Municipal Energy Agency of Nebraska

Independent Auditor's Report and Financial Statements

March 31, 2015 and 2014

Municipal Energy Agency of Nebraska
March 31, 2015 and 2014

Contents

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Independent Auditor's Report

Board of Directors
Municipal Energy Agency of Nebraska
Lincoln, Nebraska

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Municipal Energy Agency of Nebraska as of March 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our 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 17, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

Summary of the Financial Statements

The financial statements, related notes to the financial statements and management’s discussion and analysis provide information about 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, 2015, 2014 and 2013.

<u>Condensed Balance Sheets and Financial Highlights</u>

	March 31, 2015	March 31, 2014	March 31, 2013	Change 2015 to 2014	Change 2014 to 2013
Assets and Deferred Outflows of Resources					
Current assets	$ 57,823,944	$ 54,096,808	$ 40,126,952	$ 3,727,136	$ 13,969,856
Restricted and long-term investments	21,721,600	25,486,842	40,445,748	(3,765,242)	(14,958,906)
Capital assets and productive capacity	141,570,938	147,202,920	153,731,658	(5,631,982)	(6,528,738)
Other noncurrent assets	45,591,875	43,965,465	40,869,548	1,626,410	3,095,917
Deferred outflows of resources	3,594,303	4,430,491	5,217,132	(836,188)	(786,641)
Total assets and deferred outflows of resources	$ 270,302,660	$ 275,182,526	$ 280,391,038	$ (4,879,866)	$ (5,208,512)
Liabilities, Deferred Inflows of Resources and Net Position					
Current liabilities	$ 20,988,396	$ 21,980,069	$ 26,509,089	$ (991,673)	$ (4,529,020)
Long-term debt, net	180,220,195	184,996,316	188,472,438	(4,776,121)	(3,476,122)
Deferred inflows of resources	21,969,810	21,369,680	19,746,516	600,130	1,623,164
Net position					
Net investment in capital assets	10,384,977	12,357,646	13,842,189	(1,972,669)	(1,484,543)
Restricted for debt service	6,169,409	6,169,409	6,169,409	-	-
Unrestricted	30,569,873	28,309,406	25,651,397	2,260,467	2,658,009
Total net position	47,124,259	46,836,461	45,662,995	287,798	1,173,466
Total liabilities, deferred inflows of resources and net position	$ 270,302,660	$ 275,182,526	$ 280,391,038	$ (4,879,866)	$ (5,208,512)

Assets and Deferred Outflows of Resources

Current assets increased in 2015 and 2014 primarily due to increased cash and cash equivalents and short-term investments.

During 2015 and 2014, construction funds were used to pay for qualifying expenditures resulting in a decrease in restricted and long-term investments at March 31, 2015 and 2014. The remaining construction fund balance was used to pay for qualifying expenditures in May 2015.

Depreciation charges exceeded additions to productive capacity as shown in Note 3 in both 2015 and 2014 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 and furniture, fixtures and equipment.

The increase in other noncurrent assets in 2015 and 2014 is due to the deferral of certain costs permitted under Governmental Accounting Standards Board (GASB) Codification Section Re10, *Regulated Operations.*

Deferred outflows of resources consist of deferred costs of refunded debt resulting from refunding transactions. The decline in each year resulted from annual amortization.

Liabilities and Deferred Inflows of Resources

Current liabilities decreased in both 2015 and 2014 due to timing of when invoices were received and paid.

Net long-term debt declined in 2015 and 2014 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

In 2015 and 2014, MEAN did not issue any debt and made scheduled principal payments of $2,855,000 and $2,785,000, respectively.

In March 2013, MEAN issued Power Supply System Revenue and Refunding Bonds, Series 2013 A in the amount of $32,430,000. Funds were used to refund $23,165,000 of outstanding 2003 Series A bonds, provide funds for costs incurred under a settlement with Southwest Power Pool, Inc. (SPP) and fund the costs of planned capital additions, improvements and replacements to MEAN's interests in Laramie River Station, WSEC 4 and Wygen I. MEAN also issued Power Supply System Revenue Bonds, Series 2013 B (Federally Taxable) in March 2013. Funds were used to reimburse MEAN for a portion of the cost of construction of MEAN's operations and management facility and for the cost of acquisition of an additional 0.25% undivided ownership interest in WSEC 4 purchased in 2012.

Debt Ratings and Debt Service Coverage

During the bond issuance process, Standard and Poor's (S&P) assigned an A/stable rating, to the 2013 bonds and affirmed the A/stable rating on MEAN's other outstanding debt. On November 4, 2014, Moody's Investors Service affirmed an A2/stable rating on MEAN's outstanding debt. On February 23, 2015, Fitch Ratings affirmed an A/stable rating on MEAN's outstanding debt. 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. Debt service coverage was 1.20, 1.21, and 1.14 for 2015, 2014, and 2013 respectively.

