Municipal Energy Agency of Nebraska

Independent Auditor's Report and Financial Statements

March 31, 2021 and 2020

MEAN

MUNICIPAL ENERGY AGENCY OF NEBRASKA

Municipal Energy Agency of Nebraska
March 31, 2021 and 2020

Contents

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Independent Auditor's Report

Board of Directors
Municipal Energy Agency of Nebraska
Lincoln, Nebraska

We have audited the accompanying financial statements of Municipal Energy Agency of Nebraska as of and for the years ended March 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Municipal Energy Agency of Nebraska's 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 Municipal Energy Agency of Nebraska as of March 31, 2021 and 2020, 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.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a 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 audit 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 8, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis on the following pages summarize the financial highlights and focuses on factors that had a material effect on the financial condition of Municipal Energy Agency of Nebraska (MEAN) and the results of operations for the years ended March 31, 2021, 2020 and 2019. 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 MEAN's financial position and activities.

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

Balance Sheets – provide a summary of the 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 MEAN 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 and cash payments for repayment of bonds and capital additions.

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 information summarizes MEAN's financial position and operating results for the years ended March 31, 2021, 2020 and 2019.

Condensed Balance Sheets and Financial Highlights

	March 31,			Change	
	2021	2020	2019	From 2020 to 2021	From 2019 to 2020
Assets and Deferred Outflows of Resources					
Current assets	$ 74,240,751	$ 63,776,288	$ 62,357,342	$ 10,464,463	$ 1,418,946
Restricted and long-term investments	20,216,208	23,158,409	22,747,669	(2,942,201)	410,740
Capital assets and productive capacity, net	112,399,430	118,325,058	123,392,072	(5,925,628)	(5,067,014)
Other noncurrent assets	41,302,976	40,464,024	39,695,976	838,952	768,048
Deferred outflows of resources	7,572,006	8,058,394	8,544,782	(486,388)	(486,388)
Total assets and deferred outflows of resources	$ 255,731,371	$ 253,782,173	$ 256,737,841	$ 1,949,198	$ (2,955,668)
Liabilities, Deferred Inflows of Resources and Net Position					
Current liabilities	$ 17,352,322	$ 18,617,980	$ 21,018,803	$ (1,265,658)	$ (2,400,823)
Long-term debt, net	147,998,975	154,289,417	160,339,858	(6,290,442)	(6,050,441)
Deferred inflows of resources	28,313,381	21,213,381	20,983,007	7,100,000	230,374
Net position					
Net investment in capital assets	13,243,967	12,766,589	11,777,336	477,378	989,253
Restricted for debt service	6,258,906	6,258,906	6,258,906	-	-
Unrestricted	42,563,820	40,635,900	36,359,931	1,927,920	4,275,969
Total net position	62,066,693	59,661,395	54,396,173	2,405,298	5,265,222
Total liabilities, deferred inflows of resources and net position	$ 255,731,371	$ 253,782,173	$ 256,737,841	$ 1,949,198	$ (2,955,668)

Assets and Deferred Outflows of Resources

Current assets increased in 2021 primarily due to increased accounts receivable from transactions related to Winter storm Uri in February 2021. The impact of Winter storm Uri resulted in an increase in amounts owed to MEAN under scheduling service and market assistance agreements for payments MEAN receives and remits to the Southwest Power Pool as agent. Current assets increased in 2020 primarily due to increased accounts receivable and productive capacity operating assets. The increases were offset in part by decreased cash and cash equivalents.

Fluctuations in long-term investments are related to the maturity in years of the investment portfolio at each year end. Long-term investments decreased in 2021 and increased in 2020.

Depreciation charges exceeded additions to productive capacity as shown in Note 3 in both 2021 and 2020 resulting in an overall decrease in capital assets and productive capacity. MEAN's investment in productive capacity consists primarily of its ownership interest in two power generation plants: 1) a 6.92% ownership interest in the Walter Scott, Jr. Energy Center Unit 4 (WSEC 4) generation plant, located near Council Bluffs, Iowa and 2) a 23.5% ownership interest in the Wygen Unit I (Wygen I) generation plant, located near Gillette, Wyoming. Capital assets include MEAN's operations and management facility, furniture, and equipment.

The increase in other noncurrent assets in 2021 and 2020 is due to increases in certain costs deferred as permitted under Governmental Accounting Standards Board (GASB) Codification Section Re10, *Regulated Operations* ("Regulated Operations").

Deferred outflows of resources consist of deferred costs of refunded debt resulting from refunding transactions. The decrease in 2021 and 2020 resulted from annual amortization.

Liabilities and Deferred Inflows of Resources

Current liabilities decreased in 2021 and 2020 due to timing of when invoices were received and paid. Current maturities of long-term debt increased in 2021 and decreased in 2020.

Net long-term debt declined in 2021 and 2020 as principal payments were paid and no bond financing transactions occurred.

Deferred inflows of resources consist of deferred revenue – rate stabilization which fluctuates as a result of activity in the Rate Stabilization Fund which is described further in "Risk Management Practices".

Debt Activity

MEAN did not issue any debt in 2021 or 2020 and made scheduled principal payments of $5,090,000 and $6,215,000, respectively.

Debt Ratings and Debt Service Coverage

Standard and Poor's (S&P) affirmed the A/stable rating on MEAN's outstanding debt on March 23, 2020. Fitch Ratings completed a review with no action on MEAN's outstanding debt on March 1, 2021, maintaining the A+ rating with a rating outlook of stable. On January 20, 2021, Moody's Investors Service completed an update of credit analysis and affirmed an A2 rating on MEAN's outstanding debt with a rating outlook of stable. These high ratings indicate the agencies' assessment of MEAN's ability to pay interest and principal on its debt based on MEAN's financial strength and business characteristics as a public power provider.

MEAN is required by its bond covenants to maintain a debt service coverage of 1.0 times. Typically, MEAN targets year-end debt service coverage of 1.20. Debt service coverage was 1.24, 1.50, and 1.45 for 2021, 2020, and 2019, respectively.

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

	March 31,			Change	
	2021	2020	2019	From 2020 to 2021	From 2019 to 2020
Sales volumes (MWh's)	1,888,000	1,891,000	2,105,000	(3,000)	(214,000)
Electric energy sales and other operating revenues	$ 117,818,388	$ 114,656,476	$ 121,644,319	$ 3,161,912	$ (6,987,843)
Transfer from (provision for) rate stabilization	(7,100,000)	(230,374)	1,224,966	(6,869,626)	(1,455,340)
Total operating revenues	110,718,388	114,426,102	122,869,285	(3,707,714)	(8,443,183)
Electric energy costs	86,560,179	88,801,557	95,895,576	(2,241,378)	(7,094,019)
Other operating expenses	17,256,413	16,824,354	15,999,054	432,059	825,300
Total operating expenses	103,816,592	105,625,911	111,894,630	(1,809,319)	(6,268,719)
Operating income	6,901,796	8,800,191	10,974,655	(1,898,395)	(2,174,464)
Net nonoperating expenses	(4,496,498)	(3,534,969)	(6,412,080)	(961,529)	2,877,111
Increase in net position	$ 2,405,298	$ 5,265,222	$ 4,562,575	$ (2,859,924)	$ 702,647

Sales Volumes and Operating Revenues

MWh's delivered in 2021 were consistent with 2020. MWh's delivered in 2020 decreased 10% compared to 2019.

