National Public Gas Agency

Independent Auditor's Report and Financial Statements

March 31, 2015 and 2014

National Public Gas Agency
March 31, 2015 and 2014

Contents

BKD LLP
CPAs & Advisors

1248 "O" Street, Suite 1040 // Lincoln, NE 68508-1461
402.473.7600 // fax 402.473.7698 // bkd.com

Independent Auditor's Report

Board of Directors
National Public Gas Agency
Lincoln, Nebraska

We have audited the accompanying basic financial statements of National Public Gas Agency, which are comprised of balance sheets as of March 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and of cash flows for the years then ended, and the related notes to the basic financial statements, as listed in the table of contents.

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 National Public Gas Agency as of March 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the 2014 financial statements have been restated to correct a misstatement of operating revenues and expenses related to transportation charges. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Lincoln, Nebraska
June 1, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis on the following pages summarizes the financial highlights and focuses on factors that had a material effect on the financial condition of National Public Gas Agency (NPGA) and the results of operations for the years ended March 31, 2015, 2014 and 2013. This discussion should be read in conjunction with the accompanying financial highlights, the basic financial statements, and notes to the financial statements.

Summary of the Financial Statements

The financial statements, related notes to the financial statements and management's discussion and analysis provide information about NPGA's financial position and activities.

Management's Discussion and Analysis – provides an objective and easily readable analysis of the financial activities of NPGA based on currently known facts, decisions or conditions.

Balance Sheets – provide a summary of NPGA's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

Statements of Revenues, Expenses and Changes in Net Position – present the operating results of NPGA into various categories of operating revenues and expenses, and non-operating revenues and expenses.

Statements of Cash Flows – report the cash provided by and used for operating activities, as well as other cash sources such as investment income.

Notes to the Financial Statements – provide additional disclosures and information that is essential to a full understanding of the data provided in the statements.

Financial Analysis

The following comparative condensed financial statements summarize NPGA's financial position and operating results for the years ended March 31, 2015, 2014 and 2013.

Condensed Balance Sheets and Financial Highlights

	March 31, 2015	March 31, 2014	March 31, 2013	Change 2015 to 2014	Change 2014 to 2013
Assets and Deferred Outflows of Resources					
Current assets	$ 6,831,725	$ 7,066,765	$ 6,270,555	$ (235,040)	$ 796,210
Noncurrent assets	1,600,613	1,229,665	1,183,529	370,948	46,136
Deferred outflows of resources	526,000	-	97,480	526,000	(97,480)
Total assets and deferred outflows of resources	$ 8,958,338	$ 8,296,430	$ 7,551,564	$ 661,908	$ 744,866
Liabilities, Deferred Inflows of Resources and Net Position					
Current liabilities	$ 1,031,482	$ 1,201,894	$ 1,334,944	$ (170,412)	$ (133,050)
Noncurrent liabilities	526,000	-	134,000	526,000	(134,000)
Deferred inflows of resources	-	32,000	-	(32,000)	32,000
Net position - unrestricted	7,400,856	7,062,536	6,082,620	338,320	979,916
Total liabilities, deferred inflows of resources, and net position	$ 8,958,338	$ 8,296,430	$ 7,551,564	$ 661,908	$ 744,866

Assets and Deferred Outflows of Resources

Current assets decreased at March 31, 2015 as additional funds available for investment as a result of an increase in net position in recent years were included in long-term investments. Current assets increased at March 31, 2014 due to increased cash and cash equivalents as a result of an increase in net position in recent years.

Noncurrent assets fluctuate with the term of short-term versus long-term investments and the natural gas market impact on the fair value of derivative instruments.

Deferred outflows of resources fluctuate annually as a result of changes in the fair value of derivative instruments. The deferred outflows from derivative instruments at March 31, 2015 and 2013 result from the negative fair value of cash flow hedges.

Liabilities and Deferred Inflows of Resources

The change in current liabilities relates to natural gas prices and volumes purchased to meet member needs resulting in fluctuations in accounts payable.

Noncurrent liabilities fluctuate annually as a result of changes in the fair value of derivative instruments. The fair value of derivatives instruments was negative at March 31, 2015 and 2013.

Deferred inflows of resources as of March 31, 2014, consist of deferred inflows from derivative instruments as a result of the change in fair value of derivative instruments.