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

	March 31,			Change 2015	Change 2014
	2015	2014	2013	to 2014	to 2013
Sales volumes (MWh's)	2,289,000	2,762,000	2,731,000	(473,000)	31,000
Electric energy sales and other operating revenues	$ 139,879,567	$ 148,482,575	$ 139,106,205	$ (8,603,008)	$ 9,376,370
Provision for rate stabilization	(600,130)	(1,623,164)	(2,418,806)	1,023,034	795,642
Total operating revenues	139,279,437	146,859,411	136,687,399	(7,579,974)	10,172,012
Electric energy costs	119,604,655	127,638,949	125,426,889	(8,034,294)	2,212,060
Other operating expenses	15,852,017	14,245,984	13,317,096	1,606,033	928,888
Total operating expenses	135,456,672	141,884,933	138,743,985	(6,428,261)	3,140,948
Operating income (loss)	3,822,765	4,974,478	(2,056,586)	(1,151,713)	7,031,064
Net nonoperating expenses	(3,534,967)	(3,801,012)	(4,649,626)	266,045	848,614
Increase (decrease) in net position	$ 287,798	$ 1,173,466	$ (6,706,212)	$ (885,668)	$ 7,879,678

Sales Volumes and Operating Revenues

MWh's delivered in 2015 decreased 17% compared to 2014. MWh's delivered in 2014 increased 1% compared to 2013.

In 2015, MWh's delivered to MEAN's long-term total requirements participants decreased due to mild weather conditions; however, electric energy sales revenues from MEAN's long-term total requirements participants increased as a result of rate increases implemented in 2015. In 2015, MWh's delivered to MEAN's limited-term total requirements participants decreased due to mild weather conditions and the expiration of a limited-term total requirement contract resulting in a decrease in electric energy sales revenues from MEAN's limited-term total requirements participants. As a result of the implementation of SPP's Integrated Marketplace in March 2014, MEAN no longer sells electric energy to service power participants, nor does MEAN incur the related electric energy costs. The implementation of SPP's Integrated Marketplace also decreased the potential for interchange sales. In addition, a medium term, unit-contingent power sales agreement with a power cooperative for capacity and related energy ended April 30, 2014 resulting in additional decreases to interchange sales. In 2014, electric energy sales revenues from MEAN's total requirements participants increased as a result of increased MWh's delivered, rate increases implemented in 2014 and pooled energy adjustments resulting from actual monthly energy costs in excess of budgeted monthly energy costs. Revenues from service power and interchange sales also increased in 2014. See Note 8 for additional information.

For 2015, the Board of Directors authorized a transfer from rate stabilization into operating revenues of $1,190,004 related to electric energy sales revenue from a regulatory independent transmission system operator and transmission adjustment transferred into the rate stabilization account in 2013. The Board of Directors also authorized a provision for rate stabilization of $1,790,134 related to other nonoperating revenue recorded by MEAN in 2015. These authorizations resulted in a net provision for rate stabilization in 2015 of $600,130. For 2014, the Board of Directors authorized the provision of $1,623,164 into the rate stabilization fund. 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 members, participants and other buying entities. Decreased electric energy costs in 2015 related primarily to changes in demand for energy by participants as a result of mild weather and contract expirations noted above resulting in decreased purchased power costs. Increased electric energy costs in 2014 relate primarily to the increased cost per MWh of market energy purchases.

General Trends and Significant Events

Southwest Power Pool

MEAN participates in SPP's Integrated Marketplace which launched on March 1, 2014. This market expansion is the latest and most complex step in SPP's approach to adding market functionality that will coordinate next-day generation across the region. SPP expects the Integrated Marketplace to maximize cost-effectiveness, provide participants with greater access to reserve energy, improve regional balancing of electricity supply and demand, and facilitate the integration of renewable resources.

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's coal fired generation units, WSEC 4 and Wygen I, 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.

The Federal Clean Air Act regulates the emissions of air pollutants, establishes national air quality standards for major pollutants and requires permitting of new and existing sources of air pollution. WSEC 4, Wygen I and LRS currently have in place the necessary Title V Operating permits and Acid Rain permits related to the Clean Air Act. WEC 2 has submitted the necessary Title V Operating permit application and Acid Rain permit renewal application and is awaiting Nebraska Department of Environmental Quality approval. WEC 2 does not currently anticipate any problems with the permits. Title IV of the Clean Air Act created an SO_2 allowance trading program as part of the federal acid rain program. Sufficient allowances to satisfy Title IV are held for Wygen I and WEC 2.

