

Nebraska Municipal Power Pool

Independent Auditor's Report and Financial Statements

March 31, 2014 and 2013



Nebraska Municipal Power Pool
March 31, 2014 and 2013

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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, 2014 and 2013, 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, 2014 and 2013, 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 30, 2014

Nebraska Municipal Power Pool
Statements of Financial Position
March 31, 2014 and 2013

Assets

	2014	2013
Current Assets		
Cash and cash equivalents	\$ 192,331	\$ 337,379
Certificates of deposit	175,000	175,000
Accounts receivable	103,065	24,631
Contracts receivable	63,878	66,125
Due from coalition members	195,942	122,153
Prepaid expenses and other current assets	373,294	331,764
Total current assets	1,103,510	1,057,052
Long-Term Contracts Receivable		
	79,458	67,880
Total assets	\$ 1,182,968	\$ 1,124,932

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 110,020	\$ 82,126
Accrued expenses	302,729	304,877
Due to coalition members	-	152,671
Unearned revenue	690,372	583,005
Total current liabilities	1,103,121	1,122,679
Net Assets (Deficit)		
Unrestricted	(64,693)	(135,874)
Temporarily restricted	144,540	138,127
Total net assets	79,847	2,253
Total liabilities and net assets	\$ 1,182,968	\$ 1,124,932

Nebraska Municipal Power Pool
Statements of Unrestricted Revenues and Expenses
Years Ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenues		
Support services for coalition members	\$ 116,074	\$ 104,890
Project assessments and sales	1,062,519	848,446
Dues	244,928	219,070
Other	<u>1,668</u>	<u>1,508</u>
Total revenues	<u>1,425,189</u>	<u>1,173,914</u>
Net Assets Released From Restrictions	<u>5,000</u>	<u>8,700</u>
Total revenues and other support	<u>1,430,189</u>	<u>1,182,614</u>
Operating Expenses		
Program/project services	1,145,997	1,039,228
Administrative and general	<u>215,217</u>	<u>189,261</u>
Total expenses	<u>1,361,214</u>	<u>1,228,489</u>
Change in Unrestricted Net Deficit from Continued Operations	68,975	(45,875)
Income (Loss) from Discontinued Operations (Note 4)	<u>2,206</u>	<u>(88,978)</u>
Change in Unrestricted Net Deficit	<u><u>\$ 71,181</u></u>	<u><u>\$ (134,853)</u></u>

Nebraska Municipal Power Pool
Statements of Changes in Net Assets
Years Ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Unrestricted Net Deficit		
Total revenue	\$ 1,425,189	\$ 1,173,914
Net assets released from restrictions	5,000	8,700
Total expenses	<u>(1,361,214)</u>	<u>(1,228,489)</u>
Change in unrestricted net deficit	<u>68,975</u>	<u>(45,875)</u>
Temporarily Restricted Net Assets		
Grant contributions	11,413	17,637
Net assets released from restrictions	<u>(5,000)</u>	<u>(8,700)</u>
Increase in temporarily restricted net assets	<u>6,413</u>	<u>8,937</u>
Change in Net Assets from Continuing Operations	75,388	(36,938)
Income (Loss) from Discontinued Operations (Note 4)	<u>2,206</u>	<u>(88,978)</u>
Change in Net Assets	77,594	(125,916)
Net Assets, Beginning of the Year	<u>2,253</u>	<u>128,169</u>
Net Assets, End of the Year	<u>\$ 79,847</u>	<u>\$ 2,253</u>

Nebraska Municipal Power Pool
Statements of Cash Flows
Years Ended March 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating Activities		
Change in net assets	\$ 77,594	\$ (125,916)
Item not requiring operating activities cash flows		
Amortization	-	3,941
Changes in		
Accounts receivable	(78,434)	17,471
Contracts receivable	(9,331)	(51,715)
Due from coalition members	(73,789)	11,064
Prepaid expenses and other current assets	(41,530)	(7,930)
Accounts payable	27,894	(572)
Accrued expenses	(2,148)	31,167
Due to coalition members	(152,671)	149,680
Unearned revenue	107,367	55,072
	<u>(145,048)</u>	<u>82,262</u>
Investing Activities		
Proceeds from redemption of certificate of deposit	50,000	175,000
Purchase of certificate of deposit	(50,000)	(175,000)
	<u>-</u>	<u>-</u>
Increase (Decrease) in Cash and Cash Equivalents	(145,048)	82,262
Cash and Cash Equivalents, Beginning of Year	<u>337,379</u>	<u>255,117</u>
Cash and Cash Equivalents, End of Year	<u>\$ 192,331</u>	<u>\$ 337,379</u>

