

Omaha Public Power District
457(b) Retirement Savings Plan
(A Component Unit of the Omaha Public Power District)

Financial Statements
as of and for the Years Ended
December 31, 2019 and 2018, and
Independent Auditor's Report

OMAHA PUBLIC POWER DISTRICT
457(b) RETIREMENT SAVINGS PLAN
(A Component Unit of the Omaha Public Power District)

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Independent Auditor's Report

Board of Directors
Omaha Public Power District
Omaha, Nebraska

We have audited the accompanying financial statements of the Omaha Public Power District 457(b) Retirement Savings Plan (the Plan), a component unit of Omaha Public Power District, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position as of December 31, 2019 and 2018, and the changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

BKD, LLP

Omaha, Nebraska
March 12, 2020

**OMAHA PUBLIC POWER DISTRICT
457(b) RETIREMENT SAVINGS PLAN**

(A Component Unit of the Omaha Public Power District)

**STATEMENT OF FIDUCIARY NET POSITION
AS OF DECEMBER 31, 2019 AND 2018
(Dollar amounts in thousands)**

	<u>2019</u>	<u>2018</u>
ASSETS		
Investments - at fair value (Note 4)	\$ 257,582	\$ 222,475
Investments - at contract value (Note 6)	5,976	7,408
Prepaid expenses	5	-
Notes receivable from participants	<u>2,675</u>	<u>2,805</u>
Total Assets	<u>266,238</u>	<u>232,688</u>
LIABILITIES		
Accrued management fees and administrative expenses	<u>27</u>	<u>36</u>
Total liabilities	<u>27</u>	<u>36</u>
NET POSITION - RESTRICTED FOR BENEFITS	<u>\$ 266,211</u>	<u>\$ 232,652</u>

The accompanying notes are an integral part of the financial statements.

**OMAHA PUBLIC POWER DISTRICT
457(b) RETIREMENT SAVINGS PLAN**

(A Component Unit of the Omaha Public Power District)

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Dollar amounts in thousands)**

	<u>2019</u>	<u>2018</u>
ADDITIONS		
Contributions:		
Contributions from employees	\$ 5,471	\$ 5,673
Contributions from employer	2,018	2,122
Rollovers	<u>197</u>	<u>122</u>
Total contributions	<u>7,686</u>	<u>7,917</u>
Investment income/(loss):		
Interest and dividend income	8,459	10,979
Net appreciation/(depreciation) in fair value of investments	<u>46,212</u>	<u>(20,371)</u>
Total investment income/(loss)	<u>54,671</u>	<u>(9,392)</u>
Interest income on notes receivable from plan members	<u>146</u>	<u>138</u>
Total additions/(deductions)	<u>62,503</u>	<u>(1,337)</u>
DEDUCTIONS		
Distributions to plan members	28,813	26,608
Loan fees and other plan expenses	<u>131</u>	<u>164</u>
Total deductions	<u>28,944</u>	<u>26,772</u>
NET CHANGE	33,559	(28,109)
NET POSITION - RESTRICTED FOR BENEFITS		
Beginning of year	<u>232,652</u>	<u>260,761</u>
End of year	<u>\$ 266,211</u>	<u>\$ 232,652</u>

The accompanying notes are an integral part of the financial statements.

**OMAHA PUBLIC POWER DISTRICT
457(b) RETIREMENT SAVINGS PLAN**
(A Component Unit of the Omaha Public Power District)

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The financial statements of the Omaha Public Power District 457(b) Retirement Savings Plan (the “Plan”) have been prepared in accordance with accounting principles generally accepted in the United States of America and Governmental Accounting Standards Board (“GASB”) Codification Section Pe6, *Pension Plans Administered through Trusts That Meet Specified Criteria – Defined Contributions*. Omaha Public Power District (“OPPD”) is not subject to the Employee Retirement Income Security Act (“ERISA”) of 1974. The Plan is a fiduciary component unit of OPPD.

Method Used to Value Investments and Income Recognition — The Plan’s investments are stated at fair value except for its benefit-responsive investment contract, which is valued at contract value (see Note 6). Investments in securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the year. Purchases and sales of securities are recorded on a trade-date basis. Realized gains and losses on sales of investments and unrealized appreciation and depreciation in fair value of investments are based upon beginning of year market values or cost, if acquired during the year. Interest and dividend income is recorded when earned and received on the last day of the quarter.