Condensed Statements of Revenues, Expenses and Changes in Net Position and Financial Highlights

	March 31, 2015	March 31, 2014	March 31, 2013	Change 2015 to 2014	Change 2014 to 2013
Sales volumes (MMBtu's)	2,994,640	3,241,772	2,970,220	(247,132)	271,552
Operating revenues	$12,845,617	$15,260,963	$ 12,172,507	$ (2,415,346)	$ 3,088,456
Operating expenses	12,672,700	15,031,736	11,751,932	(2,359,036)	3,279,804
Operating income	172,917	229,227	420,575	(56,310)	(191,348)
Net nonoperating revenues	165,403	750,689	519,815	(585,286)	230,874
Change in net position	$ 338,320	$ 979,916	$ 940,390	$ (641,596)	$ 39,526

The fluctuation in sales volumes results from changes in demand primarily driven by weather conditions. Decreased demand along with lower natural gas prices resulted in decreased operating revenues and expenses in 2015. Increased demand combined with higher natural gas prices resulted in increased operating revenues and expenses in 2014.

Fluctuations in net nonoperating revenues relate primarily to gas supply termination distributions received. Gas supply termination distributions received declined significantly in 2015 after increasing slightly in 2014.

General Trends and Significant Events

Nationally, wholesale natural gas market spot prices were higher for April through December of fiscal year 2015 compared to the same period of fiscal year 2014 while prices for January through March of fiscal year 2015 were lower compared to the same period of fiscal year 2014. Prices remain low compared to historical pricing due to a still recovering economy and large supply of domestic natural gas. Developing technology the last several years made it possible to access more domestic natural gas resources.

Current storage levels are above storage levels at the same time last year and consistent with the five year average. Record production and the overall mild winter weather conditions contributed to storage being at acceptable levels. Adequate supply is expected with the improvements in technology resulting in more gas production with less drilling in the future. With the abundance of available shale gas in the United States, supply is expected to outpace demand in fiscal year 2016. Natural gas prices are expected to hold steady this summer and only rise slightly for the winter months.

Risk Management Practices

NPGA is subject to various risks inherent in the natural gas business, including market risk, operating risk, regulatory and political risks, credit risk and interest risk.

NPGA has entered into hedging arrangements extending into fiscal year 2016 as part of NPGA's gas purchasing strategy to reduce market risk. NPGA will continue to evaluate hedging opportunities to reduce price risk for members and non-members.

Report Purpose and Contact Information

This financial report is designed to provide member municipalities, other non-member participants and counterparties with a general overview of NPGA's financial status for the fiscal years 2015, 2014 and 2013. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Accounting at 8377 Glynoaks Dr., Lincoln, Nebraska 68516.

National Public Gas Agency
Balance Sheets
March 31, 2015 and 2014

Assets and Deferred Outflows of Resources	2015	2014
Current Assets		
Cash and cash equivalents	$ 2,663,408	$ 3,195,928
Short-term investments	2,350,611	2,000,264
Accounts receivable	1,592,335	1,582,540
Gas production, purchase and storage	201,938	266,226
Prepaid expenses	23,433	21,807
Total current assets	6,831,725	7,066,765
Noncurrent Assets		
Long-term investments	1,600,613	1,197,665
Fair value of derivative instruments	-	32,000
Total noncurrent assets	1,600,613	1,229,665
Deferred Outflows of Resources		
Deferred outflows from derivative instruments	526,000	-
Total assets and deferred outflows of resources	$ 8,958,338	$ 8,296,430

Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	$ 965,406	$ 1,138,488
Due to coalition members	66,076	63,406
Total current liabilities	1,031,482	1,201,894
Noncurrent Liabilities		
Fair value of derivative instruments	526,000	-
Deferred Inflows of Resources		
Deferred inflows from derivative instruments	-	32,000
Net Position		
Unrestricted	7,400,856	7,062,536
Total liabilities, deferred inflows of resources, and net position	$ 8,958,338	$ 8,296,430

National Public Gas Agency

Statements of Revenues, Expenses and Changes in Net Position

Years Ended March 31, 2015 and 2014

	2015	2014 (As Restated)
Operating Revenue		
Gas supply	$ 12,845,617	$ 15,260,963
Operating Expenses		
Cost of gas sold	11,911,118	14,289,776
Administrative and general	761,582	741,960
Total operating expenses	12,672,700	15,031,736
Operating Income	172,917	229,227
Nonoperating Revenues (Expenses)		
Net costs to be recovered in future periods	-	(36,520)
Gas supply termination distributions	107,768	725,450
Investment income	57,635	61,759
Net nonoperating revenues	165,403	750,689
Increase in Net Position	338,320	979,916
Net Position, Beginning of Year	7,062,536	6,082,620
Net Position, End of Year	$ 7,400,856	$ 7,062,536