MWh's delivered to MEAN's long-term total requirements participants in 2021 were consistent with 2020. MWh's delivered to MEAN's long-term total requirements participants decreased in 2020. Fluctuations are primarily due to the impact of weather conditions. Electric energy sales revenues from MEAN's long-term total requirements participants increased in 2021 and decreased in 2020 as a result of changes to rates and charges.

In 2021, MWh's delivered to MEAN's limited-term total requirements participants increased. In 2020, MWh's delivered to MEAN's limited-term total requirements participants decreased. Fluctuations are due to the impact of weather conditions and changes in contracts. MEAN began providing energy to one new limited-term total requirement participant in 2021, beginning April 1, 2020. No new contracts started in 2020. No limited-term total requirements contracts expired in 2021 or 2020. Three contracts were extended during 2020. Electric energy sales revenues from MEAN's limited-term total requirements participants increased in 2021 and 2020 as a result of fluctuations in MWh's delivered and changes to rates and charges.

Although MWh's sold decreased in 2021, the average selling price per MWh increased in 2021 due primarily to transactions related to Winter storm Uri in February 2021 resulting in an overall increase in revenues from interchange sales. Both MWh's sold and the average selling price per MWh for interchange sales decreased in 2020 resulting in an overall decrease in revenues from interchange sales.

For 2021, the Board of Directors authorized a transfer from operating revenues into rate stabilization of $7,100,000. The Board of Directors will further evaluate the recognition of revenues, including net revenues related to Winter storm Uri once the final financial outcome is certain. For 2020, the Board of Directors authorized a transfer from operating revenues into rate stabilization of $230,374. See Note 1 – Deferred Revenue – Rate Stabilization for additional information.

Operating Expenses

Electric energy costs vary from year to year due to changes in demand for energy by participants and other buying entities, fluctuations in the cost per MWh of purchased and produced power and impacts of changes in transmission costs. Decreased electric energy costs in 2021 resulted from increases in purchased power costs offset by lower production and transmission costs. The electric energy cost per MWh sold in 2021 decreased compared to 2020. Decreased electric energy costs in 2020 resulted from decreases in purchased power and production costs offset in part by increases in transmission costs. The electric energy cost per MWh sold in 2020 increased compared to 2019.

General Trends and Significant Events

COVID-19 Coronavirus Pandemic

Throughout 2021, the COVID-19 pandemic introduced challenges. MEAN adapted to keep staff, participants and customers safe and healthy while continuing to meet electric energy supply needs. The rural and agricultural nature of MEAN's service areas has generally minimized the overall financial impact on MEAN and economic impact on MEAN participants.

February 2021 Extreme Weather Event

In February 2021, Winter storm Uri brought prolonged frigid temperatures to the midwestern United States. These prolonged frigid temperatures created a significant increase in energy demand while also posing some operating challenges to certain generating facilities. As a result, the supply of energy in the region served by the Southwest Power Pool (SPP) was projected to fall short of the demand and many utilities were asked to shed load during intermittent intervals throughout the affected period. Additionally, this imbalance caused considerable volatility in the energy markets resulting in rapid and often substantial fluctuations in the price of energy purchased and sold by numerous utilities. Although not as significant, elevated market energy pricing was also experienced in the Western Electricity Coordinating Council and Midcontinent Independent System Operator markets. While MEAN is anticipating a net positive financial outcome from the event, there is significant uncertainty regarding the final financial outcome due to on-going market settlement activity and possible regulatory/legislative processes.

For 2021, the Board of Directors approved the use of regulatory accounting to defer recognition of a portion of the year's net revenues including net revenues related to Winter storm Uri. The Board of Directors will further evaluate the recognition of revenues once the final financial outcome related to the extreme weather event is certain.

Southwest Power Pool's Western Energy Imbalance Service Market

MEAN is a participant in the Western Energy Imbalance Service (WEIS) real-time balancing market, administered by (SPP), which went live February 1, 2021. The WEIS market centrally dispatches energy from participating resources throughout its footprint every five minutes. As administrator, SPP maintains reliability of the region's transmission system and meets demand with the most cost-effective generation available.

Renewable Resources

MEAN continues to review renewable energy projects that are of strategic interest and is working with MEAN participants to address the impact of trends in distributed and renewable generation. In January 2020, the MEAN Board of Directors approved a resolution for a vision of achieving a carbon neutral power resource portfolio by 2050.

MEAN has contracted for the purchase of 67 MW of wind capacity from wind energy producers in the region, including 30 MW from a wind-generated facility near Kimball, Nebraska which began commercial operation in June 2018. In addition to the wind capacity, MEAN has contracted for 4.8 MW from the Waste Management Des Moines Landfill Gas Facility. MEAN has contracted with Delta-Montrose Electric Association for 7.6 MW from hydroelectric generating facilities in Colorado owned by Shavano Falls Hydro, LLC.

Environmental Regulations

The electric industry is exposed to continuing environmental regulations which are subject to change. Consequently, there is no assurance that facilities MEAN participates in will remain subject to the regulations currently in effect or will meet future regulations without retrofit. MEAN cannot anticipate the outcome of current regulatory and legislative processes. MEAN could be subject to increased costs or reduced operating levels as a result of future environmental regulations. MEAN continues to monitor the development and implementation of new or modified environmental regulations.

MEAN joined together with four other public power entities to form the Public Power Generation Agency (PPGA). PPGA developed, constructed and operates the Whelan Energy Center Unit 2 (WEC 2), a 220 MW coal-fired generating unit near Hastings, Nebraska. WEC 2 is operated under Best Available Control Technology standards. MEAN has ownership interests in other coal fired generation units, WSEC 4 and Wygen I. These units are also equipped with current Best Available Control Technology that combines lowest emissions with a long-term baseload energy resource. MEAN also has a 1.67% ownership interest in the coal-fired steam-electric Laramie River Station (LRS) generating station.

The following is a summary of the current regulations related to MEAN-owned facilities.

Clean Power Plan

The Environmental Protection Agency (EPA) issued the final Clean Power Plan (CPP) on August 3, 2015, establishing carbon dioxide (CO_2) emission guidelines for existing coal and natural gas-fired electric generating units.

Executive Order 13783 on March 28, 2017, required the EPA to review the CPP and other regulations. As of March 30, 2017, all pending litigation was held in abeyance by the D.C. Circuit. The EPA issued an advanced notice of proposed rulemaking on December 28, 2017 for replacing the CPP with a limited scope, and in August 2018, proposed the Affordable Clean Energy (ACE) Rule as a replacement for the CPP.

The ACE rule was finalized on July 19, 2019 and established that the best systems for emissions reduction for existing electric generating units is based on heat rate improvements measures which provides states with flexibility in tailoring their emissions reductions programs.

On August 13, 2019, 22 states and seven cities petitioned the D.C. Circuit to review the EPA's repeal of the CPP and final ACE Rule. The D.C. Circuit Court heard additional arguments on October 8, 2020, which challenged the repeal of the CPP and promulgation of the ACE Rule. On January 19, 2021, the Court announced its ruling vacating the existing ACE Rule and previous extensions to the CPP compliance deadlines. However, the ruling is subject to appeal. MEAN will continue to monitor the status of the ACE Rule but full expects for the ACE Rule to remain vacated and be replaced by another standard similar to the previous requirements of the CPP.