The Mercury and Air Toxics Standard (MATS) rule aims to reduce emissions of heavy metal and acid gases, including mercury. 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 enable WEC 2 to comply with mercury regulation that is expected to become effective in the future. Wygen I's current emission control equipment enables the plant to comply with MATS. LRS is working toward installation of equipment to meet a June 2015 compliance deadline.

Under the Regional Haze Program each state is required to submit a state implementation plan to improve visibility and air quality in Class I national parks by reducing particulate matter emission, 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 Program. 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 Program. The estimated Regional Haze compliance date for LRS, which is located in Wyoming, is 2020. The Wyoming Department of Environmental Quality and coal plant operators are evaluating various options for LRS compliance. Wygen I is not currently subject to CSAPR, however, Wygen I is well positioned to meet any requirements relating to CSAPR's implementation.

The Environmental Protection Agency (EPA) has proposed a New Source Performance Standard and Clean Power Plan related to greenhouse gas emission guidelines for new and existing power plants. The proposed regulations are expected to be promulgated as final rules in 2015, at which time consideration will be required regarding the feasibility of coal resources. The EPA has the authority under the New Source Review (NSR) permitting process, to collect data regarding new and existing building modifications related to greenhouse gas emissions. LRS received a NSR data request from the EPA in 2011, provided the data requested and has engaged in discussions with the EPA.

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. Moving forward LRS will be evaluating its need for any improvements to comply with standards for entrainment and impingement of fish in relation to meeting its cooling water needs.

Renewable Resources

MEAN has 10.5 MW's of wind capacity generated from its wind farm located near Kimball, Nebraska. MEAN has also contracted for the purchase of 37 MW's of wind capacity from other wind energy producers in the region. In addition to the wind capacity, MEAN has contracted for 4.8 MW's fueled by landfill gas from the Waste Management Des Moines Landfill Gas Facility which began commercial operations in March 2014. MEAN has contracted for 8 MW from hydroelectric generating facilities in Colorado owned by Shavano Falls Hydro, LLC which are currently under construction. The facilities are expected to be operational during MEAN's fiscal year ending March 31, 2016.

MEAN continues to review renewable energy projects that are of strategic interest. The federal stimulus activity and renewable energy proposals and directives have resulted in challenging dynamics to satisfy participant and legislative requirements.

Risk Management Practices

MEAN is subject to various risks inherent in the electric energy business, including market risk, operating risk, regulatory and political risks, credit risk, interest risk and insurance risk.

As a means of identifying, measuring, managing and mitigating these various risks, MEAN has developed financial and operating policies and guidelines, which have been approved by the Board of Directors.

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. In 2015, there was a net transfer into the Rate Stabilization Account of $600,130. In 2014, there was a net transfer into the Rate Stabilization Account of $1,623,164.

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 Laramie River Station generating plants as allowed under the regulated operations provisions of GASB Codification Section Re10, *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 non-member participants and creditors with a general overview of MEAN's financial status for the fiscal years 2015, 2014 and 2013. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Accounting at 8377 Glynoaks Dr., Lincoln, Nebraska 68516.

Municipal Energy Agency of Nebraska

Balance Sheets

March 31, 2015 and 2014

	2015	2014
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and cash equivalents	$ 24,476,686	$ 21,842,081
Short-term investments	6,113,065	7,009,635
Accounts receivable	24,096,660	21,960,154
Prepaid expenses and other	481,266	539,597
Productive capacity operating assets	2,656,267	2,745,341
Total current assets	57,823,944	54,096,808
Noncurrent Assets		
Long-term investments	7,359,095	9,569,028
Restricted investments	14,362,505	15,917,814
Contracts receivable	4,135,292	5,255,828
Productive capacity, net	135,323,888	140,727,110
Capital assets, net	6,247,050	6,475,810
Costs recoverable from future billings	41,456,583	38,709,637
Total noncurrent assets	208,884,413	216,655,227
Deferred Outflows of Resources		
Deferred cost of refunded debt	3,594,303	4,430,491
Total assets and deferred outflows of resources	$ 270,302,660	$ 275,182,526
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 4,155,000	$ 2,855,000
Accounts payable and accrued expenses	12,619,621	14,857,319
Accrued interest payable	4,213,775	4,267,750
Total current liabilities	20,988,396	21,980,069
Long-term Debt, Net	180,220,195	184,996,316
Deferred Inflows of Resources		
Deferred revenue - rate stabilization	21,969,810	21,369,680
Net Position		
Net investment in capital assets	10,384,977	12,357,646
Restricted for debt service	6,169,409	6,169,409
Unrestricted	30,569,873	28,309,406
Total net position	47,124,259	46,836,461
Total liabilities, deferred inflows of resources and net position	$ 270,302,660	$ 275,182,526

