

# Nebraska Municipal Power Pool

Independent Auditor's Report and Financial Statements

March 31, 2022 and 2021



*Nebraska Municipal  
Power Pool*

**Nebraska Municipal Power Pool**  
**March 31, 2022 and 2021**

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## Independent Auditor's Report

Board of Directors  
Nebraska Municipal Power Pool  
Lincoln, Nebraska

### ***Opinion***

We have audited the financial statements of Nebraska Municipal Power Pool, which comprise the statements of financial position as of March 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nebraska Municipal Power Pool as of March 31, 2022 and 2021, 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.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nebraska Municipal Power Pool and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nebraska Municipal Power Pool's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nebraska Municipal Power Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nebraska Municipal Power Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**BKD, LLP**

Lincoln, Nebraska  
May 19, 2022

**Nebraska Municipal Power Pool**  
**Statements of Financial Position**  
**March 31, 2022 and 2021**

**Assets**

	<b>2022</b>	<b>2021</b>
<b>Current Assets</b>		
Cash	\$ 430,480	\$ 510,283
Certificates of deposit	275,000	240,000
Accounts receivable	110,331	66,860
Contracts receivable	29,730	52,608
Due from coalition members	857,804	820,097
Prepaid expenses and other current assets	376,858	373,317
Total current assets	2,080,203	2,063,165
<b>Noncurrent Assets</b>		
Long-term contracts receivable	5,408	12,490
Equipment, net	20,828	12,606
Total noncurrent assets	26,236	25,096
Total assets	\$ 2,106,439	\$ 2,088,261

**Liabilities and Net Assets**

<b>Current Liabilities</b>		
Accounts payable	\$ 28,355	\$ 40,376
Accrued expenses	828,910	841,541
Unearned revenue	586,428	607,288
Total current liabilities	1,443,693	1,489,205
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	292,455	242,941
Board designated - New Initiatives Fund	70,072	83,550
Invested in equipment	20,828	12,606
Total net assets without donor restrictions	383,355	339,097
With donor restrictions		
Purpose restriction - Energy Research and Development Fund	279,391	259,959
Total net assets	662,746	599,056
Total liabilities and net assets	\$ 2,106,439	\$ 2,088,261

**Nebraska Municipal Power Pool**  
**Statements of Activities**  
**Years Ended March 31, 2022 and 2021**

	<b>2022</b>			<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues and Other Support</b>						
Program assessments and sales	\$ 1,121,680	\$ -	\$ 1,121,680	\$ 1,099,924	\$ -	\$ 1,099,924
Dues	268,377	-	268,377	275,712	-	275,712
Support services for coalition members	-	-	-	2,865	-	2,865
Grant contributions	-	19,432	19,432	-	19,246	19,246
Investment return	2,841	-	2,841	5,239	-	5,239
Other	103	-	103	108	-	108
	<u>1,393,001</u>	<u>19,432</u>	<u>1,412,433</u>	<u>1,383,848</u>	<u>19,246</u>	<u>1,403,094</u>
<b>Operating Expenses</b>						
Computer services	577,240	-	577,240	566,021	-	566,021
Distribution services	426,596	-	426,596	452,030	-	452,030
Management and general	344,907	-	344,907	331,099	-	331,099
	<u>1,348,743</u>	<u>-</u>	<u>1,348,743</u>	<u>1,349,150</u>	<u>-</u>	<u>1,349,150</u>
<b>Change in Net Assets</b>	44,258	19,432	63,690	34,698	19,246	53,944
<b>Net Assets, Beginning of the Year</b>	<u>339,097</u>	<u>259,959</u>	<u>599,056</u>	<u>304,399</u>	<u>240,713</u>	<u>545,112</u>
<b>Net Assets, End of the Year</b>	<u>\$ 383,355</u>	<u>\$ 279,391</u>	<u>\$ 662,746</u>	<u>\$ 339,097</u>	<u>\$ 259,959</u>	<u>\$ 599,056</u>