New Source Performance Standard

The EPA issued a final rule regarding New Source Performance Standards on October 23, 2015. The rule relates to greenhouse gas emission guidelines for new and existing power plants. Executive Order 13783 also required the EPA to review this rule.

As of March 30, 2017, all pending litigation was held in abeyance by the D.C. Circuit. On December 20, 2018, the EPA proposed revisions in-line with other regulations based on available control technology. The revisions removed carbon capture and sequestration for coal-fired units.

Clean Air Act

The federal Clean Air Act, as amended (the "Clean Air Act"), regulates emission of air pollutants, establishes national air quality standards for major pollutants, and requires permitting of both new and existing sources of air pollution. A main objective is the reduction of sulfur dioxide (SO_2) and nitrogen oxide (NO_x) emissions caused by electric utility power plants, particularly those fueled by coal. SO_2 emission reduction was to be achieved in two phases. MEAN's generating resources meet the emissions requirements under Phase I. Allowances for SO_2 emissions to cover the electric power needs of MEAN participants for current years have been purchased and will be purchased to provide for projected requirements for future years. Currently, all of MEAN's coal-fired generation resources meet Phase II NO_x compliance requirements.

Cross-State Air Pollution Rule

Phase 2 pollution limits (referred to as a "budget") under the EPA rule referred to as the Cross-State Air Pollution Rule ("CSAPR") became effective in 2017. Under CSAPR, facilities must provide allowances for emission of each ton of SO_2 and NO_x. Nebraska is subject to CSAPR annual SO_2 and NO_x allowance programs. Other states, including Iowa, are also subject to CSAPR Ozone Season (May to September) NO_x allowance programs. Facilities are allocated some CSAPR allowances by the EPA. A market-based system exists to obtain additional allowances.

Based on the current CSAPR allocation methodology and current generation projections, MEAN expects to have sufficient allowances to cover MEAN's share of emissions from WSEC 4, but may be required to obtain additional allowances from the CSAPR allowance market in the future. PPGA purchased SO_2 credits during the construction of WEC 2 which are projected to cover WEC 2's requirements through 2028. Wygen I is not currently subject to CSAPR, however, Wygen I is well positioned to meet any requirements relating to CSAPR's implementation.

On October 15, 2020, the EPA proposed a revision to the CSAPR Update Rule. In this revision several states, including Iowa, were found to be adequately addressing NOx ozone emissions. On March 15, 2021, EPA finalized the Revised CSAPR Update Rule. Although several eastern states may see reductions in NO_x ozone season allowances under the Revised CSAPR Update Rule, the WSEC facility would not be affected. The WSEC facility meets all requirements of this standard.

Regional Haze Rule

Under the Regional Haze Rule each state is required to develop a State Implementation Plan (SIP) to improve visibility and air quality in Class I areas (national parks and wilderness areas) by reducing regional haze across the country. The Regional Haze Rule requires states to determine Best Available Retrofit Technology (BART) for certain sources that emit NO_x and SO_2 pollutants. States must submit SIPs for the second planning phase, which covers 2018-2028, by July 31, 2021.

Nebraska, as a Cross-State Air Pollution Rule (CSAPR)-affected state, will be able to substitute CSAPR for any requirements related to the Regional Haze Rule. Nebraska submitted its SIP to the EPA in 2011. In July 2012, the EPA issued the final rule on the Nebraska SIP, which approved the NO_x portion of the SIP but disapproved the SO_2 portion. Due to WEC 2's modern Air Quality Control System, WEC 2 is well positioned to meet any requirements relating to CSAPR's implementation.

Based on a determination by the state of Iowa, WSEC 4 is not subject to the Regional Haze Rule.

No additional control measures for Wygen I were proposed as part of the most recent SIP or Federal Implementation Plan.

In January 2014, the EPA issued a Federal Implementation Plan (FIP) requiring installation of Selective Catalytic Reduction (SCR) NO_x removal technology for LRS. Legal negotiations continued through 2016 until a tentative agreement was reached on December 30, 2016. LRS agreed to install non-SCR technology on two units and SCR technology on one unit, which is a significant cost reduction over installing SCR technology on all three units. All three systems are currently operational and meeting the NO_x emission rates dictated by the site's revised air permits. LRS was asked to submit additional documents pertaining to potential further reductions to NO_x and SO_2 emissions, however the regional planning agency has not yet taken action.

Mercury and Air Toxics Standards

The Mercury and Air Toxics Standard (MATS) rule aims to reduce emissions of heavy metal and acid gases, including mercury, from new and existing coal and oil-fired generating units. WSEC 4 was originally constructed with emissions controls which enable the plant to comply with MATS. At the time of purchase of the Air Quality Control System for WEC 2, WEC 2 purchased the necessary equipment to use activated carbon injection as a control of mercury emission to comply with MATS. Wygen I's current emission control equipment enables the plant to comply with MATS. LRS has installed mercury controls to comply with MATS. Ongoing compliance with MATS must be demonstrated by each affected facility.

On December 27, 2018, the EPA proposed revisions to the supplemental cost/benefit analysis that was used as a basis for the rule. The MATS rule still remains in place at this time.

Water Quality

The Federal Clean Water Act regulates the discharge of process wastewater and certain storm water under the National Pollutant Discharge Elimination System permit program. WSEC 4 is not impacted by the Clean Water Act. WEC 2, Wygen I and LRS have proper permitting in place under the Clean Water Act.

Coal Combustion Residuals

The Disposal of Coal Combustion Residuals from Electric Utilities rule (CCR Rule) mandated closure of unlined surface impoundments upon a specified triggering event. If after multiple levels of monitoring and an alternate source demonstration, a statistically significant level of contamination could not be attributed to another source, a company was required to retrofit or close the pond. In August 2018, the D.C. Circuit ordered that the CCR Rule be vacated with respect to the provisions that permit unlined surface impoundments to continue receiving coal ash unless they leak. On August 14, 2019, March 3, 2020 and August 28, 2020 the EPA further amended the CCR Rule. Some key features of these amendments include: the reconsideration of beneficial use criteria, reclassification of clay-lined impoundments to be considered unlined, limited permission for some unlined surface impoundments to continue to operate, and revision of the alternate closure provisions.

Basin Electric Power Cooperative (Basin), as the Operating Agent for LRS, hired a consultant to conduct detection monitoring in 2016 and 2017. The consultant detected a statistically significant increase (SSI) in one or more of the indicator constituents from the LRS ash pond. Basin worked with the contractor to determine if the SSI could be attributed to an alternative source. The contractor analyzed soil samples and performed further groundwater monitoring. The contractor could not confirm the SSI came from an alternate source. Basin concluded that the CCR Rule required a corrective action for the ash pond and proceeded with design and engineering work to meet the revised deadline of April 11, 2021 for all unlined CCR surface impoundments and surface impoundments that fail the aquifer location restrictions to initiate closure or retrofit.

PPGA is currently in the process of groundwater monitoring at WEC 2, working with a third-party consultant. The results of the comprehensive monitoring and modeling will determine the extent and source of contaminants, which will ultimately direct the course of action with regard to the need for an ash pond liner. PPGA is also actively marketing WEC 2's ash in an attempt to decrease the size and mitigate the effects of the coal ash pond. PPGA has not yet determined the cost or the extent of any potential corrective action required.

