Nebraska Public Power District
Postemployment Medical and Life Benefits Plan

Independent Auditor’s Report and Financial Statements
as of and for the Year Ended December 31, 2017

Nebraska Public Power District
Postemployment Medical and Life Benefits Plan

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Independent Auditor's Report

Board of Directors
Nebraska Public Power District
Columbus, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the Nebraska Public Power District Postemployment Medical and Life Benefits Plan (the Plan) as of and for the year ended December 31, 2017, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 qualified audit opinion.

Basis for Qualified Opinion

The Plan has disclosed in Note 2 of the financial statements information related to the liability of the employer for other postemployment benefits measured as of the beginning of the Plan's most recent fiscal year. Accounting principles generally accepted in the United States of America require this information to be measured as of the Plan's most recent fiscal year-end. This departure from accounting principles generally accepted in the United States of America had no impact on the fiduciary net position or changes in fiduciary net position.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Nebraska Public Power District Postemployment Medical and Life Benefits Plan as of December 31, 2017, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The required supplementary information has been presented as of the beginning of the Plan's most recent fiscal year, which is not in accordance with accounting principles generally accepted in the United States of America.

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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plan's basic financial statements. The statement of fiduciary net position by trust and statement of changes in fiduciary net position by trust as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statement of fiduciary net position by trust and statement of changes in fiduciary net position by trust have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated March 14, 2018, on our consideration of the Plan'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 solely 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 the effectiveness of the Plan's 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 the Plan's internal control over financial reporting and compliance.

BKD, LLP

Lincoln, Nebraska
March 14, 2018

Nebraska Public Power District
Postemployment Medical and Life Benefits Plan
Statement of Fiduciary Net Position
As of December 31, 2017 (in 000's)

Assets:	
Cash and cash equivalents	$ 3,027
Receivables:	
Contributions	149
Investment income	451
Investments	173,419
Total assets	177,046
Liabilities:	
Payables:	
Benefits - health care	148
Benefits - life insurance	33
Investment expense	51
Total liabilities	232
Net Position - Restricted for Other Postemployment Benefits	$ 176,814

The accompanying notes to financial statements are an integral part of these statements.

Nebraska Public Power District
Postemployment Medical and Life Benefits Plan
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2017 (in 000's)

Additions:	
Contributions	
Employer	$ 28,439
Investment Income:	
Net appreciation in fair value of investments	18,704
Interest and dividends	2,959
Total investment income	21,663
Less: Investment expenses	(313)
Net investment income	21,350
Total additions	49,789
Deductions:	
Health care benefits	15,286
Life insurance benefits	128
Professional, administrative and other expenses	70
Total deductions	15,484
Increase in Net Position	34,305
Net Position - Restricted for Other Postemployment Benefits	
Beginning balance	142,509
Ending balance	$176,814

The accompanying notes to financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting -

The financial statements of the Nebraska Public Power District ("District") Postemployment Medical and Life Benefits Plan (the "Plan") are prepared in accordance with Generally Accepted Accounting Principles ("GAAP") for accounting guidance provided by the Governmental Accounting Standards Board ("GASB"). The Plan is a governmental plan and therefore not subject to the Employee Retirement Income Security Act ("ERISA") of 1974. Plan assets are in the Nebraska Public Power District Retired Employee Life Benefit Plan, established under Internal Revenue Code (IRC)501(c)(9); the Nebraska Public Power District Hospital-Medical and Employee Life Insurance Benefit Trust for Employees in Disability Status, established under IRC 115; and the Nebraska Public Power District Medical and Life Benefits Trust for Employees in Retirement Status, established under IRC 115.

B. Cash and Cash Equivalents –

The Plan considers highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

C. Method Used to Value Investments and Income Recognition –

Investments in money market mutual funds are carried at cost, which approximates fair value. Investments in real estate are carried at net asset value. All other investments are reported at fair value. Investments in securities traded on a national securities exchange are valued at the last reported trade 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. Dividend income is recorded on the ex-dividend date.

D. Contributions –

Employer contributions are recognized when due and the employer has made a formal commitment to provide the contribution. There are no active members contributing to the Plan. Contributions from inactive members for their share of the premium payments are reported as a reduction of benefit expenses.

E. Benefits –

Benefit expenses are recognized when due and are paid in accordance with the terms of the Plan.

F. Investment Expenses of the Plan –

Investment expenses are recognized when incurred and are paid in accordance with the terms of the Plan. These expenses, such as investment management fees, are deducted from investment income.

