DAWSON PUBLIC POWER DISTRICT

LEXINGTON, NEBRASKA

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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, 2023

## DIRECTORS

| Name | Address | Principal Business |
|---|---|---|
| Brad Brodine | Elm Creek, Nebraska | Farming |
| A. C. Hecox, II | Gothenburg, Nebraska | Farming |
| Joe Jeffrey | Lexington, Nebraska | Farming |
| Tyler Kugler | Elwood, Nebraska | Farming |
| Bob Kennicutt | Eddyville, Nebraska | Farming |
| Dan Muhlbach | Pleasanton, Nebraska | Farming |
| Page Peterson | Gothenburg, Nebraska | Farming |
| Paul Pieper | North Platte, Nebraska | Farming |
| Rodger White | Hershey, Nebraska | Farming |
| Craig Wietjes | Riverdale, Nebraska | Ag Sales |
| Mary Wroblewski | Ravenna, Nebraska | Education |

## OFFICERS, GENERAL MANAGER, AND ATTORNEY

| | |
|---|---|
| Dan Muhlbach | President |
| Craig Wietjes | Vice President |
| Page Peterson | Treasurer |
| Gwen Kautz | General Manager |
| Bronson Malcom | Secretary and Attorney |

DANA F. COLE & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of Dawson Public Power District, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements which collectively comprise Dawson Public Power District's basic financial statements as listed in the table of contents.

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, 2023 and 2022, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dawson Public Power District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dawson Public Power District's ability to continue as a going concern for twelve months beyond the financial statement date including any currently known information that may raise substantial doubt shortly thereafter.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may include collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Dawson Public Power District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dawson Public Power District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 15, the schedule of changes in total OPEB liability on page 50, and the schedule of employer's required contributions on pages 51 - 52 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 audits 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.

*Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Dawson Public Power District's financial statements as a whole. The schedule of maturities of long-term debt on page 53 and the schedules of debt service coverage on pages 54 - 55 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

*Other Information*

Management is responsible for the other information included in the annual report. The schedule of insurance coverage on page 56 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2024, on our consideration of Dawson Public Power 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 T. Cole + Company, LLP

Grand Island, Nebraska
June 1, 2024

## 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 16 and contains forward-looking statements based largely on the District's current plans.

## USING THIS ANNUAL REPORT

This annual report consists of the following basic financial statements. The Statement of Net Position reflects the assets and deferred inflows, liabilities, and deferred outflows, and the residual net position of the District at year end. The Statement of Revenues, Expenses, and Changes in Net Position accounts for all revenues and expenses during the year. The Statement of Cash Flows reports all cash receipts and payments by operating, capital and related financing, and investing activities. The notes to the financial statements provide additional information to support the financial statements.

## FINANCIAL POSITION

The following table summarizes the District's financial position at December 31, 2023, 2022, and 2021:

**Condensed Statements of Net Position**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Capital assets, net | 198,550,507 | 194,754,260 | 191,958,130 |
| Noncurrent assets | 1,077,521 | 1,071,160 | 1,050,308 |
| Deferred outflows of resources | 2,821,087 | 3,141,156 | 2,204,259 |
| Current assets | 42,769,131 | 40,236,852 | 29,638,806 |
| Total assets | 245,218,246 | 239,203,428 | 224,851,503 |
| Net position | 168,847,931 | 158,867,167 | 149,421,089 |
| Deferred inflows of resources | 8,848,817 | 8,973,832 | 4,444,139 |
| Long-term debt | 41,409,487 | 46,020,187 | 50,535,267 |
| Other noncurrent liabilities | 11,416,325 | 11,237,346 | 9,483,361 |
| Current liabilities | 14,695,686 | 14,104,896 | 10,967,647 |
| Total liabilities and net position | 245,218,246 | 239,203,428 | 224,851,503 |

**FINANCIAL POSITION** (Continued)

**Operating Results**

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Operating revenues | 69,007,660 | 66,874,464 | 62,440,440 |
| Operating expenses | | | |
| Cost of power purchased | (35,443,498) | (33,849,429) | (32,142,706) |
| Other operating expenses | (22,940,345) | (22,430,744) | (20,859,918) |
| Operating income | 10,623,817 | 10,594,291 | 9,437,816 |
| Investment and other income | 735,083 | 358,542 | 141,471 |
| Debt and other expenses | (1,378,136) | (1,506,755) | (1,550,902) |
| Increase in net position | 9,980,764 | 9,446,078 | 8,028,385 |

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

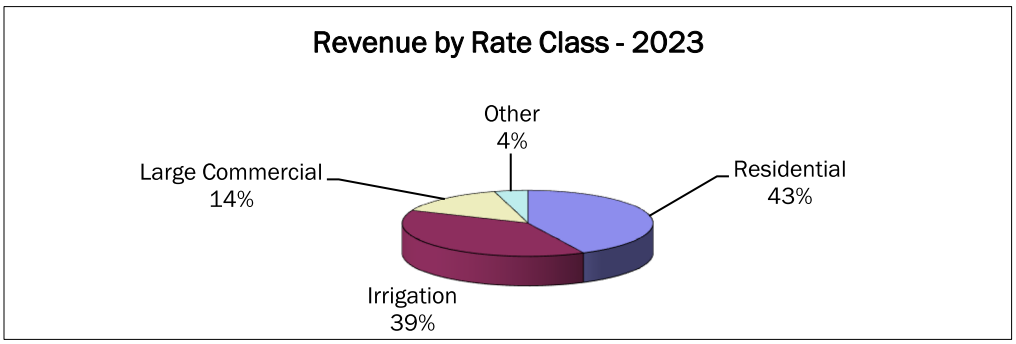
**OPERATING REVENUES**

2023 Compared to 2022

Total operating revenues were $69,007,660 for the year ended December 31, 2023, an increase of $2,133,196 or 3.19%, from 2022 operating revenues of $66,874,464.

2022 Compared to 2021

Total operating revenues were $66,874,464 for the year ended December 31, 2022, an increase of $4,434,024 or 7.10%, from 2021 operating revenues of $62,440,440.



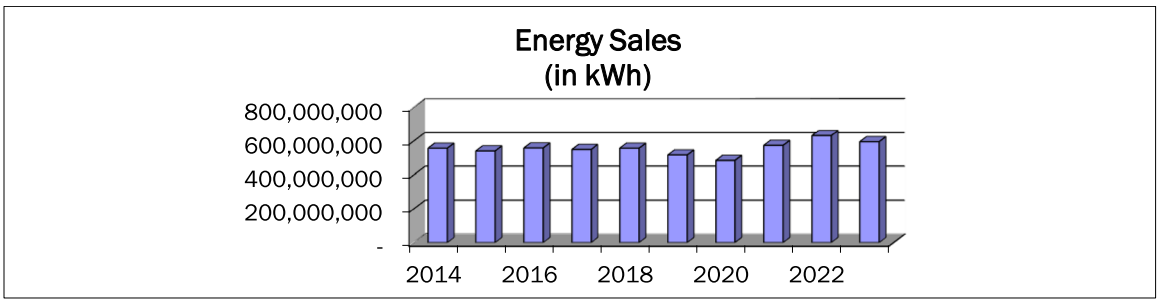
## ENERGY SALES

2023 Compared to 2022

Total energy sales were 595,436,489 kilowatt-hours (kWh) for the year ended December 31, 2023, a decrease of 36,696,415 kWh, or 5.8% from 2022 energy sales of 632,132,904 kWh.

2022 Compared to 2021

Total energy sales were 632,132,904 kilowatt-hours (kWh) for the year ended December 31, 2022, an increase of 61,368,641 kWh, or 10.75% from 2021 energy sales of 570,764,263 kWh.




