

WOODBINE MUNICIPAL LIGHT & POWER

FINANCIAL STATEMENTS

JUNE 30, 2004

WOODBINE MUNICIPAL LIGHT & POWER
WOODBINE, IOWA
JUNE 30, 2004

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WOODBINE MUNICIPAL LIGHT & POWER

OFFICIALS

JUNE 30, 2004

<u>NAME OF OFFICIAL</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Donald Kenkel	Trustee - Chairman	2005
Charles H. Warner, Jr.	Trustee	2009
Duane Mann	Trustee	2007
Rory Weis	Superintendent	
Cristie Kenkel	Office manager	

DEAN M. BROICH, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Woodbine Municipal Light & Power
Woodbine, Iowa

I have audited the accompanying financial statements of Woodbine Municipal Light & Power, of the City of Woodbine, Iowa, as of and for the years ended June 30, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of Woodbine Municipal Light & Power's, Woodbine, Iowa, management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1A, the financial statements present only the Woodbine Municipal Light and Power fund and do not purport to, and do not, present fairly the financial position of the City of Woodbine, Woodbine, Iowa, as of June 30, 2004 and 2003, and the changes in its financial position and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Woodbine Municipal Light & Power, City of Woodbine, Woodbine, Iowa has not presented Management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woodbine Municipal Light & Power, of the City of Woodbine, Woodbine, Iowa as of June 30, 2004 and 2003, and the changes in financial position and cash flows thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated August 9, 2004, on my consideration of Woodbine Municipal Light & Power's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary schedules on pages 14 and 15 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Certified Public Accountant

Omaha, Nebraska
August 9, 2004

WOODBINE MUNICIPAL LIGHT & POWER

BALANCE SHEET

JUNE 30, 2004 AND 2003

ASSETS

	<u>2004</u>	<u>2003</u>
Current assets:		
Cash	\$ 74,422	\$ 506,809
Receivables	109,963	87,348
Inventories	45,888	45,501
Certificates of deposit	575,000	206,542
Unbilled usage	25,426	28,463
Accrued interest receivable	2,560	407
Prepaid insurance	15,034	14,015
Total current assets	<u>848,293</u>	<u>889,085</u>
Property and equipment - net	<u>950,024</u>	<u>967,093</u>
Restricted assets:		
Certificate of deposit - Debt service reserves	36,989	36,191
Customer deposits	9,925	7,624
Deposits - Woodbine Natural Gas	10,661	9,173
Total restricted assets	<u>57,575</u>	<u>52,988</u>
Total assets	<u>\$ 1,855,892</u>	<u>\$ 1,909,166</u>