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2014 and 2013

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

Nature of Operations

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's operations consist of member activity and projects. Projects include Energy Projects, Computer 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, expenses and other changes in net assets during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

POOL considers all liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2014 and 2013, cash equivalents consisted entirely of money market mutual funds.

The Federal Deposit Insurance Corporation (FDIC) insures transaction accounts up to \$250,000 per covered institution. At March 31, 2014, POOL's deposits were fully insured. As of March 31, 2013, POOL's deposits exceeded FDIC insurance limits by approximately \$144,000.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2014 and 2013

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

Cash and Cash Equivalents - Continued

ASC Topic 820, *Fair Value Measurements*, defines fair value as 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. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. POOL's investments in money market mutual funds of \$5,000 at March 31, 2014 and 2013, are classified within Level 2 of the valuation hierarchy.

Investments and Investment Return

Certificates of deposit are carried at cost, which approximates fair value. Investment return consists entirely of interest income and was \$1,358 and \$1,245 for 2014 and 2013, 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, 2014 and 2013, as there were no delinquent receivables.

Contracts Receivable

Contracts receivable are stated at the amount outstanding. Contracts receivable consist of charges for cost of service studies and are ordinarily due in four annual installments. Management does not believe an allowance for doubtful accounts is necessary at March 31, 2014 and 2013.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2014 and 2013

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

Temporarily Restricted Net Assets

Temporarily restricted net assets are those limited by POOL'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 2014, the committee approved assistance of \$10,000 for projects, which released restrictions of \$5,000. During fiscal year 2013, the committee approved total assistance of \$17,400 for projects, which released restrictions of \$8,700. Temporarily restricted net assets were \$144,540 and \$138,127 as of March 31, 2014 and 2013, respectively.

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 cost of service 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 expenses on the statements of unrestricted revenues and expenses.

Income Taxes

POOL 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, POOL is subject to federal income tax on any unrelated business taxable income.

POOL files tax returns in the U.S. federal jurisdiction. With a few exceptions, POOL is no longer subject to U.S. federal examinations by tax authorities for years before 2011.

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 nine percent of each participating employee's salary. Total contributions by POOL, principally allocated to coalition members, to the plan were approximately \$335,000 and \$330,000 for the years ended March 31, 2014 and 2013, 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, 2014 and 2013

Note 3: Transactions with Coalition Members

A summary of amounts due to and from coalition members at March 31, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Due from MEAN	\$ 75,899	\$ -
Due from NPGA	60,234	57,416
Due from ACE	<u>59,809</u>	<u>64,737</u>
Due from coalition members	<u>\$ 195,942</u>	<u>\$ 122,153</u>
Due to MEAN	<u>\$ -</u>	<u>\$ 152,671</u>

During 2014 and 2013, MEAN paid POOL \$104,600 and \$104,900, respectively, for support services provided by POOL. During 2014, NPGA paid POOL \$26,840 for support services provided by POOL. No support services were provided by POOL to NPGA during 2013.

A summary of joint costs incurred by POOL which have been or will be reimbursed by coalition members during 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
MEAN	\$ 4,277,658	\$ 3,946,409
NPGA	662,070	726,056
ACE	663,186	769,407

Under the terms of a Joint Operating Agreement, MEAN retains ownership of nearly all common property, equipment and furniture. In 2014 and 2013, MEAN billed POOL approximately \$55,000 and \$51,000, respectively, for the use of property, equipment and furniture.

Note 4: Discontinued Operations

In 2014, POOL decided to discontinue its load management project services, due to poor profitability, and sell any assets related to this project. At March 31, 2013, POOL had approximately \$3,800 of assets associated with the load management project which were nearly all sold at cost during 2014. No assets remained on the statements of financial position for load management at March 31, 2014. Revenues and expenses for 2013 have been reclassified to include all revenues and expenses for load management project services in discontinued operations.

Note 5: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.