

# **Nebraska Municipal Power Pool**

Accountants' Report and Financial Statements

March 31, 2010 and 2009



**Nebraska Municipal Power Pool**  
**March 31, 2010 and 2009**

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## Independent Accountants' Report

Board of Directors  
Nebraska Municipal Power Pool  
Lincoln, Nebraska

We have audited the accompanying statements of financial position of Nebraska Municipal Power Pool (POOL) as of March 31, 2010 and 2009, and the related statements of unrestricted revenues and expenses, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of POOL's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

June 3, 2010

*BKD, LLP*

**Nebraska Municipal Power Pool**  
**Statements of Financial Position**  
**March 31, 2010 and 2009**

**Assets**

	<b>2010</b>	<b>2009</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 95,817	\$ 56,303
Certificate of deposit	99,000	97,000
Accounts receivable	51,965	38,040
Contracts receivable	43,370	47,257
Due from coalition members	356,048	360,442
Prepaid expenses	329,215	274,235
Total current assets	975,415	873,277
<b>Long-Term Contracts Receivable</b>	44,780	47,710
<b>Computer Software Developed for Sale, Net of Accumulated Amortization; 2010 - \$175,655; 2009 - \$162,373</b>	6,296	19,578
<b>Property and Equipment, Net of Accumulated Depreciation; 2010 - \$14,194; 2009 - \$12,937</b>	-	1,257
Total assets	\$ 1,026,491	\$ 941,822

**Liabilities and Net Assets**

<b>Current Liabilities</b>		
Accounts payable	\$ 198,155	\$ 216,822
Accrued expenses	195,911	170,716
Unearned revenue	477,470	415,301
Total current liabilities	871,536	802,839
<b>Net Assets</b>		
Unrestricted	48,487	47,364
Temporarily restricted	106,468	91,619
Total net assets	154,955	138,983
Total liabilities and net assets	\$ 1,026,491	\$ 941,822

**Nebraska Municipal Power Pool**  
**Statements of Unrestricted Revenues and Expenses**  
**Years Ended March 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Support services for coalition members	\$ 100,720	\$ 95,930
Project assessments and sales	894,596	888,489
Dues	200,018	183,367
Other	<u>19,880</u>	<u>8,831</u>
Total revenues	<u>1,215,214</u>	<u>1,176,617</u>
<b>Operating Expenses</b>		
Program/project services	1,074,313	960,670
Administrative and general	<u>139,778</u>	<u>259,720</u>
Total expenses	<u>1,214,091</u>	<u>1,220,390</u>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<u>\$ 1,123</u>	<u>\$ (43,773)</u>

**Nebraska Municipal Power Pool**  
**Statements of Changes in Net Assets**  
**Years Ended March 31, 2010 and 2009**

	<b>2010</b>	<b>2009</b>
<b>Unrestricted Net Assets</b>		
Total revenue	\$ 1,215,214	\$ 1,176,617
Total expenses	(1,214,091)	(1,220,390)
Increase (decrease) in unrestricted net assets	1,123	(43,773)
<b>Temporarily Restricted Net Assets</b>		
Grant contributions	14,849	13,556
Increase in temporarily restricted net assets	14,849	13,556
<b>Increase (Decrease) in Net Assets</b>	15,972	(30,217)
<b>Net Assets, Beginning of the Year</b>	138,983	169,200
<b>Net Assets, End of the Year</b>	\$ 154,955	\$ 138,983

**Nebraska Municipal Power Pool**  
**Statements of Cash Flows**  
**Years Ended March 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Operating Activities</b>		
Change in net assets	\$ 15,972	\$ (30,217)
Items not requiring operating activities cash flows		
Depreciation and amortization	14,539	21,964
Changes in		
Accounts receivable	(13,925)	409,227
Contracts receivable	6,817	(3,170)
Due from coalition members	4,394	(252,102)
Prepaid expenses	(54,980)	(26,458)
Accounts payable	(18,667)	(163,549)
Accrued expenses	25,195	(39,960)
Due to coalition members	-	(12,542)
Unearned revenue	<u>62,169</u>	<u>34,409</u>
Net cash provided by (used in) operating activities	<u>41,514</u>	<u>(62,398)</u>
<b>Investing Activities</b>		
Capitalized software costs	-	(11,805)
Proceeds from sale of certificate of deposit	97,000	-
Purchase of certificate of deposit	<u>(99,000)</u>	<u>(97,000)</u>
Net cash used in investing activities	<u>(2,000)</u>	<u>(108,805)</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	39,514	(171,203)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>56,303</u>	<u>227,506</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 95,817</u>	<u>\$ 56,303</u>

# Nebraska Municipal Power Pool

## Notes to Financial Statements

March 31, 2010 and 2009

### 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 Nebraska and states in the surrounding region. POOL consists of two divisions: Members Activity and Projects. Active projects include the following: Energy Projects, Computer Services, Load Management 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 Equivalents***

POOL considers all liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2010 and 2009, cash equivalents consisted entirely of money market accounts.