**Nebraska Municipal Power Pool**  
**Statement of Functional Expenses**  
**Year Ended March 31, 2022**

	Program Activities			Supporting Activities	Total Expenses
	Computer Services	Distribution Services	Program Subtotal	Management and General	
Payroll and benefits	\$ 157,213	\$ 330,949	\$ 488,162	\$ 260,914	\$ 749,076
Professional fees	1,085	-	1,085	18,812	19,897
Advertising and promotion	-	-	-	7,629	7,629
Office and occupancy	27,884	59,698	87,582	41,716	129,298
Royalties	368,605	-	368,605	-	368,605
Conferences, meetings, and travel	9,401	30,312	39,713	15,836	55,549
Depreciation and amortization	-	5,637	5,637	-	5,637
Purchases for resale	13,052	-	13,052	-	13,052
Total expenses	<u>\$ 577,240</u>	<u>\$ 426,596</u>	<u>\$ 1,003,836</u>	<u>\$ 344,907</u>	<u>\$ 1,348,743</u>

**Nebraska Municipal Power Pool**  
**Statement of Functional Expenses**  
**Year Ended March 31, 2021**

	Program Activities			Supporting Activities	Total Expenses
	Computer Services	Distribution Services	Program Subtotal	Management and General	
Payroll and benefits	\$ 152,258	\$ 352,748	\$ 505,006	\$ 260,654	\$ 765,660
Professional fees	-	-	-	17,814	17,814
Advertising and promotion	-	-	-	2,631	2,631
Office and occupancy	28,847	65,206	94,053	43,922	137,975
Royalties	369,351	-	369,351	-	369,351
Conferences, meetings, and travel	422	26,268	26,690	6,078	32,768
Depreciation and amortization	-	7,808	7,808	-	7,808
Purchases for resale	15,143	-	15,143	-	15,143
	\$ 566,021	\$ 452,030	\$ 1,018,051	\$ 331,099	\$ 1,349,150
Total expenses	\$ 566,021	\$ 452,030	\$ 1,018,051	\$ 331,099	\$ 1,349,150



**Nebraska Municipal Power Pool**  
**Statements of Cash Flows**  
**Years Ended March 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating Activities</b>		
Change in net assets	\$ 63,690	\$ 53,944
Item not requiring cash		
Depreciation and amortization	5,637	7,808
Changes in		
Accounts receivable	(43,471)	(11,099)
Contracts receivable	29,960	(17,743)
Due from coalition members	(37,707)	21,550
Prepaid expenses and other current assets	(3,541)	(11,544)
Accounts payable	(12,021)	(1,911)
Accrued expenses	(12,631)	34,512
Unearned revenue	(20,860)	(5,794)
	<u>(30,944)</u>	<u>69,723</u>
Net cash provided by (used in) operating activities		
<b>Investing Activities</b>		
Purchase of equipment	(13,859)	(5,731)
Proceeds from redemption of certificates of deposit	115,000	110,000
Purchase of certificates of deposit	(150,000)	(125,000)
	<u>(48,859)</u>	<u>(20,731)</u>
Net cash used in investing activities		
<b>Increase (Decrease) in Cash</b>	(79,803)	48,992
<b>Cash, Beginning of Year</b>	<u>510,283</u>	<u>461,291</u>
<b>Cash, End of Year</b>	<u>\$ 430,480</u>	<u>\$ 510,283</u>

# Nebraska Municipal Power Pool

## Notes to Financial Statements

### March 31, 2022 and 2021

#### **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 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, 2022 and 2021, NMPP's deposits exceeded FDIC coverage by approximately \$180,000 and \$112,000, respectively.

##### ***Certificates of Deposit and Investment Return***

Certificates of deposit are carried at cost, which approximates fair value. Investment return consists entirely of interest income and was \$2,841 and \$5,239 for 2022 and 2021, respectively.

