

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2005

NEWS RELEASE

For Release --

The audit report of Laurens Municipal Light and Power Plant for the year ended December 31, 2005 has been released. This report was issued by Hunzelman, Putzier & Co., PLC, C.P.A.'s and filed with David A. Vaudt, Auditor of State.

A copy of the audit report is available for review in the office of the Auditor of State and the Utility's office.

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LAURENS MUNICIPAL LIGHT AND POWER PLANT

LAURENS, IOWA

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LAURENS MUNICIPAL LIGHT AND POWER PLANT

LAURENS, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Main	Trustee	April, 2007
Brad Olsen	Trustee	April, 2009
Robert O. Braesch	Trustee	April, 2011

HUNZELMAN, PUTZIER & CO., PLC  
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.  
JEFFORY B. STARK, C.P.A.  
KEITH C. GERMANN, C.P.A.  
RICHARD R. MOORE, C.P.A.  
KENNETH A. PUTZIER, C.P.A. (RETIRED)  
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Laurens Municipal Light and Power Plant  
Laurens, Iowa

We have audited the accompanying financial statements of Laurens Municipal Light and Power Plant, a component unit of City of Laurens, as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards 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 we plan and perform the audits 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laurens Municipal Light and Power Plant as of December 31, 2005 and 2004, and the changes in its financial position and the cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 21, 2006 on our consideration of Laurens Municipal Light and Power Plant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Management's Discussion and Analysis on pages 5 through 8 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

April 21, 2006

*Hunzelman, Putzier & Co.*

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Laurens Municipal Light and Power Plant provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2005. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

### FINANCIAL HIGHLIGHTS

- The Utility's operating revenues increased 6%, or \$106,833, from 2004 to 2005.
- The Utility's operating expenses were 24%, or \$426,213, more in 2005 than in 2004.
- The Utility's net assets decreased 8%, or \$420,857, from December 31, 2004 to December 31, 2005.

### USING THIS ANNUAL REPORT

Laurens Municipal Light and Power Plant is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Laurens Municipal Light and Power Plant's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.
- The Statements of Net Assets present information on the Utility's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.
- The Statements of Revenues, Expenses and Changes in Net Assets are the basic statement of activities for proprietary funds. This statement presents information on the Utility's operating revenues and expenses, non-operating revenues and expenses, and whether the Utility's financial position has improved or deteriorated as a result of the year's activities.
- The Statements of Cash Flows present the change in the Utility's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Utility financed its activities and how it met its cash requirements.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

## FINANCIAL ANALYSIS OF THE UTILITY

### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Utility's financial position. The Utility's net assets for 2005 totaled approximately \$5,110,000. This compares to approximately \$5,530,000 for 2004. A summary of the Utility's net assets is presented below.

	<u>Net Assets</u>	
	<u>2005</u>	<u>2004</u>
Current assets	\$2,429,189	\$2,495,449
Other assets	1,163,307	1,190,859
Capital assets at cost, less accumulated depreciation	<u>4,032,331</u>	<u>4,050,821</u>
Total assets	<u>7,624,827</u>	<u>7,737,129</u>
Current liabilities	899,311	408,699
Non-current liabilities	<u>1,616,334</u>	<u>1,798,391</u>
Total liabilities	<u>2,515,645</u>	<u>2,207,090</u>
Net assets:		
Invested in capital assets, net of related debt	2,230,997	2,077,430
Restricted	396,071	395,894
Unrestricted	<u>2,482,114</u>	<u>3,056,715</u>
Total net assets	<u>\$5,109,182</u>	<u>\$5,530,039</u>

The largest portion of the Utility's net assets (48%) are unrestricted that can be used to meet the Utility's obligations as they come due. The invested in capital assets (44%, e.g., land, buildings, and equipment), less the related debt are resources allocated to capital assets. The restricted net assets (8%) represent resources that are subject to restrictions as required by the electric revenue bond resolution.

## Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for the sale of electrical energy. Operating expenses are expenses paid to operate the Utility. Non-operating revenues and expenses are primarily for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the year ended December 31, 2005 is presented below:

	<u>Changes in Net Assets</u>	
	<u>2005</u>	<u>2004</u>
Operating revenues:		
Sales of electrical energy	\$1,689,426	\$1,604,538
Other operating revenues	<u>157,879</u>	<u>135,934</u>
	<u>1,847,305</u>	<u>1,740,472</u>
Operating expenses:		
Cost of power	1,420,495	1,034,351
Depreciation and amortization	378,574	364,738
Administrative and general expense	208,467	194,716
Transmission expense	53,863	51,490
Distribution expenses - maintenance	50,839	47,456
Distribution expenses - operations	57,529	52,202
Taxes	38,162	38,325
Customers' accounts expense	<u>7,124</u>	<u>5,562</u>
Total operating expenses	<u>2,215,053</u>	<u>1,788,840</u>
Operating loss	(367,748)	(48,368)
Non-operating revenue and expense:		
Revenues from merchandising	22,401	14,987
Costs of merchandising	<u>16,658</u>	<u>9,922</u>
Gross profit	5,743	5,065
Interest earned on investments	105,790	93,800
Amortization of bond issue costs	(2,406)	(2,406)
Interest expense	(96,009)	(103,708)
Deferred patronage allocation	9,832	-
Gain on disposition of assets	<u>-</u>	<u>1,500</u>
Non-operating income (loss)	<u>22,950</u>	<u>(5,749)</u>
Decrease in net assets	(344,798)	(54,117)
Net assets, beginning of year	5,530,039	5,655,229
Less: Residual equity transfer to City - park funding	(50,000)	(50,000)
Residual equity transfer to City - donation	<u>(26,059)</u>	<u>(21,073)</u>
Net assets, end of year	<u>\$5,109,182</u>	<u>\$5,530,039</u>

The Statements of Revenues, Expenses and Changes in Net Assets reflects a negative year with a decrease in the net assets from 2004 to 2005.

The Utility's operating revenues increased 6%, or \$106,833, from 2004 to 2005 because electric rates were raised as of September 15, 2005. The Utility also had a new industry start operations in the service territory.

The Utility's operating expenses increased 24%, or \$426,213, from 2004 to 2005 because of the increase in the cost of power. The Utility is a member of North Iowa Municipal Electric Cooperative Association (NIMECA) and our main source of energy, Neal 4 Generation Plant, was off-line for maintenance. The outage lasted longer

than planned so we had to purchase replacement energy from the market. The cost for this replacement energy ranged from \$112 - \$115/mwh for on-peak and \$62 - \$102/mwh for off-peak energy. To add to this, the month of December experienced very cold temperatures and sustained winds from the north creating high demand for energy.

Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, capital and related financing, and investing activities. Cash provided by operating activities includes charges for service reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase and construction of utility plant. Cash used by investing activities includes purchase and sale of certificates of deposits and interest income.

**CAPITAL ASSETS**

At December 31, 2005, the Utility had approximately \$4,030,000 invested in capital assets, net of accumulated depreciation of approximately \$4,960,000. Depreciation charges totaled \$373,730 for 2005. More detailed information about the Utility’s capital assets is presented in Note 3 to the financial statements.

**LONG-TERM DEBT**

At December 31, 2005, the Utility had \$1,815,000 in debt outstanding, a decrease of \$175,000 from 2004. The table below summarizes outstanding debt by type.