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

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Energy Sales | | | |
| Residential | 255,966,836 | 257,776,846 | 246,856,862 |
| Irrigation | 179,694,379 | 215,843,390 | 164,948,930 |
| Small commercial | 25,099,571 | 24,821,973 | 23,868,027 |
| Large commercial | 133,917,002 | 132,924,259 | 134,314,726 |
| Public street and highway lighting | 758,701 | 766,436 | 775,718 |
| Total energy sales | 595,436,489 | 632,132,904 | 570,764,263 |

## OPERATING EXPENSES

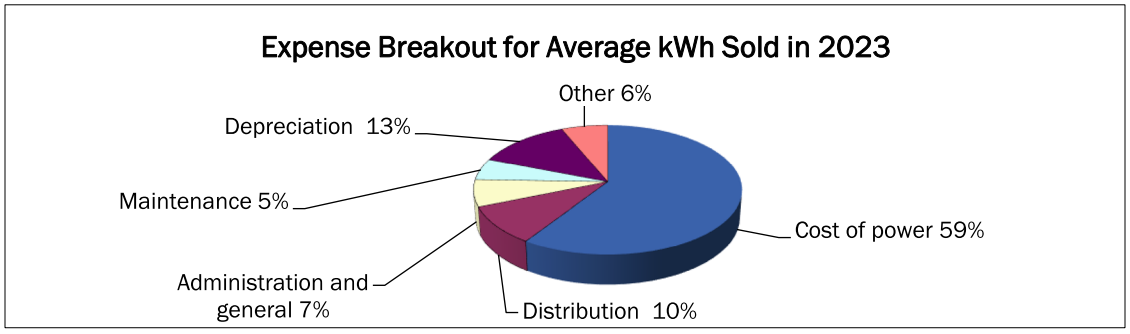
2023 Compared to 2022

Total operating expenses were $58,383,843 for the year ended December 31, 2023, an increase of $2,103,670, or 3.7% from 2022 operating expenses of $56,280,173.

2022 Compared to 2021

Total operating expenses were $56,280,173 for the year ended December 31, 2022, an increase of $3,277,549, or 6.2%, from 2021 operating expenses of $53,002,624.

**OPERATING EXPENSES** (Continued)




**INTEREST EXPENSE**

Total interest expense was $1,239,881 for the year ended December 31, 2023, a decrease of 6.8% or $90,596, from 2023 interest expense of $1,330,477.

Total interest expense was $1,330,477 for the year ended December 31, 2022, a decrease of 5.8%, or $81,738, from 2021 interest expense of $1,412,215.

**NUMBER OF CONSUMERS**

The District served an average of 23,414 customers for the year ended December 31, 2023, an increase of 132 over the average number of customers for 2022 of 23,282.

The District served an average of 23,282 customers for the year ended December 31, 2022, an increase of 104 over the average number of customers for 2021 of 23,178.

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

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Number of Customers | | | |
| Residential | 16,030 | 15,939 | 15,865 |
| Irrigation | 5,848 | 5,808 | 5,783 |
| Small commercial | 1,333 | 1,333 | 1,332 |
| Large commercial | 195 | 194 | 190 |
| Public street and highway lighting | 8 | 8 | 8 |
| Total | 23,414 | 23,282 | 23,178 |

**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 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% - 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% - 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% - 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% - 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 in 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% - 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 in 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% - 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 in 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% - 3.00%. Interest is payable on June 1 and December 1 each year beginning December 1, 2019.

**FINANCING** (Continued)

In 2020, the District issued $5,225,000 in Electric System Revenue Refunding Bonds, Series 2020. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2015A Series. Principal is due annually on August 15 in varying amounts beginning August 15, 2021, and ending August 15, 2034. The 2020 Series bonds bear interest at a rate of 2.00%. Interest is payable on February 15 and August 15 each year beginning February 15, 2021.

In 2020, the District took out a tax-exempt loan from CoBank, T01. The proceeds of the loan were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2013A Series. Principal and interest are due monthly in varying amounts beginning October 20, 2020, and ending June 20, 2029. The loan has an interest rate of 1.47%.

In 2020, the District took out a tax-exempt loan from CoBank, T02. The proceeds of the loan were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2015B Series. Principal and interest are due monthly in varying amounts beginning October 20, 2020, and ending May 20, 2028. The loan has an interest rate of 1.29%.

## CASH FLOWS

The District incurred cash and cash equivalents net increase of $623,498 for the year ended December 31, 2023, and a net increase in cash and cash equivalents of $8,572,732 and $5,372,950 for the years ended December 31, 2022 and 2021, respectively. The following table illustrates the cash flows by activity.

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Cash Flows | | | |
| Cash flows provided by operating activities | 18,657,446 | 25,450,178 | 19,180,667 |
| Cash flows used in capital and financing activities | (18,461,261) | (17,294,140) | (14,096,457) |
| Cash flows provided by investing activities | 427,312 | 416,694 | 288,740 |
| Increase in cash and cash equivalents | 623,498 | 8,572,732 | 5,372,950 |

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 2023, the debt-to-equity ratio is 1 - 2.21 or $76,370,315 - $168,847,931. 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.

## 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.

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Debt service coverage | | | |
| Net available for debt service | | | |
| Increase in net position | 9,980,764 | 9,446,078 | 8,028,385 |
| Depreciation/amortization | 7,651,289 | 7,446,666 | 7,271,294 |
| Interest expense | 1,239,881 | 1,330,477 | 1,412,215 |
| Net available for debt service | 18,871,934 | 18,223,221 | 16,711,894 |
| Sum of average annual debt service requirement | 5,194,192 | 5,247,530 | 5,290,529 |
| Debt service coverage | 3.63 | 3.47 | 3.16 |
| Required debt service coverage | 1.25 | 1.25 | 1.25 |

## 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 78. The RS Plan must file annual reports with the U.S. Department of

**RETIREMENT PLAN** (Continued)

Labor (Form 5500) that include a copy of the RS Plan's 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 72 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 adjustments (COLA) 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 22.52% and 21.86% for 2023 and 2022, respectively. The required contribution rate for the District's employees was 0.00% for years 2023 and 2022. Contributions to the RS Plan were $1,568,418 and $1,467,165 in 2023 and 2022, respectively. These contributions represented less than 5.00% 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, 2023 and 2022.

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, 2022, and over 80% funded at January 1, 2021, based on the PPA funding target and PPA actuarial value of assets on those dates.

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

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 $364,336 and $332,193 for 2023 and 2022, respectively.

**RETIREMENT PLAN** (Continued)

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 2023 and $- 0 - in 2022. The assets to fund the obligation and the related liability in the same amounts were approximately $8,482 and $8,111 at December 31, 2023 and 2022, respectively.

## 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, 2023 and 2022, and projected expenditures for 2024 and 2025. Its capital program is financed with revenues from operations, investment income, financing proceeds, and cash on hand.

| | Projected | | Actual | |
|---|---|---|---|---|
| | 2025 | 2024 | 2023 | 2022 |
| Transmission plant | 3,000,000 | 3,000,000 | 1,861,348 | 1,665,072 |
| Distribution plant | 10,000,000 | 8,000,000 | 8,553,728 | 5,932,670 |
| General plant | 2,750,000 | 4,750,000 | 1,175,631 | 1,882,359 |
| Total capital program | 15,750,000 | 15,750,000 | 11,590,707 | 9,480,101 |

## 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.

## 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.

| Accounting Policies | Judgments/Uncertainties Affecting Application |
|---|---|
| Regulated operations (GASB 62, Paragraphs 476 - 500) | - External regulatory requirements<br>- Anticipated future regulatory decisions and their impact |
| Environment issues | - Approved methods of cleanup<br>- 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 2024, the District intends to utilize existing cash and investments as well as issue no more than six million dollars in new debt to fund various plant projects, including a transmission project.

The District is currently exploring partnership opportunities with Central Nebraska Public Power and Irrigation District.

## 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, 2023 and 2022, 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, 2023 and 2022. The statements of cash flows provide information about the flow of cash within the District by activities for the two years ended December 31, 2023 and 2022. The notes to the financial statements provide additional detailed information.