LIABILITIES AND RETAINED EARNINGS

Current liabilities:		
Accounts payable - trade	\$ 11,631	\$ 87,793
Accrued expenses	21,151	17,092
Current portion of long-term debt	12,922	12,255
Current portion of bonds payable	30,000	30,000
Total current liabilities	<u>75,704</u>	<u>147,140</u>
Other liabilities:		
Note payable - long-term portion	15,946	28,835
Bonds payable - long-term portion	300,000	322,573
Restricted deposits payable	20,636	16,095
Total liabilities	<u>412,286</u>	<u>514,643</u>
Retained earnings - unrestricted	<u>1,443,606</u>	<u>1,394,523</u>
Total liabilities and retained earnings	<u>\$ 1,855,892</u>	<u>\$ 1,909,166</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Operating revenues:		
Current use charges	\$ 767,733	\$ 759,239
Miscellaneous and rentals	550	631
Total operating revenues	<u>768,283</u>	<u>759,870</u>
Operating expenses:		
Cost of power	385,644	383,849
Distribution expenses	86,450	121,396
Accounting and collection	80,737	53,152
Administrative	161,066	152,748
Depreciation	44,416	41,743
Total operating expenses	<u>758,313</u>	<u>752,888</u>
Operating income	<u>9,970</u>	<u>6,982</u>
Non-operating revenues/(expenses):		
Sales of materials and equipment	2,383	5,040
Interest income	19,730	29,197
Miscellaneous income	500	1,655
Penalties		(9)
Total non-operating revenues	<u>22,613</u>	<u>35,883</u>
Income before operating transfers	32,583	42,865
Operating transfers from City	<u>16,500</u>	<u>16,500</u>
Net income	49,083	59,365
Retained earnings, beginning of year	<u>1,394,523</u>	<u>1,335,158</u>
Retained earnings, end of year	<u>\$ 1,443,606</u>	<u>\$ 1,394,523</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Cash received from customers	\$ 742,213	\$ 766,384
Cash payments to suppliers and employees	(782,865)	(645,692)
Other revenues	465	2,286
Net cash provided (used) by operating activities	<u>(40,187)</u>	<u>122,978</u>
Cash flows from noncapital financing activities:		
Operating transfers from City	16,500	16,500
Non-operating revenues - net	11,583	6,686
Net cash provided from noncapital financing activities	<u>28,083</u>	<u>23,186</u>
Cash flows from capital financing activities:		
Proceeds from bonds payable		360,000
Repayment of principal - bank note	(12,222)	(11,488)
Repayment of principal - bonds	(22,573)	(7,427)
Net cash provided (used) from capital financing activities	<u>(34,795)</u>	<u>341,085</u>
Cash flows from investing activities:		
Purchases of investments and certificates of deposit	(476,737)	(47,580)
Purchases of equipment	(35,962)	(299,151)
Proceeds from investments and certificates of deposit	107,481	239,258
Interest on investments	19,730	29,197
Net cash used by investing activities	<u>(385,488)</u>	<u>(78,276)</u>
Net increase (decrease) in cash	(432,387)	408,973
Cash, beginning of year	506,809	97,836
Cash, end of year	<u>\$ 74,422</u>	<u>\$ 506,809</u>

SCHEDULE OF NET CASH FROM OPERATING ACTIVITIES

Reconciliation of net income to net cash provided by operating activities:		
Net income from operations	\$ 9,970	\$ 6,982
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	44,416	41,743
Changes in assets and liabilities:		
Receivables	(22,615)	4,409
Accrued interest receivable	(2,238)	773
Inventories	(387)	6,819
Unbilled usage	3,037	3,934
Prepaid insurance	(1,019)	(1,470)
Deposits	(3,789)	(316)
Accounts payable	(76,162)	48,173
Accrued vacation and leave	3,096	11,071
Accrued interest payable	963	-
Restricted deposits	4,541	860
Net cash provided (used) by operating activities	<u>\$ (40,187)</u>	<u>\$ 122,978</u>

The accompanying notes are an integral part of the financial statements.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. Summary of Significant Accounting Policies

Woodbine Municipal Light & Power has operated as an independent entity since 1941. It is governed by a Board of Trustees that are appointed by the Mayor of Woodbine, Iowa. It provides electricity and power to the City of Woodbine and the surrounding area.

A. Reporting Entity

Criteria specified by the Governmental Accounting Standards Board have been applied in determining the scope of the reporting entity for financial reporting purposes. Specifically, those offices and activities over which the Board of Trustees exercises oversight responsibility are included in these financial statements. Manifestations of oversight responsibility over an entity include: (1) financial interdependence, (2) selection of governing authority, (3) designation of management, (4) ability to significantly influence operations, and (5) accountability for fiscal matters.

Woodbine Municipal Light & Power has been identified as a component unit of the City of Woodbine. Woodbine Municipal Light & Power provides billing and collection services for water, sewer, gas and landfill charges for the City of Woodbine. However, these amounts have been eliminated for financial statements purposes. These financial statements do not reflect any activity or transactions of the City of Woodbine and do not present consolidated information.