	<u>2005</u>	<u>2004</u>
Electric revenue bonds	<u>\$1,815,000</u>	<u>\$1,990,000</u>

Additional information about the Utility’s long-term debt is presented in Note 12 to the financial statements.

**ECONOMIC FACTORS**

The current condition of the economy in the state continues to be a concern for Utility officials. Some of the realities that may potentially become challenges for the Utility to meet are:

- Facilities at the Utility require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- The Utility is experiencing both commercial and residential load growth. The industries in Laurens are all very busy and running at least two shifts. Several of the industries are expanding their facilities and increasing their energy loads. Residents continue to convert from gas to electric services each year.
- The cost of power continues to increase. WAPA has announced another rate increase of approximately 15% scheduled for 2007. NIMECA continues to operate under a joint dispatch agreement which means buying and selling power on the open market.

**CONTACTING THE UTILITY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utility’s finances and to show the Utility’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laurens Municipal Power and Communications Utility, 272 N. Third Street, Laurens, Iowa.

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
STATEMENTS OF NET ASSETS  
DECEMBER 31, 2005 AND 2004

Exhibit A

	<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
<u>UTILITY PLANT</u>			
Utility plant in service (Note 3)		\$8,820,229	\$8,567,793
Construction in progress		<u>170,818</u>	<u>216,638</u>
		8,991,047	8,784,431
Less accumulated depreciation		<u>4,958,716</u>	<u>4,733,610</u>
Total net utility plant		<u>4,032,331</u>	<u>4,050,821</u>
 <u>OTHER ASSETS</u>			
Plant acquisition costs - net of amortization of \$82,347 in 2005 and \$77,503 in 2004		30,516	35,360
Notes receivable - noncurrent portion (Note 10)		576,731	183,653
Common transmission system - capital improvement fund (Note 5)		204,193	225,690
Generation reserve fund (Note 6)		200,000	200,000
Contingency, depreciation, and extension fund (Note 4)		-	400,000
Bond issuance costs - net of amortization of \$18,046 in 2005 and \$15,640 in 2004		21,454	23,860
Bond improvement fund (Note 12)		100,000	100,000
Deferred patronage refund receivable		<u>30,413</u>	<u>22,296</u>
Total other assets		<u>1,163,307</u>	<u>1,190,859</u>
 <u>CURRENT ASSETS</u>			
Cash and cash equivalents (Note 11)		-	97,668
Notes receivable - current portion (Note 10)		6,922	6,104
Generation reserve fund (Note 6)		500,000	900,643
Distribution replacement reserve (Note 7)		500,000	707,596
Communication distribution reserve (Note 9)		200,000	-
Contingency, depreciation, and extension fund (Note 4)		400,000	-
Bond reserve fund (Note 8)		273,500	273,500
Bond retirement sinking fund		22,571	22,394
Joint use contract receivable (Note 17)		145,000	130,000
Accounts receivable (less provision for doubtful accounts of \$1,000 in 2005 and \$8,400 in 2004)		268,326	227,767
Inventories		56,387	68,299
Prepaid expenses		4,577	28,540
Accrued interest receivable		<u>48,823</u>	<u>26,771</u>
Total current assets		<u>2,426,106</u>	<u>2,489,282</u>
 <u>DEFERRED DEBITS</u>			
		<u>3,083</u>	<u>6,167</u>
 Total assets		 <u>\$7,624,827</u>	 <u>\$7,737,129</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
STATEMENTS OF NET ASSETS  
DECEMBER 31, 2005 AND 2004

Exhibit A  
(Continued)

LIABILITIES AND NET ASSETS

	<u>2005</u>	<u>2004</u>
<u>LONG-TERM DEBT, LESS CURRENT MATURITIES</u>		
Electric revenue bonds - net of unamortized discount of \$13,666 in 2005 and \$16,609 in 2004 (Note 12)	\$1,616,334	\$1,798,391
<u>CURRENT AND ACCRUED LIABILITIES</u>		
Current maturities of revenue bonds (Note 12)	185,000	175,000
Outstanding checks in excess of bank balance	118,433	-
Due to communications utility	242,791	-
Accounts payable	270,647	158,159
Customer deposits	16,580	12,768
Other current and accrued liabilities	<u>65,860</u>	<u>62,772</u>
Total current and accrued liabilities	<u>899,311</u>	<u>408,699</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	2,230,997	2,077,430
Restricted (Note 13)	396,071	395,894
Unrestricted - Designated (Note 13)	2,004,193	2,433,929
Unrestricted	<u>477,921</u>	<u>622,786</u>
Total net assets	<u>5,109,182</u>	<u>5,530,039</u>
Total liabilities and net assets	<u>\$7,624,827</u>	<u>\$7,737,129</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2005 AND 2004

Exhibit B

	<u>2005</u>	<u>2004</u>
<u>OPERATING REVENUES</u>	<u>\$1,847,305</u>	<u>\$1,740,472</u>
<u>OPERATING EXPENSES</u>		
Cost of power	1,420,495	1,034,351
Depreciation and amortization	378,574	364,739
Administrative and general expense	208,467	194,715
Transmission expense	53,863	51,490
Distribution expenses - maintenance	50,839	47,456
Distribution expenses - operations	57,529	52,202
Taxes	38,162	38,325
Customers' accounts expense	<u>7,124</u>	<u>5,562</u>
Total operating expenses	<u>2,215,053</u>	<u>1,788,840</u>
Loss from operations	(367,748)	(48,368)
<u>NON-OPERATING REVENUE AND EXPENSE</u>		
Revenues from merchandising	22,401	14,987
Costs of merchandising	<u>16,658</u>	<u>9,922</u>
Gross profit	5,743	5,065
Interest earned on investments	105,790	93,800
Amortization of bond issue costs	(2,406)	(2,406)
Interest expense	(96,009)	(103,708)
Deferred patronage allocations	9,832	-
Gain on disposition of assets	<u>-</u>	<u>1,500</u>
Non-operating income (loss)	<u>22,950</u>	<u>(5,749)</u>
Change in net assets	(344,798)	(54,117)
Net assets, beginning of year	5,530,039	5,655,229
Less: Residual equity transfer to City - park funding	(50,000)	(50,000)
Residual equity transfer to City - donation	<u>(26,059)</u>	<u>(21,073)</u>
Net assets, end of year	<u>\$5,109,182</u>	<u>\$5,530,039</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2005 AND 2004

Exhibit C

	<u>2005</u>	<u>2004</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from customers	\$ 1,802,958	\$1,678,463
Cash paid to suppliers and employees	<u>(1,753,303)</u>	<u>(1,403,477)</u>
Net cash provided by operating activities	<u>49,655</u>	<u>274,986</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Net borrowing of outstanding checks in excess of bank balance	118,433	-
Net repayment of outstanding checks in excess of bank balance	-	(32,658)
Advances from telecommunications utility	242,791	-
Payments to city	<u>(76,059)</u>	<u>(71,073)</u>
Net cash provided by (used in) non-capital financing activities	<u>285,165</u>	<u>(103,731)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition and construction of utility plant	(290,625)	(375,838)
Principal paid on bonds	(175,000)	(165,000)
Interest paid on bonds	<u>(93,722)</u>	<u>(101,147)</u>
Net cash used in capital and related financing activities	<u>(559,347)</u>	<u>(641,985)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investments matured or sold	2,231,682	2,651,340
Purchase of investments	(1,801,946)	(2,156,664)
Collections on notes receivable	6,104	89,268
Issuance of notes receivable	(400,000)	(112,523)
Sale of resale merchandise	22,401	14,987
Purchase of resale merchandise	(16,658)	(9,922)
Interest received	83,738	92,127
Patronage dividends received	1,715	-
Purchase of restricted cash	<u>(177)</u>	<u>(215)</u>
Net cash provided by investing activities	<u>126,859</u>	<u>568,398</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
	(97,668)	97,668
Cash and cash equivalents at beginning of year	<u>97,668</u>	<u>-</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>		
	<u>\$ -</u>	<u>\$ 97,668</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2005 AND 2004