National Public Gas Agency

Statements of Cash Flows

Years Ended March 31, 2015 and 2014

	2015	2014
Operating Activities		
Cash received from members and customers	$ 15,379,591	$ 17,316,003
Cash paid to suppliers	(14,607,299)	(16,688,202)
Cash paid to coalition members	(716,920)	(732,100)
Net cash provided by (used in) operating activities	55,372	(104,299)
Noncapital Financing Activities		
Gas supply termination distributions	107,768	725,450
Net cash provided by noncapital financing activities	107,768	725,450
Investing Activities		
Proceeds from sales and maturities of investments	2,000,000	1,850,000
Purchases of investments	(2,750,000)	(2,050,000)
Interest received on investments	54,340	63,065
Net cash used in investing activities	(695,660)	(136,935)
Increase (Decrease) in Cash and Cash Equivalents	(532,520)	484,216
Cash and Cash Equivalents, Beginning of Year	3,195,928	2,711,712
Cash and Cash Equivalents, End of Year	$ 2,663,408	$ 3,195,928
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities		
Operating Income	$ 172,917	$ 229,227
Change in fair value of investment derivative instruments	-	(36,520)
Changes in operating assets and liabilities		
Accounts receivable	(9,795)	41,584
Gas production, purchase and storage	64,288	(183,733)
Prepaid expenses	(1,626)	(21,807)
Accounts payable and accrued expenses	(173,082)	(136,699)
Due to coalition members, net	2,670	3,649
Net Cash Provided By (Used in) Operating Activities	$ 55,372	$ (104,299)

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

Nature of Operations

National Public Gas Agency ("NPGA" or "Agency") was established under provisions of the Interlocal Cooperation Act of Nebraska (Act) for the purpose of providing local governments the opportunity to cooperate with other localities to obtain a mutual advantage in the ability of the entity to meet its gas supply needs. NPGA sells gas to its members and others who are located in the states of Nebraska, Colorado, Illinois, Kansas, Missouri, Oklahoma and Wyoming.

Reporting Entity

In evaluating how to define the Agency, for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the Agency's ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Agency and (3) the entity's fiscal dependency on the Agency.

NPGA, Nebraska Municipal Power Pool (POOL), Municipal Energy Agency of Nebraska (MEAN) 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 in the coalition. Based upon the above criteria, none of the organizations are considered component units of any of the other organizations.

Basis of Accounting and Presentation

NPGA's activities are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. NPGA's accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and Licenses prescribed by the Federal Energy Regulatory Commission (FERC). NPGA prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). NPGA's accounting policies also follow the regulated operations provisions of GASB Statement No. 62, which permits an entity with cost-based rates to defer certain costs or income that would otherwise be recognized when incurred to the extent that the rate-regulated entity is recovering or expects to recover such amounts in rates charged to its customers.

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

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, deferred outflows of resources, liabilities and deferred inflows of resources, 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 position during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

NPGA considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. At March 31, 2015 and 2014, cash equivalents consisted entirely of a money market mutual fund.

Investments and Investment Income

Investments in money market mutual funds and negotiable certificates of deposit are carried at fair value. Fair value is determined using quoted market prices.

Investment income consists of interest and the net change for the year in the fair value of investments.

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. NPGA does not believe an allowance for doubtful accounts is necessary at March 31, 2015 and 2014, as there were no delinquent accounts.

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

Net Position Classification

Net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets **-** consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. NPGA had no net capital assets at March 31, 2015 and 2014.

Restricted **-** consists of restricted assets and deferred outflows, reduced by liabilities and deferred inflows related to those assets, with constraints placed on their use either by a) external groups such as creditors (such as through debt covenants), contributors, or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation. There are no components of net position at March 31, 2015 and 2014 that meet the restricted definition.

Unrestricted **-** consists of the assets and deferred outflows, and liabilities and deferred inflows that are not included in the net investment in capital assets or restricted components of net position.

Classification of Revenues

Operating revenues include revenues resulting from the purchase and delivery of gas supplies to members and customers. Nonoperating revenues include those derived from capital and related financing, noncapital financing and investing activities other than capital contributions from members.