B. Fund Accounting

The Utility, for financial statement purposes, includes the funds and operations applicable to Electric and Power services only. All financial activity is accounted for in a single enterprise fund. The intent of the governing body is that all acquisitions, operations and maintenance of facilities and services to the general public on a continuing basis be financed or recovered primarily by user charges.

C. Basis of Fund Accounting

Woodbine Municipal Light & Power maintains its accounting records on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

At June 30, 2004 and 2003, accounts receivable were considered to be fully collectible and, therefore, these financial statements do not contain an allowance for doubtful accounts.

D. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget. The budget of the Utility is submitted with that of the City of Woodbine following required public notice and hearing. Budgetary information is presented on the cash basis, which is in conformity with the budgetary requirements for the Code of Iowa.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2004

1. Summary of Significant Accounting Policies - continued

E. Deposits and Certificates of Deposit

Deposits and investments are stated at cost, which approximates market. Interest on deposits and investments is accrued in the financial statements. It is the policy of the Utility to treat all certificates of deposits as investments in accordance with U.S. generally accepted accounting principles. The State of Iowa does not consider certificates of deposits to be investments, regardless of maturity or the intent of management. Therefore, the certificates of deposits are presented as current assets in these financial statements.

F. Inventories

Inventories consist of materials and supplies, are recorded on the (FIFO) first in, first-out basis and are valued at the lower of cost or market.

G. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Utility considers all highly liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents. Restricted deposit accounts are not considered cash equivalents.

H. Compensated Absences

Utility employees accumulate vacation and personal leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are recognized and accrued when earned. Sick leave is also accumulated, but is not paid upon termination, retirement or death. Sick leave benefits are not accrued; however they are recognized when used.

I. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Off Balance Sheet and Concentration of Credit Risk

The Utility's receivables are due from customers for Electric and Power charges for the City of Woodbine, Iowa and the surrounding community. None of the receivables are collateralized. In addition, the Utility's cash and investments are maintained primarily in two banks. To date, these concentrations of credit risk have not had an effect on the results of operations of the Utility.

K. Reclassifications

Certain amounts in the June 30, 2003 financial statements have been reclassified to conform to the June 30, 2004 presentation. Such reclassifications had no effect on net income as previously reported.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2004

2. Deposits and Certificates of Deposit

The Utility's deposits at June 30, 2004 and 2003 were entirely covered by federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized to invest public funds in interest bearing accounts at any bank, savings and loan association or credit union in the State of Iowa which is approved by the State Treasurer and properly declared as a depository by the Board of Trustees; obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved and secured pursuant to Chapter 453; Iowa Public Agency Investment Trust and certain other investments with prior approval by the Board of Trustees.

The Utility's investments are categorized to give an indication of the level of risk assumed by the Utility at June 30, 2004 and 2003.

Category A

Category A funds include deposits and certificates of deposit which are fully insured. Carrying values and market values of Category A funds amounted to \$ 706,997 and \$ 766,339 in 2004 and 2003, respectively. All of the Utility's investments were classified as category A at June 30, 2004 and 2003, respectively.

3. Property and Equipment

Property and equipment are stated at historical cost. Depreciation is provided using the straight-line method over the estimated economic useful lives of the respective assets.

	June 30, 2004		
Life	Cost or Basis	Accumulated Depreciation	Net Book Value
<u>Property and Equipment</u>			
Land	\$ 15,250	\$ -	\$ 15,250
Building and plant	40 yrs. 171,494	122,338	49,156
Distribution and substation	40 yrs. 1,376,144	608,349	767,795
Equipment	5 - 10 yrs. 60,754	60,200	554
Automotive equipment	10 - 20 yrs. 175,854	58,585	117,269
Totals	\$ 1,799,496	\$ 849,472	\$ 950,024

Property additions during the fiscal year ended June 30, 2004 amounted to \$26,500 for a Ford F150 pickup and \$9,460 in final payments on a transmission upgrade. The Utility also sold a 1998 Ford pickup for proceeds of \$8,700.

