Public Alliance for Community Energy

Independent Auditor's Report and Financial Statements

March 31, 2018 and 2017

ACE

PUBLIC ALLIANCE FOR COMMUNITY ENERGY

Public Alliance for Community Energy
March 31, 2018 and 2017

Contents

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Independent Auditor's Report

Board of Directors
Public Alliance for Community Energy
Lincoln, Nebraska

We have audited the accompanying financial statements of Public Alliance for Community Energy, as of and for the years ended March 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Public Alliance for Community Energy'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 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 Public Alliance for Community Energy as of March 31, 2018 and 2017, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

BKD, LLP

Lincoln, Nebraska
May 4, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis on the following pages summarizes the financial highlights and focuses on factors that had a material effect on the financial condition of Public Alliance for Community Energy (ACE) and the results of operations for the years ended March 31, 2018, 2017 and 2016. This discussion should be read in conjunction with the accompanying financial highlights, the basic financial statements and notes to the financial statements.

Summary of the Financial Statements

The financial statements, related notes to the financial statements and management's discussion and analysis provide information about ACE's financial position and activities.

Management's Discussion and Analysis – provides an objective and easily readable analysis of the financial activities of ACE based on currently known facts, decisions or conditions.

Balance Sheets – provide a summary of ACE's assets, liabilities and net position.

Statements of Revenues, Expenses and Changes in Net Position – present the operating results of ACE into various categories of operating revenues and expenses, and non-operating revenues and expenses.

Statements of Cash Flows – report the cash provided by and used in operating activities, as well as other cash sources such as investment income and cash payments for distribution to members and capital additions.

Notes to the Financial Statements – provide additional disclosures and information that is essential to a full understanding of the data provided in the statements.

Financial Analysis

The following comparative condensed financial information summarizes ACE's financial position and operating results for the years ended March 31, 2018, 2017 and 2016.

Condensed Balance Sheets and Financial Highlights

	March 31, 2018	March 31, 2017	March 31, 2016	Change From 2017 to 2018	Change From 2016 to 2017
Assets					
Cash and investments	$ 2,648,582	$ 2,605,174	$ 2,697,853	$ 43,408	$ (92,679)
Accounts receivable, net	103,732	96,035	97,018	7,697	(983)
Prepaid expenses	1,464	25,760	24,716	(24,296)	1,044
Capital assets, net	26,516	27,883	38,091	(1,367)	(10,208)
Total assets	$ 2,780,294	$ 2,754,852	$ 2,857,678	$ 25,442	$ (102,826)
Liabilities and Net Position					
Total current liabilities	$ 116,747	$ 99,662	$ 97,567	$ 17,085	$ 2,095
Net investment in capital assets	26,516	27,883	38,091	(1,367)	(10,208)
Unrestricted	2,637,031	2,627,307	2,722,020	9,724	(94,713)
Total net position	2,663,547	2,655,190	2,760,111	8,357	(104,921)
Total liabilities and net position	$ 2,780,294	$ 2,754,852	$ 2,857,678	$ 25,442	$ (102,826)

Cash and investments increased in 2018 due to the net impact of the timing of collection of accounts receivable and payment of expenses. The decrease in 2017 was due to the distribution to members exceeding the 2017 income before distribution to members.

Accounts receivable consist primarily of monthly marketing fees from ACE's natural gas supplier.

Prepaid expenses were lower in 2018 as the payment for the annual maintenance contract was not made until after March 31, 2018. Prepaid expenses in 2017 and 2016 consist primarily of payment for the annual maintenance contract for software utilized in the Choice Gas Program.

Capital assets consist primarily of ACE's software utilized in the Choice Gas Program. These assets were purchased to improve ACE's services to customers and expedite answers to customer questions during the annual sign-up period in the Choice Gas Program. Capital assets decreased in 2018 and 2017 due to depreciation exceeding software enhancements.

Total current liabilities increased in 2018 due to the final implementation of a paid time off program resulting in an increase in the related amount due to coalition members for personnel assigned to ACE.