Derivative Instruments

Derivative instruments are utilized by NPGA to manage market risk and reduce its exposure resulting from fluctuations in prices of natural gas. These instruments include commodity swap agreements. Additional information regarding these instruments is shown in Note 5.

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

Rates

NPGA annually determines its wholesale gas supply rates to recover costs of providing natural gas service and financing obligations. Rates and charges for providing wholesale gas supply are reviewed and adopted by NPGA's Board of Directors. The cost of natural gas to NPGA is recovered through a monthly gas cost adjustment mechanism. Variances between the estimated gas cost and actual costs are recovered from, or returned to, NPGA's members.

Income Taxes

In accordance with certain provisions of the Internal Revenue Code and the Act and related governing laws and regulations, NPGA, as a local government entity, is exempt from federal and state income taxes.

Adjustments Applicable to Prior Years

Certain adjustments have been made to the 2014 financial statements to correct NPGA's recording of natural gas pipeline transportation charges that are collected and remitted to the respective interstate pipeline supplier, on behalf of certain members and customers (see Note 7). This resulted in NPGA reducing gas supply revenues and cost of gas sold expenses on the statements of revenues, expenses and changes in net position, by approximately $2,013,000 for 2014. These adjustments had no effect on the change in net position.

Note 2: Deposits, Investments, and Investment Return

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. NPGA's deposit policy for custodial credit risk requires compliance with the provisions of state law. State statutes require banks either to give bond or to pledge government securities to NPGA in the amount of NPGA's deposits. The Federal Deposit Insurance Corporation (FDIC) insures transaction accounts for government deposits up to $250,000 per official custodian at each covered institution. NPGA's deposits were covered by FDIC insurance and pledged government securities at March 31, 2015.

Note 2: Deposits, Investments, and Investment Return - Continued

Investments

NPGA's investing is performed in accordance with the investment policy adopted by its Board of Directors and applicable state statutes. NPGA may invest in U.S. Treasury and U.S. agency securities, certificates of deposit, time deposits, banker's acceptances, commercial paper, and municipal bonds. In the event that secured investment opportunities arise, other than those specified above, investment consent is required through the approval of two of the following: the Chair of the Board of Directors, Secretary-Treasurer of the Board of Directors or the NPGA Executive Director.

At March 31, 2015 and 2014, NPGA had the following investments, maturities, and credit ratings:

		Maturities in Years		Credit Rating
	Fair Value	Less Than 1	1-5	Moody's/S&P
March 31, 2015				
Money market mutual funds - US agencies	$ 5,000	$ 5,000	$ -	Aaa-mf/AAAm
Negotiable certificates of deposits	3,951,224	2,350,611	1,600,613	Not Rated
	$ 3,956,224	$ 2,355,611	$ 1,600,613	
March 31, 2014				
Money market mutual funds - US agencies	$ 5,000	$ 5,000	$ -	Aaa-mf/AAAm
Negotiable certificates of deposits	3,197,929	2,000,264	1,197,665	Not Rated
	$ 3,202,929	$ 2,005,264	$ 1,197,665	

Interest Rate Risk **-** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. NPGA's investment policy does not place a limit on the amount that may be invested in any one maturity category. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk **-** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. NPGA's investment policy establishes requirements for certain investment securities or issuers of securities to be rated at certain rates or higher. The following investment types must be rated at the minimum rates noted below:

Commercial paper	A-1, P-1
Municipal bonds	AA-

Note 2: Deposits, Investments, and Investment Return - Continued

Investments - Continued

Custodial Credit Risk **-** For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, NPGA would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. NPGA's investments are held in safekeeping in a broker account with the Agency's primary financial institution.

Concentration of Credit Risk **-** Concentration of credit risk is the risk associated with the amount of investments NPGA has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement. As of March 31, 2015 and 2014, each of NPGA's investments in negotiable certificates of deposit were covered by FDIC insurance, as the individual investments did not exceed $250,000, and were therefore also excluded from this requirement. NPGA's investment policy limits the amount of its investment portfolio that may be invested in any one issuer, other than U.S. government securities, to $500,000.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets at March 31, 2015 and 2014, as follows:

	2015	2014
Deposits	$ 2,658,408	$ 3,190,928
Investments	3,956,224	3,202,929
	$ 6,614,632	$ 6,393,857

Included in the following balance sheet captions:

	2015	2014
Cash and cash equivalents	$ 2,663,408	$ 3,195,928
Short-term investments	2,350,611	2,000,264
Long-term investments	1,600,613	1,197,665
	$ 6,614,632	$ 6,393,857

Investment Return

Investment return for the years ended March 31, 2015 and 2014, consisted of interest income and the net change in fair value of investments of $57,635 and $61,759, respectively.