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2004

3. Property and Equipment - continued

	June 30, 2003			
	Life	Cost or Basis	Accumulated Depreciation	Net Book Value
<u>Property and Equipment</u>				
Land		\$ 15,250	\$ -	\$ 15,250
Building and plant	40 yrs.	171,494	120,501	50,993
Distribution and substation	40 yrs.	1,366,684	575,478	791,206
Equipment	5 - 10 yrs.	60,754	58,232	2,522
Automotive equipment	10 - 20 yrs.	168,498	61,376	107,122
Totals		\$ 1,782,680	\$ 815,587	\$ 967,093

Property additions during the fiscal year ended June 30, 2003 amounted to \$299,153 on a transmission upgrade. The Utility also disposed of a Ditch Witch Trencher Borer.

4. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, Woodbine Municipal Light & Power annually adopts a budget on the cash basis of accounting, following required public notice. Accordingly, the budget to actual comparisons are presented on a "non-GAAP" budgetary basis in the accompanying financial statements. The adjustments necessary to reconcile the differences between the two accounting methods are as follows:

	2004	2003
Net income – budgetary basis	\$ 1,164	\$ 168,456
Depreciation expense	(46,569)	(34,838)
Increase (decrease) in:		
Accounts receivable	22,615	(4,409)
Inventory	387	(6,819)
Unbilled usage	(3,037)	(3,934)
Accrued interest receivable	2,153	(773)
Prepaid insurance	1,019	1,470
Customer deposits	3,789	316
(Increase) decrease in:		
Accounts payable	76,162	(48,173)
Accrued expenses	(4,059)	(11,071)
Restricted deposits	(4,541)	(860)
Net income – accrual basis	\$ 49,083	\$ 59,365

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2004

5. Pension and Retirement Benefits

The Woodbine Municipal Light & Power contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.75% of their annual covered salary and Woodbine Municipal Light & Power is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. Woodbine Municipal Light & Power's contribution to IPERS for the years ended June 30, 2004 and 2003 were \$ 8,474 and \$8,207, respectively, equal to the required contributions for each year.

6. Note payable

Note payable as of June 30, 2004 consisted of the following:

	2004	2003
Note payable – Bank, dated March 13, 2002, bearing interest at 6.25%, due in monthly principal and interest installments of \$1,204.13. The note matures March 13, 2007, and is secured by a blanket security agreement on Utility assets dated March 13, 2002.	<u>\$ 28,868</u>	<u>\$ 41,090</u>

Debt service requirements of the note payable are as follows:

	Principal	Interest
2005	\$ 12,922	\$ 1,528
2006	13,755	695
2007	2,191	26
	<u>\$ 28,868</u>	<u>\$ 2,249</u>

7. Bonds payable

On February 1, 2003, Woodbine Municipal Light and Power issued electric revenue bonds in the amount of \$360,000.00 in conjunction with the upgrade of a substation transformer. The rates of interest on the outstanding bonds range from 2.35% to 4.25% and interest is due semi-annually. The bonds are scheduled to mature on June 1, 2013.

Debt service requirements of the bonds payable are as follows:

	Principal	Interest
2005	\$ 30,000	\$ 11,558
2006	35,000	10,853
2007	35,000	9,908
2008	35,000	8,858
2009	35,000	7,703
2010 - 2013	160,000	16,480
	<u>\$ 330,000</u>	<u>\$ 65,360</u>

WOODBINE MUNICIPAL LIGHT & POWER
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2004

8. Risk Management

The Utility is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Woodbine Municipal Light & Power assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Joint Ventures

Woodbine Municipal Light & Power is a participant in the Missouri Basin Electric Cooperative Association (MBMECA), a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative (NIPCO). NIPCO constructed the power lines, and there are no dedicated lines, but rather there is an agreement which guarantees the Utility the right to draw power over the lines at a raw power cost without transmission charges. The Utility shares the joint venture with twelve other municipalities and the percentage of ownership varies from year to year. The Utility cannot recover any investment from MBMECA unless authorized by MBMECA, or if MBMECA ceases operations. Accordingly, the investment is not reflected as an asset in these financial statements. The financial statements of the joint venture are kept on, and are audited on, a calendar year basis and, therefore, are not comparable to the Utility's June 30 fiscal year end. Payments by the Utility to MBMECA amounted to \$ 39,546 and \$39,601 for the fiscal year ended June 30, 2004 and 2003, respectively.

