

Nebraska Municipal Power Pool

Independent Auditor's Report and Financial Statements

March 31, 2020 and 2019

NMPP

NEBRASKA MUNICIPAL POWER POOL

Nebraska Municipal Power Pool
March 31, 2020 and 2019

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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, 2020 and 2019, and the related statements of activities, functional expenses, 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, 2020 and 2019, 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 19, 2020

Nebraska Municipal Power Pool
Statements of Financial Position
March 31, 2020 and 2019

Assets

	2020	2019
Current Assets		
Cash	\$ 461,291	\$ 196,358
Certificates of deposit	225,000	200,000
Accounts receivable	55,761	148,772
Contracts receivable	42,237	75,531
Due from coalition members	841,647	964,510
Prepaid expenses and other current assets	361,773	421,310
Total current assets	1,987,709	2,006,481
Noncurrent Assets		
Long-term contracts receivable	5,118	12,170
Equipment, net	14,683	17,842
Software development costs, net	-	13,618
Total noncurrent assets	19,801	43,630
Total assets	\$ 2,007,510	\$ 2,050,111

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 42,287	\$ 125,904
Accrued expenses	807,029	842,167
Unearned revenue	613,082	617,751
Total current liabilities	1,462,398	1,585,822
Net Assets		
Without donor restrictions		
Undesignated	206,430	126,544
Board designated - New Initiatives Fund	83,286	90,710
Invested in software development	-	13,618
Invested in equipment	14,683	17,842
Total net assets without donor restrictions	304,399	248,714
With donor restrictions		
Purpose restriction - Energy Research and Development Fund	240,713	215,575
Total net assets	545,112	464,289
Total liabilities and net assets	\$ 2,007,510	\$ 2,050,111

Nebraska Municipal Power Pool
Statements of Activities
Years Ended March 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Support services for coalition members	\$ 1,816	\$ -	\$ 1,816	\$ 11,004	\$ -	\$ 11,004
Program assessments and sales	1,156,255	-	1,156,255	1,242,715	-	1,242,715
Dues	273,832	-	273,832	271,593	-	271,593
Grant contributions	-	25,138	25,138	-	17,832	17,832
Investment return	5,949	-	5,949	5,080	-	5,080
Other	163	-	163	4,228	-	4,228
Net assets released from restrictions	-	-	-	20,000	(20,000)	-
Total revenues and other support	1,438,015	25,138	1,463,153	1,554,620	(2,168)	1,552,452
Operating Expenses						
Computer services	611,772	-	611,772	548,347	-	548,347
Distribution services	412,168	-	412,168	411,188	-	411,188
Energy research and development grants	-	-	-	20,000	-	20,000
Management and general	358,390	-	358,390	455,062	-	455,062
Total operating expenses	1,382,330	-	1,382,330	1,434,597	-	1,434,597
Change in Net Assets	55,685	25,138	80,823	120,023	(2,168)	117,855
Net Assets, Beginning of the Year	248,714	215,575	464,289	128,691	217,743	346,434
Net Assets, End of the Year	\$ 304,399	\$ 240,713	\$ 545,112	\$ 248,714	\$ 215,575	\$ 464,289

Nebraska Municipal Power Pool
Statement of Functional Expenses
Year Ended March 31, 2020

	Program Activities			Supporting Activities	Total Expenses
	Computer Services	Distribution Services	Program Subtotal	Management and General	
Payroll and benefits	\$ 155,969	\$ 336,561	\$ 492,530	\$ 256,553	\$ 749,083
Professional fees	-	1,800	1,800	21,792	23,592
Advertising and promotion	-	-	-	10,969	10,969
Office and occupancy	31,583	55,132	86,715	44,119	130,834
Royalties	374,312	-	374,312	-	374,312
Conferences, meetings, and travel	22,210	11,883	34,093	24,957	59,050
Depreciation and amortization	13,618	6,792	20,410	-	20,410
Purchases for resale	14,080	-	14,080	-	14,080
Total expenses	\$ 611,772	\$ 412,168	\$ 1,023,940	\$ 358,390	\$ 1,382,330