Exhibit C  
(Continued)

	<u>2005</u>	<u>2004</u>
<u>RECONCILIATION OF NET LOSS TO CASH</u>		
<u>PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating loss	\$ (367,748)	\$ (48,368)
Adjustments to reconcile net income to cash provided by operations:		
Depreciation and amortization	378,574	364,739
Provisions for bad debts	704	600
Changes in assets and liabilities:		
Increase in accounts receivable	(56,263)	(62,396)
Decrease in inventory	11,912	4,818
Decrease (increase) in prepaid expenses	23,963	(3,487)
Decrease (increase) in deferred debits	3,084	(6,167)
Increase in accounts payable	47,873	31,236
Increase (decrease) in other liabilities	<u>7,556</u>	<u>(5,989)</u>
Total adjustments	<u>417,403</u>	<u>323,354</u>
Net cash provided by operating activities	<u>\$ 49,655</u>	<u>\$ 274,986</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Laurens Municipal Light and Power Plant is a component unit of City of Laurens. The Mayor appoints the trustees of the Utility subject to approval by the City Council. The City Council also approves the Utility's operating budget.

Laurens Municipal Light and Power Plant generates and distributes electric energy to consumers in Laurens, Iowa. Sales of electricity are billed on the twenty-fifth of each month for usage through the fifteenth of the month. As has been done in prior years, an unbilled receivable in the amount of \$74,850 has been recorded (\$70,703 at December 31, 2004) for the period December 15 through December 31. Laurens Municipal Light and Power Plant is billed by their suppliers on a calendar month basis.

The Utility's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standard Board.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reporting Entity

For financial reporting purposes, Laurens Municipal Light and Power Plant has included all funds, organizations, agencies, boards, commissions, and authorities. The Utility has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Utility are such that exclusion would cause the Utility's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Utility. Laurens Municipal Light and Power Plant has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of Laurens Municipal Light and Power Plant are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Measurement Focus and Basis of Accounting - (Continued)

The Utility applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash, Investments, and Cash Equivalents - Investments are carried at cost which approximates market value. For the purpose of reporting cash flows, cash and cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Inventories - Inventories are stated at the lower of cost or replacement value. Cost is determined on a weighted average method.

Utility Plant - Utility plant is stated at cost. Cost of labor, materials, supervision, and other costs incurred making improvements and replacements to the system, except minor replacements, are charged to the plant accounts while such costs incurred in making normal repairs, minor replacements, and maintaining the assets in efficient operating condition are charged to expense.

Provisions for depreciation of generating, transmission, and distribution plant are computed on a straight-line basis employing a group method. The original costs of assets retired (not constituting the sale of an operating unit or system) together with the costs of removal less salvage are charged to the related accumulated depreciation accounts. In accounting for the sale of operating units or systems, gains or losses are reflected in net revenue.

Provisions for depreciation of general plant are computed on a straight-line basis employing the unit depreciation method. The original cost of property retired is removed from the General Plant accounts and the related accumulated depreciation accounts are charged for the depreciation taken to date. Gain or loss is recognized to the extent that the salvage value of the assets retired exceeds or falls short of the remaining book value of the assets retired.

Amortization - The cost of acquiring a portion of the common transmission system is being amortized over the remaining useful life of the assets.

Legal fees and other expenses associated with the issuance of the electric revenue notes are being amortized on the straight-line method over the term of the bonds. Amortization charged to expense in 2005 and 2004 was \$2,406.

Compensated Absences - Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Utility's liability for accumulated vacation has been computed based on rates of pay in effect at December 31, 2005.

Budgets and Budgetary Accounting - The Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing in accordance with the Code of Iowa. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following is a comparison of revenues, expenses, and changes in net assets - actual to budget:

	<u>Actual</u>	<u>Budgeted Amounts</u>		<u>Final to Actual Variance</u>
		<u>Original</u>	<u>Final</u>	
Revenues:				
Use of money and property	\$ 105,790	\$ 95,000	\$ 100,000	\$ 5,790
Charges for services	1,701,551	1,635,000	1,727,000	(25,449)
Miscellaneous	<u>177,987</u>	<u>170,000</u>	<u>178,000</u>	<u>(13)</u>
	1,985,328	1,900,000	2,005,000	(19,672)
Expenses	<u>2,330,126</u>	<u>1,932,000</u>	<u>2,223,000</u>	<u>(107,126)</u>
Net	(344,798)	(32,000)	(218,000)	(126,798)
Net assets, beginning of year	5,530,039	5,534,156	5,534,156	(4,117)
Residual equity transfer to City - park funding	(50,000)	(50,000)	(50,000)	-
Residual equity transfer to City - donation	<u>(26,059)</u>	<u>-</u>	<u>-</u>	<u>(26,059)</u>
Net assets, end of year	<u>\$5,109,182</u>	<u>\$5,452,156</u>	<u>\$5,266,156</u>	<u>\$(156,974)</u>

2. DEPOSITS

The Utility's deposits in banks at December 31, 2005 were entirely covered by Federal depository insurance, or by the State Sinking Fund 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 by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - The Utility's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Utility.

The Utility had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statement Number 40.

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

3. PLANT AND DEPRECIATION PROCEDURES

Listed below are the major classes of plant as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Land and land rights	\$ 75,659	\$ 74,175
Generating plant	2,433,210	2,420,512
Transmission plant	981,594	1,063,613
Transmission plant - Corn Belt	1,004,604	942,481
Distribution plant	1,747,151	1,700,103
Communication plant	2,304,152	2,107,584
Other equipment	<u>273,859</u>	<u>259,325</u>
Plant in service	<u>\$8,820,229</u>	<u>\$8,567,793</u>

Provision for depreciation and amortization has been computed at straight-line rates over the estimated useful lives of the property.

4. CONTINGENCY, DEPRECIATION AND EXTENSION FUND

A contingency, depreciation and extension fund was created to set aside funds to cover unanticipated costs or needs of expansion that might arise. (See Note 13.)

These funds were deposited as follows as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Certificates of deposits	\$400,000	\$400,000
Less: Current portion	<u>400,000</u>	<u>-</u>
Other assets	<u>\$ -</u>	<u>\$400,000</u>

The certificate of deposit at December 31, 2005 bears interest at 3.50% and matures in June, 2006.

5. COMMON TRANSMISSION SYSTEM - CAPITAL IMPROVEMENT FUND

This account is currently used to record funds deposited with NIMECA to be used for future construction and/or maintenance of the common transmission system. (See Note 13.)

6. GENERATION RESERVE FUND

A generation reserve fund was created to set aside funds for maintenance or replacement of the present generation system or to purchase future generation. (See Note 13.)

