

Nebraska Municipal Power Pool

Independent Auditor's Report and Financial Statements

March 31, 2021 and 2020

NMPP

NEBRASKA MUNICIPAL POWER POOL

Nebraska Municipal Power Pool
March 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 12, 2021

Nebraska Municipal Power Pool
Statements of Financial Position
March 31, 2021 and 2020

Assets

	2021	2020
Current Assets		
Cash	\$ 510,283	\$ 461,291
Certificates of deposit	240,000	225,000
Accounts receivable	66,860	55,761
Contracts receivable	52,608	42,237
Due from coalition members	820,097	841,647
Prepaid expenses and other current assets	373,317	361,773
Total current assets	2,063,165	1,987,709
Noncurrent Assets		
Long-term contracts receivable	12,490	5,118
Equipment, net	12,606	14,683
Total noncurrent assets	25,096	19,801
Total assets	\$ 2,088,261	\$ 2,007,510

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 40,376	\$ 42,287
Accrued expenses	841,541	807,029
Unearned revenue	607,288	613,082
Total current liabilities	1,489,205	1,462,398
Net Assets		
Without donor restrictions		
Undesignated	242,941	206,430
Board designated - New Initiatives Fund	83,550	83,286
Invested in equipment	12,606	14,683
Total net assets without donor restrictions	339,097	304,399
With donor restrictions		
Purpose restriction - Energy Research and Development Fund	259,959	240,713
Total net assets	599,056	545,112
Total liabilities and net assets	\$ 2,088,261	\$ 2,007,510

Nebraska Municipal Power Pool
Statements of Activities
Years Ended March 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Support services for coalition members	\$ 2,865	\$ -	\$ 2,865	\$ 1,816	\$ -	\$ 1,816
Program assessments and sales	1,099,924	-	1,099,924	1,156,255	-	1,156,255
Dues	275,712	-	275,712	273,832	-	273,832
Grant contributions	-	19,246	19,246	-	25,138	25,138
Investment return	5,239	-	5,239	5,949	-	5,949
Other	108	-	108	163	-	163
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues and other support	1,383,848	19,246	1,403,094	1,438,015	25,138	1,463,153
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Operating Expenses						
Computer services	566,021	-	566,021	611,772	-	611,772
Distribution services	452,030	-	452,030	412,168	-	412,168
Management and general	331,099	-	331,099	358,390	-	358,390
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	1,349,150	-	1,349,150	1,382,330	-	1,382,330
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Change in Net Assets	34,698	19,246	53,944	55,685	25,138	80,823
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Net Assets, Beginning of the Year	304,399	240,713	545,112	248,714	215,575	464,289
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Net Assets, End of the Year	<u>\$ 339,097</u>	<u>\$ 259,959</u>	<u>\$ 599,056</u>	<u>\$ 304,399</u>	<u>\$ 240,713</u>	<u>\$ 545,112</u>

Nebraska Municipal Power Pool
Statement of Functional Expenses
Year Ended March 31, 2021

	Program Activities			Supporting Activities	Total Expenses
	Computer Services	Distribution Services	Program Subtotal	Management and General	
Payroll and benefits	\$ 152,258	\$ 352,748	\$ 505,006	\$ 260,654	\$ 765,660
Professional fees	-	-	-	17,814	17,814
Advertising and promotion	-	-	-	2,631	2,631
Office and occupancy	28,847	65,206	94,053	43,922	137,975
Royalties	369,351	-	369,351	-	369,351
Conferences, meetings, and travel	422	26,268	26,690	6,078	32,768
Depreciation and amortization	-	7,808	7,808	-	7,808
Purchases for resale	15,143	-	15,143	-	15,143
Total expenses	\$ 566,021	\$ 452,030	\$ 1,018,051	\$ 331,099	\$ 1,349,150

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	<u>\$ 611,772</u>	<u>\$ 412,168</u>	<u>\$ 1,023,940</u>	<u>\$ 358,390</u>	<u>\$ 1,382,330</u>

Nebraska Municipal Power Pool
Statements of Cash Flows
Years Ended March 31, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	\$ 53,944	\$ 80,823
Item not requiring cash		
Depreciation and amortization	7,808	20,410
Changes in		
Accounts receivable	(11,099)	93,011
Contracts receivable	(17,743)	40,346
Due from coalition members	21,550	122,863
Prepaid expenses and other current assets	(11,544)	59,537
Accounts payable	(1,911)	(83,617)
Accrued expenses	34,512	(35,138)
Unearned revenue	(5,794)	(4,669)
	<u>69,723</u>	<u>293,566</u>
Net cash provided by operating activities		
Investing Activities		
Purchase of equipment	(5,731)	(3,633)
Proceeds from redemption of certificates of deposit	110,000	110,000
Purchase of certificates of deposit	(125,000)	(135,000)
	<u>(20,731)</u>	<u>(28,633)</u>
Net cash used in investing activities		
Increase in Cash	48,992	264,933
Cash, Beginning of Year	<u>461,291</u>	<u>196,358</u>
Cash, End of Year	<u>\$ 510,283</u>	<u>\$ 461,291</u>

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2021 and 2020

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, 2021 and 2020, NMPP's deposits exceeded FDIC coverage and collateral held by approximately \$112,000 and \$159,000, respectively.