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2003

	2004		Variance
	Budget	Actual	
Operating revenues:			
Sales to customers	\$ 770,000	\$ 671,993	\$ (98,007)
Other operating revenue	1,000	550	(450)
Total operating revenues	<u>771,000</u>	<u>672,543</u>	<u>(98,457)</u>
Operating expenses			
Cost of power	399,500	461,806	62,306
Distribution expenses	109,346	86,837	(22,509)
Accounting & collections	101,665	80,737	(20,928)
Administration	198,989	158,026	(40,963)
Total operating expenses	<u>809,500</u>	<u>787,406</u>	<u>(22,094)</u>
Operating loss	<u>(38,500)</u>	<u>(114,863)</u>	<u>(76,363)</u>
Non-operating revenues:			
Charges for services	17,000	16,500	(500)
Sale of materials	2,000	2,883	883
Interest income	20,000	17,577	(2,423)
Total non-operating revenues	<u>39,000</u>	<u>36,960</u>	<u>(2,040)</u>
Net income (loss)	<u>\$ 500</u>	<u>\$ (77,903)</u>	<u>\$ (78,403)</u>

WOODBINE MUNICIPAL LIGHT & POWER
STATEMENT OF BUDGETED AND ACTUAL CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2003

	2003		Variance
	Budget	Actual	
Operating revenues:			
Sales to customers	\$ 723,500	\$ 827,572	\$ 104,072
Other operating revenue	5,500	1,655	(3,845)
Total operating revenues	<u>729,000</u>	<u>829,227</u>	<u>100,227</u>
Operating expenses:			
Cost of power	370,000	324,490	(45,510)
Distribution expenses	136,605	125,763	(10,842)
Accounting & collections	57,734	53,152	(4,582)
Administration	155,486	143,146	(12,340)
Total operating expenses	<u>719,825</u>	<u>646,551</u>	<u>(73,274)</u>
Operating income (loss)	<u>9,175</u>	<u>182,676</u>	<u>173,501</u>
Non-operating revenues:			
Charges for services	16,500	16,500	-
Sale of materials	2,000	5,031	3,031
Interest income	18,000	29,970	11,970
Total non-operating revenues	<u>36,500</u>	<u>51,501</u>	<u>15,001</u>
Net income	<u>\$ 45,675</u>	<u>\$ 234,177</u>	<u>\$ 188,502</u>

WOODBINE MUNICIPAL LIGHT & POWER
SCHEDULES OF OPERATING EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2003
SUPPLEMENTARY SCHEDULES

	<u>2004</u>	<u>2003</u>
Distribution expenses:		
Wages	\$ 45,693	\$ 51,309
FICA	3,468	3,690
IPERS	2,404	2,623
Contract labor	101	480
Equipment	1,776	8,785
Insurance	18,208	15,892
Maintenance materials	8,102	31,587
Miscellaneous	244	20
Purchased and contracted services		1,732
Street lights	622	667
Supplies	417	483
Tool purchases	181	322
Training	354	402
Truck expenses	4,794	3,214
Uniforms	86	190
Total distribution expenses	<u>\$ 86,450</u>	<u>\$ 121,396</u>
Accounting & collection expenses:		
Wages	\$ 40,713	\$ 39,015
FICA	3,024	2,883
IPERS	2,251	2,167
Equipment	2,025	812
Insurance	1,333	178
Interest expense	27,829	3,670
Miscellaneous	90	243
Purchased and contracted services		202
Supplies	3,472	3,763
Training		219
Total accounting & collection expenses	<u>\$ 80,737</u>	<u>\$ 53,152</u>

