

Nebraska Municipal Power Pool

Independent Auditor's Report and Financial Statements

March 31, 2018 and 2017

NMPP

NEBRASKA MUNICIPAL POWER POOL

Nebraska Municipal Power Pool
March 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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 14, 2018

Nebraska Municipal Power Pool
Statements of Financial Position
March 31, 2018 and 2017

Assets

	2018	2017
Current Assets		
Cash	\$ 304,147	\$ 589,546
Certificates of deposit	205,000	200,000
Accounts receivable	86,752	71,825
Contracts receivable	50,733	49,525
Due from coalition members	800,146	525,836
Prepaid expenses and other current assets	459,655	381,316
Total current assets	1,906,433	1,818,048
Noncurrent Assets		
Long-term contracts receivable	29,196	32,166
Software development costs, net	30,438	55,240
Total noncurrent assets	59,634	87,406
Total assets	\$ 1,966,067	\$ 1,905,454

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 182,766	\$ 197,757
Accrued expenses	818,255	805,834
Unearned revenue	618,612	618,671
Total current liabilities	1,619,633	1,622,262
Net Assets		
Unrestricted	128,691	83,098
Temporarily restricted	217,743	200,094
Total net assets	346,434	283,192
Total liabilities and net assets	\$ 1,966,067	\$ 1,905,454

Nebraska Municipal Power Pool
Statements of Unrestricted Revenues and Expenses
Years Ended March 31, 2018 and 2017

	2018	2017
Revenues		
Support services for coalition members	\$ 136,825	\$ 124,613
Program assessments and sales	1,087,461	1,091,947
Dues	268,527	258,397
Other	10,285	8,483
Total revenues	1,503,098	1,483,440
Operating Expenses		
Program/project services	1,270,509	1,281,377
Administrative and general	186,996	188,600
Total expenses	1,457,505	1,469,977
Increase in Unrestricted Net Assets	\$ 45,593	\$ 13,463

Nebraska Municipal Power Pool
Statements of Changes in Net Assets
Years Ended March 31, 2018 and 2017

	2018	2017
Unrestricted Net Assets		
Total revenues	\$ 1,503,098	\$ 1,483,440
Total expenses	<u>(1,457,505)</u>	<u>(1,469,977)</u>
Increase in unrestricted net assets	<u>45,593</u>	<u>13,463</u>
Temporarily Restricted Net Assets		
Grant contributions	<u>17,649</u>	<u>18,282</u>
Increase in temporarily restricted net assets	<u>17,649</u>	<u>18,282</u>
Change in Net Assets	63,242	31,745
Net Assets, Beginning of the Year	<u>283,192</u>	<u>251,447</u>
Net Assets, End of the Year	<u><u>\$ 346,434</u></u>	<u><u>\$ 283,192</u></u>

Nebraska Municipal Power Pool
Statements of Cash Flows
Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in net assets	\$ 63,242	\$ 31,745
Item not requiring operating activities cash flows		
Amortization	24,802	27,260
Changes in		
Accounts receivable	(14,927)	(22,665)
Contracts receivable	1,762	5,907
Due from coalition members	(274,310)	(246,353)
Prepaid expenses and other current assets	(78,339)	35,915
Accounts payable	12,509	29,506
Accrued expenses	12,421	267,155
Unearned revenue	(59)	9,593
	<u>(252,899)</u>	<u>138,063</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Software development costs	(27,500)	(27,500)
Proceeds from redemption of certificates of deposit	110,000	15,000
Purchase of certificates of deposit	(115,000)	(80,000)
	<u>(32,500)</u>	<u>(92,500)</u>
Net cash used in investing activities		
Increase (Decrease) in Cash	(285,399)	45,563
Cash, Beginning of Year	<u>589,546</u>	<u>543,983</u>
Cash, End of Year	<u>\$ 304,147</u>	<u>\$ 589,546</u>
Supplemental Cash Flows Information		
Accounts payable incurred for software development costs	\$ 27,500	\$ 55,000

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2018 and 2017

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 various programs. Programs 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, 2018 and 2017, NMPP's deposits exceeded FDIC coverage and collateral held by approximately \$145,000 and \$329,000, 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 \$3,818 and \$2,789 for 2018 and 2017, 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, 2018 and 2017.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2018 and 2017

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, 2018 and 2017.