Note 3: Credit Facilities

NPGA terminated a $2,000,000 revolving line of credit on November 30, 2014 which included a $300,000 standby letter of credit that reduced the amount available under NPGA's revolving line of credit. During the years ended March 31, 2015 and 2014, no funds were advanced against the line.

Note 4: Transactions with Coalition Members

NPGA, POOL, MEAN and ACE through common members and management comprise a coalition. NPGA shares personnel and facilities within this coalition, as well as enters into agreements for certain products and services.

NPGA incurred expenses of approximately $660,000 for administrative services and rents provided by coalition members during both 2015 and 2014.

At March 31, 2015 and 2014, amounts due to coalition members consisted of $61,420 and $60,234 payable to POOL and $4,656 and $3,172 payable to MEAN, respectively.

Note 5: Derivative Instruments

Objectives and Terms of Derivative Instruments

NPGA has entered into commodity swaps to hedge changes in cash flows and reduce exposure due to fluctuations in the market price of natural gas. These commodity swaps are considered derivative instruments under the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The fair values of the commodity swaps are based on forward prices from established indexes for the applicable region and discounted using established interest rate indexes.

Cash Flow Hedges - Cash flows hedges are derivative instruments associated with a hedgeable item that significantly reduce an identified financial risk by substantially offsetting changes in cash flows or fair values of the hedgeable item. At March 31, 2015, the negative fair value of commodity swaps considered cash flow hedges is classified as a noncurrent liability on the balance sheet, with an offsetting deferred outflow of resources of the same amount. At March 31, 2014, the positive fair value of commodity swaps considered cash flow hedges is classified as a noncurrent asset on the balance sheet, with an offsetting deferred inflow of resources of the same amount. The change in fair value of cash flow hedges was a decrease of $558,000 for 2015 and increase of $129,240 for 2014. The change in fair value is reflected within deferred outflows from derivative instruments in 2015 and deferred inflows from derivative instruments in 2014.

Investment Derivative Instruments - Investment derivative instruments consist of commodity swaps not meeting the criteria to be considered cash flow hedges. NPGA had no commodity swaps meeting the definition of an investment derivative instrument at March 31, 2015 and 2014. The change in fair value of investment derivative instruments was an increase of $36,520 for 2014. The change was recorded to cost of gas sold expense on NPGA's operating statements. NPGA has elected to defer this charge and recognize the expense in future periods in accordance with the regulated operations provisions of GASB Statement No. 62.

Note 5: Derivative Instruments – Continued

Objectives and Terms of Derivative Instruments – Continued

A summary of objectives and terms of NPGA's derivative instruments at March 31, 2015 and 2014, (all contracts are structured with a quantity of 10,000 MMBtu's per contract) follows:

March 31, 2015

Reference	Notional Amount (# of contracts)	Effective Date	Termination Date	Fixed Price per MMBtu	Fair Value	Counterparty Credit Rating S&P / Moody's
Cash Flow Hedges:						
		Monthly starting	Monthly through	Ranges from		
	11	5/1/2015	3/31/2016	$3.535		
	9	5/1/2015	1/31/2016	$3.465		
	8	5/1/2015	12/31/2015	$3.290		
	7	5/1/2015	11/30/2015	$3.755		
(A)	6	5/1/2015	10/31/2015	$3.935		
	4	5/1/2015	8/31/2015	$3.930		
	3	5/1/2015	7/31/2015	$4.135		
	2	5/1/2015	6/30/2015	$4.510		
	1	11/1/2015	11/30/2015	$7.400		
	1	12/1/2015	12/31/2015	$7.950	$ (526,000)	A / Baa1

March 31, 2014

Reference	Notional Amount (# of contracts)	Effective Date	Termination Date	Fixed Price per MMBtu	Fair Value	Counterparty Credit Rating S&P / Moody's
Cash Flow Hedges:						
		Monthly starting	Monthly through	Ranges from		
(A)	11	5/1/2014	3/31/2015	$3.865 to $4.230		
	1	11/1/2015	11/30/2015	$7.400		
	1	12/1/2015	12/31/2015	$7.950	$ 32,000	A / Baa1

(A) Pay-fixed, receive-variable commodity swap with a national energy corporation. NPGA pays the predetermined fixed price and the counterparty pays the variable price, which is based on the NYMEX natural gas settlement price for the contractual month.