WOODBINE MUNICIPAL LIGHT & POWER
SCHEDULES OF OPERATING EXPENSES - CONTINUED
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 AND 2003
SUPPLEMENTARY SCHEDULES

	<u>2004</u>	<u>2003</u>
Administrative expenses:		
Wages	\$ 66,376	\$ 64,282
FICA	5,096	4,546
IPERS	3,820	3,418
Advertising & legal publication	3,658	4,375
Assessments	1,396	1,009
Audit and accounting	3,700	3,774
Bad debts - net of collections	137	85
Contract labor	6,790	7,866
Donations	5,600	5,950
Dues	3,361	3,690
Equipment	7,807	6,963
Insurance	26,521	25,502
Legal & engineering	4,773	1,089
Maintenance materials	3,312	1,005
Meeting expenses	6,792	5,982
Miscellaneous	1,251	874
Postage	1,898	1,554
Purchased and contracted services	-	3,059
Supplies	953	1,432
Telephone	2,942	2,986
Training	678	262
Truck expenses	2,405	1,245
Trustee fees	1,800	1,800
Total administrative expenses	<u>\$ 161,066</u>	<u>\$ 152,748</u>

DEAN M. BROICH, P.C.
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Woodbine Municipal Light & Power
Woodbine, Iowa

I have audited the financial statements of Woodbine Municipal Light & Power, of the City of Woodbine, Woodbine, Iowa, as of and for the year ended June 30, 2004, and have issued my report thereon dated August 9, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Woodbine Municipal Light & Power's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Woodbine Municipal Light & Power's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Woodbine Municipal Light & Power's, City of Woodbine, Woodbine, Iowa ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are listed below.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions that follow, I believe that item (A) is a material weakness. All prior year reportable conditions, if any, have been resolved except for item (A).

- (A) Segregation of Duties - An important aspect of any internal control structure is the segregation of duties among employees to prevent individual employees from handling tasks that are incompatible. I recognize that, because of limited staff, the Utility is not able to segregate all incompatible duties.

Recommendation – I reminded the Utility of the importance of obtaining the maximum segregation of duties and emphasized the need to make improvements to the control structure where feasible. Because of this weakness, I reminded the Utility of the importance of administrative review of financial transactions and reports.

Response – Management and the Board of Trustees are aware of the need to segregate incompatible duties where possible and of the need for administrative review. Management and the Board of Trustees will continue to make improvements where possible.

Conclusion - Response accepted.

This report is intended solely for the information and use of the Board of Trustees, management and others within the organization, City Council, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The following comments about the Woodbine Municipal Light & Power's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of Woodbine Municipal Light & Power. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

- (1) Official Depositories – A resolution naming official depositories has been adopted by the Board of Trustees. The maximum deposit amounts stated in the resolutions were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – For the year ended June 30, 2004, budgeted expenditures exceeded actual disbursements as required under Chapter 384.20 of the Code of Iowa.

Questionable Disbursements - I noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- (4) Travel Expenses – I noted no disbursements of Utility money for travel expenses of spouses of Utility officials or employees.
- (5) Business Transactions - Business transactions noted between the Utility and Utility officials, related parties or employees were not material to the financial statements, appeared to be arms-length, properly approved, and in the normal course of business.
- (6) Bond Coverages - Surety bond coverage of the Utility's officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that the coverage is adequate for current operations.
- (7) Board Minutes - Transactions were found that I believe should have been approved in the Board minutes but were not. Automatic payments should be included with other Utility expenses when reviewed by the Board and posted to the minutes for approval.
- (8) Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utility's investment policy.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of Woodbine Municipal Light & Power during the audit.

Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.


Certified Public Accountant

Omaha, Nebraska
August 9, 2004