Software Development Costs

Software development costs consist of programming and testing costs incurred related to software to be sold within the NMPP Computer Services program. No software development costs were incurred in 2018. Total software development costs incurred in 2017 were \$82,500. The software costs incurred in 2017 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 years ended March 31, 2018 and 2017 was \$24,802 and \$27,260, respectively.

Net Assets

Unrestricted net assets – unrestricted net assets consist of assets and liabilities that have not been limited by NMPP's members for a specific purpose. NMPP's Board of Directors has designated a portion of annual dues to assist the start-up of new services. Annually \$0.01 of the per capita portion of dues paid is contributed to the New Initiatives Fund. Deposits into the fund consisted of dues and interest income totaling \$5,857 and \$5,856 in 2018 and 2017, respectively. No funds were used in 2018 or 2017. The New Initiatives Fund balance of \$95,889 and \$90,032 at March 31, 2018 and 2017, respectively, consisted of cash.

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. During fiscal year 2018, the committee approved assistance of \$20,000 for a project, upon completion of various project reports and other milestones. As the related project contingencies were not met as of March 31, 2018, the related funds have not been recorded as a release of restriction in 2018. No requests for assistance were received by the committee during fiscal year 2017. Temporarily restricted net assets as of March 31, 2018 and 2017 were \$217,743 and \$200,094, respectively, and consisted of cash and certificates of deposit.

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.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2018 and 2017

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

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. Accrued expenses on the statements of financial position include expenses incurred under NMPP's paid time off program for time off earned but not yet taken. Coalition members reimburse their allocated portion of these costs to NMPP when time off is taken. Amounts due from coalition members on the statements of financial position include the allocated amount owed by each coalition member for accrued expenses related to NMPP's paid time off program.

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.

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 assets.

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 \$481,000 and \$396,000 for the years ended March 31, 2018 and 2017, 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, 2018 and 2017

Note 3: Transactions with Coalition Members

A summary of amounts due from coalition members at March 31, 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
Due from MEAN	\$ 627,068	\$ 404,690
Due from NPGA	82,396	50,213
Due from ACE	<u>90,682</u>	<u>70,933</u>
Due from coalition members	<u>\$ 800,146</u>	<u>\$ 525,836</u>

During 2018 and 2017, NMPP provided services totaling \$135,500 and \$120,000, respectively, to MEAN, included in support services for coalition members on the statements of unrestricted revenues and expenses.

MEAN supports the financial health and utility business management of MEAN's participating municipal utilities by paying a portion of the cost of computer software value support plan and cost of service studies purchased by qualifying MEAN participants from NMPP. During 2018 and 2017, MEAN paid NMPP, on behalf of MEAN's participants, approximately \$148,900 and \$151,200, respectively, included in program assessments and sales on the statements of unrestricted revenues and expenses.

A summary of approximate joint costs incurred by NMPP which have been or will be reimbursed by coalition members during 2018 and 2017, is as follows:

	<u>2018</u>	<u>2017</u>
MEAN	\$ 6,930,000	\$ 6,560,000
NPGA	540,000	600,000
ACE	600,000	720,000

MEAN has ownership of nearly all common property, equipment and furniture. Under the terms of a Joint Operating Agreement, MEAN billed NMPP approximately \$47,000 in both 2018 and 2017, for the use of property, equipment and furniture.

Note 4: Subsequent Events

Subsequent events have been evaluated through May 14, 2018, which is the date the financial statements were available to be issued.