These funds were deposited as follows as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Certificates of deposit	\$700,000	\$1,100,643
Less: Current portion	<u>500,000</u>	<u>900,643</u>
Other assets	<u>\$200,000</u>	<u>\$ 200,000</u>

The certificates of deposit at December 31, 2005 bear interest at 3.63% to 4.25% and mature from May, 2006 to August, 2007.

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

7. DISTRIBUTION REPLACEMENT RESERVE

A distribution replacement reserve was created to set aside funds for future replacement of the distribution system. (See Note 13.)

These funds were deposited as follows as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Certificates of deposit	\$500,000	\$707,596
Less: Current portion	<u>500,000</u>	<u>707,596</u>
Other assets	<u>\$ -</u>	<u>\$ -</u>

The certificates of deposit at December 31, 2005 bear interest at 3.40% to 3.75% and mature from February, 2006 to August, 2006.

8. BOND RESERVE FUND

A bond reserve fund was created to set aside funds to make payments of principal and interest on the electric revenue bonds if there are not sufficient funds available in the bond retirement sinking fund. (See Note 13.)

These funds were deposited as follows as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Certificates of deposits	\$273,500	\$273,500
Less: Current portion	<u>273,500</u>	<u>273,500</u>
Other assets	<u>\$ -</u>	<u>\$ -</u>

The certificate of deposit at December 31, 2005 bears interest at 3.68% and matures January, 2006.

9. COMMUNICATION DISTRIBUTION REPLACEMENT RESERVE

This fund was created to set aside funds for the future replacement of the communication distribution system. (See Note 13.)

These funds were deposited as follows as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Certificate of deposit	\$200,000	\$ -
Less: Current portion	<u>200,000</u>	<u>-</u>
Other assets	<u>\$ -</u>	<u>\$ -</u>

The certificate of deposit at December 31, 2005 bears interest at 4.00% and matures October, 2006.

10. NOTE RECEIVABLE

On January 1, 2004 the Utility received a note for \$194,025 in exchange for the construction of a 69/12.5 KV substation for the City of Marathon. The note requires monthly payments of \$1,288 including interest of 5.00% through February 2024. On March 24, 2005 the Utility loaned \$400,000 to Laurens Industrial Foundation, Inc. to be used for economic development within the city. The terms of the note are interest only for the first five years with the principal balance due March 24, 2010.

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

11. CASH AND CASH EQUIVALENTS

These funds were deposited as follows as of December 31, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Demand deposits	\$ -	\$97,668

12. ELECTRIC REVENUE BONDS

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2006	\$ 185,000	\$ 85,847	\$ 270,847
2007	195,000	77,338	272,338
2008	205,000	68,367	273,367
2009	205,000	58,938	263,938
2010	205,000	49,302	254,302
2011	205,000	39,668	244,668
2012	205,000	29,827	234,827
2013	205,000	19,988	224,988
2014	<u>205,000</u>	<u>9,994</u>	<u>214,994</u>
	1,815,000	439,269	2,254,269
Less: Current maturities	(185,000)	-	(185,000)
Unamortized discount	<u>(13,666)</u>	<u>-</u>	<u>(13,666)</u>
	<u>\$1,616,334</u>	<u>\$439,269</u>	<u>\$2,055,603</u>

The resolutions providing for the issuance of revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to electric revenue sinking account for the purpose of making the bond principal and interest payments when due.
- C. The Utility is to establish a separate Bond Reserve Account into which there shall be set apart and paid at the time of delivery of the obligations the sum of \$273,500.
- D. Additional monthly transfers of \$2,000 to the Bond Improvement Fund shall be made until the sum of \$100,000 has been accumulated. This account is restricted for the purpose of paying for necessary repairs, improvements, and extension to the system.

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

13. RESTRICTED AND DESIGNATED NET ASSETS

Net assets have been restricted and designated in amounts necessary to fund the following specific reserves described in Notes 4, 5, 6, 7, 8, and 9:

	<u>2005</u>	<u>2004</u>
Restricted:		
Bond retirement sinking fund	\$ 22,571	\$ 22,394
Bond reserve fund	273,500	273,500
Bond improvement fund	<u>100,000</u>	<u>100,000</u>
	<u>\$ 396,071</u>	<u>\$ 395,894</u>
Unrestricted:		
Designated:		
Distribution replacement reserve	\$ 500,000	\$ 707,596
Contingency, depreciation, and extension	400,000	400,000
Generation reserve fund	700,000	1,100,643
Communication distribution replacement reserve	200,000	-
Common transmission system - capital improvement fund	<u>204,193</u>	<u>225,690</u>
	2,004,193	2,433,929
Undesignated	<u>477,921</u>	<u>622,786</u>
	<u>\$2,482,114</u>	<u>\$3,056,715</u>

14. PENSION AND RETIREMENT BENEFITS

The Utility 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 3.70% of their annual covered salary and the Utility is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The Utility's contribution to IPERS for the years ending December 31, 2005, 2004, and 2003 were \$10,135 \$8,970, and \$9,512 equal to the required contributions for each year.

15. RISK MANAGEMENT

Laurens Municipal Light and Power Plant 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. The Utility 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.

16. SIGNIFICANT AREA CONCENTRATION OF CREDIT RISK

The Utility extends credit to its customers on terms no more favorable than standard terms of the industry it serves. A substantial portion of the Utility's customers are located in Laurens, Iowa. The Utility's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004

17. RELATED PARTY TRANSACTION

Pursuant to Iowa Code Chapter 28E.18 concerning the joint use of facilities through sharing agreements, the Laurens Municipal Light and Power Plant and the Laurens Municipal Broadband Communications Utility have entered into an agreement whereby the Communications Utility shall pay the Electric Utility the sum of \$145,000 on or before the first day of June each year for the use of a portion of the Communications distribution system for the previous calendar year. The term of this agreement is forty years and the payments are due June 1, of each year.

HUNZELMAN, PUTZIER & CO., PLC  
CERTIFIED PUBLIC ACCOUNTANTS

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Board of Trustees  
Laurens Municipal Light and Power Plant  
Laurens, Iowa

The primary purpose of our examination was to formulate an opinion on the financial statements taken as a whole. The additional information presented in the following pages was prepared on the basis of audit procedures applied in our examination of the financial statements. This information, while not considered necessary for fair presentation of the financial statements is, in our opinion, fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

