
Active members	<u>86</u>
Total	<u>116</u>

Investment Policy

The District's obligation is unfunded at January 1, 2019. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

	As of January 1, 2018
Actuarial Present Value of Future Benefits	
Retired - Employees	2,405,666
Retired - Spouses/Dependents	409,323
Actives - Employees	9,736,984
Actives - Spouses/Dependents	<u>2,455,877</u>
Total	<u>15,007,850</u>
Total OPEB Liability	
Retired - Employees	2,405,666
Retired - Spouses/Dependents	409,323
Actives - Employees	6,660,607
Actives - Spouses/Dependents	<u>1,560,670</u>
Total	<u>11,036,266</u>

The total OPEB liability of the District at December 31, 2019, is projected to be \$11,952,596.

The following presents the total OPEB liability, calculated using the current healthcare cost trend rate, as well as the total OPEB liability calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate: There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, so the net fiduciary position is \$- 0 - and the net OPEB liability would be equal to the total OPEB liability.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 13. POSTEMPLOYMENT MEDICAL INSURANCE PLAN (Continued)

Investment Policy (Continued)

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	9,809,180	11,952,596	14,809,173

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

The following presents the total OPEB liability, calculated using the current discount rate of 3.44%, as well as the total OPEB liability calculated using a discount rate that is 1-percentage point lower (2.44%) or 1-percentage point higher (4.44%) than the current rate:

	1% Decrease 2.44%	Current Healthcare Cost Trend Rate 3.44%	1% Increase 4.44%
Total OPEB Liability	14,249,272	11,952,596	10,129,401

Schedule of Changes in Total OPEB Liability

	Fiscal Year Ending December 31, 2019*
Total OPEB Liability - Beginning of Year	<u>11,463,335</u>
Service Cost	291,566
Interest	399,974
Changes of Benefit Terms	- 0 -
Difference between Expected and Actual Experience*	- 0 -
Changes of Assumptions	- 0 -
Benefit Payments*	<u>(202,279)</u>
Net Change in Total OPEB Liability	<u>489,261</u>
Total OPEB Liability - End of Year	<u>11,952,596</u>
Covered-Employee Payroll	4,127,720
Total OPEB Liability as a Percentage of the Covered-Employee Payroll	289.57%

DAWSON PUBLIC POWER DISTRICT
 LEXINGTON, NEBRASKA
 NOTES TO FINANCIAL STATEMENTS

NOTE 13. POSTEMPLOYMENT MEDICAL INSURANCE PLAN (Continued)

Schedule of Changes in Total OPEB Liability (Continued)

*These are to be redetermined using actual employer contributions for the period January 1, 2019 to December 31, 2019. For self insured plans, this is the difference between actual retiree claims/expenses and the actual retiree contributions for the retirees covered during this period. For fully insured plans this is the difference between the actual age-adjusted total retiree premiums and actual collected retiree contributions.

OPEB Expense	Fiscal Year Ending December 31, 2019
Service Cost	291,566
Interest	399,974
Effect of Plan Changes	- 0 -
Administrative Expenses	- 0 -
Recognition of Deferred Outflows of Resources	- 0 -
Economic/Demographic (Gains) Losses*	11,001
Assumption Changes	<u>298,109</u>
Total OPEB Expense	<u>1,000,650</u>

*Economic/demographic (gains) and losses for the period ending December 31, 2018, should be adjusted by an amortization of the difference between actual and expected employer contributions.

Expected Remaining Service Lives

Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. The amortization period is calculated as the weighted average of expected remaining service lives assuming zero years for all inactive members.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 13. POSTEMPLOYMENT MEDICAL INSURANCE PLAN (Continued)

Expected Remaining Service Lives (Continued)

The amortization period for the January 1, 2019 to December 31, 2019, measurement period was determined as follows:

	Number of Members	Expected Remaining Service Lives
As of January 1, 2019		
Active Members	86	15.807
Inactive Members	30	0.000
Weighted Average Rounded To Nearest Tenth	12.6	