Municipal Energy Agency of Nebraska

Statements of Revenues, Expenses and Changes in Net Position

Years Ended March 31, 2015 and 2014

	2015	2014
Operating Revenues		
Electric energy sales	$ 139,261,212	$ 147,991,266
Provision for rate stabilization	(600,130)	(1,623,164)
Other	618,355	491,309
Total operating revenues	139,279,437	146,859,411
Operating Expenses		
Electric energy costs	119,604,655	127,638,949
Administrative and general	6,839,529	5,578,203
Depreciation and amortization	9,012,488	8,667,781
Total operating expenses	135,456,672	141,884,933
Operating Income	3,822,765	4,974,478
Nonoperating Revenues (Expenses)		
Net costs to be recovered in future periods	2,746,946	4,138,330
Investment return	461,802	126,227
Interest expense	(8,642,617)	(8,701,019)
Other	1,898,902	635,450
Net nonoperating expenses	(3,534,967)	(3,801,012)
Increase in Net Position	287,798	1,173,466
Net Position, Beginning of Year	46,836,461	45,662,995
Net Position, End of Year	$ 47,124,259	$ 46,836,461

Municipal Energy Agency of Nebraska
Statements of Cash Flows
Years Ended March 31, 2015 and 2014

	2015	2014
Operating Activities		
Cash received from participants and customers	$ 162,762,113	$ 165,146,194
Cash paid to suppliers	(147,179,319)	(157,017,938)
Cash paid to coalition members	(5,253,674)	(3,901,885)
Net cash provided by operating activities	10,329,120	4,226,371
Noncapital Financing Activities, Other Nonoperating Receipts	1,898,902	635,450
Capital and Related Financing Activities		
Principal payments on long-term debt	(2,855,000)	(2,785,000)
Additions of productive capacity	(3,220,786)	(1,950,201)
Purchase of capital assets	(159,720)	(188,842)
Interest paid	(8,481,525)	(7,806,983)
Net cash used in capital and related financing activities	(14,717,031)	(12,731,026)
Investing Activities		
Interest received on investments	339,086	379,239
Purchases of investments	(18,775,232)	(47,397,501)
Proceeds from sales and maturities of investments	23,559,760	63,773,196
Net cash provided by investing activities	5,123,614	16,754,934
Increase in Cash and Cash Equivalents	2,634,605	8,885,729
Cash and Cash Equivalents, Beginning of Year	21,842,081	12,956,352
Cash and Cash Equivalents, End of Year	$ 24,476,686	$ 21,842,081

Municipal Energy Agency of Nebraska
Statements of Cash Flows - Continued
Years Ended March 31, 2015 and 2014

	2015	2014
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 3,822,765	$ 4,974,478
Depreciation and amortization	9,012,488	8,667,781
Provision for rate stabilization	600,130	1,623,164
Changes in operating assets and liabilities		
Accounts receivable	(2,136,506)	(6,734,440)
Productive capacity operating assets	89,074	62,120
Prepaid expenses and other	58,331	(81,608)
Contracts receivable	1,120,536	1,042,413
Accounts payable and accrued expenses	(2,237,698)	(5,327,537)
Net Cash Provided by Operating Activities	$ 10,329,120	$ 4,226,371

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 (POOL), 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 on the flow of economic resources measurement focus and use 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 Licenses 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.

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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.

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, 2015 and 2014, cash equivalents consisted primarily of money market mutual funds.

Investments and Investment Income

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, U.S. agency obligations and other debt securities are carried at fair value. Fair value is determined using quoted market prices. Investment income 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 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, 2015 and 2014.

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.

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

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.
- Ownership of a 10.5 MW wind project consisting of seven turbines located near Kimball, Nebraska.
- 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.
- 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 both a sinking fund method and on the straight-line basis over the estimated life of the various projects.

LRS project participants filed a rate case in 2004 with the federal Surface Transportation Board (STB) challenging the reasonableness of the freight rates charged by the Burlington Northern Santa Fe (BNSF) railroad for coal deliveries to LRS. In 2009, the STB entered a rate relief award due to a new STB-ordered tariff that would remain effective through 2024. BNSF appealed the STB decision and the parties have been involved in various legal and regulatory proceedings related to the appeal. On January 28, 2015, Western Fuels and BNSF filed a joint petition with the STB asking the STB to hold the rate proceeding in abeyance due to the fact that the parties have reached a preliminary settlement that calls for dismissal of the case and vacate of the rate prescription ordered by the STB. The agreement includes the requirement for the parties' development and execution of a new rail transportation contract. The agreement was finalized in May 2015 and MEAN received net funds of approximately $1.7 million as a result of the settlement. In 2015, the net settlement funds were included in accounts receivable on the Balance Sheets and other nonoperating revenues on the Statements of Revenues, Expenses and Changes in Net Position. See also Note 1 – Deferred Revenue – Rate Stabilization.