Nebraska Municipal Power Pool
Statement of Functional Expenses
Year Ended March 31, 2019

	<u>Program Activities</u>			<u>Program Subtotal</u>	<u>Supporting Activities</u>	<u>Total Expenses</u>
	<u>Computer Services</u>	<u>Distribution Services</u>	<u>Energy Research and Development</u>		<u>Management and General</u>	
Payroll and benefits	\$ 130,410	\$ 286,507	\$ -	\$ 416,917	\$ 345,754	\$ 762,671
Professional fees	837	69,147	-	69,984	27,781	97,765
Advertising and promotion	-	-	-	-	10,690	10,690
Office and occupancy	15,321	30,837	-	46,158	28,792	74,950
Information technology	1,583	3,174	-	4,757	3,182	7,939
Royalties	347,040	-	-	347,040	-	347,040
Conferences, meetings, and travel	18,560	17,581	-	36,141	23,654	59,795
Depreciation and amortization	16,820	3,942	-	20,762	-	20,762
Insurance	-	-	-	-	15,209	15,209
Purchases for resale	17,776	-	-	17,776	-	17,776
Grants	-	-	20,000	20,000	-	20,000
Total expenses	<u>\$ 548,347</u>	<u>\$ 411,188</u>	<u>\$ 20,000</u>	<u>\$ 979,535</u>	<u>\$ 455,062</u>	<u>\$ 1,434,597</u>

Nebraska Municipal Power Pool
Statements of Cash Flows
Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ 80,823	\$ 117,855
Item not requiring cash		
Depreciation and amortization	20,410	20,762
Changes in		
Accounts receivable	93,011	(62,020)
Contracts receivable	40,346	(7,772)
Due from coalition members	122,863	(164,364)
Prepaid expenses and other current assets	59,537	38,345
Accounts payable	(83,617)	(29,362)
Accrued expenses	(35,138)	23,912
Unearned revenue	(4,669)	(861)
	<u>293,566</u>	<u>(63,505)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of equipment	(3,633)	(21,784)
Software development costs	-	(27,500)
Proceeds from redemption of certificates of deposit	110,000	130,000
Purchase of certificates of deposit	(135,000)	(125,000)
	<u>(28,633)</u>	<u>(44,284)</u>
Net cash used in investing activities		
Increase (Decrease) in Cash	264,933	(107,789)
Cash, Beginning of Year	<u>196,358</u>	<u>304,147</u>
Cash, End of Year	<u>\$ 461,291</u>	<u>\$ 196,358</u>

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2020 and 2019

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, 2020, NMPP's deposits exceeded FDIC coverage and collateral held by approximately \$159,000. At March 31, 2019, NMPP's deposits did not exceed FDIC coverage and collateral held.

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 \$5,949 and \$5,080 for 2020 and 2019, respectively.

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, 2020 and 2019 based upon a review of outstanding receivables and historical collection information. Accounts receivable at March 31, 2020, 2019, and 2018 is \$55,761, \$148,772, and \$86,752, respectively.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2020 and 2019

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

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, 2020 and 2019 based upon a review of outstanding receivables and historical collection information. Total contracts receivable at March 31, 2020, 2019, and 2018 is \$47,355, \$87,701, and \$79,929, respectively.

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.

Software Development Costs

Software development costs consist of programming and testing costs incurred related to software to be sold within the NMPP Computer Services program. No software development costs were incurred in 2020 or 2019. The \$82,500 of software costs incurred during 2017 are being amortized based on the related current and anticipated future gross revenues for the related product, which is estimated at three years. Amortization expense for the years ended March 31, 2020 and 2019 was \$13,618 and \$16,820, respectively.

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, 2020 and 2019 is net of accumulated depreciation of \$20,998 and \$14,206, respectively.