Deferred Inflows and Outflows of Resources

Under GASB 75, gains and losses which are amortized over future years are referred to as deferred inflows or gains, and deferred outflows or losses. Economic and demographic gains and losses and changes in the total OPEB liability due to changes in assumptions are recognized over a closed period equal to the average expected remaining service lives of all covered active and inactive members, determined as of the beginning of the measurement period. As of December 31, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience*	-	116,613
Changes of assumptions	-	3,159,954
Net difference between projected and actual earnings	-	-
Contributions made subsequent to measurement date	-	-
Total-	<u>-</u>	<u>3,276,567</u>

*Economic/demographic (gains) and losses for the period ending December 31, 2019, should be adjusted by the unamortized balance of the difference between actual and employer contributions.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 13. POSTEMPLOYMENT MEDICAL INSURANCE PLAN (Continued)

Deferred Inflows and Outflows of Resources (Continued)

Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in future years' OPEB expense as follows:

Year Ending December 31,	Annual Recognition
2020	309,110
2021	309,110
2022	309,110
2023	309,110
2024	309,110
Thereafter	<u>1,731,017</u>
	<u>3,276,567</u>

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period*	Amount Recognized in Expense Dec 31, 2019	Balance of Deferred Inflows Dec 31, 2019	Balance of Deferred Outflows Dec 31, 2019
Economic/Demographic (Gains)/Losses	138,615	12/31/2018*	12.6	11,001	-	116,613
Assumption Changes (Gains)/Losses	3,756,172	12/31/2018	12.6	298,109	-	3,159,954
Investment (Gains)/Losses	-	12/31/2018	5.0	-	-	-

*Economic/demographic (gains) and losses along with assumption changes are recognized over a closed period equal to the weighted average of expected remaining service lives for all active and inactive members.

NOTE 14. LINE OF CREDIT

The District has established an \$8,000,000 line of credit with Cooperative Finance Company and a \$1,000,000 line of credit with CoBank, ACB, for the purpose of short-term financing. Both lines of credit contain annual automatic renewal options. The District has no outstanding balances on either line of credit.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 15. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased commercial insurance to offset these certain risks. Settled claims have not significantly exceeded this commercial coverage in any of the past three fiscal years.

NOTE 16. PRIOR YEAR RESTATEMENT

In 2018, net position was restated due to the implementation of GASB No. 75, which caused the District to fully recognize the present value of their other postemployment benefit obligation. Beginning net position was increased \$1,782,438 to \$126,642,246. For more information see Note 13.

NOTE 17. SUBSEQUENT EVENTS

Due to the recent spread of Coronavirus (COVID-19) and anticipated slowing of business activity in industries that the District serves, this may result in decline in revenue for some months of the year ending December 31, 2020. The anticipated slowing of business activity may also effect the collection of customer receivables. The dollar value of the anticipated decline in revenue and collections of receivables cannot be determined at the time of issuance of the financial statements.

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 19, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

DAWSON PUBLIC POWER DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
(UNAUDITED)
YEAR ENDED DECEMBER 31, 2019

Total OPEB Liability - Beginning of Year	<u>11,463,335</u>
Service cost	291,566
Interest	399,974
Difference between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments	<u>(202,279)</u>
Net change in Total OPEB Liability	<u>489,261</u>
 Total OPEB Liability - End of Year	 <u>11,952,596</u>
 Covered-Employee Payroll	 4,127,720
 Total OPEB Liability as a Percentage of the Covered-Employee Payroll	 289.57%

Notes to Schedule of Changes in Total OPEB Liability

The schedule should show 10 years of data, which is not available. As the information becomes available it will be added. The valuation is determined as of January 1, 2018, based on census data collected as of January 1, 2018.

Changes in Assumptions

The actuarial valuation reflects the following changes in assumptions from the prior actuarial valuation. The discount rate was changed from 5.50% to 3.44%. The mortality assumption changed to the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2017 generational projection for future mortality improvement. Other assumptions were changed based on the best estimate of future experience.

