

Nebraska Municipal Power Pool

Independent Auditor's Report and Financial Statements

March 31, 2024 and 2023



*Nebraska Municipal
Power Pool*

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March 31, 2024 and 2023

Contents

Independent Auditor’s Report..... 1

Financial Statements

Statements of Financial Position 3
Statements of Activities 4
Statements of Functional Expenses 5
Statements of Cash Flows 6
Notes to Financial Statements 7



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Independent Auditor's Report

Board of Directors
Nebraska Municipal Power Pool
Lincoln, Nebraska

Opinion

We have audited the financial statements of Nebraska Municipal Power Pool, which comprise the statements of financial position as of March 31, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nebraska Municipal Power Pool as of March 31, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nebraska Municipal Power Pool and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Nebraska Municipal Power Pool's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nebraska Municipal Power Pool's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Nebraska Municipal Power Pool's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS, LLP

Lincoln, Nebraska
May 20, 2024

Nebraska Municipal Power Pool
Statements of Financial Position
March 31, 2024 and 2023

Assets

	2024	2023
Current Assets		
Cash and cash equivalents	\$ 322,782	\$ 544,020
Certificates of deposit	140,000	290,000
Accounts receivable	144,235	103,887
Accounts receivable - held for sale (Note 6)	-	61,714
Contracts receivable	-	65,383
Due from coalition members	842,782	753,259
Prepaid expenses	105,157	100,884
Prepaid expenses and other current assets - held for sale (Note 6)	-	285,183
Total current assets	1,554,956	2,204,330
Noncurrent Assets		
Equipment, net	-	16,328
Total assets	\$ 1,554,956	\$ 2,220,658

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 12,752	\$ 37,071
Accounts payable - held for sale (Note 6)	-	32,645
Accrued expenses	919,045	800,831
Unearned revenue	640	52,586
Unearned revenue - held for sale (Note 6)	-	534,656
Total current liabilities	932,437	1,457,789
Net Assets		
Without donor restrictions		
Undesignated	622,519	446,892
Invested in equipment	-	16,328
Total net assets without donor restrictions	622,519	463,220
With donor restrictions		
Purpose restriction - Energy Research and Development Fund	-	299,649
Total net assets	622,519	762,869
Total liabilities and net assets	\$ 1,554,956	\$ 2,220,658

Nebraska Municipal Power Pool
Statements of Activities
Years Ended March 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Program assessments and sales	\$ 190,153	\$ -	\$ 190,153	\$ 404,725	\$ -	\$ 404,725
Dues	256,292	-	256,292	268,078	-	268,078
Grant contributions	-	29,145	29,145	-	20,258	20,258
Investment return	37,173	-	37,173	10,454	-	10,454
Other	-	-	-	92	-	92
Net assets released from restrictions	328,794	(328,794)	-	-	-	-
	<u>812,412</u>	<u>(299,649)</u>	<u>512,763</u>	<u>683,349</u>	<u>20,258</u>	<u>703,607</u>
Total revenues and other support						
Operating Expenses						
Distribution services	342,272	-	342,272	448,145	-	448,145
Energy research and development grants	328,794	-	328,794	-	-	-
Management and general	313,143	-	313,143	332,913	-	332,913
	<u>984,209</u>	<u>-</u>	<u>984,209</u>	<u>781,058</u>	<u>-</u>	<u>781,058</u>
Total operating expenses						
Decrease in Net Assets from Continuing Operations	(171,797)	(328,794)	(471,446)	(97,709)	-	(77,451)
Income from Discontinued Operations (Note 6)	331,096	-	331,096	177,574	-	177,574
Change in Net Assets	159,299	(299,649)	(140,350)	79,865	20,258	100,123
Net Assets, Beginning of the Year	463,220	299,649	762,869	383,355	279,391	662,746
Net Assets, End of the Year	<u>\$ 622,519</u>	<u>\$ -</u>	<u>\$ 622,519</u>	<u>\$ 463,220</u>	<u>\$ 299,649</u>	<u>\$ 762,869</u>

Nebraska Municipal Power Pool
Statements of Functional Expenses
Years Ended March 31, 2024 and 2023

	2024				2023		
	Program Activities		Supporting Activities		Program Activities	Supporting Activities	
	Distribution Services	Energy Research and Development	Management and General	Total Expenses	Distribution Services	Management and General	Total Expenses
Payroll and benefits	\$ 230,060	\$ -	\$ 226,582	\$ 456,642	\$ 338,828	\$ 251,570	\$ 590,398
Professional fees	16,788	-	25,944	42,732	30	16,924	16,954
Advertising and promotion	-	-	500	500	-	2,005	2,005
Office and occupancy	61,270	-	48,140	109,410	70,669	47,307	117,976
Conferences, meetings, and travel	17,826	-	11,977	29,803	34,118	15,107	49,225
Depreciation	3,040	-	-	3,040	4,500	-	4,500
Loss on disposal of equipment	13,288	-	-	13,288	-	-	-
Grants	-	328,794	-	328,794	-	-	-
Total expenses	\$ 342,272	\$ 328,794	\$ 313,143	\$ 984,209	\$ 448,145	\$ 332,913	\$ 781,058