Risk Management Practices

MEAN is subject to various risks inherent in the electric energy business, including exposure to volatility in electric energy and fuel prices, uncertainty in load and resource availability, the creditworthiness of its counterparties, operational risks associated with transacting in the wholesale energy markets, and regulatory and political risks.

As a means of identifying, measuring, managing and mitigating these various risks, MEAN has developed financial and administrative policies and guidelines, a risk governance policy, and asset management policies and procedures, which have been approved by the Board of Directors.

To help manage energy risks, including the risks related to MEAN's participation in regional wholesale energy markets, MEAN contracted with The Energy Authority (TEA) beginning in March 2019 to both transact on MEAN's behalf in the wholesale energy markets and to develop and recommend strategies to manage MEAN's exposure to risk in the wholesale energy markets. TEA's in-depth understanding of the wholesale energy markets, experienced staff, and state-of-the-art technology combined with TEA's developing knowledge of MEAN's system will enable TEA to deliver a broad range of standardized and customized energy products and services to MEAN.

One of MEAN's management tools was the creation of a rate stabilization account, within the general reserve fund. This funded reserve may be used to pay operating expenses or debt service or for other purposes that enable MEAN to, or facilitate MEAN's ability to, provide services at stable and economic rates for its participant communities. There was a transfer into the rate stabilization account of $7,100,000 and $230,374 in 2021 and 2020, respectively.

As a means of stabilizing its rate structure, MEAN has elected to defer certain costs related to its investment in WSEC 4, Wygen I and LRS generating plants as allowed under the provisions of GASB Regulated Operations. These costs, primarily depreciation and bond issue costs, will be charged to expense in future years.

Report Purpose and Contact Information

This financial report is designed to provide member municipalities, other nonmember participants and creditors with a general overview of MEAN's financial status for the fiscal years 2021, 2020 and 2019. 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.

Municipal Energy Agency of Nebraska

Balance Sheets

March 31, 2021 and 2020

	2021	2020
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 35,294,807	$ 34,329,653
Short-term investments	10,587,177	9,057,667
Accounts receivable	23,863,375	15,802,516
Prepaid expenses and other	1,096,551	1,087,244
Productive capacity operating assets	3,398,841	3,499,208
Total current assets	74,240,751	63,776,288
Noncurrent Assets		
Long-term investments	8,316,233	11,122,367
Restricted investments	11,899,975	12,036,042
Productive capacity, net	107,574,881	113,225,858
Capital assets, net	4,824,549	5,099,200
Costs recoverable from future billings	41,302,976	40,464,024
Total noncurrent assets	173,918,614	181,947,491
Deferred Outflows of Resources		
Deferred cost of refunded debt	7,572,006	8,058,394
Total assets and deferred outflows of resources	$ 255,731,371	$ 253,782,173
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 5,330,000	$ 5,090,000
Accounts payable and accrued expenses	8,908,604	10,298,600
Accrued interest payable	3,113,718	3,229,380
Total current liabilities	17,352,322	18,617,980
Long-term Debt, Net	147,998,975	154,289,417
Deferred Inflows of Resources		
Deferred revenue - rate stabilization	28,313,381	21,213,381
Net Position		
Net investment in capital assets	13,243,967	12,766,589
Restricted for debt service	6,258,906	6,258,906
Unrestricted	42,563,820	40,635,900
Total net position	62,066,693	59,661,395
Total liabilities, deferred inflows of resources and net position	$ 255,731,371	$ 253,782,173

Municipal Energy Agency of Nebraska
Statements of Revenues, Expenses and Changes in Net Position
Years Ended March 31, 2021 and 2020

	2021	2020
Operating Revenues		
Electric energy sales	$ 116,936,081	$ 113,662,928
Provision for rate stabilization	(7,100,000)	(230,374)
Other	882,307	993,548
Total operating revenues	110,718,388	114,426,102
Operating Expenses		
Electric energy costs	86,560,179	88,801,557
Administrative and general	10,291,515	10,020,789
Depreciation and amortization	6,964,898	6,803,565
Total operating expenses	103,816,592	105,625,911
Operating Income	6,901,796	8,800,191
Nonoperating Revenues (Expenses)		
Net costs to be recovered in future periods	838,952	768,048
Investment return	417,932	1,671,337
Interest expense	(5,753,382)	(5,984,707)
Other	-	10,353
Net nonoperating expenses	(4,496,498)	(3,534,969)
Increase in Net Position	2,405,298	5,265,222
Net Position, Beginning of Year	59,661,395	54,396,173
Net Position, End of Year	$ 62,066,693	$ 59,661,395

Municipal Energy Agency of Nebraska

Statements of Cash Flows

Years Ended March 31, 2021 and 2020

	2021	2020
Operating Activities		
Cash received from participants and customers	$ 149,841,101	$ 110,533,410
Cash paid to suppliers	(129,207,703)	(96,166,820)
Cash received under agent transactions	25,920,286	23,552,679
Cash paid under agent transactions	(29,411,210)	(23,325,970)
Cash paid to coalition members	(5,535,575)	(5,978,520)
Net cash provided by operating activities	11,606,899	8,614,779
Capital and Related Financing Activities		
Principal payments on long-term debt	(5,090,000)	(6,215,000)
Additions of productive capacity	(953,209)	(1,552,849)
Proceeds from sale of capital assets	-	10,353
Purchase of capital assets	(86,061)	(183,702)
Interest paid	(6,343,098)	(6,601,015)
Net cash used in capital and related financing activities	(12,472,368)	(14,542,213)
Investing Activities		
Interest received on investments	523,694	1,238,754
Purchases of investments	(20,868,955)	(27,450,592)
Proceeds from sales and maturities of investments	22,175,884	27,140,677
Net cash provided by investing activities	1,830,623	928,839
Increase (Decrease) in Cash and Cash Equivalents	965,154	(4,998,595)
Cash and Cash Equivalents, Beginning of Year	34,329,653	39,328,248
Cash and Cash Equivalents, End of Year	$ 35,294,807	$ 34,329,653

Municipal Energy Agency of Nebraska
Statements of Cash Flows - Continued
Years Ended March 31, 2021 and 2020

	2021	2020
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 6,901,796	$ 8,800,191
Depreciation and amortization	6,964,898	6,803,565
Provision for rate stabilization	7,100,000	230,374
Changes in operating assets and liabilities		
Accounts receivable	(8,060,859)	(4,208,169)
Productive capacity operating assets	100,367	(1,158,233)
Prepaid expenses and other	(9,307)	(719,381)
Accounts payable and accrued expenses	(1,389,996)	(1,133,568)
Net Cash Provided by Operating Activities	$ 11,606,899	$ 8,614,779
Noncash Investing Activities		
Change in fair value of investments	$ (105,762)	$ 432,583

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

Nature of Operations

Municipal Energy Agency of Nebraska (MEAN or the Agency) was created pursuant to provisions of the Municipal Cooperative Financing Act (Act). MEAN, pursuant to the Act, is a political subdivision of the State of Nebraska providing power supply, energy transmission and exchange of electrical power to its member municipalities and other nonmember participants.

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.