G. Professional, Administrative and Other Expenses of the Plan –

These expenses are recognized when incurred and are paid in accordance with the terms of the Plan. Administrative expenses include actuarial, legal, investment advisory and/or other fees.

H. 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 fiduciary net position and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits and changes therein at the date of the financial statements. Actual results could differ from those estimates.

I. Risks and Uncertainties –

The Plan may utilize various investment instruments, including U.S. Treasury and government agency issues, foreign issues, municipal issues, domestic common stocks, foreign stocks and mutual funds. 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

A. Plan Administration –

The Plan provides postemployment hospital-medical and life insurance benefits to qualifying retirees, surviving spouses, and employees on long-term disability and their dependents. Benefits and related eligibility, funding and other Plan provisions, for this single-employer, defined benefit Plan, are authorized by the Board of Directors for the District.

The Plan has been amended over the years and provides different benefits based on hire date and/or the age of the employee. The District pays all or part of the cost (determined by age) of certain hospital-medical premiums for employees hired on or prior to December 31, 1992. Employees hired on or after January 1, 1993, are subject to a contribution cap that limits the District's portion of the cost of such coverage to the full premium the year the employee reached age 65, or the year in which the employee retires if older than age 65. Employees hired on or after January 1, 1999, are not eligible for other postemployment hospital-medical benefits once they reach age 65. Employees hired on or after January 1, 2004, are not eligible for other postemployment hospital-medical benefits once they retire. The District amended the Plan effective July 1, 2007, to provide that any former employee who is rehired will receive credit for prior years of service. The District further amended the Plan effective September 1, 2007, to provide that employees hired or rehired on or after that date must work five consecutive years immediately prior to retirement to be eligible for other postemployment hospital-medical benefits once they retire. In May 2015, the Board approved a change for Medicare-eligible retirees for prescription drugs from the District's self-insured employee prescription plan to a group insured Medicare Part D supplement effective January 1, 2016. The District also provides a postemployment death benefit of $5,000 for qualifying employees.

Employees Covered by Benefit Terms

The following table shows the employees covered by the hospital-medical benefit terms as of January 1, 2017:

	2017
Active employees	1,007
Inactive employees or beneficiaries in retirement status	1,381
Inactive empoyees or beneficiaries in long-term disability status	64
Total employees covered by benefit terms	2,452

The following table shows the employees covered by the life insurance benefit terms as of January 1, 2017:

	2017
Active employees	1,851
Inactive employees in retirement status	1,213
Inactive employees in long-term disability status	72
Total employees covered by benefit terms	3,136

Contributions
The Board annually approves the funding for the Plan, which has a minimum funding requirement of the actuarially-determined annual required contribution ("ARC") to achieve full funding status on or before December 31, 2033. The District OPEB contributions were $28.4 million in 2017. Certain wholesale customers under the 2002 Contracts are pursuing legal action related to their objection of the inclusion in rates additional collections of previously incurred OPEB costs. Collections from these customers were not transferred to the Trust, pending the outcome of the legal action. These collections were $3.5 million for 2017.

Contributions from Plan members are the required premium share for inactive members, which is based on hire date and/or age. Contributions from Plan members were $0.6 million for 2017. As these contributions were from inactive members, they were reported as a reduction of benefit expenses. Members do not contribute to the cost of the life insurance benefits.

B. Net OPEB Liability -

The District's net OPEB liability was measured as of January 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions
The total OPEB liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal
Amortization method	Level amortization of the unfunded accrued liability
Amortization period	16-year closed period
Asset valuation method	5-year smoothed market
Discount rate	6.25%
Healthcare cost trend rates	Pre-Medicare: 7.3% initial, ultimate 4.5%
	Post-Medicare: 9.1% initial, ultimate 4.5%
Inflation	2.1%
Investment rate of return	6.25%, net of investment expense, including inflation
Mortality	RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2016 with generational projection
Retirement age	Varies by age

The actuarial assumptions used in the January 1, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2016 through December 31, 2016.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table for the valuation measurement date of January 1, 2017:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity (1)	70%	6.80%
Fixed Income	30%	3.60%
	100%	6.09%

(1) The 10% real estate allocation is included with equity.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially-determined contribution rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in the Net OPEB Liability –

The following table shows the Total OPEB Liability, Plan Fiduciary Net Position and Net OPEB Liability as of January 1, 2017, and the changes during this period, based on the valuation measurement date of January 1, 2017 (in 000's):