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

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 – 7 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.

In January 2013, the Board of Directors and Management Committee established a regulatory independent transmission system operator and transmission adjustment (RITA) of approximately $6.3 million to recover transmission costs incurred by MEAN. The RITA was allocated to each participant under the Electrical Resources Pooling Agreements as of January 2013 and recorded as contracts receivable and electric energy sales revenue in 2013. The RITA is collected monthly over a five year term which began April 2014 or the remaining life of the participant's current service schedule, whichever is less. Participants had the option of paying the RITA in a lump sum. In addition, those participants with current service schedule contracts expiring prior to April 2019 had the option of entering into a separate written agreement to spread the participant's share over a maximum of five years.

The electric energy sales revenue from the RITA was transferred into the rate stabilization account in 2013. Transfers of the rate stabilization funds into revenues will be recorded beginning April 2014 in accordance with the RITA payment provisions. In 2015, $1,190,004 of RITA funds were transferred into operating revenues from the rate stabilization account.

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

In 2015, the Board of Directors also authorized the transfer of $1,790,134 of other nonoperating revenue into the rate stabilization account. See also Note 1 – Productive Capacity. The net amount transferred into the rate stabilization account in 2015, was $600,130. Electric energy revenues of $1,623,164 were transferred into the rate stabilization account in 2014.

As of March 31, 2015 and 2014, $21,969,810 and $21,369,680, respectively, are shown as deferred revenue - rate stabilization on the accompanying balance sheets.

Net Position Classification

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

Net investment in capital assets - consists of capital assets, net of accumulated depreciation 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.

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

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 to participants. Nonoperating revenues include those derived from capital and related financing, noncapital financing and investing activities.

Rates

MEAN annually determines its wholesale electric service rates to recover costs of providing power supply services. 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. The Electrical Resources Pooling Agreement provides for a Management Committee which sets certain rates based on the budget adopted by MEAN's Board of Directors. MEAN's power supply rates and charges are not subject to state or Federal regulation.

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, 2015, all of MEAN's deposits were insured and collateralized. At March 31, 2014, approximately $640,000 of MEAN's deposits at one financial institution were uninsured and uncollateralized.

Note 2: Deposits, Investments and Investment Return – Continued

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.

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

		Maturities in Years		Credit Rating
	Fair Value	Less Than 1	1 - 5	Moody's/ S&P
March 31, 2015				
Money market mutual funds - US agencies	$ 8,981,163	$ 8,981,163	$ -	Aaa-mf/AAAm
US agency obligations	14,614,128	1,000,898	13,613,230	Aaa/AA+
US agency obligations	400,015	150,016	249,999	Not Rated
Negotiable certificates of deposit	12,222,943	5,962,891	6,260,052	Not Rated
	$ 36,218,249	$ 16,094,968	$ 20,123,281	
March 31, 2014				
Money market mutual funds - US agencies	$ 7,237,640	$ 7,237,640	$ -	Aaa-mf/AAAm
US agency obligations	16,185,670	1,411,866	14,773,804	Aaa/AA+
US agency obligations	399,815	-	399,815	Not Rated
Negotiable certificates of deposit	13,487,563	7,009,423	6,478,140	Not Rated
Commercial paper	819,253	819,253	-	P-1/A-1
Corporate bond (variable interest rate)	1,500,000	1,500,000	-	Not Rated
	$ 39,629,941	$ 17,978,182	$ 21,651,759	

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.

Note 2: Deposits, Investments and Investment Return – Continued

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-

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, 2015 and 2014, certain investments in U.S. agency obligations, negotiable certificates of deposit and corporate bonds are held in safekeeping in a broker account with MEAN's primary financial institution. Additionally, any investments held in trust at March 31, 2015 and 2014, 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, 2015 and 2014, 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, 2015 and 2014 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.