Condensed Statements of Revenues, Expenses and Changes in Net Position and Financial Highlights

	March 31, 2018	March 31, 2017	March 31, 2016	Change From 2017 to 2018	Change From 2016 to 2017
Operating revenues	$ 932,693	$ 909,520	$ 946,276	$ 23,173	$ (36,756)
Operating expenses	(697,760)	(833,370)	(783,488)	135,610	(49,882)
Investment income	23,424	18,929	22,103	4,495	(3,174)
Distribution to members	(250,000)	(200,000)	(200,000)	(50,000)	-
Increase (decrease) in net position	$ 8,357	$ (104,921)	$ (15,109)	$ 113,278	$ (89,812)

Operating revenues consist primarily of marketing fees paid to ACE under the terms of the natural gas supply agreement. The increase in 2018 relates to higher monthly marketing fees received under the terms of the current natural gas supply agreement. The decrease in 2017 relates to lower marketing fees received related to the change in terms between the current and prior natural gas supply agreements.

Operating expenses decreased in 2018 due primarily to restructuring of personnel resulting in decreases in administrative and general expenses. The majority of the increase in 2017 relates to changes in employee leave benefits resulting in increased costs in the year of implementation.

ACE's Board of Directors approved the distribution of net position to members in January of each fiscal year for payment in March of each fiscal year.

General Trends and Significant Events

ACE's Board of Directors may authorize a distribution to its member communities. As noted above, ACE's Board of Directors approved the distribution of $250,000, $200,000, and $200,000, of net position to members in January of each fiscal year. Since forming in 1998, ACE has returned more than $2.1 million back to its Nebraska members. The funds are used in various ways to benefit each ACE member community.

The April 2015 campaign for the 2015-2016 Choice Gas year proved challenging for ACE as the pricing provided by ACE's natural gas supplier during the campaign was less competitive than that of other natural gas suppliers.

Notice was given by ACE's natural gas supplier to terminate the existing agreement effective May 31, 2016. After a proposal process was completed, a natural gas supply agreement with a new supplier was signed and began with the April 2016 campaign for the 2016-2017 Choice Gas year that started on June 1, 2016. Through targeted advertising campaigns, a marketing partnership between ACE and its member communities and competitive natural gas pricing provided by ACE's new natural gas supplier, ACE operated much more effectively during the April 2016 and April 2017 campaigns.

During the 2017-2018, 2016-2017, and 2015-2016 Choice Gas years, approximately 18,100, 18,200, and 18,000 retail customer accounts, respectively, selected ACE. The selections represent approximately 23% in 2017, 23% in 2016, and 22% in 2015 of the retail customers participating in the program.

ACE is the only natural gas supplier that has participated in the Nebraska Choice Gas Program every year since its inception in 1998. While having additional natural gas suppliers in the Choice Gas program helps achieve ACE's goal of bringing competitive natural gas prices to the residents of its member communities, that achievement has the potential to have a negative effect on the number of retail customer accounts selecting ACE. During the 2017-2018 and 2016-2017 Choice Gas years, six natural gas suppliers participated in the program. During the 2015-2016 Choice Gas year, four natural gas suppliers participated in the program.

Risk Management Practices

ACE competes in the retail natural gas marketplace with other natural gas providers through participation in the Nebraska Choice Gas program sponsored by Black Hills Energy. ACE strives to offer natural gas, through its natural gas supplier, at competitive prices.

ACE's agreement with its former natural gas supplier, which terminated May 31, 2016, called for a base marketing fee and other incentives to be paid by the natural gas supplier to ACE. The agreement with ACE's current supplier, that began June 1, 2016, consists of a base marketing fee to be paid by the natural gas supplier to ACE.

Report Purpose and Contact Information

This financial report is designed to provide member municipalities and counterparties with a general overview of ACE's financial status for the fiscal years 2018, 2017 and 2016. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Accounting at 8377 Glynoaks Dr., Lincoln, Nebraska 68516.