*Hunzelman, Putzier & Co.*

April 21, 2006

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>Electric</u>	<u>Electric Communications</u>	<u>Total</u>	<u>2004 Total</u>
<u>OPERATING REVENUES</u>				
Sales of electrical energy:				
Residential	\$ 502,754	\$ -	\$ 502,754	\$ 459,201
Commercial	667,725	-	667,725	600,410
Resale	411,828	-	411,828	450,841
Marathon	107,119	-	107,119	94,086
Forfeited discounts	3,072	-	3,072	3,037
Sales of steam	9,053	-	9,053	2,221
Miscellaneous	754	-	754	676
Joint use agreement	-	145,000	145,000	130,000
Total operating revenue	<u>1,702,305</u>	<u>145,000</u>	<u>1,847,305</u>	<u>1,740,472</u>
<u>OPERATING EXPENSES</u>				
Purchased energy	<u>1,047,662</u>	<u>-</u>	<u>1,047,662</u>	<u>671,621</u>
Generating plant - local:				
Operating supervision and labor	24,353	-	24,353	21,658
Fuel	1,459	-	1,459	1,631
Operating supplies	377	-	377	830
Maintenance and repairs	-	-	-	10,450
Buildings and grounds maintenance and repairs	11,963	-	11,963	964
Depreciation	3,930	-	3,930	3,930
Total local generating plant expenses	<u>42,082</u>	<u>-</u>	<u>42,082</u>	<u>39,463</u>
Generating plant - Neal 4:				
Fuel	176,046	-	176,046	204,678
Maintenance and repairs	105,015	-	105,015	29,271
Operating	49,011	-	49,011	85,854
Property taxes	26,890	-	26,890	22,263
Depreciation	66,712	-	66,712	62,470
Other	4,609	-	4,609	7,394
Total Neal 4 generating plant expenses	<u>428,283</u>	<u>-</u>	<u>428,283</u>	<u>411,930</u>
Distribution system - electric:				
Line and station supervision and labor	13,830	-	13,830	10,202
Line and station supplies and expense	4,109	-	4,109	1,093
Street lighting and signals labor and expense	-	-	-	32
Customers' installation expense	12,895	-	12,895	15,691
Miscellaneous distribution expense	4,711	-	4,711	7,977
Maintenance of lines	21,176	-	21,176	18,276
Maintenance of line transformers	6,446	-	6,446	6,069
Maintenance of street lighting and signal systems	4,195	-	4,195	3,712
Maintenance of meters	3,445	-	3,445	2,435
Depreciation	50,311	-	50,311	49,566
Total electric distribution expense	<u>121,118</u>	<u>-</u>	<u>121,118</u>	<u>115,053</u>

(Continue)

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>Electric</u>	<u>Electric Communications</u>	<u>Total</u>	<u>2004 Total</u>
<u>OPERATING EXPENSES</u> - (Continued)				
Distribution system - communications:				
Line and station supervision labor	\$ -	\$ 2,852	\$ 2,852	\$ 3,652
Operating supplies and expense	-	3,029	3,029	3,965
Customers' installation expense	-	16,103	16,103	9,590
Line maintenance	-	2,605	2,605	2,490
Nodes, amps, and peds maintenance	-	10,488	10,488	11,579
Voice port maintenance	-	2,484	2,484	2,895
Property taxes	-	11,272	11,272	16,062
Depreciation expense	-	191,093	191,093	184,157
Total communications distribution expense	<u>-</u>	<u>239,926</u>	<u>239,926</u>	<u>234,390</u>
Transmission system:				
Amortization	4,844	-	4,844	4,844
Depreciation	53,496	-	53,496	52,466
Capacity assignment costs	25,103	-	25,103	25,112
Other	28,760	-	28,760	26,378
Total transmission system expenses	<u>112,203</u>	<u>-</u>	<u>112,203</u>	<u>108,800</u>
Customers' accounts expense:				
Bad debt expense	328	-	328	575
Meter reading labor	6,796	-	6,796	4,987
Total customer accounts expense	<u>7,124</u>	<u>-</u>	<u>7,124</u>	<u>5,562</u>
Administrative and general expense:				
Administrative and general salaries	61,815	-	61,815	63,376
Conservation expense	9,209	-	9,209	7,575
Office supplies and postage	10,666	-	10,666	10,908
Audits, legal, and consultation services	11,213	-	11,213	11,583
Property insurance	10,078	-	10,078	9,844
Compensation insurance	4,075	-	4,075	4,654
Employees' group insurance	27,619	-	27,619	26,392
Trustees' fees	900	-	900	900
Dues and subscriptions	6,781	-	6,781	5,781
Franchise requirements - cash payments to City of Laurens	30,054	-	30,054	30,000
Franchise requirement - cost of services to City of Laurens	8,535	-	8,535	5,683
Legal publications	1,710	-	1,710	2,079
Advertising and promotion	2,615	-	2,615	3,564
Convention, meeting, and travel expense	1,675	-	1,675	1,711
Depreciation	8,188	-	8,188	7,305
Bank service charges	388	-	388	630
Motor vehicle and work equipment expense	18,055	-	18,055	8,997
Miscellaneous	3,079	-	3,079	1,039
Total administrative and general expense	<u>216,655</u>	<u>-</u>	<u>216,655</u>	<u>202,021</u>
Total operating expense	<u>1,975,127</u>	<u>239,926</u>	<u>2,215,053</u>	<u>1,788,840</u>
Loss from operations	(272,822)	(94,926)	(367,748)	(48,368)

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
STATEMENTS OF OPERATIONS  
YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>Electric</u>	<u>Electric Communications</u>	<u>Total</u>	<u>2004 Total</u>
<u>NON-OPERATING REVENUE AND</u>				
<u>EXPENSE</u>				
Revenues from merchandising			\$ 22,401	\$ 14,987
Costs of merchandising			<u>16,658</u>	<u>9,922</u>
Gross profit			5,743	5,065
Interest earned on investments			105,790	93,800
Amortization of bond issue costs			(2,406)	(2,406)
Interest expense			(96,009)	(103,708)
Deferred patronage allocations			9,832	-
Gain on disposition of assets			<u>-</u>	<u>1,500</u>
Non-operating income (loss)			<u>22,950</u>	<u>(5,749)</u>
Net Loss			<u>\$ (344,798)</u>	<u>\$ (54,117)</u>

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
 SCHEDULE OF MUNICIPAL PLANT  
 DECEMBER 31, 2005