Nebraska Municipal Power Pool
Statements of Cash Flows
Years Ended March 31, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	\$ (140,350)	\$ 100,123
Item not requiring cash		
Depreciation	3,040	4,500
Loss on disposal of equipment	13,288	-
Changes in		
Accounts receivable	21,366	(55,270)
Contracts receivable	65,383	(30,245)
Due from coalition members	(89,523)	104,545
Prepaid expenses and other current assets	280,910	(9,209)
Accounts payable	(56,964)	41,361
Accrued expenses	118,214	(28,079)
Unearned revenue	(586,602)	814
Net cash provided by (used in) operating activities	(371,238)	128,540
Investing Activities		
Proceeds from redemption of certificates of deposit	175,000	125,000
Purchase of certificates of deposit	(25,000)	(140,000)
Net cash provided by (used in) investing activities	150,000	(15,000)
Increase (Decrease) in Cash and Cash Equivalents	(221,238)	113,540
Cash and Cash Equivalents, Beginning of Year	544,020	430,480
Cash and Cash Equivalents, End of Year	\$ 322,782	\$ 544,020

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2024 and 2023

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

Nature of Operations

Nebraska Municipal Power Pool (NMPP) was incorporated to promote the common good and general welfare of communities served by municipal utilities by providing support to and coordination among organizations dedicated to supporting municipal utilities, engaging in legislative and regulatory advocacy, and rendering assistance in the fields of municipal utility oriented energy, communications and delivery of such other essential municipal utility services that enhance the quality of life of citizens of the communities served. Prior to December 27, 2023, NMPP had a membership structure which included annual dues. NMPP's membership was comprised primarily of municipalities and other public entities located in Colorado, Iowa, Kansas, Nebraska, North Dakota, and Wyoming. As part of a modernization initiative, throughout the fiscal year ended March 31, 2024, NMPP's operational focus has shifted away from direct delivery of services to communities and more toward coordination among organizations. NMPP's operations had consisted of member activity and various programs. Programs included 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 communities 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.

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

The Federal Deposit Insurance Corporation (FDIC) insures transaction accounts up to \$250,000 per covered institution. NMPP's deposits were covered by FDIC insurance at March 31, 2024 and 2023.

NMPP considers all liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2024 and 2023 cash equivalents consisted of a money market mutual fund.

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.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2024 and 2023

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

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 \$37,173 and \$10,454 for 2024 and 2023, 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, 2024 and 2023 based upon a review of outstanding receivables and historical collection information. The 2024 balance includes the final amount owed from the sale of software and related activity in NMPP's Computer Services program (Note 6). Accounts receivable at March 31, 2024, 2023 and 2022 is as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Accounts Receivable	\$ 144,235	\$ 165,601	\$ 110,331

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 two installments. NMPP completed all cost of service studies under contract during 2024, and will no longer provide this service. Management does not believe an allowance for doubtful accounts is necessary at March 31, 2024 and 2023 based upon a review of outstanding receivables and historical collection information. Total contracts receivable at March 31, 2024, 2023 and 2022 is as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contracts Receivable	\$ -	\$ 65,383	\$ 35,138

Prepaid Expenses

At March 31, 2024, prepaid expenses consist of employee related benefits for which payment is required in advance. At March 31, 2023, prepaid expenses also included royalties paid to NMPP's partner within NMPP's Computer Services program. Royalty expense related to the computer software support agreement was prorated over the term of the agreement, generally the calendar year.

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. All equipment was disposed of during 2024. Equipment at March 31, 2023 is net of accumulated depreciation of \$38,943.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2024 and 2023

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

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, 2024, 2023 and 2022 is as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Unearned Revenue	\$ 640	\$ 587,242	\$ 586,428

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 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). As part of a modernization initiative during fiscal year 2024, the NMPP Board of Directors awarded grants to all NMPP members. Upon distribution of all of the assets, the ERDF was dissolved as of March 31, 2024. The ERDF balance as of March 31, 2023 is \$299,649 and consisted of cash and certificates of deposit.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2024 and 2023

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

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.

