

Nebraska Municipal Power Pool

Independent Auditor's Report and Financial Statements

March 31, 2016 and 2015



Nebraska Municipal Power Pool
March 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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 16, 2016

Nebraska Municipal Power Pool
Statements of Financial Position
March 31, 2016 and 2015

Assets

	2016	2015
Current Assets		
Cash and cash equivalents	\$ 543,983	\$ 635,760
Certificates of deposit	135,000	175,000
Accounts receivable	49,160	49,484
Contracts receivable	43,008	95,909
Due from coalition members	279,483	123,738
Prepaid expenses and other current assets	417,231	312,623
Total current assets	1,467,865	1,392,514
Long-Term Contracts Receivable		
	44,590	82,121
Total assets	\$ 1,512,455	\$ 1,474,635

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 113,251	\$ 152,205
Accrued expenses	538,679	246,264
Due to coalition members	-	265,546
Unearned revenue	609,078	690,659
Total current liabilities	1,261,008	1,354,674
Net Assets (Deficit)		
Unrestricted	69,635	(40,849)
Temporarily restricted	181,812	160,810
Total net assets	251,447	119,961
Total liabilities and net assets	\$ 1,512,455	\$ 1,474,635

Nebraska Municipal Power Pool
Statements of Unrestricted Revenues and Expenses
Years Ended March 31, 2016 and 2015

	2016	2015
Revenues		
Support services for coalition members	\$ 140,330	\$ 133,414
Project assessments and sales	1,000,204	1,014,949
Dues	258,218	261,354
Other	3,495	2,550
Total revenues	1,402,247	1,412,267
 Net Assets Released From Restrictions	 13,000	 -
Total revenues and other support	1,415,247	1,412,267
 Operating Expenses		
Program/project services	1,140,764	1,169,230
Administrative and general	163,999	219,193
Total expenses	1,304,763	1,388,423
 Increase in Unrestricted Net Assets	 \$ 110,484	 \$ 23,844

Nebraska Municipal Power Pool
Statements of Changes in Net Assets
Years Ended March 31, 2016 and 2015

	2016	2015
Unrestricted Net Assets		
Total revenues	\$ 1,402,247	\$ 1,412,267
Net assets released from restrictions	13,000	-
Total expenses	(1,304,763)	(1,388,423)
Increase in unrestricted net assets	110,484	23,844
Temporarily Restricted Net Assets		
Grant contributions	34,002	16,270
Net assets released from restrictions	(13,000)	-
Increase in temporarily restricted net assets	21,002	16,270
Change in Net Assets	131,486	40,114
Net Assets, Beginning of the Year	119,961	79,847
Net Assets, End of the Year	\$ 251,447	\$ 119,961

Nebraska Municipal Power Pool
Statements of Cash Flows
Years Ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Activities		
Change in net assets	\$ 131,486	\$ 40,114
Changes in		
Accounts receivable	324	53,581
Contracts receivable	90,432	(34,694)
Due from coalition members	(155,745)	72,204
Prepaid expenses and other current assets	(104,608)	60,671
Accounts payable	(38,954)	42,185
Accrued expenses	292,415	(56,465)
Due to coalition members	(265,546)	265,546
Unearned revenue	(81,581)	287
	<u>(131,777)</u>	<u>443,429</u>
Investing Activities		
Proceeds from redemption of certificate of deposit	175,000	125,000
Purchase of certificate of deposit	(135,000)	(125,000)
	<u>40,000</u>	<u>-</u>
Increase (Decrease) in Cash and Cash Equivalents	(91,777)	443,429
Cash and Cash Equivalents, Beginning of Year	<u>635,760</u>	<u>192,331</u>
Cash and Cash Equivalents, End of Year	<u>\$ 543,983</u>	<u>\$ 635,760</u>

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2016 and 2015

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 projects. Projects 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 and Cash Equivalents

NMPP considers all liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2016, there were no cash equivalents. At March 31, 2015, 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, 2016 and 2015, NMPP's deposits exceeded FDIC insurance limits by approximately \$373,000 and \$382,000, respectively.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2016 and 2015

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

Cash and Cash Equivalents - Continued

Financial Accounting Standards Board Accounting Standards Codification Topic 820, *Fair Value Measurements* (Topic 820), 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. NMPP's investments in money market mutual funds of \$5,000 at March 31, 2015, 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 \$2,070 and \$1,256 for 2016 and 2015, 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, 2016 and 2015.

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, 2016 and 2015.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2016 and 2015

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

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. No requests for assistance were received by the committee during fiscal year 2016. During fiscal year 2015, the committee approved assistance of \$13,000 for a project upon completion of various project reports and other milestones. As the related project contingencies were not met as of March 31, 2015, the related funds were not recorded as a release of restriction in 2015. The related project contingencies were met by March 31, 2016, and the related funds were recorded as a release of restriction in 2016. Temporarily restricted net assets were \$181,812 as of March 31, 2016. Temporarily restricted net assets as of March 31, 2015 were \$160,810.

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.

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.

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.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2016 and 2015

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 \$397,000 and \$381,000 for the years ended March 31, 2016 and 2015, respectively. The employee benefit plan costs are reflected net of reimbursement by coalition members in the statements of unrestricted revenues and expenses.

Note 3: Transactions with Coalition Members

A summary of amounts due to and from coalition members at March 31, 2016 and 2015, is as follows:

	2016	2015
Due from MEAN	\$ 154,424	\$ -
Due from NPGA	52,981	61,420
Due from ACE	72,078	62,318
Due from coalition members	\$ 279,483	\$ 123,738
Due to MEAN	\$ -	\$ 265,546

During 2016 and 2015, NMPP provided services totaling \$133,500 and \$120,000, respectively, to MEAN. During 2015, NPGA paid NMPP \$10,815, for services provided by NMPP. No payment for services was made by NPGA to NMPP during 2016.

A summary of approximate joint costs incurred by NMPP which have been or will be reimbursed by coalition members during 2016 and 2015, is as follows:

	2016	2015
MEAN	\$ 5,750,000	\$ 5,100,000
NPGA	620,000	660,000
ACE	670,000	670,000

Under the terms of a Joint Operating Agreement, MEAN retains ownership of nearly all common property, equipment and furniture. In 2016 and 2015, MEAN billed NMPP approximately \$43,000 and \$54,000, respectively, for the use of property, equipment and furniture.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2016 and 2015

Note 4: 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.