Contributions — Contributions from Plan members are recorded when received. Employer contributions are also recorded when received. Plan members also may contribute amounts representing rollover distributions from other eligible plans.

Notes Receivable — Notes receivable from Plan members are valued at the outstanding loan balances. Interest income is not accrued or included in this balance. If a Plan member ceases to make loan repayments and the Plan administrator deems the Plan member loan to be in default, the Plan member loan balance is reduced, and a benefit payment is recorded.

Interest Income on Notes Receivable — Interest income is not due until the payment is received and is recorded at that time.

Payment of Benefits — Benefit payments to Plan members are recorded upon distribution.

Expenses of the Plan — Administrative expenses are paid by Plan members through a fixed fee charged to each individual account on a quarterly basis. Administrative expenses consist of consulting fees, audit fees and attorney fees. Loan fees are netted from the loan proceeds paid to Plan members.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of Plan net position and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties — The Plan utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the

level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

2. PLAN DESCRIPTION

The following description of the Plan, as amended January 1, 2013, provides only general information. Plan members should refer to the Plan agreement for a more complete description of the Plan’s provisions.

General — The Plan is a single-employer defined contribution Plan. The Plan was established and may be amended by OPPD’s Board of Directors and is administered through a third-party provider.

Participation — All full-time active employees of OPPD are eligible for Plan participation. Employees are eligible to participate in the Plan as of the first payroll period occurring after the date the employee becomes an eligible employee. Participation in the Plan is voluntary. Membership in the Plan consisted of the following at December 31, 2019 and 2018:

	2019	2018
Terminated Plan members with balances	397	492
Active Plan members	<u>957</u>	<u>873</u>
Total	<u>1,354</u>	<u>1,365</u>

Payment of Benefits — Upon separation of service, Plan members have the following options: lump sum rollover into a traditional Individual Retirement Account (“IRA”) or a qualified Plan; lump sum distribution; installment payments; or defer distribution until a later date or age 70 1/2 if the account is over \$5,000. In an event of the Plan member’s death, the balance in the Plan member’s account is paid to the Plan member’s beneficiaries.

Vesting — Employee contributions and OPPD matching contributions are immediately 100% vested.

Contributions —The maximum contribution for the 457(b) Plan is the total amount of the Plan member’s contribution and the District match, not to exceed 100% of the Plan member’s salary or the annual Internal Revenue Code (“IRC”) contribution limit, whichever is less. The IRC contribution limit was \$19,000 and \$18,500 for the years ended December 31, 2019 and 2018, respectively. The catch-up contribution for Plan members who were 50 years of age or older was \$6,000 for both 2019 and 2018. The minimum contribution is one percent of compensation. Plan members have the right to increase, decrease or discontinue contributions to the Plan with certain restrictions, provided sufficient notification has been given.

OPPD contributes for each Plan member a matching contribution equal to 100% of the Plan member contribution up to \$150 per pay period, plus 50% of the Plan member contribution in excess of \$150, not to exceed 6% of the Plan member compensation with a yearly maximum of \$4,000. OPPD will match contributions to either the Plan or Omaha Public Power District 401(k) Retirement Savings Plan, but not both. If employees participate in both Plans, the employees elect which Plan OPPD will match. Employees with Health Savings Accounts (“HSA”) may elect to split the employer match between their

HSA and Retirement Savings Plan (either 401(k) or 457(b)) subject to the defined maximums, but not to exceed the yearly maximum total employer match of \$4,000.

Plan Member Accounts — Individual accounts are maintained for each Plan member. Each Plan member's account is credited with the Plan member's contribution, OPPD's matching contribution and allocations of Plan earnings, and charged with withdrawals and allocation of Plan losses. Allocations are based on Plan member earnings or account balances, as defined. The benefit to which a Plan member is entitled is the benefit that can be provided from the Plan member's vested account.

Notes Receivable from Plan Members — Plan members may borrow from their individual contribution accounts subject to the maximum of 50% of the present value of the Plan members' vested accrued benefits, not to exceed \$50,000. The minimum loan amount is \$1,000. The maximum number of outstanding loans at one time is two per Plan member. Loan terms range from one to five years or up to ten years for the purchase of a primary residence. Each loan is secured by the Plan member's remaining account balance. Principal and interest payments are made through payroll deductions. As of December 31, 2019 and 2018, the current interest rate is Prime + 1%.

