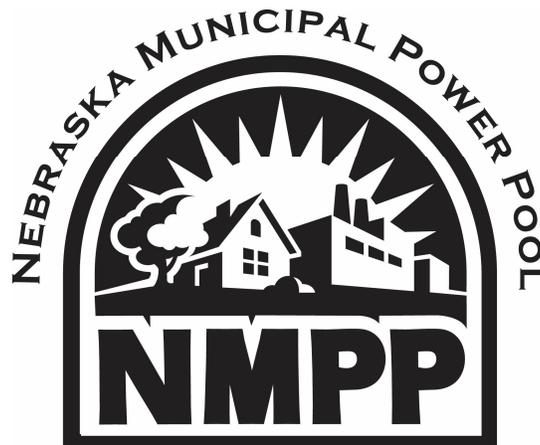


Nebraska Municipal Power Pool

Independent Auditor's Report and Financial Statements

March 31, 2017 and 2016



Nebraska Municipal Power Pool
March 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, 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 12, 2017

Nebraska Municipal Power Pool
Statements of Financial Position
March 31, 2017 and 2016

Assets

	2017	2016
Current Assets		
Cash	\$ 589,546	\$ 543,983
Certificates of deposit	200,000	135,000
Accounts receivable	71,825	49,160
Contracts receivable	49,525	43,008
Due from coalition members	525,836	279,483
Prepaid expenses and other current assets	381,316	417,231
Total current assets	1,818,048	1,467,865
Noncurrent Assets		
Long-term contracts receivable	32,166	44,590
Software development costs, net	55,240	-
Total noncurrent assets	87,406	44,590
Total assets	\$ 1,905,454	\$ 1,512,455

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 197,757	\$ 113,251
Accrued expenses	805,834	538,679
Unearned revenue	618,671	609,078
Total current liabilities	1,622,262	1,261,008
Net Assets		
Unrestricted	83,098	69,635
Temporarily restricted	200,094	181,812
Total net assets	283,192	251,447
Total liabilities and net assets	\$ 1,905,454	\$ 1,512,455

Nebraska Municipal Power Pool
Statements of Unrestricted Revenues and Expenses
Years Ended March 31, 2017 and 2016

	2017	2016
Revenues		
Support services for coalition members	\$ 124,613	\$ 140,330
Project assessments and sales	1,095,874	1,000,204
Dues	258,397	258,218
Other	4,556	3,495
Total revenues	1,483,440	1,402,247
 Net Assets Released From Restrictions	 -	 13,000
Total revenues and other support	1,483,440	1,415,247
 Operating Expenses		
Program/project services	1,281,377	1,140,764
Administrative and general	188,600	163,999
Total expenses	1,469,977	1,304,763
 Increase in Unrestricted Net Assets	 \$ 13,463	 \$ 110,484

Nebraska Municipal Power Pool
Statements of Changes in Net Assets
Years Ended March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Unrestricted Net Assets		
Total revenues	\$ 1,483,440	\$ 1,402,247
Net assets released from restrictions	-	13,000
Total expenses	<u>(1,469,977)</u>	<u>(1,304,763)</u>
Increase in unrestricted net assets	<u>13,463</u>	<u>110,484</u>
Temporarily Restricted Net Assets		
Grant contributions	18,282	34,002
Net assets released from restrictions	<u>-</u>	<u>(13,000)</u>
Increase in temporarily restricted net assets	<u>18,282</u>	<u>21,002</u>
Change in Net Assets	31,745	131,486
Net Assets, Beginning of the Year	<u>251,447</u>	<u>119,961</u>
Net Assets, End of the Year	<u><u>\$ 283,192</u></u>	<u><u>\$ 251,447</u></u>

