

Nebraska Municipal Power Pool

Independent Auditor's Report and Financial Statements

March 31, 2015 and 2014



Nebraska Municipal Power Pool
March 31, 2015 and 2014

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Independent Auditor's Report

Board of Directors
Nebraska Municipal Power Pool
Lincoln, Nebraska

We have audited the accompanying financial statements of Nebraska Municipal Power Pool, which comprise the statements of financial position as of March 31, 2015 and 2014, and the related statements of unrestricted revenues and expenses, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

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 financial position of Nebraska Municipal Power Pool as of March 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Lincoln, Nebraska
May 18, 2015

Nebraska Municipal Power Pool
Statements of Financial Position
March 31, 2015 and 2014

Assets

	2015	2014
Current Assets		
Cash and cash equivalents	\$ 635,760	\$ 192,331
Certificates of deposit	175,000	175,000
Accounts receivable	49,484	103,065
Contracts receivable	95,909	63,878
Due from coalition members	123,738	195,942
Prepaid expenses and other current assets	312,623	373,294
Total current assets	1,392,514	1,103,510
Long-Term Contracts Receivable		
	82,121	79,458
Total assets	\$ 1,474,635	\$ 1,182,968

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 152,205	\$ 110,020
Accrued expenses	246,264	302,729
Due to coalition members	265,546	-
Unearned revenue	690,659	690,372
Total current liabilities	1,354,674	1,103,121
Net Assets (Deficit)		
Unrestricted	(40,849)	(64,693)
Temporarily restricted	160,810	144,540
Total net assets	119,961	79,847
Total liabilities and net assets	\$ 1,474,635	\$ 1,182,968

Nebraska Municipal Power Pool
Statements of Unrestricted Revenues and Expenses
Years Ended March 31, 2015 and 2014

	2015	2014
Revenues		
Support services for coalition members	\$ 133,414	\$ 116,074
Project assessments and sales	1,014,949	1,062,519
Dues	261,354	244,928
Other	2,550	1,668
Total revenues	1,412,267	1,425,189
 Net Assets Released From Restrictions	 -	 5,000
Total revenues and other support	1,412,267	1,430,189
 Operating Expenses		
Program/project services	1,169,230	1,145,997
Administrative and general	219,193	215,217
Total expenses	1,388,423	1,361,214
 Change in Unrestricted Net Deficit from Continued Operations	 23,844	 68,975
 Income from Discontinued Operations (Note 4)	 -	 2,206
 Change in Unrestricted Net Deficit	 \$ 23,844	 \$ 71,181

Nebraska Municipal Power Pool
Statements of Changes in Net Assets
Years Ended March 31, 2015 and 2014

	2015	2014
Unrestricted Net Deficit		
Total revenue	\$ 1,412,267	\$ 1,425,189
Net assets released from restrictions	-	5,000
Total expenses	(1,388,423)	(1,361,214)
Change in unrestricted net deficit	23,844	68,975
Temporarily Restricted Net Assets		
Grant contributions	16,270	11,413
Net assets released from restrictions	-	(5,000)
Increase in temporarily restricted net assets	16,270	6,413
Change in Net Assets from Continuing Operations	40,114	75,388
Income from Discontinued Operations (Note 4)	-	2,206
Change in Net Assets	40,114	77,594
Net Assets, Beginning of the Year	79,847	2,253
Net Assets, End of the Year	\$ 119,961	\$ 79,847

Nebraska Municipal Power Pool
Statements of Cash Flows
Years Ended March 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Activities		
Change in net assets	\$ 40,114	\$ 77,594
Changes in		
Accounts receivable	53,581	(78,434)
Contracts receivable	(34,694)	(9,331)
Due from coalition members	72,204	(73,789)
Prepaid expenses and other current assets	60,671	(41,530)
Accounts payable	42,185	27,894
Accrued expenses	(56,465)	(2,148)
Due to coalition members	265,546	(152,671)
Unearned revenue	<u>287</u>	<u>107,367</u>
Net cash provided by (used in) operating activities	<u>443,429</u>	<u>(145,048)</u>
Investing Activities		
Proceeds from redemption of certificate of deposit	125,000	50,000
Purchase of certificate of deposit	<u>(125,000)</u>	<u>(50,000)</u>
Net cash used in investing activities	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Cash Equivalents	443,429	(145,048)
Cash and Cash Equivalents, Beginning of Year	<u>192,331</u>	<u>337,379</u>
Cash and Cash Equivalents, End of Year	<u>\$ 635,760</u>	<u>\$ 192,331</u>

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Nebraska Municipal Power Pool (POOL) was incorporated for the purpose of identifying, evaluating and resolving problems common to and shared by the membership of POOL, or any portion of such membership, and relating to the energy needs of POOL's members. POOL's membership is comprised primarily of municipalities and other public entities located in Colorado, Iowa, Kansas, Nebraska, North Dakota, and Wyoming. POOL's operations consist of member activity and projects. Projects include Computer Services, Distribution Management Services, and Energy Research and Development Grants.