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balances at 1/1/2016	$ 333,833	$ 75,224	$ 258,609
Changes for the year:			
Service cost	3,322	-	3,322
Interest	20,658	-	20,658
Differences between expected and actual experience	(203)	-	(203)
Changes of assumptions	(18,807)	-	(18,807)
Contributions - employer	-	74,712	(74,712)
Net investment income	-	6,101	(6,101)
Benefit payments	(13,459)	(13,459)	-
Administrative expense		(69)	69
Net changes	(8,489)	67,285	(75,774)
Balances at 1/1/2017	$ 325,344	$ 142,509	$ 182,835
Net position as a % of Total OPEB Liability	43.8%		

There were changes made in certain assumptions for the valuation measurement date of January 1, 2017. The mortality assumption was updated to the RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2016 with generational projection. The health care trend dates were also updated.

In December 2016, the District initiated a voluntary early retirement incentive program ('Program") to all regular, full-time employees, excluding senior management, who met certain retirement-eligible criteria. There were 121 employees who accepted the offer. The impact of the Program was included in the 1/1/2017 actuarial valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate
The following table shows the net OPEB liability of the District, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the discount rate (6.25%) at the measurement date of January 1, 2017 (in 000's):

	1% Decrease	Discount Rate	1% Increase
Net OPEB Liability	$224,980	$182,835	$147,850

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following table shows the net OPEB liability of the District, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (Pre-Medicare ranging from 6.3% initial to 3.5% ultimate, Post-Medicare ranging from 8.1% initial to 3.5% ultimate) or 1-percentage-point higher (Pre-Medicare ranging from 8.3% initial to 5.5% ultimate, Post-Medicare ranging from 10.1% initial to 5.5% ultimate) than the healthcare cost trend rates (Pre-Medicare ranging from 7.3% initial to 4.5% ultimate, Post-Medicare ranging from 9.1% initial to 4.5% ultimate) at the measurement date of January 1, 2017 (in 000's):

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB Liability	$148,629	$182,835	$223,946

Additional information is available in the unaudited Required Supplementary Information section following the Notes to Financial Statements.

3. INVESTMENTS

The following tables show the OPEB assets that are accounted for and reported at fair value on a recurring basis by level within the fair value hierarchy established by generally accepted accounting principles as of December 31, (in 000's):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
U.S. Treasury and government agency securities	$ -	$ 15,956	$ -	$ 15,956
Corporate issues	-	28,056	-	28,056
Foreign issues	-	6,629	-	6,629
Municipal issues	-	779	-	779
Domestic common stocks	45,678	-	-	45,678
Foreign stocks	4,002	-	-	4,002
Mutual funds	64,183	-	-	64,183
	$ 113,863	$ 51,420	$ -	165,283
Other investments measured at net asset value (A)				8,136
				$ 173,419

(A) The fair value of investments in a real estate fund has been estimated using the net asset value per share (or its equivalent) practical expedient and has not been classified in the fair value hierarchy. The fund allows for quarterly redemption with a 90-day notice. There are no unfunded commitments to the fund as of December 31, 2017.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan would not be able to recover the value of its investments. The Plan's investment policy requires that all investment securities be held in the name of the Plan.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the Plan's investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Plan's investment policy is controlled by the Prudent Investor Rule under Nebraska law. Nebraska law is silent regarding interest rate risk. The investment policy employs certain investment strategies to control investment risk such as using multiple asset classes to allow for prudent diversification and overall lowering of the risk exposure, including exposure to interest rate risk.

The following table shows fair values by maturity dates for U.S. Treasury, government agency securities, corporate issues, foreign issues and municipal issues as of December 31, 2017 (in 000's):

	Less than 1 year	1-5 Years	6-10 Years	More than 10 Years	Total
U.S. Treasury and government agency securities	$ 779	$ 11,344	$ 1,014	$ 2,819	$ 15,956
Corporate Issues	954	11,504	12,827	2,771	28,056
Foreign Issues	1,752	3,165	1,661	51	6,629
Municipal Issues	-	203	176	400	779
	$ 3,485	$ 26,216	$ 15,678	$ 6,041	$ 51,420

Credit Risk

State law limits investment options to certain types of investments; however, there is no statutory requirement for investments to meet a certain quality rating. The Plan's investment policy requires bonds to have quality ratings at the time of purchase ranging from "AAA" to BBB", as determined by the lowest rating of the Nationally Recognized Statistical Rating Organization. Fair values by ratings from Moody's Investors Service for U.S. Treasury and government agency securities, corporate issues, foreign issues and municipal issues were as follows as of December 31, 2017 (in 000's):

