

Nebraska Municipal Power Pool

Accountants' Report and Financial Statements

March 31, 2009 and 2008



Nebraska Municipal Power Pool
March 31, 2009 and 2008

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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, 2009 and 2008, 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, 2009 and 2008, 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.

BKD, LLP

June 11, 2009

Nebraska Municipal Power Pool
Statements of Financial Position
March 31, 2009 and 2008

Assets

	2009	2008
Current Assets		
Cash and cash equivalents	\$ 56,303	\$ 227,506
Certificate of deposit	97,000	-
Accounts receivable	38,040	447,267
Contracts receivable	47,257	44,137
Due from coalition members	360,442	108,340
Prepaid expenses	274,235	247,777
Total current assets	873,277	1,075,027
Long-Term Contracts Receivable	47,710	47,660
Computer Software Developed for Sale, Net of Accumulated Amortization; 2009 - \$162,373; 2008 - \$142,552	19,578	27,594
Property and Equipment, Net of Accumulated Depreciation; 2009 - \$12,937; 2008 - \$10,794;	1,257	3,400
Total assets	\$ 941,822	\$ 1,153,681

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 216,822	\$ 380,371
Accrued expenses	170,716	210,676
Due to coalition members	-	12,542
Unearned revenue	415,301	380,892
Total current liabilities	802,839	984,481
Net Assets		
Unrestricted	47,364	91,137
Temporarily restricted	91,619	78,063
Total net assets	138,983	169,200
Total liabilities and net assets	\$ 941,822	\$ 1,153,681

Nebraska Municipal Power Pool
Statements of Unrestricted Revenues and Expenses
Years Ended March 31, 2009 and 2008

	2009	2008
Revenues		
Support services for coalition members	\$ 95,930	\$ 96,900
Project assessments and sales	888,489	984,950
Dues	183,367	184,819
Other	8,831	6,954
Total revenues	1,176,617	1,273,623
Operating Expenses		
Program/project services	960,670	897,111
Administrative and general	259,720	267,499
Total expenses	1,220,390	1,164,610
Increase (Decrease) in Unrestricted Net Assets	\$ (43,773)	\$ 109,013

Nebraska Municipal Power Pool
Statements of Changes in Net Assets
Years Ended March 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Unrestricted Net Assets		
Total revenue	\$ 1,176,617	\$ 1,273,623
Total expenses	<u>(1,220,390)</u>	<u>(1,164,610)</u>
Increase (decrease) in unrestricted net assets	<u>(43,773)</u>	<u>109,013</u>
Temporarily Restricted Net Assets		
Grant contributions	<u>13,556</u>	<u>16,313</u>
Increase in temporarily restricted net assets	<u>13,556</u>	<u>16,313</u>
Increase (Decrease) in Net Assets	(30,217)	125,326
Net Assets, Beginning of the Year	<u>169,200</u>	<u>43,874</u>
Net Assets, End of the Year	<u><u>\$ 138,983</u></u>	<u><u>\$ 169,200</u></u>

Nebraska Municipal Power Pool
Statements of Cash Flows
Years Ended March 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Activities		
Change in net assets	\$ (30,217)	\$ 125,326
Items not requiring operating activities cash flows		
Depreciation and amortization	21,964	27,156
Changes in		
Accounts receivable	409,227	(392,260)
Contracts receivable	(3,170)	(6,876)
Due from coalition members	(252,102)	74,034
Prepaid expenses	(26,458)	(136,262)
Accounts payable	(163,549)	170,583
Accrued expenses	(39,960)	48,171
Due to coalition members	(12,542)	12,542
Unearned revenue	34,409	194,060
	<u>(62,398)</u>	<u>116,474</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Capitalized software costs	(11,805)	(21,399)
Purchase of certificate of deposit	(97,000)	-
	<u>(108,805)</u>	<u>(21,399)</u>
Net cash used in investing activities		
Increase (Decrease) in Cash and Cash Equivalents	(171,203)	95,075
Cash and Cash Equivalents, Beginning of Year	<u>227,506</u>	<u>132,431</u>
Cash and Cash Equivalents, End of Year	<u>\$ 56,303</u>	<u>\$ 227,506</u>

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2009 and 2008

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

Nature of Operations

The 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 and expenses 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, 2009, cash equivalents consisted entirely of money market accounts. At March 31, 2008, cash equivalents consisted of money market accounts and certificates of deposit.