Note 2: Deposits, Investments and Investment Return – Continued

Concentrations greater than 5% at March 31, 2015 are shown below:

U.S. sponsored agency obligations	
Federal Home Loan Bank	15.76%
Federal Farm Credit Bank	15.95%
Federal National Mortgage Association	5.81%

Concentrations greater than 5% at March 31, 2014 are shown below:

U.S. sponsored agency obligations	
Federal Home Loan Bank	15.21%
Federal Farm Credit Bank	14.60%
Federal National Mortgage Association	5.25%
Federal Home Loan Mortgage Corporation	5.79%

Summary of Carrying Values

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

	2015	2014
Carrying Value		
Deposits	$ 16,093,102	$ 14,708,617
Investments	36,218,249	39,629,941
	$ 52,311,351	$ 54,338,558

Note 2: Deposits, Investments and Investment Return – Continued

Included in the following balance sheet captions:

	2015	2014
Current Assets		
Cash and cash equivalents		
Operating	$ 13,520,748	$ 14,713,617
Rate stabilization fund	2,577,354	-
Debt service funds	8,378,584	7,128,464
Total	24,476,686	21,842,081
Short-term investments		
Operating	-	1,418,953
Rate stabilization fund	6,113,065	5,590,682
Total	6,113,065	7,009,635
Noncurrent Assets		
Long-term investments - rate stabilization fund	7,359,095	9,569,028
Restricted long-term investments		
Construction fund	590,578	2,318,145
Debt reserve funds	13,771,927	13,599,669
Total	14,362,505	15,917,814
	$ 52,311,351	$ 54,338,558

Investment Return

Investment return for the years ended March 31, 2015 and 2014 consisted of interest income and the net change in fair value of investments carried at fair value of $461,802 and $126,227, respectively.

Note 3: Productive Capacity

Productive capacity at March 31, 2015 and 2014 consisted of the following:

	Beginning Balance	Additions	Ending Balance
March 31, 2015			
Steam production	$ 182,479,189	$ 2,978,717	$ 185,457,906
Wind production	13,710,067	-	13,710,067
Transmission	10,311,018	242,069	10,553,087
	206,500,274	3,220,786	209,721,060
Less accumulated depreciation			
Steam production	(53,973,490)	(7,522,792)	(61,496,282)
Wind production	(10,519,639)	(910,395)	(11,430,034)
Transmission	(1,280,035)	(190,821)	(1,470,856)
	(65,773,164)	(8,624,008)	(74,397,172)
Net productive capacity	$ 140,727,110	$ (5,403,222)	$ 135,323,888
March 31, 2014			
Steam production	$ 181,112,568	$ 1,366,621	$ 182,479,189
Wind production	13,710,067	-	13,710,067
Transmission	9,727,438	583,580	10,311,018
	204,550,073	1,950,201	206,500,274
Less accumulated depreciation			
Steam production	(46,784,345)	(7,189,145)	(53,973,490)
Wind production	(9,609,244)	(910,395)	(10,519,639)
Transmission	(1,093,664)	(186,371)	(1,280,035)
	(57,487,253)	(8,285,911)	(65,773,164)
Net productive capacity	$ 147,062,820	$ (6,335,710)	$ 140,727,110

Note 4: Capital Assets

Capital assets at March 31, 2015 and 2014 consisted of the following:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
March 31, 2015					
Land	$ 489,000	$ -	$ -	$ -	$ 489,000
Buildings and improvements	5,147,328	-	-	-	5,147,328
Furniture, equipment and transportation equipment	1,862,398	183,655	(22,153)	-	2,023,900
Construction in progress	16,552	-	(16,552)	-	-
	7,515,278	183,655	(38,705)	-	7,660,228
Less accumulated depreciation	(1,039,468)	(388,480)	14,770	-	(1,413,178)
Net capital assets	$ 6,475,810	$ (204,825)	$ (23,935)	$ -	$ 6,247,050
March 31, 2014					
Land	$ 489,000	$ -	$ -	$ -	$ 489,000
Buildings and improvements	5,147,328	-	-	-	5,147,328
Furniture, equipment and transportation equipment	1,521,597	188,842	(15,514)	167,473	1,862,398
Construction in progress	184,025	-	-	(167,473)	16,552
	7,341,950	188,842	(15,514)	-	7,515,278
Less accumulated depreciation	(673,112)	(381,870)	15,514	-	(1,039,468)
Net capital assets	$ 6,668,838	$ (193,028)	$ -	$ -	$ 6,475,810

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. Upon implementation of GASB Statement No. 65, costs recoverable from future billings include certain debt issuance costs that are budgeted to be recovered through future electric rates. In 2013, transmission costs of approximately $6.3 million were capitalized in accordance with the regulated operations provisions of GASB Codification Section Re10, *Regulated Operations*. 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 2015 or 2014.

Note 6: Credit Facilities

Line of Credit

MEAN has a $20,000,000 revolving line of credit expiring May 31, 2017. During the years ended March 31, 2015 and 2014, no funds were advanced against the line. Interest varies at two percent (2%) above Daily One Month LIBOR in effect from time to time and is payable monthly.