Credit risk – At March 31, 2015 NPGA was not exposed to credit risk for swaps that had a negative fair value. At March 31, 2014, for the swaps with a positive fair value, NPGA was exposed to credit risk in the amount of the fair value of the swaps. NPGA reduces its exposure to credit risk by requiring the counterparty to maintain credit ratings as defined in contract documents.

Termination risk - NPGA or the counterparties may terminate the swaps if either party fails to perform as outlined in the terms of the contracts. If a swap agreement is terminated, each party will make the calculations on its part, and will provide to the other party a statement showing relevant quotations and specifying any amount payable according to the applicable swap agreements.

Note 5: Derivative Instruments – Continued

Objectives and Terms of Derivative Instruments – Continued

Basis risk - NPGA is exposed to basis risk on the swaps because the variable payments on the commodity swaps are based on the Henry Hub pricing point, which is different than the varying pricing points used by NPGA for its natural gas purchases. The basis difference can vary depending on the geographical location of the pricing point.

Note 6: Gas Supply

Gas supply for the years ended March 31, 2015 and 2014 was as follows:

	2015	2014
Members	$ 6,878,736	$ 9,591,670
Non-members	5,966,881	5,669,293
	$ 12,845,617	$ 15,260,963

NPGA has agreements with various parties, including 12 member participants, to provide for the sale of natural gas to the parties under various terms and rate schedules.

Note 7: Natural Gas Costs and Commitments

Cost of gas sold for the years ended March 31, 2015 and 2014 were as follows:

	2015	2014
Purchased gas	$ 10,744,690	$ 12,805,554
Production	819,852	584,487
Commodity swaps, net	238,886	173,599
Transportation	107,690	726,136
	$ 11,911,118	$ 14,289,776

Note 7: Natural Gas Costs and Commitments – Continued

Purchased Gas

NPGA's natural gas requirements are purchased through contracts with various natural gas suppliers. NPGA's contracts with natural gas suppliers provide for the pricing of all natural gas primarily based on nationally publicized indices plus or minus applicable premiums and discounts.

Production

NPGA has entered into a natural gas production sharing agreement with a nonprofit corporation whereby NPGA has agreed to purchase a maximum of approximately 301,000 MMBtu per year for a participation share of 2.89%. Purchase requirements are subject to production availability. Natural gas became available beginning January 2013. During the years ended March 31, 2015 and 2014, NPGA purchased approximately 220,000 MMBtu and approximately 145,000 MMBtu, respectively.

Commodity Swaps

NPGA pays the predetermined fixed price and the counterparty pays the variable price, which is based on the NYMEX natural gas settlement price for the contractual month. The amount included above represents the net cost of commodity swaps settled.

Transportation

NPGA contracts with certain interstate pipeline suppliers for the transportation and storage of its natural gas requirements. NPGA has also contracted to collect payments for transportation of natural gas on behalf of certain members and customers and remits these payments to the respective interstate pipeline supplier. Since NPGA is only acting as an agent, these amounts are not reflected as revenue or expense in the statements of revenues, expenses and changes in net position. The transportation purchased by the members and customers, that NPGA was responsible for collecting and remitting to the respective transportation suppliers, totaled approximately $2,544,000 and $2,013,000 during 2015 and 2014, respectively.

Note 8: Risk Management

NPGA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and others; and natural disasters. NPGA carries commercial insurance, subject to certain limits and deductibles, to reduce the financial impact of claims arising from such matters. No claims have been submitted against this commercial coverage in any of the three preceding years.

Note 9: Significant Estimates and Concentrations

Major Customers

Information regarding major customers is provided for those customers who individually exceed 10% of NPGA's annual sales or accounts receivable balances at year-end.

At March 31, 2015 and 2014, approximately $483,000 or 30% and $543,000 or 34%, respectively, of total accounts receivable were owed by two customers.

For the year ended March 31, 2015 and 2014, approximately $5,354,000 or 42% and $7,351,000 or 48%, respectively, of total gas commodity sales were to two and three customers, respectively.