**Nebraska Municipal Power Pool**  
**Notes to Financial Statements**  
**March 31, 2022 and 2021**

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

***Accounts Receivable***

Accounts receivable are stated at the amount billed to customers. The amount billed to customers consists of the contracted amount, of which NMPP has an unconditional right to receive. 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 written off based on individual credit evaluation and specific circumstances of the customer. Management does not believe an allowance for doubtful accounts is necessary at March 31, 2022 and 2021 based upon a review of outstanding receivables and historical collection information. Accounts receivable at March 31, 2022, 2021 and 2020 is as follows:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Accounts Receivable	\$ 110,331	\$ 66,860	\$ 55,761

***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, 2022 and 2021 based upon a review of outstanding receivables and historical collection information. Total contracts receivable at March 31, 2022, 2021 and 2020 is as follows:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Contracts Receivable	\$ 35,138	\$ 65,098	\$ 47,355

***Prepaid Expenses***

Prepaid expenses consist primarily of royalties paid to NMPP's partner within NMPP's Computer Services program. Royalty expense related to the computer software support agreement is prorated over the term of the agreement, generally the calendar year.

***Equipment***

Equipment acquisitions are stated at cost, less accumulated depreciation. Depreciation is charged to expense on the straight-line basis over the estimated useful life of each asset, which is estimated at three to five years. Equipment at March 31, 2022 and 2021 is net of accumulated depreciation of \$34,443 and \$28,806, respectively.

# Nebraska Municipal Power Pool

## Notes to Financial Statements

March 31, 2022 and 2021

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

#### *Unearned Revenue and Revenue Recognition*

Revenue from membership dues, the sale of NMPP's products and services, computer software support agreements, and cost of service studies is recognized as NMPP satisfies performance obligations under the contracts, as more fully described in Note 5. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which NMPP expects to be entitled to in exchange for providing membership benefits or goods and services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract. NMPP determines the transaction price based on standard rates for goods and services provided. Customer advances are reflected in unearned revenue. Unearned revenue at March 31, 2022, 2021 and 2020 is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Unearned Revenue	\$ 586,428	\$ 607,288	\$ 613,082

#### *Net Assets*

Net assets, revenues, and contributions are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and are not subject to donor restrictions. 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 (NIF). The NIF consisted of cash at March 31, 2022 and 2021. The following summarizes the activity and ending balance for 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Dues deposited	\$ 5,521	\$ 5,769
Equipment purchased	(13,859)	(2,865)
Scholarships to member communities	(5,140)	(2,640)
Total NIF	<u>\$ 70,072</u>	<u>\$ 83,550</u>

NMPP's net assets with donor restrictions are temporary in nature and include restrictions that will be met by events specified by the donor. NMPP's members have limited the use of certain grant contributions for the purpose of providing assistance with the development of energy efficient projects. NMPP refers to the related activity as the Energy Research and Development Fund (ERDF). 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 2022 or 2021. The ERDF balance as of March 31, 2022 and 2021 is \$279,391 and \$259,959, respectively, and consists of cash and certificates of deposit.

# Nebraska Municipal Power Pool

## Notes to Financial Statements

March 31, 2022 and 2021

### **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.

#### ***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 operating expenses on the statements of activities and statements of functional 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 which totaled approximately \$539,000 and \$567,000 at March 31, 2022 and 2021, respectively.

#### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on the basis of estimates of time and effort include payroll and benefits, office, and occupancy expenses.

### **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 \$461,000 and \$457,000 for the years ended March 31, 2022 and 2021, respectively. The employee benefit plan costs are reflected net of reimbursement by coalition members in the statements of activities and statements of functional expenses.

**Nebraska Municipal Power Pool**  
**Notes to Financial Statements**  
**March 31, 2022 and 2021**

**Note 3: Transactions with Coalition Members**

A summary of amounts due from coalition members at March 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Due from MEAN	\$ 856,935	\$ 811,297
Due from NPGA	869	5,800
Due from ACE	<u>-</u>	<u>3,000</u>
Due from coalition members	<u>\$ 857,804</u>	<u>\$ 820,097</u>

NMPP did not provide equipment to MEAN during 2022. During 2021, NMPP provided equipment totaling \$2,865 to MEAN, included in support services for coalition members on the statements of activities.