#### ***Investments and Investment Return***

Certificates of deposit are carried at cost, which approximates fair value. Investment return consists entirely of interest income and was \$1,518 and \$8,733 for 2010 and 2009.

# Nebraska Municipal Power Pool

## Notes to Financial Statements

March 31, 2010 and 2009

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

#### ***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, 2010 and 2009, as there were no delinquent receivables.

#### ***Contracts Receivable***

Contracts receivable are stated at the amount outstanding. Contracts receivable consist of charges for rate studies and are ordinarily due in four annual installments. Management does not believe an allowance for doubtful accounts is necessary at March 31, 2010 and 2009, as there were no delinquent contracts receivable.

#### ***Computer Software Developed for Sale***

Internal and external costs related to software developed for sale are capitalized in compliance with Accounting Standards Codification Topic 985, *Costs of Software to be Sold, Leased or Marketed*. Capitalization of computer software development costs begins upon the establishment of technological feasibility for the product.

Amortization of capitalized computer software development costs begins when the products are available for general release to customers, and is computed on a product-by-product basis based on current and anticipated future revenue for that product with an annual minimum equal to the straight-line method over the remaining estimated economic life of the product (generally total estimated life of 30 months).

#### ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the estimated useful life of each asset.

#### ***Temporarily Restricted Net Assets***

Temporarily restricted net assets are those used by POOL and limited by its 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 years 2010 and 2009, no requests for assistance were received by the committee and no net assets were released from restrictions. Temporarily restricted net assets were \$106,468 and \$91,619 as of March 31, 2010 and 2009, respectively.

# Nebraska Municipal Power Pool

## Notes to Financial Statements

March 31, 2010 and 2009

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

#### ***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 rate 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 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 2002.

### **Note 2: Employee Benefit Plan**

POOL sponsors a defined contribution savings plan covering all employees with 1,000 hours of service and having attained the age of 20½ years. Employees may contribute a minimum of six percent of their salary on a before income tax basis. POOL contributes 150 percent of each employee's contribution up to six percent of each employee's salary. Total pension expense, principally allocated to coalition members, to the plan was \$300,119 and \$333,547 for the years ended March 31, 2010 and 2009, respectively. The employee benefit plan costs are reflected net of reimbursement by coalition members in the statements of unrestricted revenues and expenses.

# Nebraska Municipal Power Pool

## Notes to Financial Statements

March 31, 2010 and 2009

### Note 3: Transactions with Coalition Members

A summary of amounts due from coalition members at March 31, 2010 and 2009, is as follows:

	<b>2010</b>	<b>2009</b>
Due from MEAN	\$ 202,985	\$ 77,289
Due from NPGA	68,906	209,594
Due from ACE	84,157	73,559
Due from coalition members	\$ 356,048	\$ 360,442

A summary of support services provided to, and paid by, coalition members during 2010 and 2009, is as follows:

	<b>2010</b>	<b>2009</b>
MEAN	\$ 100,720	\$ 95,930

A summary of joint costs incurred by POOL which have been or will be reimbursed by coalition members during 2010 and 2009, is as follows:

	<b>2010</b>	<b>2009</b>
MEAN	\$ 3,446,635	\$ 3,336,104
NPGA	798,120	1,172,215
ACE	739,630	780,160

Under the terms of a Joint Operating Agreement, MEAN retains ownership of nearly all common property, equipment and furniture. In 2010 and 2009, MEAN billed POOL approximately \$48,000 and \$59,000, respectively, for the use of property, equipment and furniture.

# Nebraska Municipal Power Pool

## Notes to Financial Statements

March 31, 2010 and 2009

### Note 4: Litigation

Pool is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. In 2008, POOL and five of its employees were named as defendants in a lawsuit filed in Lancaster County District Court and captioned, *City of Falls City, Nebraska v. Nebraska Municipal Power Pool*, et al, Case No. CI 06-4309. The district court ruled on the case in July 2008, however, the case was appealed and selected for review by the Nebraska Supreme Court. In January 2010, the Nebraska Supreme Court issued its ruling, which stated Falls City had no right to bring action against POOL or the individual defendants. Legal fees and costs associated with this lawsuit were paid by coalition members.

### Note 5: Significant Estimates and Concentrations

#### *Current Economic Conditions*

The current protracted economic decline continues to present organizations with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of assets, declines in the volume of business, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to POOL.

Although POOL has not currently identified any specific circumstances which would cause the difficulties noted above, economic conditions could make it difficult for members to maintain the demand for services, which could have an adverse impact on the future operating results of POOL.

### Note 6: Subsequent Events

Subsequent events have been evaluated through June 3, 2010, which is the date the financial statements were available to be issued.