DAWSON PUBLIC POWER DISTRICT
SCHEDULE OF EMPLOYER'S REQUIRED CONTRIBUTIONS
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2019

Year	Annual Contribution
2010	1,092,235
2011	1,158,442
2012	1,231,481
2013	1,033,311
2013	3,514,519
2014	1,107,651
2015	1,089,558
2016	1,128,475
2017	1,200,487
2018	1,313,225
2019	1,279,937

DAWSON PUBLIC POWER DISTRICT
NOTES TO SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
(UNAUDITED)
YEAR ENDED DECEMBER 31, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of employer's required contributions is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with accounting principles generally accepted in the United States (GAAP).

NOTE 2. SIZE OF POPULATION

The employee population of Dawson Public Power District's RS Plan was 78 and 78 plan participants for December 31, 2019 and 2018, respectively.

NOTE 3. CHANGES IN FACTORS THAT SIGNIFICANTLY AFFECT TRENDS IN AMOUNTS REPORTED

The below schedule summarizes the changes in required plan billing rates charged to the District for the RS Plan.

Significant Changes in RS Plan Billing Rates in the Past 10 Years

	Proportional Change Compared With the Prior Year	Primary Reason for the Significant Change
2010	35%	Actual investment return was lower than the assumed 8.5% annual return.
2011	-2%	Average age of the District's employees participating in the plan decreased, resulting in a decreased required contribution.
2012	2%	Average age of the District's employees participating in the plan increased, resulting in an increased required contribution.
2013	-17%	The District elected to participate in the prepayment option offered to participating employers to reduce contributions by 25% for the next 10 years.
2014	-2%	Average age of the District's employees participating in the plan decreased, resulting in a decreased required contribution.
2015	0%	Average age of the District's employees participating in the plan remained the same, resulting in no change in the required contribution.

DAWSON PUBLIC POWER DISTRICT
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS TO RETIREMENT SECURITY PLAN
 (UNAUDITED)
 YEAR ENDED DECEMBER 31, 2019

NOTE 3. CHANGES IN FACTORS THAT SIGNIFICANTLY AFFECT TRENDS IN AMOUNTS REPORTED
 (Continued)

	Proportional Change Compared With the Prior Year	Primary Reason for the Significant Change
2016	1%	Actual investment return was lower than the assumed 7.75% annual return.
2017	3%	Actual investment return was lower than the assumed 7.75% annual return.
2018	4%	Actual investment return was lower than the assumed 7.75% annual return.
2019	1%	Actual investment return was lower than the assumed 7.75% annual return.

Note 1. Base billing rates were lower than current rates because the plan was overfunded. Increases during this period were primarily the result of a gradual reduction in the plan's surplus. Over time, as surplus assets available to pay contributions diminished, employer contributions were raised.

OTHER SUPPLEMENTARY INFORMATION

DAWSON PUBLIC POWER DISTRICT
SCHEDULE OF MATURITIES OF LONG-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2019

	2013A	2013B	2014A	2015A	2015B	2016A	2016B	2017A	2017B	2018A	2018B	2019	Total	Total	Total
	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue
	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds	Bonds
													Principal	Interest	Payments
2020	215,000	740,000	325,000	290,000	570,000	465,000	295,000	415,000	495,000	365,000	535,000	150,000	4,860,000	1,656,634	6,516,634
2021	215,000		330,000	295,000	580,000	475,000	300,000	420,000	505,000	370,000	540,000	155,000	4,185,000	1,578,815	5,763,815
2022	220,000			300,000	590,000	490,000	300,000	425,000	525,000	380,000	555,000	500,000	4,285,000	1,492,510	5,777,510
2023	225,000			310,000	605,000	500,000	305,000	435,000	530,000	390,000	565,000	515,000	4,380,000	1,403,046	5,783,046
2024	230,000			315,000	615,000	515,000	310,000	445,000	540,000	400,000	580,000	530,000	4,480,000	1,304,485	5,784,485
2025 - 2029	1,240,000			1,705,000	2,250,000	1,715,000	1,645,000	2,355,000	2,240,000	2,190,000	2,495,000	2,855,000	20,690,000	4,868,855	25,558,855
2030 - 2034	835,000			1,980,000	435,000	455,000	1,885,000	2,700,000	740,000	2,560,000		3,240,000	14,830,000	2,286,619	17,116,619
2035 - 2039				440,000			835,000	1,845,000		2,380,000		1,215,000	6,715,000	399,946	7,114,946
	<u>3,180,000</u>	<u>740,000</u>	<u>655,000</u>	<u>5,635,000</u>	<u>5,645,000</u>	<u>4,615,000</u>	<u>5,875,000</u>	<u>9,040,000</u>	<u>5,575,000</u>	<u>9,035,000</u>	<u>5,270,000</u>	<u>9,160,000</u>	<u>64,425,000</u>	<u>14,990,910</u>	<u>79,415,910</u>