Schedule I

	Utility Plant					Depreciation Rate	Accumulated Depreciation				Balance December 31, 2005
	Balance January 1, 2005	Additions	Transfers	Deletions	Balance December 31, 2005		Balance January 1, 2005	Expense	Transfers	Retirements	
<b>ELECTRIC PLANT</b>											
<u>Generating Plant - Local</u>											
Land and land rights	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Structures and improvements	93,899	-	-	-	93,899	3.25	75,381	3,052	-	-	78,433
Fuel holders, producers and accessories	29,273	-	-	-	29,273	3.00	12,011	878	-	-	12,889
Generators	305,326	-	-	-	305,326	3.00	305,326	-	-	-	305,326
Accessory equipment	76,083	-	-	-	76,083	3.00	76,083	-	-	-	76,083
	<u>510,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>510,581</u>		<u>468,801</u>	<u>3,930</u>	<u>-</u>	<u>-</u>	<u>472,731</u>
<u>Generating Plant - Neal 4</u>											
Land and land rights	3,124	-	-	-	3,124	0.00	-	-	-	-	-
Structures and improvements	253,057	1,880	-	205	254,732	3.25	207,161	8,252	-	205	215,208
Boiler plant equipment	1,154,097	17,179	-	3,882	1,167,394	3.25	865,658	37,724	-	3,882	899,500
Generators	276,030	-	-	-	276,030	3.00	187,066	8,281	-	-	195,347
Accessory equipment	199,095	3,176	-	1,170	201,101	3.00	147,126	6,003	-	1,170	151,959
Miscellaneous power plant equipment	16,575	-	-	-	16,575	3.25	11,992	539	-	-	12,531
Other equipment	17,077	1,633	-	5,913	12,797	3.25	-	5,913	-	5,913	-
	<u>1,919,055</u>	<u>23,868</u>	<u>-</u>	<u>11,170</u>	<u>1,931,753</u>		<u>1,419,003</u>	<u>66,712</u>	<u>-</u>	<u>11,170</u>	<u>1,474,545</u>
<u>Transmission Plant - Local</u>											
Land and land rights	2,759	-	-	-	2,759	0.00	-	-	-	-	-
Station equipment	914,690	-	-	86,204	828,486	2.60	399,425	22,661	-	86,204	335,882
	<u>917,449</u>	<u>-</u>	<u>-</u>	<u>86,204</u>	<u>831,245</u>		<u>399,425</u>	<u>22,661</u>	<u>-</u>	<u>86,204</u>	<u>335,882</u>
<u>Transmission Plant - Other</u>											
Land and land rights	5,634	-	-	-	5,634	0.00	-	-	-	-	-
Structures and improvements	3,938	-	-	-	3,938	3.25	2,734	128	-	-	2,862
Station equipment	70,881	8,344	-	4,159	75,066	2.60	38,870	1,897	-	4,159	36,608
Towers and fixtures	57,813	-	-	-	57,813	2.75	37,749	1,590	-	-	39,339
Conductors and devices	16,291	-	-	-	16,291	2.75	10,638	448	-	-	11,086
	<u>154,557</u>	<u>8,344</u>	<u>-</u>	<u>4,159</u>	<u>158,742</u>		<u>89,991</u>	<u>4,063</u>	<u>-</u>	<u>4,159</u>	<u>89,895</u>
<u>Transmission Plant - Corn Belt</u>											
Land and land rights	55,603	1,484	-	-	57,087	0.00	-	-	-	-	-
Structures and improvements	739,116	68,722	-	6,599	801,239	2.75	351,871	21,180	-	7,281	365,770
Original local line	39,008	-	-	-	39,008	2.75	37,524	1,073	-	-	38,597
West sub tie line	122,816	-	-	-	122,816	2.75	93,810	3,377	-	-	97,187
Marathon substation	41,541	-	-	-	41,541	2.75	571	1,142	-	-	1,713
	<u>998,084</u>	<u>70,206</u>	<u>-</u>	<u>6,599</u>	<u>1,061,691</u>		<u>483,776</u>	<u>26,772</u>	<u>-</u>	<u>7,281</u>	<u>503,267</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
SCHEDULE OF MUNICIPAL PLANT  
DECEMBER 31, 2005

Schedule 1  
(Continued)

	Utility Plant				Balance December 31, 2005	Depreciation Rate	Accumulated Depreciation				Balance December 31, 2005
	Balance January 1, 2005	Additions	Transfers	Deletions			Balance January 1, 2005	Expense	Transfers	Retirements	
<u>ELECTRIC PLANT - (Continued)</u>											
<u>Distribution System</u>											
Land and land rights	\$ 1,055	\$ -	\$ -	\$ -	\$ 1,055	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Structures and improvements	11,525	-	-	-	11,525	2.50	9,251	288	-	-	9,539
Station equipment	37,085	-	-	-	37,085	2.90	36,400	685	-	-	37,085
Poles, towers and equipment	6,843	-	-	-	6,843	3.25	6,078	222	-	-	6,300
Underground conduits	2,395	-	-	-	2,395	2.60	2,176	62	-	-	2,238
Underground conductors and devices	6,888	-	-	-	6,888	2.60	5,409	179	-	-	5,588
Line transformers	405,798	17,063	-	-	422,861	2.80	137,732	11,601	-	-	149,333
Services	15,314	-	-	-	15,314	3.30	12,469	505	-	-	12,974
Meters	98,236	3,027	-	-	101,263	3.10	55,129	3,092	-	-	58,221
Installation on customers premises	2,674	-	-	-	2,674	4.00	1,814	107	-	-	1,921
Street lighting and signal system	85,610	-	-	-	85,610	4.00	76,700	3,424	-	-	80,124
Underground primary systems	666,353	63,756	-	36,798	693,311	2.90	123,346	19,715	-	36,798	106,263
Underground secondary systems	156,035	-	-	-	156,035	2.90	101,029	4,525	-	-	105,554
Underground customer service	203,646	-	-	-	203,646	2.90	131,463	5,906	-	-	137,369
Fire siren	212	-	-	-	212	4.00	212	-	-	-	212
Special services for customers	1,489	-	-	-	1,489	4.00	1,489	-	-	-	1,489
	<u>1,701,158</u>	<u>83,846</u>	<u>-</u>	<u>36,798</u>	<u>1,748,206</u>		<u>700,697</u>	<u>50,311</u>	<u>-</u>	<u>36,798</u>	<u>714,210</u>
<u>Other Equipment</u>											
Structures and improvements	31,481	13,897	-	-	45,378	2.5-5.0	9,521	1,530	-	-	11,051
Office furniture and fixtures	28,772	637	-	-	29,409	6.7-20.0	21,883	1,712	-	-	23,595
Transportation equipment	29,360	-	-	-	29,360	10.0-14.3	29,360	-	-	-	29,360
Stores equipment	497	-	-	-	497	0.00	497	-	-	-	497
Shop equipment	17,944	-	-	-	17,944	3.3-20.0	17,256	74	-	-	17,330
Laboratory equipment	16,238	-	-	-	16,238	5.0-10.0	13,081	562	-	-	13,643
Work equipment	112,151	-	-	-	112,151	5.0-20.0	71,589	3,062	-	-	74,651
Communication equipment	21,593	-	-	-	21,593	5.0-10.0	17,739	1,248	-	-	18,987
Miscellaneous equipment	1,289	-	-	-	1,289	13.0	1,289	-	-	-	1,289
	<u>259,325</u>	<u>14,534</u>	<u>-</u>	<u>-</u>	<u>273,859</u>		<u>182,215</u>	<u>8,188</u>	<u>-</u>	<u>-</u>	<u>190,403</u>
<u>Communication Distribution System</u>											
Conduit	64,486	-	-	-	64,486	5.00	18,420	3,224	-	-	21,644
Fiber and cable	631,783	174,244	-	-	806,027	5.00	187,791	35,945	-	-	223,736
Power supplies	292,933	-	-	-	292,933	14.29	243,379	41,860	-	-	285,239
Nodes	109,170	-	-	-	109,170	10.00	55,852	10,917	-	-	66,769
Amps	239,958	-	-	-	239,958	10.00	138,283	23,996	-	-	162,279
Pedestals	70,160	-	-	-	70,160	10.00	41,705	7,016	-	-	48,721
Voice ports	591,772	22,324	-	-	614,096	10.00	258,363	60,293	-	-	318,656
System passives	49,512	-	-	-	49,512	10.00	29,396	4,951	-	-	34,347
Head end building	57,810	-	-	-	57,810	5.00	17,235	2,891	-	-	20,126
	<u>2,107,584</u>	<u>196,568</u>	<u>-</u>	<u>-</u>	<u>2,304,152</u>		<u>990,424</u>	<u>191,093</u>	<u>-</u>	<u>-</u>	<u>1,181,517</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
 SCHEDULE OF MUNICIPAL PLANT  
 DECEMBER 31, 2005

Schedule 1  
 (Continued)