## 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, 2023 AND 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

| | 2023 | 2022 |
|---|---|---|
| CAPITAL ASSETS, at cost | | |
| Capital assets | 256,964,881 | 247,925,620 |
| Less accumulated depreciation | (58,414,374) | (53,171,360) |
| Net capital assets | 198,550,507 | 194,754,260 |
| NONCURRENT ASSETS | | |
| Investments | 250,000 | 250,000 |
| Investments in associated organizations | 822,109 | 813,276 |
| Notes receivable, net of current portion | 5,412 | 7,884 |
| Total noncurrent assets | 1,077,521 | 1,071,160 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 16,853,577 | 16,213,895 |
| Cash and cash equivalents - designated postemployment benefits | 972,362 | 935,053 |
| Cash and cash equivalents - designated construction projects | 431,365 | 511,344 |
| Cash and cash equivalents - designated rate stabilization | 8,500,000 | 8,500,000 |
| Cash and cash equivalents - restricted Debt Service Fund | 1,251,931 | 1,225,444 |
| Certificates of deposit | 595,000 | 250,633 |
| Accounts receivable (less provision for doubtful accounts of $216,937 in 2023 and $235,146 in 2022) | 5,446,630 | 5,592,714 |
| Interest receivable | 14,123 | 4,549 |
| Notes receivable, current portion | 2,279 | 58,235 |
| Materials and supplies inventories | 7,409,205 | 6,327,987 |
| Prepaid expenses | 1,292,659 | 616,998 |
| Total current assets | 42,769,131 | 40,236,852 |
| TOTAL ASSETS | 242,397,159 | 236,062,272 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Unamortized accelerated funding payment | | 58,630 |
| Unamortized bond issue costs | 224,058 | 245,702 |
| OPEB - Economic/demographic and assumption changes | 1,952,485 | 2,088,552 |
| Unamortized loss on refunding | 644,544 | 748,272 |
| Total deferred outflows of resources | 2,821,087 | 3,141,156 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | 245,218,246 | 239,203,428 |

See accompanying notes to financial statements.

DAWSON PUBLIC POWER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

| | 2023 | 2022 |
|---|---|---|
| NET POSITION | | |
| Net investment in capital assets | 152,530,320 | 144,218,993 |
| Restricted | 1,251,931 | 1,225,444 |
| Unrestricted | 15,065,680 | 13,422,730 |
| Total net position | 168,847,931 | 158,867,167 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Rate stabilization | 8,500,000 | 8,500,000 |
| Deferred credits | 348,817 | 473,832 |
| Total deferred inflows of resources | 8,848,817 | 8,973,832 |
| LONG-TERM DEBT | | |
| Bonds and loans payable | 46,020,187 | 50,535,267 |
| Less current maturities | (4,610,700) | (4,515,080) |
| Total long-term debt | 41,409,487 | 46,020,187 |
| OTHER NONCURRENT LIABILITIES | | |
| Postemployment benefit obligation | 11,416,325 | 11,237,346 |
| CURRENT LIABILITIES | | |
| Accounts payable | 6,036,132 | 5,607,228 |
| Accrued expenses | 3,776,314 | 3,710,907 |
| Consumer deposits | 272,540 | 271,681 |
| Current maturities of long-term debt | 4,610,700 | 4,515,080 |
| Total current liabilities | 14,695,686 | 14,104,896 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | 245,218,246 | 239,203,428 |

DAWSON PUBLIC POWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| OPERATING REVENUES | | |
| Electric energy sales | | |
| Rural residential | 25,744,657 | 25,829,777 |
| Irrigation | 26,620,879 | 29,007,674 |
| Town and village residential | 3,124,475 | 3,191,775 |
| Small commercial | 2,795,181 | 2,771,040 |
| Large commercial and industrial | 9,950,382 | 9,935,656 |
| Public street and highway lighting | 171,740 | 171,850 |
| Other | 600,346 | 466,692 |
| Provision for rate stabilization | | (4,500,000) |
| Total operating revenues | 69,007,660 | 66,874,464 |
| OPERATING EXPENSES | | |
| Cost of power | 35,443,498 | 33,849,429 |
| Transmission | 109,527 | 127,373 |
| Distribution | 5,696,899 | 5,746,186 |
| Consumer accounts | 1,297,357 | 1,324,423 |
| Consumer service, information, and sales | 972,053 | 951,333 |
| Administration and general | 3,999,209 | 3,736,955 |
| Maintenance | 3,206,562 | 3,017,980 |
| Depreciation and amortization | 7,651,289 | 7,446,666 |
| Taxes | 7,449 | 79,828 |
| Total operating expenses | 58,383,843 | 56,280,173 |
| OPERATING INCOME | 10,623,817 | 10,594,291 |
| INVESTMENT AND OTHER INCOME | | |
| Interest revenue | 670,095 | 97,945 |
| Grant and public assistance revenue | | 16,000 |
| Other revenue | 64,988 | 244,597 |
| Total investment and other income | 735,083 | 358,542 |
| INCREASE IN NET POSITION BEFORE DEBT AND OTHER EXPENSES | 11,358,900 | 10,952,833 |
| DEBT AND OTHER EXPENSES | | |
| Interest expense | 1,239,881 | 1,330,477 |
| Amortization expense | 130,539 | 130,372 |
| Other expenses | 7,716 | 45,906 |
| Total debt and other expenses | 1,378,136 | 1,506,755 |

DAWSON PUBLIC POWER DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| INCREASE IN NET POSITION | 9,980,764 | 9,446,078 |
| NET POSITION, beginning of year | 158,867,167 | 149,421,089 |
| NET POSITION, end of year | 168,847,931 | 158,867,167 |

See accompanying notes to financial statements.

DAWSON PUBLIC POWER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | 69,128,598 | 70,823,765 |
| Cash paid for power | (35,683,730) | (30,962,608) |
| Cash paid for employees | (6,320,980) | (5,824,259) |
| Other cash expenses | (8,466,442) | (8,586,720) |
| Net cash provided by operating activities | 18,657,446 | 25,450,178 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Plant construction and acquisition, net | (12,694,822) | (11,546,267) |
| Principal payments on long-term debt | (4,515,080) | (4,424,000) |
| Payments of interest on long-term debt | (1,251,359) | (1,323,873) |
| Net cash used in capital and related financing activities | (18,461,261) | (17,294,140) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales/maturities of certificates of deposit | | 95,000 |
| Payments for certificates of deposit | (344,367) | |
| Cash received on principal of notes receivable | 58,428 | 7,665 |
| Cash received from investments in cooperatives | 27,360 | 47,755 |
| Proceeds from other income | 28,795 | 173,841 |
| Payments for other expenses | (3,425) | (4,360) |
| Interest received | 660,521 | 96,793 |
| Net cash provided by investing activities | 427,312 | 416,694 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 623,498 | 8,572,732 |
| CASH AND CASH EQUIVALENTS, beginning of year | 27,385,736 | 18,813,004 |
| CASH AND CASH EQUIVALENTS, end of year | 28,009,234 | 27,385,736 |

DAWSON PUBLIC POWER DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| RECONCILIATION OF CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents, unrestricted | 16,853,577 | 16,213,895 |
| Designated cash - postemployment benefits | 972,362 | 935,053 |
| Designated cash - construction projects | 431,365 | 511,344 |
| Designated cash - rate stabilization | 8,500,000 | 8,500,000 |
| Restricted cash - Debt Service Fund | 1,251,931 | 1,225,444 |
| Total cash and cash equivalents | 28,009,235 | 27,385,736 |
| Reconciliation of Operating Income to Net Cash Provided By Operating Activities | | |
| Operating income | 10,623,817 | 10,594,291 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation and amortization | 7,651,289 | 7,446,666 |
| (Increase) decrease in accounts receivable | 146,084 | (490,032) |
| (Increase) decrease in prepaid expenses | (675,662) | (350,112) |
| Decrease in accelerated funding payment | 58,630 | 351,426 |
| (Increase) decrease in OPEB economic/demographic assumption change | 136,066 | (1,413,695) |
| Increase (decrease) in accounts payable | 428,904 | 2,764,360 |
| Increase (decrease) in accrued expenses | 76,885 | 296,356 |
| Decrease in customer deposits and advance payments | 32,454 | (3,067) |
| Increase in rate stabilization | | 4,500,000 |
| Increase (decrease) in postretirement benefit obligation | 178,979 | 1,753,985 |
| Total adjustments | 8,033,629 | 14,855,887 |
| Net cash provided by operating activities | 18,657,446 | 25,450,178 |
| OTHER DISCLOSURES | | |
| Total payments to employees | (8,679,975) | (8,329,222) |
| Payments to employees included in construction and costs of removal | 2,358,995 | 2,504,963 |
| Payments to employees for operating activities | (6,320,980) | (5,824,259) |
| Purchases of materials and supplies | (11,936,632) | (10,299,943) |
| Payments to employees in construction and removal of plant | (2,358,995) | (2,504,963) |
| Cash received for aid to construction | 2,342,876 | 1,846,536 |
| Salvage from retirements | 286,462 | 129,882 |
| Cost of removal | (1,028,533) | (717,779) |
| Cash payments for plant construction and acquisition, net | (12,694,822) | (11,546,267) |

See accompanying 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 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expense Recognition

The District presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement 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 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% - 33.00%. 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.