Investments — Plan members direct the investment of their contributions into various investment options offered by the Plan. The Plan offers mutual funds, common trust funds, collective trust funds, and a guaranteed insurance contract as investment options for Plan members.

Plan Termination — While OPPD has not expressed any intent to terminate the Plan, it is free to do so at any time, by action of its Board of Directors. Should the Plan be terminated at some future time, the rights of members to the benefits accrued under the Plan to the date of such termination, to the extent then funded, shall be nonforfeitable.

3. INCOME TAX STATUS

The Plan operates as a governmental plan within the meaning of Section 457(g) of the IRC. Plan management believes that the Plan is designed and operated in compliance with the applicable requirements of the IRC, and the Plan and related trust are tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

4. INVESTMENTS

The Plan has a formal investment policy with specific financial objectives. A broad range of investment options is provided, each with materially different risk and return characteristics, to enable Plan members to construct a portfolio that, in the aggregate, will meet each individual's desired risk and return characteristics and investment goals through separate, diversified investment vehicles. Investment options are selected in accordance with the requirements of Nebraska State Statute Section 30-3884 by requiring reasonable care, skill and caution, as a prudent investor would, in selecting the investment options. The performance of investment options are reviewed periodically on the basis of certain criteria. Investment options which do not meet or exceed these criteria are subject to removal.

The following table presents investments at fair value as determined by quoted market prices as of December 31, 2019. Investments that represent five percent or more of the Plan's net position are separately identified (dollar amounts in thousands):

T. Rowe Price Blue Chip Growth	\$ 43,169
New Economy	29,953
Washington Mutual	22,378
JP Morgan Large Cap Value	21,550
T. Rowe Price Small-Cap Stock	20,928
New Perspective (U.S. & Foreign)	17,634
Europacific Growth	17,527
Fidelity 500 Index	15,760
Other	<u>68,683</u>
 Total investments, at fair value	 <u>\$ 257,582</u>

The following table presents investments at fair value as determined by quoted market prices as of December 31, 2018. Investments that represent five percent or more of the Plan's net position are separately identified (dollar amounts in thousands):

T. Rowe Price Blue Chip Growth	\$ 35,433
New Economy	26,006
Washington Mutual	20,489
JP Morgan Large Cap Value	18,397
T. Rowe Price Small-Cap Stock	17,448
New Perspective (U.S. & Foreign)	14,854
Europacific Growth	14,795
Vanguard Institutional Index	12,620
Other	<u>62,433</u>
 Total investments, at fair value	 <u>\$ 222,475</u>

Custodial Risk — Custodial credit risk is the risk that, in the event of the failure of a depository financial institution or counterparty to the transaction, the Plan will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investment securities are delivered under contractual trust agreements, maintained in the name of the Trust, and not in the title of a third party.

5. FAIR VALUE MEASUREMENTS

The Plan accounts for fair value in accordance with GASB Statement No.72, Fair Value Measurement and Application (GASB 72), which defines fair value, establishes methods for measuring fair value by applying one of three observable valuation approaches (market approach, income approach and cost approach) and establishes required disclosures about fair value measurements.

Fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

GASB 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in an active market for identical assets or liabilities and the lowest priority to unobservable inputs. Financial assets and liabilities are classified in their entirety based on the lowest level input that is significant to the fair value measurement. The three levels of fair value hierarchy defined in GASB 72 are as follows:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs are other than quoted market prices in the active markets included in Level 1, which are either directly or indirectly observable for the asset or liability as of the reporting date. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Pricing inputs include significant inputs that are unobservable and cannot be corroborated by market data. Level 3 assets and liabilities are valued based on internally developed models and assumptions or methodologies using significant unobservable inputs.

The fair value of investments is externally provided by the trustee or the investment managers that manage the funds. The trustee utilizes third-party pricing services to assist in their valuations.