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

Basis of Accounting and Presentation

MEAN's activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. MEAN'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 Licensees prescribed by the Federal Energy Regulatory Commission (FERC). MEAN prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). MEAN's accounting policies also follow GASB Codification Section Re10, *Regulated Operations*, 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. This method includes the philosophy that debt service requirements, as opposed to depreciation or amortization, are a cost for rate making purposes.

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 balance sheet amounts and disclosure of contingent items 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 may differ from those estimates.

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

Cash Equivalents

MEAN 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, 2021 and 2020, cash equivalents consisted primarily of money market mutual funds.

Investments and Investment Return

MEAN maintains various debt service reserve accounts that are available for use to pay off debt. The reserve accounts consist of bank deposits and investments. Investments in money market mutual funds are carried at cost, which approximates fair market value. Investments in U.S. agency obligations, U.S. treasury notes, and negotiable certificates of deposit are carried at fair value. Fair value is determined using quoted market prices. Investment return consists of interest income and the net change for the year in the fair value of investments.

Accounts Receivable

Accounts receivable are stated at the amount billed to participants and 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. MEAN does not believe an allowance for doubtful accounts is necessary at March 31, 2021 and 2020.

Productive Capacity Operating Assets

Productive capacity operating assets related to the operation of Laramie River Station (LRS), Walter Scott, Jr. Energy Center Unit 4 (WSEC 4) and Wygen Unit I (Wygen I) are comprised of operating assets, primarily fuel and supplies inventories, and operating cash. These assets are managed by the operating agent of each respective project. Operating expenses related to MEAN's participation in LRS, WSEC 4 and Wygen I are included in electric energy costs in the statements of revenues, expenses and changes in net position.

Productive Capacity

Productive capacity includes the costs incurred for:

- A 1.67% ownership interest in the three-unit 1,697 MW coal-fired steam-electric LRS generating station and an associated transmission system in Platte County, Wyoming on the Laramie River. MEAN purchased the ownership interest from Lincoln Electric System (LES), a co-owner of the Missouri Basin Power Project (MBPP) that includes LRS.
- A 6.92% ownership interest in the 790 net MW coal-fired steam-electric WSEC 4 generation unit near Council Bluffs, Iowa. MidAmerican Energy Company developed, designed, constructed and operates WSEC 4.

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

Productive Capacity - Continued

- A 23.5% ownership interest in the 85 MW coal-fired Wygen Unit I electric generation unit located near Gillette, Wyoming. Black Hills Wyoming, Inc. developed, designed, constructed and operates Wygen Unit I.

Productive capacity costs are being amortized on the straight-line basis over the estimated life of the various projects.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by MEAN:

Building and improvements	7 – 40 Years
Furniture, equipment and transportation equipment	3 – 10 Years

Costs Recoverable from Future Billings

Certain income and expense items which would be recognized during the current period are not included in the determination of the change in net position until such costs are expected to be recovered through wholesale electric service rates, in accordance with the provisions of GASB Codification Section Re10, *Regulated Operations*.

Deferred Cost of Refunded Debt

Costs incurred in connection with the refinancing of various bond issuances are being amortized over the remaining life of the old bonds or the life of the new bonds, whichever is shorter. Amortization is recorded annually in nonoperating expenses.

Deferred Revenue - Rate Stabilization

MEAN's Board of Directors established a rate stabilization account within the general reserve fund pursuant to the provisions in the 2003 Power Supply System Revenue Bond Resolution and related supplemental resolutions to assist in maintaining stable electric rates for its participants.

As of March 31, 2021 and 2020, $28,313,381 and $21,213,381, respectively, are shown as deferred revenue - rate stabilization on the accompanying balance sheets.

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 productive capacity assets and capital assets, net of accumulated depreciation and costs recoverable from future billings, 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

Restricted - consists of restricted assets, reduced by liabilities 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.

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

When both restricted and unrestricted resources are available for use, it is MEAN's policy to use restricted resources first, then unrestricted as they are needed.

Income Taxes

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

Classification of Revenues

Operating revenues include revenues resulting from provision and delivery of electric supplies to participants and customers and administrative fees charged for scheduling and other services provided. Nonoperating revenues include those derived from capital and related financing, noncapital financing and investing activities.

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

Rates and Charges

MEAN annually determines its wholesale electric service rates and charges to recover costs of providing power supply services. Rates and charges are to be nondiscriminatory, fair and reasonable (based primarily on the cost of providing the electric power and energy or the service to which the rate or charge relates). In addition, rates and charges are established and collected in order to reasonably expect net revenues which, together with other available funds (including rate stabilization account funds), will be sufficient to pay the aggregate annual debt service for such year. A Pooled Energy Adjustment is included in MEAN's schedule of rates and charges and is used when necessary to recover the actual monthly energy costs in excess of budgeted monthly energy costs. Rates and charges for providing wholesale power supply are reviewed annually and adopted by MEAN's Board of Directors. MEAN's power supply rates and charges are not subject to state or federal regulation.

Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 financial statement presentation. These reclassifications had no impact 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. MEAN'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 MEAN in the amount of MEAN'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. At March 31, 2021 and 2020, MEAN's deposits were fully insured and collateralized.

Investments

MEAN's investing is performed in accordance with the investment policy adopted by its Board of Directors and applicable state statutes. MEAN may invest in U.S. treasury and U.S. agency securities, certificates of deposit, time deposits, banker's acceptances, commercial paper, municipal bonds and investment contracts. 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 MEAN Executive Director.

Municipal Energy Agency of Nebraska
Notes to Financial Statements
March 31, 2021 and 2020

Note 2: Deposits, Investments and Investment Return – Continued

Investments - Continued

At March 31, 2021 and 2020, MEAN had the following investments, maturities and credit ratings:

	Carrying Value	Maturities in Years: Less Than 1	Maturities in Years: 1 - 5	Credit Rating Moody's/ S&P
March 31, 2021				
Money market mutual fund				
- U.S. government obligations	$ 35,236,128	$ 35,236,128	$ -	Aaa-mf/AAAm
U.S. agency obligations	10,537,062	5,787,629	4,749,433	Aaa/AA+
U.S. treasury notes	2,065,116	509,408	1,555,708	Aaa/AA+
Negotiable certificates of deposit	18,148,501	10,332,254	7,816,247	Not Rated
	$ 65,986,807	$ 51,865,419	$ 14,121,388	
March 31, 2020				
Money market mutual fund				
- U.S. government obligations	$ 35,976,279	$ 35,976,279	$ -	Aaa-mf/AAAm
U.S. agency obligations	6,194,566	2,341,514	3,853,052	Aaa/AA+
U.S. treasury notes	2,607,357	1,528,328	1,079,029	Aaa/AA+
Negotiable certificates of deposit	20,180,034	9,057,667	11,122,367	Not Rated
	$ 64,958,236	$ 48,903,788	$ 16,054,448	

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MEAN'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. MEAN'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, MEAN would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At March 31, 2021 and 2020, certain investments in U.S. agency obligations, U.S. treasury notes, and negotiable certificates of deposit are held in safekeeping in MEAN's name, and in a broker account with MEAN's primary financial institution. Additionally, any investments held in trust at March 31, 2021 and 2020, are held in a book entry system in an account designated as a customer account at the Depository Trust Company and the custodian's internal records identifies MEAN as the owner.