Investments and Investment Return

Certificates of deposit are carried at cost, which approximates fair value at March 31, 2009. Investment return consists entirely of interest income and was \$8,733 and \$6,739 for 2009 and 2008.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2009 and 2008

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, 2009 and 2008, 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, 2009 and 2008, 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 Statement of Financial Accounting Standards No. 86, *Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise 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 depreciated 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 2009 and 2008, no requests for assistance were received by the committee and no net assets were released from restrictions. Temporarily restricted net assets were \$91,619 and \$78,063 as of March 31, 2009 and 2008, respectively.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2009 and 2008

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 the 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 has been granted an exemption from federal and state income taxes.

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 contributions, principally allocated to coalition members, to the plan were \$333,547 and \$294,066 for the years ended March 31, 2009 and 2008, 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, 2009 and 2008

Note 3: Transactions with Coalition Members

A summary of amounts due to and from coalition members at March 31, 2009 and 2008, is as follows:

	2009	2008
Due from MEAN	\$ 77,289	\$ 46,243
Due from NPGA	209,594	-
Due from ACE	73,559	62,097
Due from coalition members	\$ 360,442	\$ 108,340
Due to NPGA	\$ -	\$ 12,542
Due to coalition members	\$ -	\$ 12,542

A summary of support services provided to, and paid by, coalition members during 2009 and 2008, is as follows:

	2009	2008
MEAN	\$ 95,930	\$ 91,800
ACE	-	5,100
Support services to coalition members	\$ 95,930	\$ 96,900

A summary of joint costs incurred by POOL which have been or will be reimbursed by coalition members during 2009 and 2008, is as follows:

	2009	2008
MEAN	\$ 3,336,104	\$ 3,845,733
NPGA	1,172,215	1,193,565
ACE	780,160	833,987

Under the terms of a Joint Operating Agreement, MEAN retains ownership of nearly all common property, equipment and furniture. In 2009 and 2008, MEAN billed POOL approximately \$59,000 and \$68,000, respectively, for the use of property, equipment and furniture.

See Note 4 for litigation matters involving POOL and coalition members.

Nebraska Municipal Power Pool
Notes to Financial Statements
March 31, 2009 and 2008

Note 4: Litigation

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 lawsuit alleged conspiracy, breach of contract and fiduciary duties. POOL and the employees named in the lawsuit denied any wrongdoing and vigorously defended the lawsuit. POOL agreed to indemnify its employees named in the lawsuit. A trial before a district court judge was held in May 2008. On July 8, 2008, the Court entered an order and judgment against POOL and three of its employees awarding damages to the plaintiff for approximately \$530,000. The judgment released two employees from the lawsuit with prejudice. Certain operating restrictions and an accounting to determine other damages were also entered against POOL. In November 2008, POOL filed a Notice of Appeal with the Nebraska Court of Appeals seeking a reversal of the judgment entered by the Lancaster County District Court. A supersedeas bond was required to be posted by POOL in favor of the plaintiff. This bond was paid by coalition members. In May 2009, the case was selected to be reviewed by the Nebraska Supreme Court.

Management of POOL and their legal counsel will continue to perfect the appeal and will assert meritorious defenses. As a result, management has concluded that during the appeal process, any estimated loss is not determinable and has not recorded any liability as of March 31, 2009.

In relation to the lawsuit mentioned above, an additional judgment was entered in favor of an intervener-plaintiff. In January 2009, a settlement was reached with the intervener-plaintiff in the amount of \$2,250,000. In return for the settlement, the intervener-plaintiff provided a stipulation that the judgment would be vacated and that POOL and its employees received a complete release of all claims. This settlement was paid by coalition members.

Note 5: Significant Estimates and Concentrations

Current Economic Conditions

The current economic environment presents organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of assets, declines in revenues, 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 consumers to maintain the demand for services, which could have an adverse impact on the future operating results of POOL.