Cash and Investments

The District follows GASB 31 (as amended by GASB 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments (Continued)

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, 2023 and 2022, 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Leases

The District adopted GASB Statement 87, *Leases*, as of January 1, 2022. A lease liability and a lease asset are recognized at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying assets. The lease liability is measured at the present value of payments expected during the lease term. The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease. The lease liability is reduced as payments are made and interest expense is recognized. The leased asset is generally amortized over the term of the lease unless the useful life of the underlying asset is less. A short-term lease is a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Short-term leases are expensed in period incurred. Contracts that transfer ownership of the underlying assets or contain a bargain purchase option are recognized as financing contracts. The District excludes immaterial leases based on the provisions of GASB 87. This new standard did not affect the District's reporting other than note disclosures.

New Accounting Pronouncements

GASB Statement 96, *Subscription-based Information Technology Arrangements* (SBITAs), was effective for the District's year ended December 31, 2023. The standard requires recognition of an intangible asset for the right-to-use subscriptions and a corresponding subscription liability based on the present value of future payments. The amortization of the subscription asset is then recognized as an outflow of resources over the subscription term. There is an exception for certain short-term SBITAs with a maximum possible term under the contract of 12 months or less including options to extend, regardless of their possibility of being exercised. This change did not have a material effect on the financial statements.

Net Position

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

Net investment in capital assets - 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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position (Continued)

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.

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.

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 amortized 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.

The unamortized portion of Other Post Employment Benefit (OPEB) - economic/demographic and assumption changes as a result of changes in the postemployment benefit obligations are held here. It is netted with deferred inflows of resources for the same purpose.

Deferred Inflows of Resources

Deferred customer credits consist of customer prepayments for energy that will be applied to the customers' future kilowatt hours (kWh) consumption, and customer advances for construction that will be applied once construction begins.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources (Continued)

A rate stabilization reserve is also included in deferred inflows of resources. The District will utilize this to minimize future rate fluctuations.

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 $530,621 and $479,369, in the years ended December 31, 2023 and 2022, 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 $1,707,297 and $1,599,451, in the years ended December 31, 2023 and 2022, respectively.

Retirement Plan

All retirement plan costs are funded as accrued.

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, 2023, was as follows:

| | Balance January 1, 2023 | Additions | Disposals | Balance December 31, 2023 |
|---|---|---|---|---|
| Nondepreciable | | | | |
| Land | 1,483,005 | 5,414 | | 1,488,419 |
| Organizational costs | 2,689 | | | 2,689 |
| Other intangible costs | 169,503 | | | 169,503 |
| Construction in progress | 1,999,513 | 8,054,465 | (8,135,530) | 1,918,448 |
| | 3,654,710 | 8,059,879 | (8,135,530) | 3,579,059 |
| Depreciable | | | | |
| Transmission | 27,897,850 | 1,861,348 | (261,841) | 29,497,357 |
| Distribution | 179,808,563 | 8,553,728 | (2,021,689) | 186,340,602 |
| Leased facilities | 5,651,650 | 102,274 | | 5,753,924 |
| General | 30,912,847 | 1,175,631 | (294,539) | 31,793,939 |
| Total depreciable | 244,270,910 | 11,692,981 | (2,578,069) | 253,385,822 |
| Accumulated depreciation | (53,171,360) | (8,504,790) | 3,261,776 | (58,414,374) |
| Electric plant activity, net | 194,754,260 | 11,248,070 | (7,451,823) | 198,550,507 |

Electric plant activity for the year ended December 31, 2022, was as follows:

| | Balance January 1, 2022 | Additions | Disposals | Balance December 31, 2022 |
|---|---|---|---|---|
| Nondepreciable | | | | |
| Land | 1,351,359 | 131,646 | | 1,483,005 |
| Organizational costs | 2,689 | | | 2,689 |
| Other intangible costs | 169,503 | | | 169,503 |
| Construction in progress | 1,265,152 | 6,143,117 | (5,408,756) | 1,999,513 |
| Total nondepreciable | 2,788,703 | 6,274,763 | (5,408,756) | 3,654,710 |
| Depreciable | | | | |
| Transmission | 26,328,607 | 1,660,441 | (91,198) | 27,897,850 |
| Distribution | 175,370,337 | 5,932,484 | (1,494,258) | 179,808,563 |
| Leased facilities | 5,220,125 | 431,525 | | 5,651,650 |
| General | 30,192,100 | 1,755,530 | (1,034,783) | 30,912,847 |
| Total depreciable | 237,111,169 | 9,779,980 | (2,620,239) | 244,270,910 |
| Accumulated depreciation | (47,941,742) | (7,991,972) | 2,762,354 | (53,171,360) |
| Electric plant activity, net | 191,958,130 | 8,062,771 | (5,266,641) | 194,754,260 |

NOTE 2. ELECTRIC PLANT (Continued)

Annual Rates of Depreciation

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

Depreciation and amortization provisions were as follows:

| | 2023 | 2022 |
|---|---|---|
| Charged to depreciation expense | 7,651,289 | 7,446,666 |
| Charged to clearing accounts | 853,502 | 545,306 |
| | 8,504,790 | 7,991,972 |

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following classifications for the years ended December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Customers | 3,491,345 | 3,742,122 |
| Unbilled revenue | 2,104,018 | 1,942,668 |
| Other | 68,204 | 143,070 |
| Total accounts receivable | 5,663,567 | 5,827,860 |
| Allowance for doubtful accounts | (216,937) | (235,146) |
| Accounts receivable, net | 5,446,630 | 5,592,714 |

NOTE 4. DEFERRED OUTFLOWS OF RESOURCES

In March 2013, the District accepted an accelerated funding payment option offered by National Rural Electric Cooperative Association (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 are being amortized over the term of the bonds as a regulatory asset. As of December 31, 2023 and 2022, accumulated unamortized bond issue costs were $224,058 and $245,702, 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, 2023 and 2022, the balance of unamortized loss on refunding was $644,544 and $748,272, respectively.

NOTE 4. DEFERRED OUTFLOWS OF RESOURCES (Continued)

Amortization expense for bond issue costs on outstanding bonds and loss on refunding for the years ended December 31, 2023 and 2022, is $130,539 and $130,372, respectively.

During 2018, the District implemented GASB 75 which created a deferred outflow of resources account for OPEB 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 the years ended December 31, 2023 and 2022, was $309,110. During 2020, the District underwent a new valuation for the postemployment benefit obligation. This valuation created a deferred inflow of resources for economic/demographic and assumption changes in the amount of $2,731,941. This will be amortized over the weighted average expected remaining service lives of 7.3. Amortization for the years ended December 31, 2023 and 2022, was ($374,238). During the year ended December 31, 2022, the District underwent a new valuation for the postemployment benefit obligation. This valuation created a deferred outflow of resources for economic/demographic and assumption changes in the amount of $1,576,370. This will be amortized over the weighted average expected remaining service lives of 6.2. Amortization for the year ended December 31, 2023, was $254,253.

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 can be 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, 2023 and 2022, is as follows:

| | 2023 | 2022 |
|---|---|---|
| Statement of net position classification: | | |
| Cash and cash equivalents | 16,853,577 | 16,213,895 |
| Cash and cash equivalents - designated | 9,903,727 | 9,946,397 |
| Cash and cash equivalents - restricted | 1,251,931 | 1,225,444 |
| Certificates of deposit | 595,000 | 250,633 |
| Investments - CFC Securities | 250,000 | 250,000 |
| Investments in associated organizations | 822,109 | 813,276 |
| | 29,676,344 | 28,699,645 |

NOTE 6. CASH AND INVESTMENTS (Continued)

| | 2023 | 2022 |
|---|---|---|
| Comprised of: | | |
| Checking, savings, money market accounts | 24,905,937 | 27,327,508 |
| Certificates of deposit | 595,000 | 250,633 |
| US Treasury Bills | 1,486,242 | |
| Nebraska Public Agency Investment Trust (NPAIT) | 1,617,055 | 58,228 |
| Investments - CFC Securities | 250,000 | 250,000 |
| Investments in associated organizations | 822,109 | 813,276 |
| | 29,676,344 | 28,699,645 |

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 (FDIC) or collateralized with securities held by the pledging bank's agent in the District's name.