	Utility Plant				Balance December 31, 2005	Depreciation Rate	Accumulated Depreciation				Balance December 31, 2005
	Balance January 1, 2005	Additions	Transfers	Deletions			Balance January 1, 2005	Expense	Transfers	Retirements	
<u>ELECTRIC PLANT</u> (Continued)											
Total electric plant in service	\$8,567,793	\$ 397,366	\$ -	\$ 144,930	\$8,820,229		\$4,734,332	\$ 373,730	\$ -	\$ 145,612	\$4,962,450
Construction in progress	216,638	(45,820)	-	-	170,818		(722)	-	-	3,012	(3,734)
Total utility plant	<u>\$8,784,431</u>	<u>\$ 351,546</u>	<u>\$ -</u>	<u>\$ 144,930</u>	<u>\$8,991,047</u>		<u>\$4,733,610</u>	<u>\$ 373,730</u>	<u>\$ -</u>	<u>\$ 148,624</u>	<u>\$4,958,716</u>

LAURENS MUNICIPAL LIGHT AND POWER PLANT  
COMMENTS ON STATEMENT OF NET ASSETS  
DECEMBER 31, 2005

<u>UTILITY PLANT</u>	Cost	\$8,991,047	
	Accumulated Depreciation	<u>4,958,716</u>	<u>\$4,032,331</u>

Details of the utility plant are shown in the preceding schedule.

<u>PLANT ACQUISITION COSTS</u>	<u>\$ 30,516</u>
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The cost of acquiring the Common Transmission System is being amortized over the remaining useful life of the transmission system.

<u>NOTES RECEIVABLE - NONCURRENT PORTION</u>	<u>\$ 576,731</u>
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This balance consists of the noncurrent portion of a note receivable from the city of Marathon and the Laurens Industrial Foundation, Inc. See Note 10 for details.

<u>COMMON TRANSMISSION SYSTEM - CAPITAL IMPROVEMENT FUND</u>	<u>\$ 204,193</u>
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This account is currently used to record funds deposited with NIMECA to be used for future construction and/or maintenance of the common transmission system.

<u>GENERATION RESERVE FUND</u>	<u>\$ 200,000</u>
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This balance consists of the following:

<u>Description</u>	<u>Date</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Cost and Book Value</u>	<u>Maturity Value</u>
Laurens State Bank, Laurens, Iowa Certificate of deposit	8-16-05	8-16-07	4.25%	<u>\$200,000</u>	<u>\$200,000</u>

<u>BOND ISSUANCE COSTS</u>	<u>\$ 21,454</u>
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Legal fees and other expenses associated with the issuance of the electric revenue notes are being amortized on the straight line method over the term of the bonds.

<u>BOND IMPROVEMENT FUND</u>	<u>\$ 100,000</u>
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This balance consists of the following:

	<u>Interest Rate</u>	<u>Amount</u>
Laurens State Bank, Laurens, Iowa Super now account	1.00%	<u>\$100,000</u>

DEFERRED PATRONAGE REFUND RECEIVABLE

\$ 30,413

The following is a summary of the deferred patronage due from NIMECA:

<u>Year</u>	<u>Amount</u>
1993	\$ 273
1994	1,511
1995	1,757
1996	2,776
1997	2,817
1998	3,048
1999	2,032
2000	1,863
2001	1,948
2002	2,555
2004	5,715
2005	<u>4,118</u>
	<u>\$ 30,413</u>

NOTES RECEIVABLE - CURRENT PORTION

\$ 6,922

This balance consists of the current portion of a note receivable from the city of Marathon. See Note 10 for details.

GENERATION RESERVE FUND

\$ 500,000

This balance consists of the following:

<u>Description</u>	<u>Date</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Cost and Book Value</u>	<u>Maturity Value</u>
Laurens State Bank, Laurens, Iowa					
Certificates of deposit	7-01-04	7-01-06	3.70%	\$ 200,000	\$ 200,000
	10-13-05	9-13-06	4.00%	200,000	200,000
Metabank, Laurens, Iowa					
Certificate of deposit	10-04-05	05-04-06	3.63%	<u>100,000</u>	<u>100,000</u>
				<u>\$ 500,000</u>	<u>\$ 500,000</u>

DISTRIBUTION REPLACEMENT RESERVE

\$ 500,000

This balance consists of the following:

<u>Description</u>	<u>Date</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Cost and Book Value</u>	<u>Maturity Value</u>
Laurens State Bank, Laurens, Iowa					
Certificates of deposit	4-20-05	4-20-06	3.50%	\$300,000	\$300,000
	8-19-05	2-17-06	3.40%	100,000	100,000
	8-19-05	8-19-06	3.75%	<u>100,000</u>	<u>100,000</u>
				<u>\$500,000</u>	<u>\$500,000</u>

COMMUNICATION DISTRIBUTION REPLACEMENT RESERVE

\$ 200,000

This balance consists of the following:

<u>Description</u>	<u>Date</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Cost and Book Value</u>	<u>Maturity Value</u>
Laurens State Bank, Laurens, Iowa Certificate of deposit	10-15-05	10-15-06	4.00%	<u>\$200,000</u>	<u>\$200,000</u>

CONTINGENCY, DEPRECIATION, AND EXTENSION FUND

\$ 400,000

This balance consists of the following:

<u>Description</u>	<u>Date</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Cost and Book Value</u>	<u>Maturity Value</u>
Laurens State Bank, Laurens, Iowa Certificate of deposit	6-12-04	6-12-06	3.50%	<u>\$400,000</u>	<u>\$400,000</u>

BOND RESERVE FUND

\$ 273,500

This balance consists of the following:

<u>Description</u>	<u>Date</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Cost and Book Value</u>	<u>Maturity Value</u>
Metabank, Laurens, Iowa Certificate of deposit	7-22-05	1-22-06	3.68%	<u>\$273,500</u>	<u>\$273,500</u>

BOND RETIREMENT SINKING FUND

\$ 22,571

This balance consists of the following:

	<u>Interest Rate</u>	<u>Amount</u>
Laurens State Bank, Laurens, Iowa General fund account	1.00%	<u>\$22,571</u>

JOINT USE CONTRACT RECEIVABLE

\$ 145,000

This balance consists of the amount due from Laurens Municipal Broadband Communications Utility for rent of the distribution system.

ACCOUNTS RECEIVABLE

\$ 268,326

This balance consists of the following:

Accounts receivable - merchandise	\$ 5,300
Accounts receivable - energy:	
November 15, 2005 - December 15, 2005 and past due	183,546
December 15, 2005 - December 31, 2005	63,806
Resale - Marathon	11,045
Accounts receivable - other	<u>5,629</u>
	269,326
Less: Reserve for uncollectible accounts	<u>1,000</u>
	<u>\$268,326</u>

INVENTORIES

\$ 56,387

This inventory of material and supplies is based on a physical count taken as of December 31, 2005 and consists of the following:

Material and supplies - Laurens	\$34,562
Generating supplies - Laurens	4,216
Share of coal and oil - Neal 4	<u>17,609</u>
	<u>\$56,387</u>

PREPAID EXPENSES

\$ 4,577

This balance consists of prepaid insurance

The following is a summary of the local insurance coverage:

<u>Kind</u>	<u>Coverage</u>	<u>Amount</u>
Comprehensive general liability	General Aggregate	\$2,000,000
	Each Occurrence	\$1,000,000
	Fire Damage	\$100,000
	Medical Expense	\$5,000
Employee Benefit Automobile		\$100,000
	Liability	\$1,000,000
	Uninsured motorist	\$500,000
	Underinsured motorist	\$500,000
	Medical payments	\$5,000
	Comprehensive Collision	Actual cash value
	(94 Chevrolet Pickup, 91 Chevrolet Pickup) (67 Ford Truck, 73 Chevrolet Truck)	Actual cash value Less \$100 deductible Less \$1,000 deductible
Blanket Position Bond Fire and extended coverage	Employee dishonesty	\$150,000 each
	Buildings & contents - Generating	\$1,235,300
	Fuel Oil Tanks & Contents	\$26,700
	East and West substations and contents, switchgear and transformers	\$2,321,316
	Warehouse and contents	\$119,066
	Garage and contents	\$143,709
	Cable television tower	\$159,760
	Headend building and contents	\$605,477
	Satellite dishes	\$45,820
	Power supplies, nodes, amplifiers	\$253,939
Worker's Compensation	\$500,000	
Umbrella Liability		\$2,000,000
		\$10,000 retained
Errors and Omissions		\$1,000,000
		\$2,000 deductible
Inland Marine (\$250 deductible)	'70 John Deere Tractor	\$1,400
	Electronic Data Processing Equipment	\$7,297
	Electronic Data Processing Data & Media	\$25,300

This schedule is presented for information purposes only and no opinion is expressed as to the adequacy of coverage.

ACCRUED INTEREST RECEIVABLE \$ 48,823

This account represents interest earned but not received on investments at December 31, 2005.

DEFERRED DEBITS \$ 3,083

This account consists of the remaining balance of a three year rate study.

ELECTRIC REVENUE BONDS \$1,616,334

In July 1999 the Utility issued electric revenue bonds to finance the construction of a communications system. The details are as follows:

Total bond proceeds	\$ 2,855,000
Less: Unamortized discount	(13,666)
Current maturities	(185,000)
Previous payments	<u>(1,040,000)</u>
Total long-term debt	<u>\$ 1,616,334</u>

OUTSTANDING CHECKS IN EXCESS OF BANK BALANCE \$ 118,433

This balance consists of the following:

	<u>Interest</u>	
	<u>Rate</u>	<u>Amount</u>
Demand deposit NOW accounts:		
Laurens State Bank - General fund account	1.00%	\$(118,463)
Petty cash		<u>30</u>
		<u>\$(118,433)</u>

DUE TO COMMUNICATIONS UTILITY \$ 242,791

This balance consists of amounts borrowed from the communications utility.

ACCOUNTS PAYABLE \$ 270,647

This balance consists of the following:

Western Area Power Administration -	
December 2005 power bill	\$ 23,434
NIMECA - December 2005 power bill	138,719
Neal 4 Coal Purchase	9,163
City of Laurens - utility billings	6,133
Alliant Energy - capacity assignment costs	8,651
Advanced Control Systems - Scada system	53,388
NCTC - 25 2-line voice ports	11,227
Mid American Energy - capacity assignment costs	16,453
Mid American Energy - operation costs	2,414
Various, each less than \$1,000	<u>1,065</u>
	<u>\$270,647</u>

CUSTOMER DEPOSITS \$ 16,580

Deposits are required of all new customers. These are refunded after one year of paying their bills when due.

OTHER CURRENT AND ACCRUED LIABILITIES

\$ 65,860

This balance consists of the following items:

Accrued property taxes payable	\$37,000
Accrued vacations, payroll, and benefits	14,390
Payroll taxes withheld and accrued	1,801
Sales excise and use tax payable	5,515
Accrued interest payable	<u>7,154</u>
	<u>\$65,860</u>

NET ASSETS

\$5,109,182

Following is a summary of the changes in this account during 2005:

Balance, January, 2005	\$5,530,039
Change in net assets	(344,798)
Residual equity transfer to city - park funding	(50,000)
Residual equity transfer to city - donation	<u>(26,059)</u>
Balance, December 31, 2005	<u>\$5,109,182</u>

HUNZELMAN, PUTZIER & CO., PLC  
CERTIFIED PUBLIC ACCOUNTANTS

WESLEY E. STILLE, C.P.A.  
JEFFORY B. STARK, C.P.A.  
KEITH C. GERMANN, C.P.A.  
RICHARD R. MOORE, C.P.A.  
KENNETH A. PUTZIER, C.P.A. (RETIRED)  
W. J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees  
Laurens Municipal Light and Power Plant  
Laurens, Iowa

We have audited the financial statements of Laurens Municipal Light and Power Plant, as of and for the year ended December 31, 2005, and have issued our report thereon dated April 21, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in 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 described above, we believe item I-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Laurens Municipal Light and Power Plant's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of non-compliance that is described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. Since our 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Laurens, Iowa and other parties to whom Laurens Municipal Light and Power Plant may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Utility during the course of our audit.

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

*Hunzelman, Petzler & Co.*

April 21, 2006

LAURENS MUNICIPAL LIGHT AND POWER PLANT

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2005

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS

I-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The Board of Trustees along with the General Manager will review the financial statements and internal control procedures, in detail, every month. The duties of opening mail, bank deposits, recording receipts and disbursements, bank reconciliations, and payroll preparation will be monitored daily by the General Manager. We require two signatures on all check disbursements.

Conclusion - Response accepted.

I-B-05 Electronic Data Processing Systems - During our review of internal control, the existing control activities in the Utility's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the Utility's computer based systems were noted:

The Utility does not have written policies for:

- password privacy and confidentiality,
- requiring password changes because software does not require the user to change logins/passwords periodically,
- ensuring that only software licensed to the Utility is installed on computers,
- requiring user profiles to help limit access to programs to those who have a legitimate need,

Also, the Utility does not have a written disaster recovery plan.

Recommendation - The Utility should develop written policies addressing the above items in order to improve the Utility's control over computer based systems and a written disaster recovery plan should be developed.

LAURENS MUNICIPAL LIGHT AND POWER PLANT

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2005

Part I: Findings Related to the Financial Statements: (Continued)

REPORTABLE CONDITIONS: (Continued)

I-B-05 Electronic Data Processing Systems - (Continued)

Response - The Utility is working to find another utility or community that has this policy in place so we have something to work from. The Utility will then work to develop the necessary written policies addressing disaster recovery, password privacy, confidentiality, and personal use of computer equipment and software.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories - A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended December 31, 2005.

II-B-05 Budget - Utility expenses during the year ended December 31, 2005 exceeded the amounts budgeted. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before expenses were allowed to exceed the budget.

Response - The 2005 Budget was amended but the cost of power was underestimated for the last couple months of the year. The Board of Trustees along with the General Manager will review the budget and financial reports, in detail, every month.

Conclusion - Response accepted.

II-C-05 Questionable Expenditures - We noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense - No expenditures of Utility money for travel expenses of spouses of Utility officials or employees were noted.

II-E-05 Business Transactions - We noted no business transactions between the Utility and Utility officials or employees.

II-F-05 Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

LAURENS MUNICIPAL LIGHT AND POWER PLANT

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2005

Part II: Other Findings Related to Statutory Reporting: (Continued)

- II-G-05 Trustee Minutes - No transactions were found that we believe should have been approved in the Trustee minutes but were not.
- II-H-05 Revenue Bonds - The Utility has established the sinking and reserve accounts required by the electric revenue bond resolution.
- II-I-05 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.