Public Alliance for Community Energy

Balance Sheets

March 31, 2018 and 2017

Assets	2018	2017
Current Assets		
Cash and cash equivalents	$ 259,258	$ 232,318
Short-term investments	1,444,918	1,451,128
Accounts receivable, net	103,732	96,035
Prepaid expenses	1,464	25,760
Total current assets	1,809,372	1,805,241
Noncurrent Assets		
Long-term investments	944,406	921,728
Capital assets, net	26,516	27,883
Total noncurrent assets	970,922	949,611
Total assets	$ 2,780,294	$ 2,754,852

Liabilities

	2018	2017
Current Liabilities		
Accounts payable	$ 23,501	$ 25,742
Due to coalition members	93,246	73,920
Total current liabilities	116,747	99,662
Net Position		
Net investment in capital assets	26,516	27,883
Unrestricted	2,637,031	2,627,307
Total net position	2,663,547	2,655,190
Total liabilities and net position	$ 2,780,294	$ 2,754,852

Public Alliance for Community Energy
Statements of Revenues, Expenses and Changes in Net Position
Years Ended March 31, 2018 and 2017

	2018	2017
Operating Revenues		
Marketing fees	$ 930,000	$ 906,723
Other	2,693	2,797
Total operating revenues	932,693	909,520
Operating Expenses		
Administrative and general	683,662	811,349
Depreciation	14,098	22,021
Total operating expenses	697,760	833,370
Operating Income	234,933	76,150
Nonoperating Revenues		
Investment income	23,424	18,929
Income Before Distribution to Members	258,357	95,079
Distribution to Members	(250,000)	(200,000)
Increase (Decrease) in Net Position	8,357	(104,921)
Net Position, Beginning of Year	2,655,190	2,760,111
Net Position, End of Year	$ 2,663,547	$ 2,655,190

Public Alliance for Community Energy

Statements of Cash Flows

Years Ended March 31, 2018 and 2017

	2018	2017
Operating Activities		
Cash received from natural gas supplier and others	$ 1,067,107	$ 1,003,618
Cash paid to vendors	(159,111)	(165,275)
Cash paid to coalition members	(625,281)	(738,138)
Net cash provided by operating activities	282,715	100,205
Noncapital Financing Activities		
Distribution to members	(250,000)	(200,000)
Net cash used in noncapital financing activities	(250,000)	(200,000)
Capital and Related Financing Activities		
Purchase of capital assets	(12,731)	(11,813)
Net cash used in capital and related financing activities	(12,731)	(11,813)
Investing Activities		
Interest received on investments	31,956	24,894
Purchases of investments	(1,575,000)	(1,225,000)
Proceeds from sales and maturities of investments	1,550,000	1,200,000
Net cash provided by (used in) investing activities	6,956	(106)
Increase (Decrease) in Cash and Cash Equivalents	26,940	(111,714)
Cash and Cash Equivalents, Beginning of Year	232,318	344,032
Cash and Cash Equivalents, End of Year	$ 259,258	$ 232,318
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 234,933	$ 76,150
Depreciation	14,098	22,021
Changes in operating assets and liabilities		
Accounts receivable	(7,697)	983
Prepaid expenses	24,296	(1,044)
Accounts payable	(2,241)	3,420
Due to coalition members, net	19,326	(1,325)
Net Cash Provided by Operating Activities	$ 282,715	$ 100,205

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

Nature of Operations

Public Alliance for Community Energy ("ACE" or "Agency") was established under provisions of the Interlocal Cooperation Act of Nebraska (Act) for the purpose of providing local governments the opportunity to cooperate with other localities to obtain a mutual advantage in supplying natural gas and competing for end-use residential and commercial customers who are located in Nebraska.

ACE's primary activity relates to participation in the Nebraska Choice Gas Program sponsored by Black Hills Energy, which provides Nebraska municipalities (collectively in a supplier group such as ACE) the opportunity to become the natural gas supplier to residential and commercial customers.

Reporting Entity

In evaluating how to define the Agency, for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the Agency's ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Agency and (3) the entity's fiscal dependency on the Agency.

ACE, Nebraska Municipal Power Pool (NMPP), Municipal Energy Agency of Nebraska (MEAN) and National Public Gas Agency (NPGA), 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 in the coalition. Based upon the above criteria, none of the organizations are considered component units of any of the other associated organizations.