Letters of Credit

As financial security for MEAN's performance under certain financial transmission rights and transmission congestion rights in regional transmission organizations in which MEAN participates, MEAN has obtained two standby letters of credit totaling $6,500,000 at March 31, 2015. The $500,000 standby letter of credit was automatically renewed in April 2015, under an automatic annual renewal clause, to April 7, 2016. The $6 million standby letter of credit, expiring December 31, 2015, also includes an automatic annual renewal clause. The amount available under MEAN's revolving line of credit is reduced by the amount of the issued standby letters of credit.

Note 7: Long-term debt

The following is a summary of long-term debt transactions for the Agency for the year ended March 31, 2015:

Type of Debt	April 1 2014	Additions	Reductions	March 31 2015	Due Within One Year
	2015				
3.000% - 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 April 1, 2015 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.	$ 32,430,000	$ -	$ -	$ 32,430,000	$ 1,190,000
1.270% - 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 April 1, 2016 through 2022.	6,795,000	-	-	6,795,000	-
3.000% - 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.	62,155,000	-	1,740,000	60,415,000	1,795,000
5.000% - 5.375% 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 through 2024. Term payments due April 1, 2029 and 2039. Mandatory sinking fund payments due annually April 1, 2029 through 2039. Serial bonds redeemable at par on or after April 1, 2019. Term bonds redeemable by operation of sinking fund installments at the principal amount thereof.	74,710,000	-	1,115,000	73,595,000	1,170,000
Total long-term debt	176,090,000	-	2,855,000	173,235,000	4,155,000
Premium on long-term debt	11,761,316	-	621,121	11,140,195	-
Long-term debt, net	$ 187,851,316	$ -	$ 3,476,121	$ 184,375,195	$ 4,155,000

Note 7: Long-term debt - Continued

The following is a summary of long-term debt transactions for the Agency for the year ended March 31, 2014:

Type of Debt	April 1 2013	Additions	Reductions	March 31 2014	Due Within One Year
3.000% - 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 April 1, 2015 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.	$ 32,430,000	$ -	$ -	$ 32,430,000	$ -
1.270% - 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 April 1, 2016 through 2022.	6,795,000	-	-	6,795,000	-
2.000% - 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.	63,870,000	-	1,715,000	62,155,000	1,740,000
5.000% - 5.375% 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 through 2024. Term payments due April 1, 2029 and 2039. Mandatory sinking fund payments due annually April 1, 2029 through 2039. Serial bonds redeemable at par on or after April 1, 2019. Term bonds redeemable by operation of sinking fund installments at the principal amount thereof.	75,780,000	-	1,070,000	74,710,000	1,115,000
Total long-term debt	178,875,000	-	2,785,000	176,090,000	2,855,000
Premium on long-term debt	12,382,438	-	621,122	11,761,316	-
Long-term debt, net	$ 191,257,438	$ -	$ 3,406,122	$ 187,851,316	$ 2,855,000

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, 2015 are as follows:

Year Ending March 31,	Principal	Interest	Total
2016	$ 4,155,000	$ 8,353,525	$ 12,508,525
2017	5,530,000	8,187,179	13,717,179
2018	5,715,000	7,975,492	13,690,492
2019	5,945,000	7,723,901	13,668,901
2020	6,215,000	7,449,421	13,664,421
2021-2025	27,740,000	33,404,633	61,144,633
2026-2030	29,705,000	26,143,353	55,848,353
2031-2035	37,645,000	17,902,509	55,547,509
2036-2040	50,585,000	7,004,238	57,589,238
	$ 173,235,000	$ 124,144,251	$ 297,379,251

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 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, 2015 and 2014 were as follows:

	2015	2014
Long-term total requirements	$ 103,932,511	$ 97,747,792
Limited-term total requirements	28,836,932	32,173,613
Service power	-	1,403,063
Interchange sales	6,491,769	16,666,798
	$ 139,261,212	$ 147,991,266

MEAN has sixty-six participating municipal utilities. Each of the participating municipal utilities, which consist of Nebraska, Colorado, Iowa and Wyoming municipalities; a public power district in Nebraska; and a power authority in Colorado, has entered into the Electrical Resources Pooling Agreement with MEAN. The Electrical Resources Pooling Agreement includes various service schedules under which MEAN provides power supply services.

Note 8: Electric Energy Sales – Continued

Total Requirements

Fifty-four participants have entered into long-term total requirements contracts. The long-term total requirements contracts extend through the final maturity of MEAN's outstanding long-term debt. Six participants have entered into limited-term total requirements contracts. The limited-term total requirements contracts vary in length, but are generally up to ten years.