DAWSON PUBLIC POWER DISTRICT
SCHEDULES OF DEBT SERVICE COVERAGE
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
NET AVAILABLE FOR DEBT SERVICE		
Increase in net position	2,626,344	2,027,402
Depreciation/amortization	6,720,808	6,797,622
Interest expense	1,710,296	1,608,685
Net available for debt service	<u>11,057,448</u>	<u>10,433,709</u>
 2013A BOND ISSUE		
Total principal and interest	3,836,145	4,131,433
Years remaining	<u>13</u>	<u>14</u>
Average annual debt service requirement	<u>295,088</u>	<u>295,102</u>
 2013B BOND ISSUE		
Total principal and interest	745,180	1,494,950
Years remaining	<u>1</u>	<u>2</u>
Average annual debt service requirement	<u>745,180</u>	<u>747,475</u>
 2014A BOND ISSUE		
Total principal and interest	674,218	8,025,460
Years remaining	<u>2</u>	<u>16</u>
Average annual debt service requirement	<u>337,109</u>	<u>501,591</u>
 2015A BOND ISSUE		
Total principal and interest	7,284,597	7,742,305
Years remaining	<u>16</u>	<u>17</u>
Average annual debt service requirement	<u>455,287</u>	<u>455,430</u>
 2015B BOND ISSUE		
Total principal and interest	6,475,918	7,131,595
Years remaining	<u>11</u>	<u>12</u>
Average annual debt service requirement	<u>588,720</u>	<u>594,300</u>
 2016A BOND ISSUE		
Total principal and interest	5,078,360	5,610,935
Years remaining	<u>12</u>	<u>13</u>
Average annual debt service requirement	<u>423,197</u>	<u>431,610</u>
 2016B BOND ISSUE		
Total principal and interest	7,364,824	7,799,426
Years remaining	<u>17</u>	<u>18</u>
Average annual debt service requirement	<u>433,225</u>	<u>433,301</u>

DAWSON PUBLIC POWER DISTRICT
SCHEDULES OF DEBT SERVICE COVERAGE
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
2017A BOND ISSUE		
Total principal and interest	11,690,499	12,332,724
Years remaining	<u>18</u>	<u>19</u>
Average annual debt service requirement	<u>649,472</u>	<u>649,091</u>
2017B BOND ISSUE		
Total principal and interest	6,403,672	7,028,593
Years remaining	<u>13</u>	<u>14</u>
Average annual debt service requirement	<u>492,590</u>	<u>502,042</u>
2018A BOND ISSUE		
Total principal and interest	12,130,089	12,766,854
Years remaining	<u>19</u>	<u>20</u>
Average annual debt service requirement	<u>638,426</u>	<u>638,343</u>
2018B BOND ISSUE		
Total principal and interest	6,039,592	6,711,115
Years remaining	<u>9</u>	<u>10</u>
Average annual debt service requirement	<u>671,066</u>	<u>671,112</u>
2019 BOND ISSUE		
Total principal and interest	11,692,816	
Years remaining	<u>20</u>	
Average annual debt service requirement	<u>584,641</u>	
SUM OF AVERAGE ANNUAL DEBT SERVICE REQUIREMENT FOR ALL OUTSTANDING ISSUES	<u>6,314,000</u>	<u>5,919,397</u>
DEBT SERVICE COVERAGE RATIO	1.75	1.76
REQUIRED DEBT SERVICE COVERAGE RATIO - BONDS	<u>1.25</u>	<u>1.25</u>
EXCESS - BONDS	<u>0.50</u>	<u>0.51</u>
REQUIRED DEBT SERVICE COVERAGE RATIO - LOAN	<u>1.35</u>	<u>1.35</u>
EXCESS - LOAN	<u>0.40</u>	<u>0.41</u>