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 \$541,000 and \$527,000 at March 31, 2024 and 2023, 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 \$459,000 and \$484,000 for the years ended March 31, 2024 and 2023, respectively. Total contributions for 2024 and 2023 are net of forfeitures of approximately \$9,000 and \$12,000, 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, 2024 and 2023

Note 3: Transactions with Coalition Members

A summary of amounts due from coalition members at March 31, 2024 and 2023, is as follows:

	2024	2023
Due from MEAN	\$ 842,782	\$ 753,077
Due from ACE	-	182
Due from coalition members	<u>\$ 842,782</u>	<u>\$ 753,259</u>

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 plans and cost of service studies purchased by qualifying MEAN participants from NMPP. During 2024 and 2023, MEAN paid NMPP, on behalf of MEAN’s participants, approximately \$24,200 and \$138,200, 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 2024 and 2023, is as follows:

	2024	2023
MEAN	\$ 6,210,000	\$ 6,280,000
NPGA	410,000	380,000
ACE	390,000	390,000

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 \$145,900 in 2024 and \$144,100 in 2023, for rents and shared products and services.

Nebraska Municipal Power Pool
Notes to Financial Statements
March 31, 2024 and 2023

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, 2024 and 2023 consist of the following:

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 322,782	\$ 544,020
Certificates of deposit	140,000	290,000
Accounts receivable	144,235	165,601
Contracts receivable	-	65,383
Financial assets, at year end	607,017	1,065,004
Less those unavailable for general expenditure within one year, due to:		
Donor imposed restrictions - ERDF	-	299,649
Financial assets available to meet cash needs for general expenditures within one year	\$ 607,017	\$ 765,355

The majority of accounts payable and accrued expenses reported in the statements of financial position at March 31, 2024 and 2023 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, 2024 and 2023.

As a result of NMPP's modernization initiative, NMPP updated its liquidity policy to reflect the change in NMPP's operations. NMPP will not regularly maintain operating funds. NMPP will utilize a pre-billing system with coalition members to provide adequate liquidity. NMPP manages liquidity and reserves by reviewing targets annually to ensure that the funding levels continue to provide the expected level of liquidity protection. During the years ended March 31, 2024 and 2023, the level of liquidity and reserves was managed within the policy requirements.

Nebraska Municipal Power Pool

Notes to Financial Statements

March 31, 2024 and 2023

Note 5: Revenue from Agreements with Members and Customers

Dues Revenue

Revenue from dues paid by members including organizations who participate in the NMPP Energy Champion Program is reported at the amount that reflects the consideration to which NMPP expects to be entitled in exchange for providing membership benefits.

NMPP bills 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, 2024 and 2023, NMPP recognized revenue from dues of \$256,292 and \$268,078, 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, 2024 and 2023, NMPP recognized revenue from program assessments and sales as follows:

	<u>2024</u>	<u>2023</u>
Continuing operations	\$ 190,153	\$ 404,725
Discontinued operations	<u>69,330</u>	<u>806,565</u>
Revenue from Program Assessments and Sales	<u>\$ 259,483</u>	<u>\$ 1,211,290</u>

Revenue from goods and services that transfer to the customer at a point in time for the years ended March 31, 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Continuing operations	\$ 34,844	\$ 132,923
Discontinued operations	<u>9,372</u>	<u>91,979</u>
Revenue from Point in Time Sales	<u>\$ 44,216</u>	<u>\$ 224,902</u>

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, 2024 and 2023, NMPP recognized shipping and handling costs of \$276 and \$2,566, respectively. Shipping and handling costs are reported in computer services operating expenses included in income from discontinued operations in the statements of activities.

Nebraska Municipal Power Pool
Notes to Financial Statements
March 31, 2024 and 2023

Note 6: Discontinued Operations

In 2023, NMPP and its partner decided to sell the software and related activity in its Computer Services program to ensure computer software users receive software solutions and service for years to come. Assets and liabilities held for sale are separately identified on the Statements of Financial Position at March 31, 2023. Revenues and expenses for 2024 and 2023 are reported net as income from discontinued operations in the Statements of Activities. An asset sale to a third party was completed on April 28, 2023. In accordance with the agreement, a portion of the sales price was held back by the third party and was remitted to NMPP in May 2024. The amount is included in accounts receivable on the Statements of Financial Position at March 31, 2024.

Major classes of line items constituting income from discontinued operations comprised of the following:

	2024	2023
Total revenues and other support	\$ 69,330	\$ 806,565
Gain on sale of computer services	478,149	-
Operating expenses - computer services	(216,383)	(628,991)
Income from Discontinued Operations	\$ 331,096	\$ 177,574

Cash flows provided by (used in) operating activities from the discontinued operations were \$(30,409) and \$153,184 for the years ended March 31, 2024 and 2023, respectively.

Note 7: Subsequent Events

Subsequent events have been evaluated through May 20, 2024, which is the date the financial statements were available to be issued.