Concentration of Credit Risk - Concentration of credit risk is the risk associated with the amount of investments MEAN 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, 2021 and 2020, each of MEAN'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. MEAN'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 10%. Allocation limits do not apply to the investment of proceeds from the issuance of debt as these investments are governed by the debt instrument. All of the money market mutual funds held at March 31, 2021 and 2020 are invested with MEAN's primary financial depository. This financial depository also serves as MEAN's Trustee and writer on the credit facilities discussed in Note 6.

Concentrations greater than 5% at March 31, 2021 included U.S. sponsored agency obligations of Federal Home Loan Bank at 5.73%, and Federal Farm Credit Bank at 5.55%. Concentrations greater than 5% at March 31, 2020 included a U.S. sponsored agency obligation of Federal Farm Credit Bank at 7.34%.

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets at March 31, 2021 and 2020 as follows:

	2021	2020
Carrying Value		
Deposits	$ 111,385	$ 1,587,493
Investments	65,986,807	64,958,236
	$ 66,098,192	$ 66,545,729

Note 2: Deposits, Investments and Investment Return – Continued

Summary of Carrying Values - Continued

Included in the following balance sheet captions:

	2021	2020
Current Assets		
Cash and cash equivalents		
Operating	$ 17,437,778	$ 24,913,780
Rate stabilization fund	9,409,971	1,033,347
Debt service funds	8,447,058	8,382,526
Total	35,294,807	34,329,653
Short-term investments - rate stabilization fund	10,587,177	9,057,667
Noncurrent Assets		
Long-term investments - rate stabilization fund	8,316,233	11,122,367
Restricted long-term investments		
Debt reserve funds	11,899,975	12,036,042
	$ 66,098,192	$ 66,545,729

Investment Return

Investment return for the years ended March 31, 2021 and 2020 consisted of interest income and the net change in fair value of investments carried at fair value of $417,932 and $1,671,337, respectively.

Disclosures About Fair Value of Assets and Liabilities

Fair value is 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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Note 2: Deposits, Investments and Investment Return – Continued

Disclosures About Fair Value of Assets and Liabilities- Continued

Money market mutual funds are carried at cost, and thus are not included within the fair value hierarchy. MEAN's investments in U.S. agency obligations, U.S. treasury notes, and negotiable certificates of deposit are measured at fair value on a recurring basis and are classified within Level 2 of the fair value hierarchy at March 31, 2021 and 2020.

Note 3: Productive Capacity

Productive capacity at March 31, 2021 and 2020 consisted of the following:

	Beginning Balance	Additions	Transfers	Ending Balance
March 31, 2021				
Steam production	$ 198,346,386	$ 939,744	$ -	$ 199,286,130
Transmission	10,387,478	13,465	-	10,400,943
	208,733,864	953,209	-	209,687,073
Less accumulated depreciation				
Steam production	(93,205,224)	(6,417,863)	-	(99,623,087)
Transmission	(2,302,782)	(186,323)	-	(2,489,105)
	(95,508,006)	(6,604,186)	-	(102,112,192)
Net productive capacity	$ 113,225,858	$ (5,650,977)	$ -	$ 107,574,881
March 31, 2020				
Steam production	$ 196,803,162	$ 1,537,414	$ 5,810	$ 198,346,386
Transmission	10,377,853	15,435	(5,810)	10,387,478
	207,181,015	1,552,849	-	208,733,864
Less accumulated depreciation				
Steam production	(86,921,362)	(6,282,600)	(1,262)	(93,205,224)
Transmission	(2,117,599)	(186,445)	1,262	(2,302,782)
	(89,038,961)	(6,469,045)	-	(95,508,006)
Net productive capacity	$ 118,142,054	$ (4,916,196)	$ -	$ 113,225,858

Note 4: Capital Assets

Capital assets at March 31, 2021 and 2020 consisted of the following:

	Beginning Balance	Additions	Retirements	Ending Balance
March 31, 2021				
Land	$ 489,000	$ -	$ -	$ 489,000
Buildings and improvements	5,147,328	-	-	5,147,328
Furniture, equipment and transportation equipment	2,196,301	86,061	(82,639)	2,199,723
	7,832,629	86,061	(82,639)	7,836,051
Less accumulated depreciation	(2,733,429)	(360,712)	82,639	(3,011,502)
Net capital assets	$ 5,099,200	$ (274,651)	$ -	$ 4,824,549
March 31, 2020				
Land	$ 489,000	$ -	$ -	$ 489,000
Buildings and improvements	5,147,328	-	-	5,147,328
Furniture, equipment and transportation equipment	2,029,878	183,702	(17,279)	2,196,301
	7,666,206	183,702	(17,279)	7,832,629
Less accumulated depreciation	(2,416,188)	(334,520)	17,279	(2,733,429)
Net capital assets	$ 5,250,018	$ (150,818)	$ -	$ 5,099,200

Note 5: Costs Recoverable from Future Billings

Costs recoverable from future billings are comprised primarily of costs related to certain purchases of productive capacity, improvements on productive capacity and projects in which MEAN is a participant. The costs consist of the cumulative difference between depreciation recorded on certain productive capacity (primarily LRS, WSEC 4 and Wygen I) and capital assets and principal payments on debt issued to construct or purchase those assets. Costs recoverable from future billings include certain debt issuance costs that are budgeted to be recovered through future electric rates. Costs are being amortized in future rate periods when such costs are included in the revenue requirements to establish electric rates.

MEAN annually evaluates the probability that future revenues will be recognized through charging regulated rates to recover costs recoverable from future billings. As a result of this evaluation, no costs were removed in 2021 or 2020.

Note 6: Credit Facilities

Line of Credit

During 2020, MEAN had a $20,000,000 revolving line of credit which expired May 29, 2020. During the year ended March 31, 2020, no funds were advanced against the line. During 2021, MEAN had a $15,000,000 revolving line of credit, executed on May 29, 2020 with a two-year term through May 27, 2022. During the year ended March 31, 2021, no funds were advanced against the line. Under the current agreement, interest varies at one percent (1%) above Daily One Month LIBOR in effect from time to time, with a minimum rate of 1.75%, and is payable monthly.

Letter of Credit

As financial security for MEAN's performance under certain financial transmission rights and transmission congestion rights in a regional transmission organization in which MEAN participates, MEAN has obtained a standby letter of credit totaling $50,000 at March 31, 2021. The $50,000 standby letter of credit was automatically renewed in April 2021, under an automatic annual renewal clause, to April 7, 2022. The amount available under MEAN's revolving line of credit is reduced by the amount of issued standby letters of credit.