DAWSON PUBLIC POWER DISTRICT
SCHEDULE OF INSURANCE COVERAGE
(UNAUDITED)
YEAR ENDED DECEMBER 31, 2019

INSURER

Federated Rural Electric Insurance Exchange
P.O. Box 15147
Lenexa, Kansas 66285-5147

Type of Insurance	Policy Number	Policy Effective Date	Limits (\$)	
General	26 ARB 030-18	1/1/18 to 1/1/20	Each occurrence	2,000,000
			Damage to rented premises	2,000,000
			Medical expenses (per person)	1,000
			Personal and adv. injury	2,000,000
Automobile liability	26 ARB 030-18	1/1/18 to 1/1/20	Combined single limit	2,000,000
Workers' compensation and employers' liability	26 WC 030-19	7/1/19 to 7/1/20	WC limits	Statutory
			E.L. each accident	500,000
			E.L. each employee	500,000
			E.L. disease each employee	500,000
All risk property including physical damage to vehicles and cyber liability	26 ARB 030-18	1/1/18 to 1/1/20	Deductibles	Property limit
			Property - \$500	
			Comp - \$100	59,913,047
			Collision - \$500	
Boiler and machinery	1-OE78259-TIL-18	1/1/18 to 1/1/20	Deductible	Property limit
			Property - \$2500	
			Generators - \$5000	5,864,799
Commercial umbrella	26 UMB 030-18	1/1/18 to 1/1/20	Occurrence	4,000,000
Directors, officers, and managers liability and corporate indemnification	26 DOM 030-18	1/1/18 to 1/1/20	DOM limit	10,000,000
			Fiduciary limit	1,000,000
			Deductible	2,500



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
CERTAIN PROVISIONS OF THE BOND RESOLUTIONS

To the Board of Directors
Dawson Public Power District
Lexington, Nebraska

We have audited, in accordance with generally accepted auditing standards, the statements of net position of Dawson Public Power District as of December 31, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and have issued our report thereon dated May 19, 2020.

In connection with the audit, nothing came to our attention that caused us to believe that the District failed to comply with the covenants, agreements, or conditions of the Dawson Public Power District Electric System Revenue Bond Resolutions providing for issuance of revenue bonds insofar as they relate to financial and accounting matters as follows:

- Series 2013A, adopted January 15, 2013
- Series 2013B, adopted June 5, 2013
- Series 2014A, adopted July 17, 2014
- Series 2015A, adopted August 12, 2015
- Series 2015B, adopted September 17, 2015
- Series 2016A, adopted July 20, 2016
- Series 2016B, adopted August 24, 2016
- Series 2017A, adopted August 23, 2017
- Series 2017B, adopted October 4, 2017
- Series 2018A, adopted July 18, 2018
- Series 2018B, adopted September 18, 2018
- Series 2019, adopted August 22, 2019

However, our audit was not directed primarily toward obtaining knowledge of noncompliance with the Bond Resolutions. The financial statements of Dawson Public Power District contain bond covenant ratios on the schedule of debt service coverage.

This report is intended solely for the information and use of the Board of Directors and management of Dawson Public Power District; Pinnacle Bank, Lexington, Nebraska; and Ameritas Investment Corp., Omaha, Nebraska, and should not be used for any other purpose.

Dana F. Cole + Company, LLP

Grand Island, Nebraska
May 19, 2020



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Dawson Public Power District
Lexington, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Dawson Public Power District, as of and for the year ended December 31, 2019, which collectively comprise Dawson Public Power District's basic financial statements, and have issued our report thereon dated May 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dawson Public Power District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dawson Public Power District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Dawson Public Power District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

Management's Responsibility for Compliance

Compliance with certain provisions and laws, regulations, contracts, and grant agreements related to the District is the responsibility of the District's management.

Auditors' Responsibility

As part of obtaining reasonable assurance about whether Dawson Public Power District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dawson Public Power District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dana F Cole + Company, LLP

Grand Island, Nebraska
May 19, 2020

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019

There were no findings for the current year audit.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2019

There were no findings for the prior year audit.