Rating	Market Value	Percentage
AAA	$ 16,984	33.0%
AA1	1,112	2.2%
AA2	2,922	5.7%
AA3	3,690	7.2%
A1	6,709	13.0%
A2	4,312	8.4%
A3	10,134	19.7%
Baa1	2,653	5.2%
Baa2	1,162	2.3%
Baa3	1,711	3.3%
Ba1	31	-
Total	$ 51,420	100.0%

Concentration of Credit Risk
State law does not restrict the concentration of investment in any issuer. The Plan's investment policy limits investments to no more than 3% of the total portfolio value in any one corporate issue (excluding the U.S. Government and its agencies), 5% in any one corporate issuer, 35% in any one type of investment sector and 25% of any one federal agency.

Investment Policy
The Plan has a formal investment policy with specific financial objectives approved by the Board of Directors. The investment policy maintains diversification with the intent to minimize the risk of large losses to the Plan. Certain asset allocations are established for equities and fixed income investments. The types of investments approved for purchase are specified in the policy and all investments are made according to the laws of the State of Nebraska. Plan performance is reviewed periodically with the investment managers. The investment managers are required to meet certain performance standards measured against benchmarks. Investment managers that fail to meet these minimum standards are subject to termination.

On January 12, 2017, the Board revised the asset allocation policy for the Trust for Employees in Retirement Status as follows:

Asset Class	**Target**	**Range**
Cash and Cash Equivalents	-	0 - 10%
Fixed Income	30.0%	25 - 40%
Equity Domestic	47.5%	40 - 55%
Equity International	12.5%	5 - 20%
Real Estate	10.0%	5 - 15%

The Board's adopted asset allocation policy for the Trust for Employees in Retirement Status, in effect prior to the change on January 12, 2017, was as follows:

Asset Class	**Target**	**Range**
Cash and Cash Equivalents	-	0 - 10%
Fixed Income	40.0%	0 - 80%
Equities	60.0%	0 - 80%

Rate of Return
For the year ended December 31, 2017, the annual money-weighted rate of return on investments, net of investment expenses, was 14.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)

Schedule of Changes in the Net OPEB Liability and Related Ratios using a January 1 Measurement Date (in 000's)

Total OPEB Liability	**2017**	**2016**
Service Cost	$ 3,322	$ 3,229
Interest	20,658	19,876
Differences Between Expected and Actual Experiences	(203)	13,657
Changes of Assumptions	(18,807)	(9,149)
Benefit Payments	(13,459)	(16,902)
Net Change in Total OPEB Liability	(8,489)	10,711
Total OPEB Liability (beginning)	333,833	323,122
Total OPEB Liability (ending) (a)	$325,344	$ 333,833
Plan Fiduciary Net Position		
Contributions	$ 74,712	$ 28,242
Net Investment Income	6,101	(453)
Benefit Payments	(13,459)	(16,902)
Administrative Expense	(69)	(150)
Net Change in Plan Fiduciary Net Position	67,285	10,737
Plan Fiduciary Net Position (Beginning)	75,224	64,487
Plan Fiduciary Net Position (Ending) (b)	$142,509	$ 75,224
Net OPEB Liability (Ending) (a) - (b)	$182,835	$ 258,609
Net Position as a % of Total OPEB Liability	43.8%	22.5%

Notes to Schedule:

Changes in Actuarial Methods and Assumptions
January 1, 2017

- The healthcare cost trend rates were updated.
- The mortality assumption was updated to the RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2016 with generational projection.

January 1, 2016

- The cost method was changed to Entry Age Normal.
- The asset valuation method was changed to 5-year smoothed market.
- The mortality assumption was updated to the RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2015 with generational projection.

Number of Years in Schedule
GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was implemented by the District in 2016. The provisions of this Statement were not applied to prior periods, as it was not practical to do so as the information was not readily available. This schedule is intended to show information for 10 years. Additional years will be displayed when available.