Note 7: Long-term Debt

Long-term debt transactions for the year ended March 31, 2021 consisted of the following:

	2021			
Type of Debt	April 1 2020	Reductions	March 31 2021	Due Within One Year
3.000% - 5.000% Power Supply System Refunding Revenue Bonds, Series 2016A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1, from 2020 through 2038. Term principal payment due April 1, 2039. Mandatory sinking fund payments due annually April 1, 2036 through 2039. Redeemable at par on or after October 1, 2026.	$ 68,905,000	$ 1,410,000	$ 67,495,000	$ 1,485,000
3.750% - 5.000% Power Supply System Revenue and Refunding Bonds, Series 2013A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1, through 2019 and 2022 through 2025. Term principal payment due April 1, 2036. Mandatory sinking fund payments due annually April 1, 2033 through 2036. Redeemable at par on or after April 1, 2023.	26,070,000	-	26,070,000	-
3.069% - 3.319% Power Supply System Revenue Bonds, Series 2013B (Federally Taxable). Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1, through 2022.	2,870,000	1,025,000	1,845,000	1,055,000
5.000% Power Supply System Revenue Refunding Bonds, Series 2012A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1 through 2032. Redeemable at par on or after April 1, 2022.	47,050,000	2,655,000	44,395,000	2,790,000
Total long-term debt	144,895,000	5,090,000	139,805,000	5,330,000
Premium on long-term debt	14,484,417	960,442	13,523,975	-
Long-term debt, net	$ 159,379,417	$ 6,050,442	$ 153,328,975	$ 5,330,000

Note 7: Long-term Debt – Continued

Long-term debt transactions for the year ended March 31, 2020 consisted of the following:

Type of Debt	April 1 2019	Reductions	March 31 2020	Due Within One Year
	2020			
3.000% - 5.000% Power Supply System Refunding Revenue Bonds, Series 2016A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1, from 2020 through 2038. Term principal payment due April 1, 2039. Mandatory sinking fund payments due annually April 1, 2036 through 2039. Redeemable at par on or after October 1, 2026.	$ 68,905,000	$ -	$ 68,905,000	$ 1,410,000
3.750% - 5.000% Power Supply System Revenue and Refunding Bonds, Series 2013A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1, through 2019 and 2022 through 2025. Term principal payment due April 1, 2036. Mandatory sinking fund payments due annually April 1, 2033 through 2036. Redeemable at par on or after April 1, 2023.	27,445,000	1,375,000	26,070,000	-
2.739% - 3.319% Power Supply System Revenue Bonds, Series 2013B (Federally Taxable). Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1, through 2022.	3,875,000	1,005,000	2,870,000	1,025,000
5.000% Power Supply System Revenue Refunding Bonds, Series 2012A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1 through 2032. Redeemable at par on or after April 1, 2022.	49,575,000	2,525,000	47,050,000	2,655,000
5.000% Power Supply System Revenue Refunding Bonds, Series 2009A. Interest due semi-annually on April 1 and October 1. Serial principal payments due annually on April 1, 2018 and 2019.	1,310,000	1,310,000	-	-
Total long-term debt	151,110,000	6,215,000	144,895,000	5,090,000
Premium on long-term debt	15,444,858	960,441	14,484,417	-
Long-term debt, net	$ 166,554,858	$ 7,175,441	$ 159,379,417	$ 5,090,000

Note 7: Long-term Debt - Continued

Future principal and interest payments required to be made in accordance with all of the long-term debt agreements at March 31, 2021 are as follows:

Year Ending March 31,	Principal	Interest	Total
2022	$ 5,330,000	$ 6,104,372	$ 11,434,372
2023	5,575,000	5,850,073	11,425,073
2024	5,835,000	5,572,963	11,407,963
2025	6,130,000	5,273,838	11,403,838
2026	6,435,000	4,959,713	11,394,713
2027-2031	30,120,000	20,376,938	50,496,938
2032-2036	40,065,000	12,083,706	52,148,706
2037-2040	40,315,000	2,944,575	43,259,575
	$ 139,805,000	$ 63,166,178	$ 202,971,178

The Power Supply System Revenue Bonds listed above are special obligations of MEAN payable solely from and secured solely by a pledge of the Revenues, as defined in each applicable Bond Resolution, and certain other funds and amounts pursuant to each applicable Bond Resolution. The Revenues consist of all income from MEAN's Power Supply System.

Note 8: Electric Energy Sales

Electric energy sales for the years ended March 31, 2021 and 2020 were as follows:

	2021	2020
Long-term total requirements	$ 102,477,294	$ 100,596,346
Limited-term total requirements	11,907,122	11,491,960
Interchange sales	2,551,665	1,574,622
	$ 116,936,081	$ 113,662,928

As of March 31, 2021 and 2020, MEAN has sixty-nine participating municipal utilities. Participating municipal utilities, consist of Nebraska, Colorado, Iowa and Wyoming municipalities; a public power district in Nebraska; and a power authority in Colorado. MEAN provides power supply services under various service schedule agreements.

Note 8: Electric Energy Sales – Continued

Total Requirements

During 2021 and 2020, MEAN provided power supply under long-term total requirements contracts with 54 participants. The long-term total requirements contracts extend through the final maturity of MEAN's outstanding long-term debt.

As of March 31, 2021, eight participants have entered into limited-term total requirements contracts. During 2021 and 2020, MEAN provided power supply under limited-term total requirements contracts with eight and seven participants, respectively. The limited-term total requirements contracts vary in length, but are generally up to ten years. There were no expirations of contracts during 2021 or 2020.

The total requirements contracts require MEAN to supply and obligate the participants to purchase, all capacity and energy in excess of each participant's firm power and energy allocations from Western Area Power Administration (WAPA). MEAN has also adopted a Renewable Distributed Generation Policy which allows participants to utilize limited output from qualifying renewable generation resources to offset energy supplied by MEAN and acknowledges that participants' end-use customers may use behind-the-meter generation to serve their energy needs. The total requirements contracts for four participants also include limited exceptions for certain generating facilities of each participant.

MEAN has contracted to collect payments for WAPA power and energy purchased by certain participants and remits these payments to WAPA. Since MEAN 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. These amounts totaled approximately $5,196,000 and $5,243,000 during 2021 and 2020, respectively.

Service Power and Market Assistance

Each service power participant maintains full control and responsibility for its existing and future resources to meet its electric power and energy requirements. A service power participant may terminate participation by giving two years' written notice to MEAN. MEAN had seven service power participants as of March 31, 2021 and 2020.

MEAN provides scheduling services in Southwest Power Pool's (SPP) Integrated Marketplace (IM) for three of the service power participants. Two additional municipal utilities have entered into market assistance agreements with MEAN for services in SPP. Under the scheduling service and market assistance agreements, MEAN is paid an administrative fee for the services provided. The administrative fee is included in other operating revenues on the statements of revenues, expenses and changes in net position. MEAN has contracted to collect and receive applicable payments for the municipalities participating in SPP IM and remit funds received to the municipalities and payments collected to SPP and other transmission providers, as applicable. Since MEAN 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 net amounts collected and received totaled approximately $5,881,000 and $1,334,000 during 2021 and 2020, respectively.

Note 8: Electric Energy Sales – Continued

Interchange Sales

Interchange sales consist of short-to-medium term power sales agreements in and between the Western Electricity Coordinating Council (WECC), the Midcontinent Independent System Operator, Inc. (MISO) and SPP markets. In the MISO and SPP markets, MEAN records activity for each separately operated and settled market on an hourly basis. Net hourly energy transactions are evaluated on a net megawatt hour (MWh) basis to determine whether the hourly transaction should be classified as a net purchase or net sale.

Note 9: Electric Energy Costs and Power Supply Commitments

Electric energy costs for the years ended March 31, 2021 and 2020 were as follows:

	2021	2020
Purchased power	$ 68,308,182	$ 67,434,679
Production	13,491,088	15,268,986
Transmission	4,760,909	6,097,892
	$ 86,560,179	$ 88,801,557

Pooling Agreements

Firm power service agreements allow for the purchase and sale of capacity and energy between MEAN and other power project participants at both fixed and variable rates under the applicable service schedules.