Basis of Accounting and Presentation

ACE's activities are accounted for on the economic resources measurement focus and use the accrual basis of accounting. ACE's accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and Licenses prescribed by the Federal Energy Regulatory Commission (FERC). ACE prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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

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 position during the reporting period. Actual results may differ from those estimates.

Cash Equivalents

ACE considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. At March 31, 2018, cash equivalents consisted of a money market mutual fund. At March 31, 2017 there were no cash equivalents.

Investments and Investment Income

Investments in money market mutual funds are carried at cost, which approximates fair value. Investments in negotiable certificates of deposit are carried at fair value. Fair value is determined using quoted market prices. Investment income consists of interest and the net change for the year in the fair value of investments.

Accounts Receivable

Accounts receivable are stated at the amount billed to ACE's natural gas supplier. 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. At March 31, 2018 and 2017, accounts receivable consisted primarily of amounts due from ACE's natural gas supplier for the contractual marketing fee and other incentives. Management did not establish an allowance for doubtful accounts at March 31, 2018 and 2017, as there were no delinquent receivables.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by ACE:

Software	3 Years
Furniture and equipment	3 – 5 Years

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

Net Position Classification

Net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets - consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - consists of restricted assets, reduced by liabilities related to those assets, with constraints placed on their use either by a) external groups such as creditors (such as through debt covenants), contributors, or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation. There are no components of net position at March 31, 2018 and 2017 that meet the restricted definition.

Unrestricted - consists of the assets and liabilities that are not included in the net investment in capital assets or restricted components of net position.

Classification of Revenues

Operating revenues include marketing fees from ACE's natural gas supplier and other revenue. Nonoperating revenues include those derived from capital and related financing and investing activities.

Distribution to Members

The Board of Directors approved a distribution of $250,000 in January 2018 and $200,000 in January 2017 of net position to members. The distribution was paid to members in March 2018 and March 2017, respectively.

Income Taxes

In accordance with certain provisions of the Internal Revenue Code and the Act and related governing laws and regulations, ACE, as a local governmental entity, is exempt from federal and state income taxes.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation. These reclassifications had no effect on the change in net position.

Note 2: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. ACE's deposit policy for custodial credit risk requires compliance with the provisions of state law. State statutes require banks either to give bond or to pledge government securities to ACE in the amount of ACE's deposits. The Federal Deposit Insurance Corporation (FDIC) insures transaction accounts for government deposits up to $250,000 per official custodian at each covered institution. ACE's deposits were covered by FDIC insurance at March 31, 2018.

Investments

ACE's investing is performed in accordance with the investment policy adopted by its Board of Directors and applicable state statutes. ACE may invest in U.S. Treasury and U.S. agency securities, certificates of deposit, time deposits, banker's acceptances, commercial paper and municipal bonds. In the event that secured investment opportunities arise, other than those specified above, investment consent is required through the approval of two of the following: Chair of the Board of Directors, Secretary-Treasurer of the Board of Directors or ACE Executive Director.

At March 31, 2018 and 2017, ACE had the following investments, maturities, and credit ratings:

		Maturities in Years		
	Carrying Value	Less Than 1	1 - 5	Credit Rating Moody's/S&P
March 31, 2018				
Money market mutual fund - US government obligations	$ 225,000	$ 225,000	$ -	Aaa-mf/AAAm
Negotiable certificates of deposit	2,389,324	1,444,918	944,406	Not rated
	$ 2,614,324	$ 1,669,918	$ 944,406	
March 31, 2017				
Negotiable certificates of deposit	$ 2,372,856	$ 1,451,128	$ 921,728	Not rated

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. ACE's investment policy does not place a limit on the amount that may be invested in any one maturity category. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Note 2: Deposits, Investments and Investment Return - Continued

Investments - Continued

Credit Risk **-** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. ACE's investment policy establishes requirements for certain investment securities or issuers of securities to be rated at certain rates or higher. The following investment types must be rated at the minimum rates noted below:

Commercial paper	A-1, P-1
Municipal bonds	AA -

Custodial Credit Risk **-** For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, ACE would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments are held in safekeeping in ACE's name, in a broker account with ACE's primary financial institution.