Nebraska Municipal Power Pool
Statements of Cash Flows
Years Ended March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Activities		
Change in net assets	\$ 31,745	\$ 131,486
Item not requiring operating activities cash flows		
Amortization	27,260	-
Changes in		
Accounts receivable	(22,665)	324
Contracts receivable	5,907	90,432
Due from coalition members	(246,353)	(155,745)
Prepaid expenses and other current assets	35,915	(104,608)
Accounts payable	29,506	(38,954)
Accrued expenses	267,155	292,415
Due to coalition members	-	(265,546)
Unearned revenue	9,593	(81,581)
	<u>138,063</u>	<u>(131,777)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Software development costs	(27,500)	-
Proceeds from redemption of certificates of deposit	15,000	175,000
Purchase of certificates of deposit	(80,000)	(135,000)
	<u>(92,500)</u>	<u>40,000</u>
Net cash provided by (used in) investing activities		
Increase (Decrease) in Cash	45,563	(91,777)
Cash, Beginning of Year	<u>543,983</u>	<u>635,760</u>
Cash, End of Year	<u>\$ 589,546</u>	<u>\$ 543,983</u>
Supplemental Cash Flows Information		
Accounts payable incurred for software development costs	\$ 55,000	\$ -

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2017 and 2016

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

Nature of Operations

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

NMPP, 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

The Federal Deposit Insurance Corporation (FDIC) insures transaction accounts up to \$250,000 per covered institution. At March 31, 2017 and 2016, NMPP's deposits exceeded FDIC coverage and collateral held by approximately \$329,000 and \$373,000, respectively.

Investments and Investment Return

Certificates of deposit are carried at cost, which approximates fair value. Investment return consists entirely of interest income and was \$2,789 and \$2,070 for 2017 and 2016, 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, 2017 and 2016.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2017 and 2016

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

Contracts Receivable

Contracts receivable are stated at the amount outstanding. Contracts receivable consist of charges for cost of service studies. For cost of service study contracts spanning multiple years, receivables are ordinarily due in four annual installments. Management does not believe an allowance for doubtful accounts is necessary at March 31, 2017 and 2016.

Software Development Costs

Software development costs consist of programming and testing costs incurred related to software to be sold within the NMPP Computer Services project. Total costs incurred in 2017 were \$82,500. No related costs were incurred in 2016. The software costs are being amortized based on the related current and anticipated future gross revenues for the related product, which is estimated at three years. Amortization expense for the year ended March 31, 2017 was \$27,260. There was no amortization expense for the year ended March 31, 2016.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those limited by NMPP'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. No requests for assistance were received by the committee during fiscal year 2017. During fiscal year 2015, the committee approved assistance of \$13,000 for a project, upon completion of various project reports and other milestones. The related project contingencies were met during fiscal year 2016, and the related funds were recorded as a release of restriction in 2016. Temporarily restricted net assets as of March 31, 2017 and 2016 were \$200,094 and \$181,812, respectively.

Revenue Recognition

Revenue from the sale of NMPP'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

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

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2017 and 2016

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

Income Taxes

NMPP 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, NMPP is subject to federal income tax on any unrelated business taxable income. NMPP files tax returns in the U.S. federal jurisdiction.

Note 2: Employee Benefit Plan

NMPP 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. NMPP contributes nine percent of each participating employee's salary. Total contributions by NMPP, principally allocated to coalition members, to the Plan were approximately \$396,000 and \$397,000 for the years ended March 31, 2017 and 2016, 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, 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
Due from MEAN	\$ 404,690	\$ 154,424
Due from NPGA	50,213	52,981
Due from ACE	<u>70,933</u>	<u>72,078</u>
Due from coalition members	<u>\$ 525,836</u>	<u>\$ 279,483</u>

During 2017 and 2016, NMPP provided services totaling \$120,000 and \$133,500, respectively, to MEAN.

Nebraska Municipal Power Pool
Notes to Financial Statements
March 31, 2017 and 2016

Note 3: Transactions with Coalition Members - Continued

A summary of approximate joint costs incurred by NMPP which have been or will be reimbursed by coalition members during 2017 and 2016, is as follows:

	<u>2017</u>	<u>2016</u>
MEAN	\$ 6,560,000	\$ 5,750,000
NPGA	600,000	620,000
ACE	720,000	670,000

Under the terms of a Joint Operating Agreement, MEAN retains ownership of nearly all common property, equipment and furniture. In 2017 and 2016, MEAN billed NMPP approximately \$47,000 and \$43,000, respectively, for the use of property, equipment and furniture.

Note 4: 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.