POOL, Municipal Energy Agency of Nebraska (MEAN), National Public Gas Agency (NPGA) and Public Alliance for Community Energy (ACE), comprise a coalition referred to by the trade name NMPP Energy. This coalition of entities provides energy-related services to member and nonmember participants while sharing facilities and management personnel. None of the organizations included in NMPP Energy are responsible for the obligations, liabilities or debts of any of the other organizations.

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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

POOL considers all liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2015 and 2014, cash equivalents consisted entirely of money market mutual funds.

The Federal Deposit Insurance Corporation (FDIC) insures transaction accounts up to \$250,000 per covered institution. At March 31, 2015, POOL's deposits exceeded FDIC insurance limits by approximately \$382,000. At March 31, 2014, POOL's deposits were fully insured.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Cash and Cash Equivalents - Continued

Financial Accounting Standards Board Accounting Standards Codification Topic 820, *Fair Value Measurements* (Topic 820), defines fair value as 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. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. POOL's investments in money market mutual funds of \$5,000 at March 31, 2015 and 2014, are classified within Level 2 of the valuation hierarchy.

Investments and Investment Return

Certificates of deposit are carried at cost, which approximates fair value. Investment return consists entirely of interest income and was \$1,256 and \$1,358 for 2015 and 2014, respectively.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are charged off as they are deemed uncollectible. Management does not believe an allowance for doubtful accounts is necessary at March 31, 2015 and 2014.

Contracts Receivable

Contracts receivable are stated at the amount outstanding. Contracts receivable consist of charges for cost of service studies and are ordinarily due in four annual installments. Management does not believe an allowance for doubtful accounts is necessary at March 31, 2015 and 2014.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Temporarily Restricted Net Assets

Temporarily restricted net assets are those limited by POOL's members for the purpose of providing assistance with the development of energy efficient projects. All requests for assistance are reviewed and approved by a committee comprised of member communities. During fiscal year 2015, the committee approved assistance of \$13,000 for a project upon completion of various project reports and other milestones. As the related project contingencies were not met as of March 31, 2015, the related funds have not been recorded as a release of restriction in 2015. During fiscal year 2014, the committee approved assistance of \$10,000 for projects, which released restrictions of \$5,000. Temporarily restricted net assets were \$160,810 and \$144,540 as of March 31, 2015 and 2014, respectively.

Revenue Recognition

Revenue from the sale of POOL's products and services is recognized as delivery is made to the customer or prorated over the term of the agreement in the case of software support and membership dues, thus customer advances are reflected in unearned revenue. Software sales revenue is recognized when delivered. Revenue from cost of service studies is recognized as certain milestones are completed.

Joint Costs of the Coalition

POOL incurs joint costs that include personnel and general and administrative costs for coalition members. Coalition members reimburse their allocated portion of these costs to POOL. The joint costs, net of reimbursement, are included in administrative and general expenses on the statements of unrestricted revenues and expenses.

Income Taxes

POOL was incorporated under the Nebraska Nonprofit Corporation Act and is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, POOL is subject to federal income tax on any unrelated business taxable income.

POOL files tax returns in the U.S. federal jurisdiction. With a few exceptions, POOL is no longer subject to U.S. federal examinations by tax authorities for years before 2012.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2015 and 2014

Note 2: Employee Benefit Plan

POOL sponsors a defined contribution savings plan (Plan) covering all employees with 1,000 hours of service and having attained the age of 20½ years. Employees may contribute to the Plan on a before income tax basis. Employees who elect to participate must contribute a minimum of six percent of their salary. POOL contributes nine percent of each participating employee’s salary. Total contributions by POOL, principally allocated to coalition members, to the Plan were approximately \$390,000 and \$335,000 for the years ended March 31, 2015 and 2014, respectively. The employee benefit plan costs are reflected net of reimbursement by coalition members in the statements of unrestricted revenues and expenses.

Note 3: Transactions with Coalition Members

A summary of amounts due to and from coalition members at March 31, 2015 and 2014, is as follows:

	2015	2014
Due from MEAN	\$ -	\$ 75,899
Due from NPGA	61,420	60,234
Due from ACE	62,318	59,809
Due from coalition members	\$ 123,738	\$ 195,942
Due to MEAN	\$ 265,546	\$ -

During 2015 and 2014, MEAN paid POOL \$120,000 and \$104,600, respectively, for support services provided by POOL. During 2015 and 2014, NPGA paid POOL \$10,815 and \$26,840, respectively, for support services provided by POOL.

A summary of joint costs incurred by POOL which have been or will be reimbursed by coalition members during 2015 and 2014, is as follows:

	2015	2014
MEAN	\$ 5,097,223	\$ 4,277,658
NPGA	659,214	662,070
ACE	665,203	663,186

Under the terms of a Joint Operating Agreement, MEAN retains ownership of nearly all common property, equipment and furniture. In 2015 and 2014, MEAN billed POOL approximately \$54,000 and \$55,000, respectively, for the use of property, equipment and furniture.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2015 and 2014

Note 4: Discontinued Operations

In 2014, POOL decided to discontinue its load management project services, due to poor profitability, and sell any assets related to this project. POOL sold approximately \$3,800 of assets associated with the load management project at cost during 2014. No assets remained on the statements of financial position for load management at March 31, 2014.

Note 5: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.