Concentration of Credit Risk **-** Concentration of credit risk is the risk associated with the amount of investments ACE has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement. As of March 31, 2018 and 2017, each of ACE's investments in negotiable certificates of deposit were covered by FDIC insurance, as the individual investments did not exceed $250,000, and were therefore also excluded from this requirement. ACE's investment policy limits the amount of its investment portfolio that may be invested in any one issuer, other than U.S. government securities, to $500,000.

Summary of Carrying Values

The carrying values of deposits and investments at March 31, 2018 and 2017 are as follows:

	2018	2017
Deposits	$ 34,258	$ 232,318
Investments	2,614,324	2,372,856
	$ 2,648,582	$ 2,605,174

Included in the following balance sheet captions:

	2018	2017
Cash and cash equivalents	$ 259,258	$ 232,318
Short-term investments	1,444,918	1,451,128
Long-term investments	944,406	921,728
	$ 2,648,582	$ 2,605,174

Note 2: Deposits, Investments and Investment Return - Continued

Investment Return

Investment return for the years ended March 31, 2018 and 2017, consisted of interest income and the net change in fair value of investments carried at fair value of $23,424 and $18,929, respectively.

Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Money market mutual funds are carried at cost, and thus not included within the fair value hierarchy. ACE's investments in negotiable certificates of deposit are measured at fair value on a recurring basis, and are classified within Level 2 of the fair value hierarchy at March 31, 2018 and 2017.

Note 3: Capital Assets

Capital assets at March 31, 2018 and 2017 consisted of the following:

	Beginning Balance	Additions	Disposals	Ending Balance
March 31, 2018				
Software	$ 430,468	$ 12,731	$ -	$ 443,199
Furniture and equipment	14,917	-	7,322	7,595
	445,385	12,731	7,322	450,794
Less accumulated depreciation	417,502	14,098	7,322	424,278
Net capital assets	$ 27,883	$ (1,367)	$ -	$ 26,516
March 31, 2017				
Software	$ 418,655	$ 11,813	$ -	$ 430,468
Furniture and equipment	19,773	-	4,856	14,917
	438,428	11,813	4,856	445,385
Less accumulated depreciation	400,337	22,021	4,856	417,502
Net capital assets	$ 38,091	$ (10,208)	$ -	$ 27,883

Note 4: Transactions with Coalition Members

ACE, NMPP, MEAN, and NPGA through common members and management comprise a coalition. ACE shares personnel and facilities within this coalition, as well as enters into agreements for certain products and services.

ACE incurred expenses of approximately $600,000 and $720,000 for administrative services and rents provided by coalition members during 2018 and 2017, respectively. At March 31, 2018 and 2017, amounts due to coalition members consisted of $90,682 and $70,933 payable to NMPP and $2,564 and $2,987 payable to MEAN, respectively.

Note 5: Natural Gas Purchase and Supply Agreements

On March 5, 2015, ACE entered into a natural gas supply agreement with its current natural gas supplier effective June 1, 2016, with an initial term through May 31, 2019. Under the natural gas supply agreement, ACE receives a fixed monthly fee to promote the selection of ACE to customers participating in the Nebraska Choice Gas Program. The fixed monthly fee increases annually on June 1 of each year. The agreement provides for additional one year terms unless 24 month notice is given by either party prior to June 1 of the calendar year of termination.

The agreement includes provisions for ACE to pay for advertising and marketing expenses related to the Nebraska Choice Gas Program and certain other amounts to third parties for referrals and promotion of ACE in the Nebraska Choice Gas Program, on behalf of and for the benefit of the natural gas supplier. Under the terms of the agreement, the natural gas supplier reimburses ACE for these payments, and thus these amounts are not reflected as revenue or expense in the statements of revenues, expenses and changes in net position and totaled approximately $142,000 and $93,000 during 2018 and 2017, respectively.

Note 6: Risk Management

ACE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and others; and natural disasters. ACE is named as one of the insureds on joint policies for commercial insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. None of the claims submitted against this commercial coverage in any of the three preceding years were specific to or material to ACE. All such claims were submitted for losses incurred in the normal course of business.