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, 2020, 2019, and 2018 is \$613,082, \$617,751, and \$618,612, respectively.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2020 and 2019

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

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). Deposits into the fund consisted of dues totaling \$5,723 and \$5,825 in 2020 and 2019, respectively. Funds totaling \$13,147 were used during 2020 to provide scholarships to member communities and to purchase equipment needed to provide services to members. Funds totaling \$11,004 were used during 2019 to purchase equipment or refurbish existing equipment needed to provide services to members. The NIF consisted of cash and totaled \$83,286 and \$90,710 at March 31, 2020 and 2019, respectively.

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 2020 or 2019. Project contingencies for a \$20,000 project approved by the committee during fiscal year 2018 were met in 2019, and the \$20,000 was recorded as a release of restriction in 2019. The ERDF balance as of March 31, 2020 and 2019 was \$240,713 and \$215,575, respectively, and consisted of cash and certificates of deposit.

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, 2020 and 2019

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

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 \$518,000 and \$434,000 at March 31, 2020 and 2019, 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.

Change in Accounting Principle

On April 1, 2019, NMPP adopted Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (ASU 2019-09) using a modified retrospective method of adoption to contracts not completed at the date of initial application.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which NMPP expects to be entitled in exchange for those goods and services.

The amount to which NMPP expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

Adoption of ASU 2014-09 resulted in changes in disclosures in the notes to the financial statements. See Note 1 for additional information about NMPP's contract balances and Note 5 for additional information about NMPP's revenue.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2020 and 2019

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 \$404,000 and \$498,000 for the years ended March 31, 2020 and 2019, respectively. The employee benefit plan costs are reflected net of reimbursement by coalition members in the statements of activities and statements of functional expenses.

Note 3: Transactions with Coalition Members

A summary of amounts due from coalition members at March 31, 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
Due from MEAN	\$ 840,623	\$ 805,701
Due from NPGA	-	75,544
Due from ACE	<u>1,024</u>	<u>83,265</u>
Due from coalition members	<u>\$ 841,647</u>	<u>\$ 964,510</u>

During 2020 and 2019, NMPP provided equipment totaling \$1,816 and \$11,004, respectively, 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 plan and cost of service studies purchased by qualifying MEAN participants from NMPP. During 2020 and 2019, MEAN paid NMPP, on behalf of MEAN's participants, approximately \$201,800 and \$158,200, 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 2020 and 2019, is as follows:

	<u>2020</u>	<u>2019</u>
MEAN	\$ 5,870,000	\$ 7,720,000
NPGA	340,000	480,000
ACE	380,000	560,000

Nebraska Municipal Power Pool
Notes to Financial Statements
March 31, 2020 and 2019

Note 3: Transactions with Coalition Members - Continued

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 \$125,100 in 2020 and \$47,600 in 2019, for rents and shared products and services.

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, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 461,291	\$ 196,358
Certificates of deposit	225,000	200,000
Accounts receivable	55,761	148,772
Contracts receivable	<u>42,237</u>	<u>75,531</u>
Financial assets, at year end	<u>784,289</u>	<u>620,661</u>
Less those unavailable for general expenditure within one year, due to:		
Donor imposed restrictions - ERDF	240,713	215,575
Board designated - NIF	<u>83,286</u>	<u>90,710</u>
	<u>323,999</u>	<u>306,285</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 460,290</u>	<u>\$ 314,376</u>

The majority of accounts payable and accrued expenses reported in the statements of financial position at March 31, 2020 and 2019 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, 2020 and 2019.

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, 2020 and 2019, the level of liquidity and reserves was managed within the policy requirements.

Nebraska Municipal Power Pool
Notes to Financial Statements
March 31, 2020 and 2019

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, 2020 and 2019, NMPP recognized revenue from dues of \$273,832 and \$271,593, 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, 2020 and 2019, NMPP recognized revenue from program assessments and sales of \$1,156,225 and \$1,242,715, respectively, which included revenue in 2020 of \$187,124 and in 2019 of \$176,464 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, 2020 and 2019, NMPP recognized shipping and handling costs of \$2,822 and \$2,508, respectively. Shipping and handling costs are reported in computer services operating expenses in the statements of activities.

Note 6: Subsequent Events

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, activities and cash flows of NMPP. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through May 19, 2020, which is the date the financial statements were available to be issued.