The following tables summarize in accordance with the fair value hierarchy the Plan's assets that are accounted for and reported at fair value on a recurring basis by level as of December 31, 2019 and 2018 (in thousands):

	2019			
	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 178,265	\$ 178,265	\$ -	\$ -
Common trust funds	<u>25,996</u>	<u>-</u>	<u>25,996</u>	<u>-</u>
Total fair value measurement by level	204,261	<u>\$ 178,265</u>	<u>\$ 25,996</u>	<u>\$ -</u>
Investments measured at net asset value (NAV)				
Collective investment funds	<u>53,321</u>			
Total investments measured at fair value	<u>\$ 257,582</u>			

	2018			
	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 154,950	\$ 154,950	\$ -	\$ -
Common trust funds	<u>24,121</u>	<u>-</u>	<u>24,121</u>	<u>-</u>
Total fair value measurement by level	179,071	<u>\$ 154,950</u>	<u>\$ 24,121</u>	<u>\$ -</u>
Investments measured at net asset value (NAV)				
Collective investment funds	<u>43,404</u>			
Total investments measured at fair value	<u>\$ 222,475</u>			

VALUATION METHODOLOGIES

Mutual Funds—Mutual funds are priced using active market exchanges, and sources include Interactive Data Pricing and Reference Data LLC. The fair values of shares in mutual funds are based on inputs that are quoted prices in active markets for identical assets and; therefore, have been categorized as Level 1 assets.

Common Trust Funds – Common trust funds consist of the target-date funds which are age-based retirement investments held by the trustee. A traditional portfolio management methodology is used to target asset allocation over the term of the fund to meet the return objectives. This methodology incorporates the blending of all investment holdings within the Plan. Target-date funds have been categorized as Level 2 assets because a portion of their value was based on assets held in the collective investment funds.

Investments Measured at NAV—The following tables summarize the fair value measurement of investments calculated at NAV per share (or its equivalent) as of December 31, 2019 and 2018 (in thousands).

	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Collective investment funds	\$ 53,231	None	Daily	N/A
Total investments, measured at NAV	<u>\$ 53,231</u>			

	2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Collective investment funds	\$ 43,404	None	Daily	N/A
Total investments, measured at NAV	<u>\$ 43,404</u>			

Collective Investment Funds—These funds invest in equities and fixed income securities including treasuries, agencies, corporate debt, and mortgage-backed securities. The fair value of these investments has been determined using the NAV per share (or its equivalent) of the fund.

6. INVESTMENT POLICY —INVESTMENT CONTRACT WITH INSURANCE COMPANY

The United of Omaha Guaranteed Account (the “Fund”) is an unallocated insurance contract, a stable value investment option managed by United of Omaha. The beneficial interest of each participant is represented by units and the account is comprised of 99% United of Omaha Contracts and 1% Fidelity Institutional Money Market (“FIMM”). It is valued at \$1.00 per unit and has daily interest accrual that posts monthly. The interest is a blended rate of United of Omaha contracts and the FIMM.

The objective of the Fund is to provide safety of principal and guaranteed rates of interest that do not consider market rates, and the strategy is to provide a well-diversified portfolio in seeking to help insulate portfolio assets from the effects of adverse interest rate movements and to offer competitive risk-adjusted returns. The contracts and securities purchased for the Fund are backed solely by the financial resources of the issuers of such contracts and securities. An investment in the Fund is not insured or guaranteed by the manager(s), the Plan sponsor, the trustee, the FDIC, or any other government agency.

Governmental Accounting Standards Board Statement No. 59, *Financial Instruments Omnibus*, states that unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of Governmental Accounting Standards Board Statement No. 31 (GASB 31), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB 31, paragraph 8 further states that nonparticipating contracts should be reported using a cost-based measure. The contracts purchased by the Fund permit the Fund to account for the fixed income securities at book value (principal plus interest accrued to date). Through the use of book value accounting, there is no immediate recognition of investment gains and losses on the Fund's securities. Instead, gains and losses are recognized over time by periodically adjusting the interest rate credited to the Fund under the contracts. However, while the Fund seeks to preserve principal investment, it is possible to lose money by investing in this Fund. The contracts provide for the payment of certain withdrawals and exchanges at book value during the terms of the contracts. In order to maintain the contract issuers' promise to pay such withdrawals and exchanges at book value, the contracts subject the Fund and its participants to certain restrictions. For example, withdrawals prompted by certain events (e.g., layoffs, early retirement windows, spin-offs, sale of a division, facility closings, Plan terminations, partial Plan terminations, changes in laws or regulations) may be paid at the market value of the Fund's securities, which may be less than book value balance. Additional risk information for this product may be found in the prospectus or other product materials, if available.

7. RELATED-PARTY TRANSACTIONS

The target date investment funds are shares of mutual funds managed by Fidelity Investments. Fidelity Investments is the trustee, as defined by the Plan, and therefore, these investments qualify as related-party transactions. Target fund expense ratios equal the weighted average expense ratios of the underlying funds plus a 0.16% administrative fee.

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