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 \$5,239 and \$5,949 for 2021 and 2020, 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, 2021 and 2020 based upon a review of outstanding receivables and historical collection information. Accounts receivable at March 31, 2021, 2020, and 2019 is \$66,860, \$55,761, and \$148,772, respectively.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2021 and 2020

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, 2021 and 2020 based upon a review of outstanding receivables and historical collection information. Total contracts receivable at March 31, 2021, 2020, and 2019 is \$65,098, \$47,355, and \$87,701, 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 2021 or 2020. 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. The software costs were fully amortized in 2020 with amortization expense for the year ended March 31, 2020 of \$13,618.

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, 2021 and 2020 is net of accumulated depreciation of \$28,806 and \$20,998, 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, 2021, 2020, and 2019 is \$607,288, \$613,082, and \$617,751, respectively.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2021 and 2020

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 \$5,769 and \$5,723 in 2021 and 2020, respectively. Funds totaling \$5,505 and \$13,147 for 2021 and 2020, respectively, were used during 2021 and 2020 to purchase equipment needed to provide services to members and to provide scholarships to member communities. The NIF consisted of cash and totaled \$83,550 and \$83,286 at March 31, 2021 and 2020, 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 2021 or 2020. The ERDF balance as of March 31, 2021 and 2020 was \$259,959 and \$240,713, 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, 2021 and 2020

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 \$567,000 and \$518,000 at March 31, 2021 and 2020, 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.

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 \$457,000 and \$404,000 for the years ended March 31, 2021 and 2020, respectively. The employee benefit plan costs are reflected net of reimbursement by coalition members in the statements of activities and statements of functional expenses.

Nebraska Municipal Power Pool
Notes to Financial Statements
March 31, 2021 and 2020

Note 3: Transactions with Coalition Members

A summary of amounts due from coalition members at March 31, 2021 and 2020, is as follows:

	2021	2020
Due from MEAN	\$ 811,297	\$ 840,623
Due from NPGA	5,800	-
Due from ACE	3,000	1,024
Due from coalition members	\$ 820,097	\$ 841,647

During 2021 and 2020, NMPP provided equipment totaling \$2,865 and \$1,816, 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 2021 and 2020, MEAN paid NMPP, on behalf of MEAN's participants, approximately \$118,700 and \$201,800, 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 2021 and 2020, is as follows:

	2021	2020
MEAN	\$ 5,910,000	\$ 5,870,000
NPGA	350,000	340,000
ACE	390,000	380,000

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 \$126,000 in 2021 and \$125,100 in 2020, for rents and shared products and services.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2021 and 2020

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, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash	\$ 510,283	\$ 461,291
Certificates of deposit	240,000	225,000
Accounts receivable	66,860	55,761
Contracts receivable	<u>52,608</u>	<u>42,237</u>
Financial assets, at year end	<u>869,751</u>	<u>784,289</u>
Less those unavailable for general expenditure within one year, due to:		
Donor imposed restrictions - ERDF	259,959	240,713
Board designated - NIF	<u>83,550</u>	<u>83,286</u>
	<u>343,509</u>	<u>323,999</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 526,242</u>	<u>\$ 460,290</u>

The majority of accounts payable and accrued expenses reported in the statements of financial position at March 31, 2021 and 2020 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, 2021 and 2020.

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, 2021 and 2020, the level of liquidity and reserves was managed within the policy requirements.

Nebraska Municipal Power Pool
Notes to Financial Statements
March 31, 2021 and 2020

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, 2021 and 2020, NMPP recognized revenue from dues of \$275,712 and \$273,832, 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, 2021 and 2020, NMPP recognized revenue from program assessments and sales of \$1,099,924 and \$1,156,255, respectively, which included revenue in 2021 of \$177,827 and in 2020 of \$187,124 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, 2021 and 2020, NMPP recognized shipping and handling costs of \$2,716 and \$2,822, respectively. Shipping and handling costs are reported in computer services operating expenses in the statements of activities.

Note 6: Subsequent Events

Subsequent events have been evaluated through May 12, 2021, which is the date the financial statements were available to be issued.