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 investments are subject to interest rate risk, custodial credit risk, and concentrations of credit risk.

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 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, 2023 and 2022, are obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government, except for the commercial paper, which is not rated.

Custodial Credit Risk - 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 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

NOTE 6. CASH AND INVESTMENTS (Continued)

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, 2023 and 2022, the District's investments are uninsured and held by the counterparty's agent in the District's name.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2023 and 2022, all of 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 Federal Deposit Insurance Corporation (FDIC) limits.

Investment and Custodial Credit Risk

Investments are limited by state law to the following:

a. Direct obligations of the U.S. government, its agencies, and instrumentalities to which the full faith and credit of the U.S. government is pledged, or obligations to the payment of which the full faith and credit of the state is pledged.

b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

c. With certain limitations, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements.

d. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and its obligations of the National Mortgage Association.

e. Money market funds regulated by the Securities and Exchange Commission (SEC) and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

The Nebraska Public Agency Investment Trust (NPAIT) was established in June 1996, through the Interlocal Cooperation Act. 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 currently consists of and operates one daily portfolio and a fixed-term account. NPAIT portfolio management generally follows

NOTE 6. CASH AND INVESTMENTS (Continued)

Investment and Custodial Credit Risk (Continued)

established investment criteria designed to offer acceptable yield while maintaining liquidity and safety. NPAIT is not registered with the SEC as an investment company. The most recent audit report for NPAIT, is available via the NPAIT website at https://www.npait.com.

NPAIT Deposits

State law requires collateralization of deposits with Federal depository insurance or with U.S. Treasury and U.S. Agency securities having an aggregate value at least equal to the balance of deposits. As of December 31, 2023, all of NPAIT's deposits were insured and collateralized by securities held by the pledging financial institution in other than the NPAIT's name.

Investments

NPAIT's short-term investment portfolio consists of cash and short-term investments valued at amortized cost, which approximates fair value due to the short-term nature of the instruments. This involves valuing a portfolio security at its original cost on the date of purchase and thereafter amortizing any premium or discount on the straight-line basis to maturity. The amount of premium or discount amortized to income under the straight-line method does not differ materially from the amount that would be amortized to income under the interest method. Procedures are followed to maintain a constant net position value of $1.00 per unit in NPAIT.

At December 31, 2023, the District had $1,617,055 in NPAIT investments. These investments consisted of government agency securities and repurchase agreements that were collateralized by U.S. government securities.

The District is exposed to the risks noted below in relation to its investments in NPAIT. The District does not have a policy for these risks. The following NPAIT risk policies below were taken from footnotes in the NPAIT audit report.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, all of NPAIT's investments have maturities of less than two years.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. According to the latest audit report of NPAIT, as of June 30, 2023, NPAIT limits the investments to certain fixed income instruments which school entities are permitted to invest in under Nebraska law. As of June 30, 2023, the

NOTE 6. CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk (Continued)

investment portfolio was comprised of investments that were, in aggregate, rated by Standard & Poor's (S&P) as shown in the table below. The rates include the ratings of collateral underlying repurchase agreements in effect at June 30, 2023.

| Security Type | S&P Rating | Percent of Portfolio |
|---|---|---|
| Certificates of deposit | A1/A1+ | 21.68% |
| FDIC insured certificates of deposit | Not rated | 11.07% |
| Commercial paper | A1/A1+ | 29.76% |
| Corporate note | A1+ | 0.73% |
| Funding agreement | A1 | 0.73% |
| Money market accounts | AAAm | 7.02% |
| Demand deposits | A1/A1+ | 13.71% |
| U.S. Government agency obligations | AA+ | 0.45% |
| Repurchase agreements | AA+ | 14.85% |

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, NPAIT will not be able to recover the value of its investment or collateral securities that are in the possession of the outside party. NPAIT has no specific policy as to credit risk. All of the underlying securities for the NPAIT's investments in repurchase agreements at June 30, 2023, are held by the counterparties in NPAIT's name.

Concentration of Credit Risk

NPAIT places no limit on the amount that may be invested in any one issuer. As of June 30, 2023, NPAIT held no investments that were more than 5% in any one issuer.

NOTE 7. FAIR VALUE MEASUREMENTS

The District utilizes GASB 72, *Fair Value Measurement and Application*, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. GASB 72 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in GASB 72, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTE 7. FAIR VALUE MEASUREMENTS (Continued)

The District's values include assumptions about the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable inputs. The District utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the District is required to provide the following information according to the fair value hierarchy.

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Includes investments with quoted prices in active markets for identical assets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets.

Level 2 - Includes investments that are traded in less active dealer or broker markets or obtain other observable valuations.

Level 3 - Includes investments that are derived from other valuation methodologies, which incorporate certain assumptions and projections in determining the fair value assigned to such assets.

For the years ended December 31, 2023 and 2022, the application of valuation techniques applied to similar assets has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Level 1 Measurements

The District currently has 3 month US Treasury Bills that are classified as Level 1 investments.

Level 2 Measurements

The NPAIT funds are considered Level 2 investments and are valued at amortized cost which approximates fair value.

Level 3 Measurements

The Cooperative Finance Corporation (CFC) notes and certificates are valued based on fair value which is approximately equal to cost as listed on monthly reports obtained from the agency. Investments in associated organizations are also not traded and are valued at the allocated patronage capital to date.

NOTE 7. FAIR VALUE MEASUREMENTS (Continued)

Level 3 Measurements (Continued)

The table below presents the balances of assets measured at December 31, 2023 and 2022:

| | 2023 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Investments | | | | |
| US Treasury Bill | 1,486,242 | 1,486,242 | | |
| NPAIT | 1,617,055 | | 1,617,055 | |
| CFC - Select Notes | 250,000 | | | 250,000 |
| Associated organizations | 822,109 | | | 822,109 |
| Total | 4,175,406 | 1,486,242 | 1,617,055 | 1,072,109 |

| | 2022 | | | |
|---|---|---|---|---|
| | Total | Level 1 | Level 2 | Level 3 |
| Investments | | | | |
| NPAIT | 58,228 | | 58,228 | |
| CFC - Select Notes | 250,000 | | | 250,000 |
| Associated organizations | 813,276 | | | 813,276 |
| Total | 1,121,504 | | 58,228 | 1,063,276 |

NOTE 8. NOTES RECEIVABLE

The following loans are managed by the 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 3.50% and is scheduled for repayment in 60 monthly installments of $341 beginning November 2016 and ending October 2021. This loan was paid in full in 2023.

During 2016, the District loaned $75,000 to Bella Italia for an economic development project in Cozad, Nebraska. The loan bears interest of 3.50% and is scheduled for repayment in 72 monthly installments of $1,156 beginning December 2016 and ending November 2022. This loan was paid in full in 2023.

During 2017, the District loaned $20,263 to Cozad Floral for an economic development project in Cozad, Nebraska. The loan bears interest of 3.50% and is scheduled for repayment in 120 monthly installments of $200 beginning March 2017 and ending January 2027.

NOTE 8. NOTES RECEIVABLE (Continued)

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

| | 2023 | 2022 |
|---|---|---|
| Beginning balance | 66,119 | 73,784 |
| Repayments | (58,428) | (7,665) |
| Ending balance | 7,691 | 66,119 |
| Less current maturity | 2,279 | 58,235 |
| Thereafter | 5,412 | 7,884 |

Annual maturities of the notes receivable at December 31, 2023, are as follows:

| Years Ending December 31, | Cozad Floral |
|---|---|
| 2024 | 2,279 |
| 2025 | 2,420 |
| 2026 | 2,569 |
| 2027 | 423 |
| | 7,691 |

NOTE 9. LONG-TERM DEBT

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% - 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% - 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% - 3.40%. Interest is payable on June 1 and December 1 each year beginning December 1, 2017.