By execution of a firm power service agreement under the applicable service schedule, 19 participants have committed total capacity and energy output of participant-owned generating units (approximately 123 MW) to MEAN. The Total Power Requirements Power Purchase Agreements provide that compensation for generating plants committed to pooling will be based upon the facilities' accredited capability and will be paid at the rate established in the Rate Schedule as modified from time to time upon the determination of the Board of Directors of MEAN. MEAN will also pay a proportionate share of fuel and operation and maintenance costs based on energy delivered at rates established by the Board of Directors of MEAN. The remaining participants who have not committed their total energy resources are able to make sales of available surplus capacity as requested by MEAN at various negotiated rates. Costs related to participant committed facilities and energy output agreements are included in purchased power costs in the table of electric energy costs included in Note 9.

Note 9: Electric Energy Costs and Power Supply Commitments - Continued

Purchased Power Contracts and Participation Agreements

In addition to ownership interests in energy generation facilities, MEAN has purchased power contracts that provide for the purchase of capacity and wholesale firm and nonfirm energy from suppliers at negotiated rates. Power is purchased primarily for resale to MEAN participants. Costs related to purchased power contracts and participation agreements are included in purchased power costs in the table of electric energy costs included in Note 9.

Western Area Power Administration

MEAN has an allocation from the U.S. Department of Energy, through WAPA, of firm power under contract from Loveland Area Projects hydroelectric plants of approximately 7 MW. MEAN's contract has been extended by amendment and currently runs through 2054. Various MEAN participants also have allocations through WAPA totaling approximately 118 MW. MEAN has contracted to collect payments for WAPA power and energy purchased by certain participants and remits these payments to WAPA as discussed in Note 8.

Public Power Generation Agency

MEAN and other utilities created an interlocal agency, the Public Power Generation Agency (PPGA), for the construction of Whelan Energy Center Unit 2 (WEC 2), a 220 MW coal-fired power plant. MEAN signed a participation power agreement with PPGA for 80 MW (36.36%) of the power output for the life of the plant. Under this agreement, each PPGA participant guarantees an allocated portion of PPGA's debt, which is paid by monthly participant billings.

Agreements with Nebraska Public Power District (NPPD)

MEAN has entered into a multi-unit participation power sales agreement with NPPD for the purchase of 50 MW of power and energy from Gerald Gentleman Station and Cooper Nuclear Station which continues through December 31, 2023.

MEAN has entered into a 20-year participation power agreement with NPPD for the purchase of 7 MW of energy from the Ainsworth Wind Energy Facility. MEAN also participates in three Nebraska based wind plants through power sales agreements with NPPD: Laredo Ridge (8 MW), Elkhorn Ridge (8 MW) and Crofton Bluffs (4 MW). For each of these plants, NPPD has the actual power purchase agreement with the wind plant developer/owner.

Agreement with Black Hills Power, Inc.

MEAN has a power purchase agreement with Black Hills Power, Inc. (BHPL) which continues until May 31, 2028. The agreement includes an early termination option of May 31, 2023, with 180 days advance notice from MEAN. Under this agreement, BHPL provides MEAN with the capacity and related energy output from a total of 15 MW from Neil Simpson Unit 2 and Wygen Unit III through May 31, 2023 and a total of 10 MW from June 1, 2023 through May 31, 2028. The MW from each unit varies over the life of the contract.

Note 9: Electric Energy Costs and Power Supply Commitments - Continued

Purchased Power Contracts and Participation Agreements - Continued

Agreement with Kimball Wind LLC

MEAN has entered into a power purchase agreement with Kimball Wind LLC for the purchase of energy, capacity and environmental attributes produced by the 30 MW Kimball Wind Facility near Kimball, Nebraska. MEAN's purchase obligation began on the commercial operation date in June 2018 and continues for an initial term of 20 years.

Other Agreements

MEAN has also entered into power supply participation agreements whereby MEAN has agreed to share in the energy output of various projects in accordance with the anticipated needs of MEAN's participants. These contracts include wind, coal, hydroelectric and landfill gas generated energy and vary from 4 to 10 MW's per year.

Market Activity

MEAN participates in MISO, SPP and WECC markets. MEAN incurs costs related to market purchases and receives generation revenues related to units dispatched into MISO and SPP. MEAN also incurs costs related to energy purchases in WECC. Auction revenue rights and transmission congestion rights in SPP and auction revenue rights and financial transmission rights in MISO may result in a net financial benefit or cost to MEAN. These financial instruments were primarily designed to allow firm transmission customers the opportunity to offset differences in market prices related to transmission congestion costs between resources and loads. The financial impact of all of these items are included in purchased power costs in the table of electric energy costs included in Note 9.

Production

Production costs consist of MEAN's ownership share of costs incurred to operate and maintain LRS, WSEC 4 and Wygen Unit 1.

Transmission

The transmission needs of MEAN and the total requirements participants are served by MISO, SPP and multiple transmission providers in the Western Interconnection. Transmission costs include network integration transmission service and point-to-point transmission service.

MEAN has contracted to collect payments for transmission service purchased on behalf of certain participants and remits these payments to the respective providers. Since MEAN 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 transmission service purchased by the participants, that MEAN was responsible for collecting and remitting to the respective transmission providers, totaled approximately $16,189,000 and $15,674,000 during 2021 and 2020, respectively.

Note 10: Transactions with Coalition Members

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

Amounts due from coalition members are included within accounts receivable and amounts due to coalition members are included in accounts payable and accrued expenses on the balance sheets.

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

	2021	2020
Due from NPGA	$ 35,318	$ 35,336
Due from ACE	48,705	49,370
Due from coalition members	$ 84,023	$ 84,706
Due to NMPP	$ 811,297	$ 840,623

MEAN incurred expenses of approximately $5,910,000 and $5,870,000 for administrative services provided by NMPP during 2021 and 2020, respectively.

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 2021 and 2020, MEAN paid NMPP, on behalf of MEAN's participants, approximately $119,000 and $202,000, respectively.

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 coalition members approximately $289,000 in 2021 and $287,000 in 2020, for rents and shared products and services.

Note 11: Risk Management

MEAN 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. MEAN is named as one of the insureds on joint policies for commercial insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. MEAN is not aware of any claims exceeding this commercial coverage in any of the three preceding years.

Note 12: Significant Estimates and Concentrations

Environmental Regulations

Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of electric utilities are subject to change. These changes may arise from continuing legislative, regulatory, and judicial action regarding such standards and procedures. Consequently, there is no assurance that MEAN's facilities will remain subject to the regulations currently in effect, will meet future obligations without retrofit, that MEAN can anticipate the outcome of current regulatory and legislative process, or will always be able to obtain all required operating permits. Future changes in environmental regulations could result in MEAN incurring significant costs for additional capital and operating expenditures, reduced operating levels or the complete shutdown of individual units not in compliance. However, due to the level of regulatory and legal uncertainty related to MEAN's facilities, it is impractical to quantify any specific financial impacts at this time.

Note 13: Contingencies

Claims and Judgments

From time to time, MEAN is party to various claims, public records requests, and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the financial statements of MEAN.