Schedule of Contributions (in 000's) (Unaudited)

	2017	2016
Actuarially Determined Contribution	$ 21,006	$ 28,283
Contributions Made in Relation to the Actuarially Determined Contribution	28,439	74,712
Contribution Deficiency (Excess)	$ (7,433)	$ (46,429)

Notes to Schedule:

Valuation Date
Actuarially-determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Actuarial Methods and Assumptions Used for 2017

Actuarial cost method	Entry Age Normal
Amortization method	Level amortization of the unfunded accrued liability
Amortization period	16-year closed period
Asset valuation method	5-year smoothed market
Discount rate	6.25%
Healthcare cost trend rates	Pre-Medicare: 7.3% initial, ultimate 4.5%
	Post-Medicare: 9.1% initial, ultimate 4.5%
Inflation	2.1%
Investment rate of return	6.25%, net of investment expense, including inflation
Mortality	RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2016 with generational projection
Retirement age	Varies by age

Actuarial Methods and Assumptions Used for 2016

Actuarial cost method	Entry Age Normal
Amortization method	Level amortization of the unfunded accrued liability
Amortization period	17-year closed period
Asset valuation method	5-year smoothed market
Discount rate	6.25%
Healthcare cost trend rates	Pre-Medicare: 8% initial, ultimate 5%
	Post-Medicare: 6.75% initial, ultimate 5%
Inflation	2.1%
Investment rate of return	6.25%, net of investment expense, including inflation
Mortality	RP-2014 Aggregate table projected back to 2006 using Scale MP-2014 and projected forward using Scale MP-2015 with generational projection
Retirement age	Varies by age

Number of Years in Schedule
GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was implemented by the District in 2016. The provisions of this Statement were not applied to prior periods, as it was not practical to do so as the information was not readily available. This schedule is intended to show information for 10 years. Additional years will be displayed when available.

Schedule of Investment Returns (Unaudited)

	2017	2016
Annual Money-Weighted Rate of Return, Net of Investment Expense	14.2%	5.8%

Note to Schedule:

Number of Years in Schedule
GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was implemented by the District in 2016. The provisions of this Statement were not applied to prior periods, as it was not practical to do so as the information was not readily available. This schedule is intended to show information for 10 years. Additional years will be displayed when available.

OTHER SUPPLEMENTARY INFORMATION (Unaudited)

Nebraska Public Power District
Postemployment Medical and Life Benefits Plan
Statement of Fiduciary Net Position by Trust

For the Year Ended December 31, 2017 (in 000's) (Unaudited)	Life	LTD	Retiree	Total 2017
Assets:				
Cash and cash equivalents	$ 112	$ 5	2,910	$ 3,027
Receivables:				
Contributions	-	4	145	149
Investment income	2	-	449	451
Investments, at fair value	741	-	172,678	173,419
Total Assets	855	9	176,182	177,046
Liabilities:				
Payables:				
Benefits - health care	-	(4)	152	148
Benefits - life insurance	20	13	-	33
Professional, administrative and other expenses	-	-	-	-
Investment expense	1	-	50	51
Total liabilities	21	9	202	232
Net Position - Restricted for Other Postemployment Benefits	$ 834	$ -	$175,980	$176,814

The accompanying notes to financial statements are an integral part of these statements.

Nebraska Public Power District
Postemployment Medical and Life Benefits Plan
Statement of Changes in Fiduciary Net Position by Trust

For the Year Ended December 31, 2017 (in 000's) (Unaudited)	Life	LTD	Retiree	Total 2017
Additions:				
Contributions				
Employer	$ -	$ 1,639	$ 26,800	$ 28,439
Investment Income:				
Net appreciation in fair value of investments	(1)	-	18,705	18,704
Interest and dividends	14	1	2,944	2,959
Total investment income	13	1	21,649	21,663
Less: Investment expenses	(3)	(2)	(308)	(313)
Net investment income	10	(1)	21,341	21,350
Total additions	10	1,638	48,141	49,789
Deductions:				
Health care benefits	-	1,696	13,590	15,286
Life insurance benefits	115	13	-	128
Professional, administrative and other expenses	1	-	69	70
Total deductions	116	1,709	13,659	15,484
Increase in Net Position	(106)	(71)	34,482	34,305
Net Position - Restricted for Other Postemployment Benefits				
Beginning balance	940	71	141,498	142,509
Ending balance	$ 834	$ -	$175,980	$176,814

The accompanying notes to financial statements are an integral part of these statements.

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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*

Independent Auditor's Report

Board of Directors
Nebraska Public Power District
Columbus, 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 the Nebraska Public Power District Postemployment Medical and Life Benefits Plan (the Plan), which comprise the statement of fiduciary net position as of December 31, 2017, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2018. Our report expressed a qualified opinion because of a departure from accounting principles generally accepted in the United States of America and contained an "Other Matter" paragraph regarding omission of required supplementary information.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BKD, LLP

Lincoln, Nebraska
March 14, 2018