NOTE 9. LONG-TERM DEBT (Continued)

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% - 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% - 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% - 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% - 3.00%. Interest is payable on June 1 and December 1 each year beginning December 1, 2019.

In 2020, the District issued $5,225,000 Electric System Revenue Refunding Bonds, Series 2020. The proceeds from the bonds were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2015A Series. Principal is due annually on August 15 in varying amounts beginning August 15, 2021, and ending August 15, 2034. The 2020 Series bonds bear interest at a rate of 2.00%. Interest is payable on February 15 and August 15 each year beginning February 15, 2021.

Direct Borrowings

In 2020, the District took out a tax-exempt loan from CoBank, T01. The proceeds of the loan were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2013A Series. Principal and interest are due monthly in varying amounts beginning October 20, 2020, and ending June 20, 2029. The loan has an interest rate of 1.47%.

NOTE 9. LONG-TERM DEBT (Continued)

Direct Borrowings (Continued)

In 2020, the District took out a tax-exempt loan from CoBank, T02. The proceeds of the loan were used to refund the remaining bonds outstanding from the Electric System Revenue Bonds, 2015B Series. Principal and interest are due monthly in varying amounts beginning October 20, 2020, and ending May 20, 2028. The loan has an interest rate of 1.29%.

A summary of long-term debt is shown below:

| | 2023 | 2022 |
|---|---|---|
| Electric System Revenue Bonds - 2016A | 2,685,000 | 3,185,000 |
| Electric System Revenue Bonds - 2016B | 4,675,000 | 4,980,000 |
| Electric System Revenue Bonds - 2017A | 7,345,000 | 7,780,000 |
| Electric System Revenue Bonds - 2017B | 3,520,000 | 4,050,000 |
| Electric System Revenue Bonds - 2018A | 7,530,000 | 7,920,000 |
| Electric System Revenue Bonds - 2018B | 3,075,000 | 3,640,000 |
| Electric System Revenue Bonds - 2019 | 7,840,000 | 8,355,000 |
| Electric System Revenue Bonds - 2020 | 4,155,000 | 4,520,000 |
| CoBank Loan T01 - Direct Borrowing | 2,209,837 | 2,465,917 |
| CoBank Loan T02 - Direct Borrowing | 2,985,350 | 3,639,350 |
| Total outstanding | 46,020,187 | 50,535,267 |
| Less current maturities | (4,610,700) | (4,515,080) |
| Long-term debt, excluding current installments | 41,409,487 | 46,020,187 |
| Balances, beginning of year | 50,535,267 | 54,959,267 |
| Principal paid | (4,515,080) | (4,424,000) |
| Balances, end of year | 46,020,187 | 50,535,267 |

NOTE 9. LONG-TERM DEBT (Continued)

Direct Borrowings (Continued)

Annual maturities of long-term debt at December 31, 2023, are as follows:

| Years Ended December 31, | Revenue Bonds | Loans | Interest | Total |
|---|---|---|---|---|
| 2024 | 3,690,000 | 920,700 | 1,157,499 | 5,768,199 |
| 2025 | 3,775,000 | 934,200 | 1,058,511 | 5,767,711 |
| 2026 | 3,865,000 | 948,480 | 954,129 | 5,767,609 |
| 2027 | 3,630,000 | 960,840 | 744,918 | 5,335,758 |
| 2028 | 3,380,000 | 965,390 | 849,464 | 5,194,854 |
| 2029 - 2033 | 13,900,000 | 465,577 | 2,424,673 | 16,790,250 |
| 2034 - 2038 | 8,330,000 | | 626,261 | 8,956,261 |
| 2039 | 255,000 | | 3,825 | 258,825 |
| | 40,825,000 | 5,195,187 | 7,819,280 | 53,839,467 |

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

NOTE 10. ACCRUED EXPENSES

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

| | 2023 | 2022 |
|---|---|---|
| Property taxes | 501,715 | 513,741 |
| Payroll taxes | 32,132 | 25,524 |
| Sales tax | 175,177 | 188,046 |
| Interest on long-term debt | 115,142 | 126,620 |
| Payroll and vacation | 2,826,828 | 2,697,242 |
| Other | 125,319 | 159,734 |
| Total | 3,776,313 | 3,710,907 |

NOTE 11. 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.

NOTE 11. 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 RS Plan, sponsored and administered by NRECA, is a cost sharing pension plan that has the characteristics described in paragraph 2 of GASB Statement 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 72 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 22.52% and 21.86% for the years ended December 31, 2023 and 2022, respectively. The required contribution rate for the District's employees was - 0 -% for the years ended December 31, 2023 and 2022. Contributions to the RS Plan were $1,568,418 and $1,467,165, for the years ended December 31, 2023 and 2022, respectively. These contributions represented less than 5.00% of the total contributions made to the plan by all participating employers. The RS Plan must meet minimum funding requirements under the Employee Retirement Income Security Act of 1974 (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, 2023 and 2022.

NOTE 11. RETIREMENT AND DEFERRED COMPENSATION PLANS (Continued)

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, 2022, and over 80% funded at January 1, 2021, based on the PPA funding target and PPA actuarial value of assets on those dates.

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

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 $364,336 and $332,193 for the years ended December 31, 2023 and 2022, 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 2023 and $- 0 - in 2022. The assets to fund the obligation and the related liability in the same amounts were approximately $8,482 and $8,111 at December 31, 2023 and 2022, respectively.

NOTE 12. 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.

The District is amortizing the prepayment over 10 years, the original estimated benefit period. The District amortized the remaining balance of $58,605 during 2023.

## NOTE 13. 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 14. 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, GASB has issued Statement 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 45.

GASB Statement 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.

An actuarial study is done biannually to value the OPEB liability. The most recent study is as of January 1, 2022.

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.

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, 2022, plan membership consisted of the following:

| | |
|---|---|
| Inactive members currently receiving benefits | 41 |
| Active members | 31 |
| | 72 |

NOTE 14. POSTEMPLOYMENT MEDICAL INSURANCE PLAN (Continued)

Investment Policy

The District's obligation is unfunded at January 1, 2022. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

| | As of January 1, 2022 |
|---|---|
| Actuarial Present Value of Future Benefits | |
| Retired - employees | 3,598,925 |
| Retired - spouses/dependents | 624,827 |
| Actives - employees | 8,050,280 |
| Actives - spouses/dependents | 2,493,283 |
| Total | 14,767,315 |
| | |
| Total OPEB Liability | |
| Retired - employees | 3,598,925 |
| Retired - spouses/dependents | 624,827 |
| Actives - employees | 5,329,723 |
| Actives - spouses/dependents | 1,594,556 |
| Total | 11,148,031 |

The total OPEB liability of the District at December 31, 2023, is projected to be $11,416,325.

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 75, so the net fiduciary position is $- 0 - and the net OPEB liability would be equal to the total OPEB liability.

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| Total OPEB Liability | $9,487,140 | $11,237,346 | $13,521,394 |

NOTE 14. POSTEMPLOYMENT MEDICAL INSURANCE PLAN (Continued)

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 2.74%, as well as the total OPEB liability calculated using a discount rate that is 1-percentage point lower (1.74%) or 1-percentage-point higher (3.74%) than the current rate:

| | 1% Decrease 1.06% | Current Discount Rate 2.06% | 1% Increase 3.06% |
|---|---|---|---|
| Total OPEB Liability | $13,107,437 | $11,237,346 | $9,710,829 |

Schedule of Changes in Total OPEB Liability

| | Fiscal Year Ending December 31, 2023* |
|---|---|
| Total OPEB Liability - beginning of year | 11,237,346 |
| Service cost | 243,685 |
| Interest | 230,666 |
| Difference between expected and actual experience* | - |
| Changes of assumptions | - |
| Benefit payments* | (295,372) |
| Net change in total OPEB liability | 178,979 |
| Total OPEB liability - end of year | 11,416,325 |
| Covered - employee payroll | 3,482,141 |
| Total OPEB liability as a percentage of the covered employee payroll | 327.85% |

*These are to be redetermined using actual employer contributions for the period January 1, 2023, to December 31, 2023. 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.