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 plans and cost of service studies purchased by qualifying MEAN participants from NMPP. During 2022 and 2021, MEAN paid NMPP, on behalf of MEAN's participants, approximately \$118,900 and \$118,700, respectively, included in program assessments and sales on the statements of activities.

A summary of approximate joint costs incurred by NMPP which have been or will be reimbursed by coalition members during 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
MEAN	\$ 5,990,000	\$ 5,910,000
NPGA	360,000	350,000
ACE	370,000	390,000

MEAN has ownership of nearly all common property, information technology, equipment and furniture. In addition, MEAN incurs costs for products and services that are shared by all of the coalition members. Under the terms of a Joint Operating Agreement, MEAN billed NMPP approximately \$125,700 in 2022 and \$126,000 in 2021, for rents and shared products and services.

**Nebraska Municipal Power Pool**  
**Notes to Financial Statements**  
**March 31, 2022 and 2021**

**Note 4: Liquidity and Availability**

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of March 31, 2022 and 2021 consist of the following:

	<b>2022</b>	<b>2021</b>
Financial assets:		
Cash	\$ 430,480	\$ 510,283
Certificates of deposit	275,000	240,000
Accounts receivable	110,331	66,860
Contracts receivable	29,730	52,608
Financial assets, at year end	845,541	869,751
Less those unavailable for general expenditure within one year, due to:		
Donor imposed restrictions - ERDF	279,391	259,959
Board designated - NIF	70,072	83,550
	349,463	343,509
Financial assets available to meet cash needs for general expenditures within one year	\$ 496,078	\$ 526,242

The majority of accounts payable and accrued expenses reported in the statements of financial position at March 31, 2022 and 2021 represent personnel and general and administrative costs for coalition members. These joint costs will be liquidated as they come due through the collection of the due from coalition members balance also reported in the statements of financial position at March 31, 2022 and 2021.

NMPP has a liquidity policy with a goal of maintaining operating funds at least equal to 30 days of budgeted cash operating expenses. NMPP manages liquidity and reserves by reviewing targets annually and replenishing funds when needed through increases in dues and charges for products and contracted services. To assist in maintaining adequate liquidity, dues are billed annually on a fiscal year basis. During the years ended March 31, 2022 and 2021, the level of liquidity and reserves was managed within the policy requirements.

**Nebraska Municipal Power Pool**  
**Notes to Financial Statements**  
**March 31, 2022 and 2021**

**Note 5: Revenue from Agreements with Members and Customers**

***Dues Revenue***

Revenue from dues paid by members is reported at the amount that reflects the consideration to which NMPP expects to be entitled in exchange for providing membership benefits.

NMPP bills members the dues assessment annually. Revenue is recognized as performance obligations are satisfied, which is ratably over the annual membership term. For the years ended March 31, 2022 and 2021, NMPP recognized revenue from dues of \$268,377 and \$275,712, respectively.

***Program Assessments and Sales Revenue***

Performance obligations are determined based on the nature of the goods or services provided by NMPP in accordance with the related contract. The transaction price is based on standard rates for goods and services provided. Revenue for performance obligations which are satisfied over time is recognized ratably over the period based on time elapsed. Revenue for performance obligations which are satisfied at a point in time is generally recognized when goods or services are provided to customers at a single point in time and NMPP does not believe it is required to provide additional goods or services related to the contract.

For the years ended March 31, 2022 and 2021, NMPP recognized revenue from program assessments and sales of \$1,121,680 and \$1,099,924, respectively, which included revenue in 2022 of \$185,075 and in 2021 of \$177,827 from goods and services that transfer to the customer at a point in time.

NMPP incurs shipping and handling costs related to the delivery of certain goods and services. NMPP expenses the shipping and handling costs at the time the related revenue is recognized. For the years ended March 31, 2022 and 2021, NMPP recognized shipping and handling costs of \$2,183 and \$2,716, respectively. Shipping and handling costs are reported in computer services operating expenses in the statements of activities.

**Note 6: Subsequent Events**

Subsequent events have been evaluated through May 19, 2022, which is the date the financial statements were available to be issued.