The total requirements agreements 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), and include limited exceptions for certain generating facilities of Waverly Light & Power, Iowa and Aspen, Colorado.

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 $7,204,000 and $6,641,000 during 2015 and 2014, respectively.

Service Power

Five municipalities and a power authority have elected to become service power participants. Each service power participant maintains full control and responsibility for its existing and future resources to meet its electric power and energy requirements. The service power participants either receive electric supply services through Southwest Power Pool's (SPP) Integrated Marketplace (IM) or enter into buy/sell power and energy transactions with MEAN and other service power participants or other utilities for the purchase of power and energy from time to time at negotiated rates.

MEAN provides scheduling services in SPP's IM which began March 1, 2014 for three of the service power participants. The service power participants pay MEAN an administrative fee for the scheduling 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 payments for the service power participants participating in SPP IM and remit these payments to SPP and other transmission providers. Since MEAN is only acting as 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 $2,714,000 during 2015. A service power participant may terminate participation by giving two years' written notice to MEAN.

Interchange Sales

Interchange sales consist of short-to-medium term power sales agreements. MEAN entered into a medium term, unit-contingent power sales agreement with a power cooperative for 30 MW of capacity and related energy that ended April 30, 2014. Interchange sales include sales under this agreement totaling $623,000 and $9,514,000 for 2015 and 2014, respectively.

Note 9: Electric Energy Costs and Power Supply Commitments

Electric energy costs for the years ended March 31, 2015 and 2014 were as follows:

	2015	2014
Purchased power	$ 91,360,066	$ 102,179,492
Production	21,091,475	19,141,618
Transmission	7,153,114	6,317,839
	$ 119,604,655	$ 127,638,949

Pooling Agreements

Electrical Resources Pooling 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 the Electrical Resources Pooling Agreements, twenty-one participants have committed total capacity and energy output (approximately 147 MW) to MEAN. The total capacity and energy output agreements provide that MEAN will pay a fixed cost based upon each participant's accredited capability of producing power at rates established by MEAN's Board of Directors. MEAN will also pay a proportionate share of generation costs based on energy actually delivered at rates established by the MEAN Board of Directors. The remaining participants who have not committed their total energy resources are able to make available surplus capacity as requested by MEAN at various negotiated rates. Costs related to capacity and energy output agreements are included in purchased power costs in the table above.

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 participants of the Electrical Resources Pooling Agreements.

MEAN and other utilities created an interlocal, the Public Power Generation Agency (PPGA), for the construction of Whelan Energy Center Unit 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 participant guarantees an allocated portion of PPGA's debt, which is paid by monthly participant billings.

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

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 vary from 3 to 50 MW's per year, with maximum annual commitments of approximately 140 MW's. These contracts contain fixed and variable price components, with varying termination dates between 2018 and 2041.

Costs related to purchased power contracts and participation agreements are included in purchased power costs in the table above.

Market Purchases

MEAN participates in Midcontinent Independent System Operator, Inc. (MISO), SPP and Western Electricity Coordinating Council (WECC) markets. Costs related to market purchases are included in purchased power costs in the table above. Generation revenues received related to units dispatched into MISO and SPP are included in purchased power costs in the table above.

Production

Production costs consist of MEAN's costs incurred to operate and maintain the wind project at Kimball and MEAN's ownership share of costs incurred to operate and maintain LRS, WSEC4 and Wygen Unit 1.

Transmission

The transmission needs of MEAN and the total requirements participants are primarily served by ten transmission providers. Transmission costs include network integration transmission service, firm point-to-point transmission service and non-firm 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 $13,532,000 and $14,242,000 during 2015 and 2014, respectively.

Note 10: Transactions with Coalition Members

MEAN, POOL, 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, 2015 and 2014 is as follows:

	2015	2014
Due from NPGA	$ 4,656	$ 3,172
Due from POOL	265,546	-
Due from ACE	3,709	3,626
Due from coalition members	$ 273,911	$ 6,798
Due to POOL	$ -	$ 75,899

MEAN incurred expenses of approximately $5,100,000 and $4,280,000 for administrative services provided by POOL during 2015 and 2014, respectively. In 2015 and 2014, MEAN billed coalition members approximately $130,000 and $137,000, respectively, for the use of equipment and furniture.

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 carries commercial insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. Claims have not exceeded 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. An inability to comply with environmental standards could result in additional capital and operating expenditures to comply, reduced operating levels or the complete shutdown of individual units not in compliance. As necessary, MEAN will make application to the appropriate federal and state authorities for any permits, certifications and renewals required by federal and state law and regulations for the operations of its existing plants, and for the construction of capital additions and improvements.