NOTE 14. POSTEMPLOYMENT MEDICAL INSURANCE PLAN (Continued)

Schedule of Changes in Total OPEB Liability (Continued)

OPEB Expense

| | Fiscal Year Ending December 31, 2023 |
|---|---|
| Service cost | 243,685 |
| Interest | 230,666 |
| Recognition of deferred outflows of resources | |
| Economic/demographic (gains) losses* | 11,329 |
| Assumption changes | 182,787 |
| Total OPEB expense | 668,467 |

*Economic/demographic (gains) and losses for the period ending December 31, 2023, 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.

The amortization period for the January 1, 2023, to December 31, 2023, measurement period was determined as follows:

| | Number of Members | Expected Remaining Service Lives |
|---|---|---|
| As of January 1, 2022 | | |
| Active members | 31 | 14.371 |
| Inactive members | 41 | |
| Weighted average rounded to nearest tenth | 6.2 | |

NOTE 14. POSTEMPLOYMENT MEDICAL INSURANCE PLAN (Continued)

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, 2023, the deferred inflows and outflows of resources are as follows:

| | Deferred Inflows of Resources | Deferred Outflows of Resources |
|---|---|---|
| Differences between expected and actual experience* | (364,619) | 596,565 |
| Changes of assumptions | (870,370) | 2,590,910 |
| Total | (1,234,989) | 3,187,475 |

*Economic/demographic (gains) and losses for the period ending December 31, 2023, should be adjusted by the unamortized balance of the difference between actual and employer contributions.

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:

| Years Ended December 31, | Annual Recognition |
|---|---|
| 2024 | 208,358 |
| 2025 | 208,358 |
| 2026 | 208,358 |
| 2027 | 470,321 |
| 2028 | 364,305 |
| Thereafter | 492,786 |
| | 1,952,486 |

NOTE 14. POSTEMPLOYMENT MEDICAL INSURANCE PLAN (Continued)

Schedule of Deferred Inflows and Outflows of Resources

| | Original Amount | Date Established | Original Recognition Period* | Amount Recognized in Expense Dec 31, 2023 | Balance of Deferred Inflows Dec 31, 2023 | Balance of Deferred Outflows |
|---|---|---|---|---|---|---|
| Economic/demographic | 656,126 | 12/31/2022* | 6.2 | 105,827 | | 504,288 |
| (Gains)/losses | 36,432 | 12/31/2021 | 7.3 | 4,991 | | 21,459 |
| | (806,579) | 12/31/2020 | 7.3 | (110,490) | (364,619) | |
| | 138,615 | 12/31/2018 | 12.6 | 11,001 | | 72,609 |
| | | | | 11,329 | (364,619) | 598,356 |
| Assumption changes | 920,244 | 12/31/2022 | 6.2 | 148,426 | | 623,392 |
| (Gains)/losses | 1,925,362 | 12/31/2020 | 7.3 | (263,748) | (870,370) | |
| | 3,756,172 | 12/31/2018 | 12.6 | 298,109 | | 1,967,518 |
| | | | | 182,787 | (870,370) | 2,590,910 |
| Investment | | | | | | |
| (Gains)/losses | | 12/31/2020 | 5.0 | | | |
| | | 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 15. LINES OF CREDIT

The District has established an $8,000,000 line of credit with National Rural Utilities Cooperative Finance Corporation, 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.

NOTE 16. LEASES

The District has lease agreements with seven towns/villages for lease of the town/village owned utility systems including poles, wires, transformers, and meters. The District collects a lease payment currently at 12% of gross revenues derived from the respective towns/villages as established by contracts. This payment is remitted back to the communities quarterly. Contracts range from 15 - 20 years and expire through 2025. The lease payments are variable and based solely on revenues, accordingly there are no minimum lease payments to consider. The District is generally responsible for routine updates and maintenance.

The lease amounts for the years ended December 31, 2023 and 2022, were $367,260 and $378,659, respectively.

## NOTE 17. 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 18. CONTINGECIES

The District is currently pursuing partnership opportunities with Central Nebraska Public Power and Irrigation District. The outcome of the potential partnership is uncertain and there is no assurance that it will be completed. The financial statements included herein do not reflect any adjustments that may be required as the result of the partnership.

## NOTE 19. SUBSEQUENT EVENT

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 1, 2024, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

DAWSON PUBLIC POWER DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
YEAR ENDED DECEMBER 31, 2023

| | Fiscal Year Ending December 31, 2021 | Fiscal Year Ending December 31, 2022 | Fiscal Year Ending December 31, 2023 |
|---|---|---|---|
| Total OPEB liability - beginning of year | 9,242,906 | 9,483,361 | 11,237,346 |
| Service cost | 207,451 | 236,587 | 243,685 |
| Interest | 255,886 | 230,631 | 230,666 |
| Difference between expected and actual experience | 36,432 | 744,426 | |
| Changes of assumptions | | 920,244 | |
| Benefit payments | (259,314) | (377,903) | (295,372) |
| Net change in total OPEB liability | 240,455 | 1,753,985 | 178,979 |
| Total OPEB liability - end of year | 9,483,361 | 11,237,346 | 11,416,325 |
| Covered-employee payroll | 3,937,482 | 3,239,118 | 3,482,141 |
| Total OPEB liability as a percentage of the covered-employee payroll | 240.85% | 346.93% | 327.85% |

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 for 2018 and 2019 was determined as of January 1, 2018, based on census data collected as of January 1, 2018. The valuation for 2020 was determined as of January 1, 2020, based on census data collected as of January 1, 2020. The valuation for 2022 was determined as of January 1, 2022, based on census data collected as of January 1, 2022. No assets are accumulated in a trust that meets the criteria in GASBS 75, paragraph 4.

Changes in Assumptions

The actuarial valuation reflects the following changes in assumptions from the prior actuarial valuation. The discount rate was changed from 2.74% - 2.06%. The mortality assumption changed to the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP-2021 generational projection for future mortality improvement. Medical inflation for the 2021 plan year was adjusted to - 0 -% based on known premium increases for 2021. Health Reimbursement Account (HRA) increases were adjusted to assume no increase for 4 years, followed by 5.00% increases thereafter. After 2019, HRA contributions do not increase at a defined rate within the plan. Other assumptions were changed based on the best estimate of future experience.

DAWSON PUBLIC POWER DISTRICT
SCHEDULE OF EMPLOYER'S REQUIRED CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2023

| Year | Annual Contribution |
|---|---|
| 2014 | 1,107,651 |
| 2015 | 1,089,558 |
| 2016 | 1,128,475 |
| 2017 | 1,200,487 |
| 2018 | 1,313,225 |
| 2019 | 1,279,937 |
| 2020 | 1,333,779 |
| 2021 | 1,378,227 |
| 2022 | 1,467,165 |
| 2023 | 1,633,887 |

DAWSON PUBLIC POWER DISTRICT
NOTES TO SCHEDULE OF EMPLOYER'S REQUIRED CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2023

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 72 and 72 plan participants for December 31, 2023 and 2022, 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 |
|---|---|---|
| 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 in the plan remained the same, resulting in no change in the required contribution. |
| 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. |
| 2020 | 0% | Very minor change. |
| 2021 | 3% | The Plan was below the 90% funded goal. |
| 2022 | 2% | The Plan was below the 90% funded goal. |
| 2023 | 3% | Actual investment return was lower than the assumed 6.75% annual return. |

