

# Forvis Mazars Planning Communication to the Board of Directors and Management

Municipal Energy Agency of Nebraska

March 31, 2025

## Thank You for Selecting Forvis Mazars

We are grateful for the opportunity to serve Municipal Energy Agency of Nebraska and gain insight into your operations. This communication provides useful information relevant to your role as those charged with governance of the entity, including summarized information required by professional standards, such as the planned scope and timing of the audit.

Our goal is to establish a foundation for effective two-way communication throughout the audit. We are available at your convenience to discuss this information and answer questions as we begin our audit.

## Contacts During the Engagement

We understand the appropriate person in the governance structure with whom to communicate is:

- Mr. Tom Ourada, Chair of the Board of Directors

Your audit leaders for any questions or communications are:

- |                              |                                       |              |
|------------------------------|---------------------------------------|--------------|
| • Chris Lindner, Partner     | chris.lindner@us.forvismazars.com     | 402.473.7600 |
| • Abby Dobson, Director      | abby.dobson@us.forvismazars.com       | 402.473.7600 |
| • Trevor Copenhaver, Manager | trevor.copenhaver@us.forvismazars.com | 402.473.7600 |

## Overview & Responsibilities

Matter	Description of Audit Area
<b>Scope of Our Audit</b>	<p>We have been engaged to audit the financial statements of Municipal Energy Agency of Nebraska for the year ended March 31, 2025.</p> <p>Please refer to our contract dated January 9, 2025 for additional information and the terms of our engagement.</p>
<b>Audit Standards &amp; Materiality</b>	<p>We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial statement audits contained in Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.</p> <p>References to items that are material refer to misstatements, including omissions, that could, in our professional judgment, reasonably be expected to influence the economic decisions of users made on the basis of the financial statements.</p>

Matter	Description of Audit Area
<b>Our Responsibilities</b>	We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
<b>Your Responsibilities</b>	Our audit of the financial statements does not relieve you or management of your responsibilities.
<b>Distribution Restriction</b>	This communication is intended solely for the information and use of the Board of Directors and, if appropriate, management of the entity and is not intended to be, and should not be, used by anyone other than these specified parties.

### Other Information Accompanying the Audited Financial Statements

Management is responsible for the other information included in the annual report.

The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

We will not subject such information to the auditing procedures applied in the audit of the financial statements and, accordingly, we will not express an opinion or provide any assurance on it. Our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements or whether there is an indication that the other information appears to be materially misstated or misleading. We will respond appropriately when we identify material inconsistencies or when we otherwise become aware that information appears to be materially misstated.

In the event we issue a disclaimer of opinion on the financial statements, our auditor's report will not make any reference to the annual report or to any procedures that may have been performed.

We understand that drafts of annual report are not expected be available until after the planned issuance of our auditor's report. We will request management to provide the documents to us when available in order to allow us to complete our required procedures described above. We will have no obligation to reissue our report in such situation to include the results of our procedures performed on the final document. However, if we identify material inconsistencies that indicate that the audited financial statements were misstated, then we will be required to evaluate the nature and magnitude of the misstatement to determine if a restatement of the previously issued financial statements is warranted.

### Planned Timing of the Engagement

We succeed in our engagements by collaborating with management through frequent communication. We require the assistance of management and staff to prepare supporting documents, schedules and analysis and depend on those items to be ready no later than the dates that we mutually agree will meet your deadlines.

We expect to begin our audit on approximately April 28, 2025. Draft financial statements are expected to be ready in June 2025, and we will issue our report in June 2025..

### Planned Audit Scope

We welcome any input you may have regarding the information discussed below. We also welcome any insight you have related to any other risk areas or other significant risk areas you believe warrant particular attention.

## Extent of Testing

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

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.

## Establishing Our Understanding

An audit also includes obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we will express no such opinion.

## Communicating Deficiencies or Significant Matters

An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate internal control related matters that are required to be communicated under professional standards.

We will also communicate significant matters arising during the audit of the financial statements that are relevant to you in overseeing the financial reporting process as required by professional standards.

## Significant Risks of Material Misstatement

We have preliminarily identified the following areas of significant risks of material misstatement due to error or fraud and propose to address these areas as described:

### Risk Areas

### Audit Approach

Risk of management override of controls	Analyze accounting estimates for bias, test selected journal entries, evaluate business rationale for unusual transactions
Improper revenue recognition	Gain an understanding of revenue recognition policies including a review of applicable rate schedules, confirm selected customer balances, perform revenue cut-off testing, analytically test revenue for reasonableness
Regulatory accounting	Challenge the treatment of certain revenues and costs deferred for propriety with respect to Governmental Accounting Standards Board (GASB) Codification Section Re10, Regulated Operations

## Other Procedures to Be Performed

We may also request written representations from the entity's general counsel as part of the engagement.

At the conclusion of our audit, we will require certain written representations from management about the financial statements and related matters.

We may identify additional significant risks as we complete our procedures.

## Audit Implications of Significant Changes or Conditions

Critical audit areas

- Related party transactions
- Revenue recognition
- Capitalization of costs for productive capacity/capital assets
- Regulatory accounting and deferral of revenues and costs in accordance with GASB Codification Section Re10, Regulated Operations
- Recording of regional transmission organization (RTO) market transactions

### Consideration of Error or Fraud

One of the most common questions we receive from governing bodies is, “How do you address fraud in a financial statement audit?” Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in auditing standards generally accepted in the United States of America.

Our audit approach includes such procedures as:

- Engagement team brainstorming
- Inquiries of management and others
- Reviewing accounting estimates for bias