SUPPLEMENTARY INFORMATION

DAWSON PUBLIC POWER DISTRICT
SCHEDULE OF MATURITIES OF LONG-TERM DEBT
FOR THE YEAR ENDED DECEMBER 31, 2023

| | 2016A Revenue Bonds | 2016B Revenue Bonds | 2017A Revenue Bonds | 2017B Revenue Bonds | 2018A Revenue Bonds | 2018B Revenue Bonds | 2019 Revenue Bonds | 2020 Revenue Bonds | Direct Borrowing 2020 CoBank Loan 01 | Direct Borrowing 2020 CoBank Loan 02 | Total Long Term Debt Principal | Total Long Term Debt Interest | Total Long Term Debt Payments |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2024 | 515,000 | 310,000 | 445,000 | 540,000 | 400,000 | 580,000 | 530,000 | 370,000 | 260,700 | 660,000 | 4,610,700 | 1,157,499 | 5,768,199 |
| 2025 | 530,000 | 315,000 | 450,000 | 550,000 | 410,000 | 595,000 | 545,000 | 380,000 | 264,000 | 670,200 | 4,709,200 | 1,058,511 | 5,767,711 |
| 2026 | 540,000 | 320,000 | 460,000 | 565,000 | 425,000 | 615,000 | 555,000 | 385,000 | 268,080 | 680,400 | 4,813,480 | 954,129 | 5,767,609 |
| 2027 | 210,000 | 330,000 | 470,000 | 580,000 | 440,000 | 635,000 | 570,000 | 395,000 | 272,280 | 688,560 | 4,590,840 | 744,918 | 5,335,758 |
| 2028 | 215,000 | 335,000 | 480,000 | 270,000 | 450,000 | 650,000 | 580,000 | 400,000 | 679,200 | 286,190 | 4,345,390 | 849,464 | 5,194,854 |
| 2029 - 2033 | 675,000 | 1,830,000 | 2,620,000 | 1,015,000 | 2,480,000 | | 3,165,000 | 2,115,000 | 465,577 | | 14,365,577 | 2,424,673 | 16,790,250 |
| 2034 - 2038 | | 1,235,000 | 2,420,000 | | 2,925,000 | | 1,640,000 | 110,000 | | | 8,330,000 | 626,261 | 8,956,261 |
| 2039 | | | | | | | 255,000 | | | | 255,000 | 3,825 | 258,825 |
| | 2,685,000 | 4,675,000 | 7,345,000 | 3,520,000 | 7,530,000 | 3,075,000 | 7,840,000 | 4,155,000 | 2,209,837 | 2,985,350 | 46,020,187 | 7,819,280 | 53,839,467 |

DAWSON PUBLIC POWER DISTRICT
SCHEDULES OF DEBT SERVICE COVERAGE
YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| NET AVAILABLE FOR DEBT SERVICE | | |
| Increase in net position | 9,980,764 | 9,446,078 |
| Depreciation/amortization | 7,651,289 | 7,446,666 |
| Interest expense | 1,239,881 | 1,330,477 |
| Net available for debt service | 18,871,934 | 18,223,221 |
| 2016A BOND ISSUE | | |
| Total principal and interest | 2,876,600 | 3,434,580 |
| Years remaining | 8 | 9 |
| Average annual debt service requirement | 359,575 | 381,620 |
| 2016B BOND ISSUE | | |
| Total principal and interest | 5,621,610 | 6,056,204 |
| Years remaining | 13 | 14 |
| Average annual debt service requirement | 432,432 | 432,586 |
| 2017A BOND ISSUE | | |
| Total principal and interest | 9,083,918 | 9,736,713 |
| Years remaining | 14 | 15 |
| Average annual debt service requirement | 648,851 | 649,114 |
| 2017B BOND ISSUE | | |
| Total principal and interest | 3,895,683 | 4,519,768 |
| Years remaining | 9 | 10 |
| Average annual debt service requirement | 432,854 | 451,977 |
| 2018A BOND ISSUE | | |
| Total principal and interest | 9,571,439 | 10,211,646 |
| Years remaining | 15 | 16 |
| Average annual debt service requirement | 638,096 | 638,228 |
| 2018B BOND ISSUE | | |
| Total principal and interest | 3,357,150 | 4,027,395 |
| Years remaining | 5 | 6 |
| Average annual debt service requirement | 671,430 | 671,233 |

DAWSON PUBLIC POWER DISTRICT
SCHEDULES OF DEBT SERVICE COVERAGE
YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| 2019 BOND ISSUE | | |
| Total principal and interest | 9,399,101 | 10,140,824 |
| Years remaining | 16 | 17 |
| Average annual debt service requirement | 587,444 | 596,519 |
| 2020 BOND ISSUE | | |
| Total principal and interest | 4,636,400 | 5,091,800 |
| Years remaining | 11 | 12 |
| Average annual debt service requirement | 421,491 | 424,317 |
| 2020-01 LOAN ISSUE | | |
| Total principal and interest | 2,324,821 | 2,615,425 |
| Years remaining | 6 | 7 |
| Average annual debt service requirement | 387,470 | 373,632 |
| 2020-02 LOAN ISSUE | | |
| Total principal and interest | 3,072,746 | 3,769,827 |
| Years remaining | 5 | 6 |
| Average annual debt service requirement | 614,549 | 628,305 |
| SUM OF AVERAGE ANNUAL DEBT SERVICE REQUIREMENT FOR ALL OUTSTANDING ISSUES | 5,194,192 | 5,247,530 |
| DEBT SERVICE COVERAGE RATIO | 3.63 | 3.47 |
| REQUIRED DEBT SERVICE COVERAGE RATIO - BONDS | 1.25 | 1.25 |
| EXCESS - BONDS | 2.38 | 2.22 |
| REQUIRED DEBT SERVICE COVERAGE RATIO - LOAN | 1.35 | 1.35 |
| EXCESS - LOAN | 2.28 | 2.12 |

OTHER INFORMATION

DAWSON PUBLIC POWER DISTRICT
SCHEDULE OF INSURANCE COVERAGE
(UNAUDITED)
YEAR ENDED DECEMBER 31, 2023

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 030-22 | 1/1/22 - 1/1/24 | 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 030-22 | 1/1/22 - 1/1/24 | Combined single limit | 2,000,000 |
| Workers' compensation and employers' liability | 26 WC 030-22 | 7/1/22 - 7/1/23 | 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 030-22 | 1/1/22 - 1/1/24 | Deductibles | Property limit |
| | | | Property - $500 | |
| | | | Comp - $100 | 67,454,339 |
| | | | Collision - $500 | |
| Boiler and machinery | 1-0E78259-TIL-22 | 1/1/22 - 1/1/24 | Deductible | Property limit |
| | | | Property - $2500 | |
| | | | Generators - $5000 | 6,165,857 |
| Commercial umbrella | 26 UMB 030-22 | 1/1/22 - 1/1/24 | Occurrence | 4,000,000 |
| Directors, officers, and managers liability and corporate indemnification | 26 DOM 030-22 | 1/1/22 - 1/1/24 | DOM limit | 10,000,000 |
| | | | Fiduciary limit | 1,000,000 |
| | | | Deductible | 2,500 |

DANA F. COLE & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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, 2023 and 2022, 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 June 1, 2024.

In connection with the audit, nothing came to our attention that caused us to believe that Dawson Public Power District failed to comply with the covenants, agreements, or conditions of 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 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
Series 2020, adopted August 31, 2020

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; CoBank, ACB, Denver, Colorado; First National Capital Markets, Omaha, Nebraska; and Ameritas Investment Corp., Omaha, Nebraska, and should not be used for any other purpose.

Dana F. Cole & Company, LLP

Grand Island, Nebraska
June 1, 2024

DANA F. COLE & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

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, 2023, which collectively comprise Dawson Public Power District's basic financial statements, and have issued our report thereon dated June 1, 2024.

## Report on 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 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.

## Report on Compliance and Other Matters

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 grants, noncompliance with which could have a direct and material effect on the financial statements. 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 Governmental Auditing Standards.

## Response to Finding

*Government Auditing Standards* requires the auditor to perform limited procedures on Dawson Public Power District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. Dawson Public Power District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Dawson Public Power 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 T. Cole + Company, LLP

Grand Island, Nebraska
June 1, 2024

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2023

There were no findings for the year ending December 31, 2023.

DAWSON PUBLIC POWER DISTRICT
LEXINGTON, NEBRASKA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2023

2022-01 INSUFFICIENT DEPOSIT SECURITY

The District is required by state law to assure that all of its deposits and investments held by financial institutions are adequately covered by FDIC insurance or other means, such as pledged securities by the financial institutions holding the deposits. At December 31, 2022, the District had deposits in one financial institution that were not covered by FDIC insurance or pledged securities of the financial institution. The District monitored bank balances and pledged collateral amounts more frequently and did not have a repeat finding for the fiscal year ending December 31, 2023. This is not a recurring finding.