

IOWA JOINT UTILITY MANAGEMENT PROGRAM, INC.

FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2006 AND 2005**

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	2
Statements of activities	3
Statements of cash flows	4
Notes to financial statements	5-7

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Iowa Joint Utility Management Program, Inc.

We have audited the accompanying statements of financial position of Iowa Joint Utility Management Program, Inc. (IJUMP) as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of IJUMP's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 IJUMP as of June 30, 2006 and 2005, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Brooks Lodden, P.C.

West Des Moines, Iowa
October 13, 2006

IOWA JOINT UTILITY MANAGEMENT PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2006 and 2005

ASSETS	2006	2005
Cash	\$ 141,007	\$ 320,062
Accounts receivable - billed	1,002,537	985,471
Accounts receivable - unbilled	519,145	977,452
Deposits	6,500	-
Total assets	<u>\$ 1,669,189</u>	<u>\$ 2,282,985</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
LIABILITIES		
Accounts payable	\$ 286,903	\$ 612,370
Advances from Iowa Association of School Boards	1,799,740	1,627,591
Due to Iowa Department of Natural Resources	308,916	284,242
Customer deposits	88,544	97,954
Total liabilities	<u>\$ 2,484,103</u>	<u>\$ 2,622,157</u>
UNRESTRICTED NET ASSETS (DEFICIT)	<u>\$ (814,914)</u>	<u>\$ (339,172)</u>
Total liabilities and net assets (deficit)	<u>\$ 1,669,189</u>	<u>\$ 2,282,985</u>

See Notes to Financial Statements.

IOWA JOINT UTILITY MANAGEMENT PROGRAM, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUES, GAINS, AND OTHER SUPPORT		
Energy, distribution, and administrative revenues	\$ 24,200,537	\$ 19,030,463
Interest income	13,260	9,241
Gain (loss) on derivative instruments	<u>(716,528)</u>	<u>407,320</u>
 Total revenues, gains (losses), and other support	 <u>\$ 23,497,269</u>	 <u>\$ 19,447,024</u>
 EXPENSES		
Energy, natural gas, and distribution costs	\$ 23,361,047	\$ 19,318,672
 General and administrative expenses:		
Administration	\$ 464,482	\$ 526,221
Interest	<u>147,482</u>	<u>60,654</u>
 Total general and administrative expense	 <u>\$ 611,964</u>	 <u>\$ 586,875</u>
 Total expenses	 <u>\$ 23,973,011</u>	 <u>\$ 19,905,547</u>
 (Decrease) increase in net assets	 \$ (475,742)	 \$ (458,523)
 Net assets (deficit) at beginning of year	 <u>(339,172)</u>	 <u>119,351</u>
 Net assets (deficit) at end of year	 <u><u>\$ (814,914)</u></u>	 <u><u>\$ (339,172)</u></u>

See Notes to Financial Statements.

IOWA JOINT UTILITY MANAGEMENT PROGRAM, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (475,742)	\$ (458,523)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Decrease (increase) in accounts receivable	441,241	(600,605)
(Increase) in deposits - sales tax bond	(6,500)	-
(Decrease) increase in accounts payable	(325,467)	279,871
(Decrease) increase in deposits	(9,410)	8,757
(Decrease) increase in other liabilities	-	(28,583)
Interest expense accrued/accrued, net	24,674	22,704
	<u> </u>	<u> </u>
Net cash (used in) operating activities	\$ (351,204)	\$ (776,379)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from Iowa Association of School Boards	\$ 2,313,149	\$ 7,924,056
Payments on advances from Iowa Association of School Boards	<u>(2,141,000)</u>	<u>(7,118,000)</u>
	<u> </u>	<u> </u>
Net cash provided by financing activities	\$ 172,149	\$ 806,056
	<u> </u>	<u> </u>
Net increase (decrease) in cash	\$ (179,055)	\$ 29,677
	<u> </u>	<u> </u>
Cash at beginning of year	320,062	290,385
	<u> </u>	<u> </u>
Cash at end of year	<u>\$ 141,007</u>	<u>\$ 320,062</u>

See Notes to Financial Statements.

IOWA JOINT UTILITY MANAGEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

Iowa Joint Utility Management Program, Inc. (IJUMP) was incorporated on May 21, 2001 and is organized under the Iowa Nonprofit Corporation Act, Chapter 504A, of the Code of Iowa, 2001. Operations commenced on October 1, 2001. IJUMP's purpose is to provide energy and energy-related services to school districts, other public agencies, and nonprofit organizations.

A summary of the organization's significant accounting policies follows:

Classification of net assets:

Unrestricted - assets that are neither permanently nor temporarily restricted by donor-imposed stipulations. The organization's governing board may earmark portions of its unrestricted net assets as board-designated for various purposes.

Temporarily restricted - assets resulting from contributions and other inflows of assets whose use by the organization is limited to donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the organization meeting the purpose of the restriction. IJUMP has no such assets.

Permanently restricted - assets resulting from contributions which are permanently restricted by donors. Although such assets may not be expended, the investment income earned on them is generally to be expended for a specific purpose. IJUMP has no such assets.

Cash and cash equivalents:

IJUMP considers all unrestricted deposits, including savings and money market accounts with maturities of three months or less, to be cash equivalents.

Accounts receivable - billed:

Accounts receivable is stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Accounts receivable - unbilled:

Accounts receivable-unbilled balance is considered an estimate that is particularly susceptible to significant change as it relates to the determination of actual billed amounts. The accounts receivable-unbilled is subject to change based upon management's evaluation of reported and unreported events. Because of the uncertainties associated with accounts receivable-unbilled balances, it is reasonably possible that management's estimates of the accounts receivable-unbilled balance may change in the near term.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies (*Continued*)

A summary of the organization's significant accounting policies follows (*Continued*):

Derivative instruments and hedging activities:

IJUMP accounts for derivatives and hedging activities in accordance with FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, which requires that all derivative instruments be recorded on the statements of financial position at fair value.

Use of estimates:

The preparation of financial statements in accordance with U.S. 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.

Income taxes:

IJUMP is a tax-exempt organization as described in Section 501(c)(4) of the Internal Revenue Code. As such, IJUMP is subject to federal income taxes only on any unrelated business income under the provisions of Section 511 of the Internal Revenue Code.

Note 2. Concentrations

IJUMP maintains their cash in a bank deposit account which, at times, exceeded the Federal Deposit Insurance Corporation insured \$100,000 limit throughout the year ended June 30, 2006.

IJUMP purchases all of the gas from one supplier. Management believes that other suppliers could provide gas on similar terms. However, a change in suppliers could cause a delay or increase the cost of gas which could adversely affect operating results.

Note 3. Advances from Iowa Association of School Boards

IJUMP has an agreement dated September 20, 2001 with the Iowa Association of School Boards (IASB) to borrow funds. There are no specific repayment terms. Interest is computed at a rate equal to the pooled investment rate earned by IASB accounts plus 0.25%. The interest rate on the advances was 5.14% and 3.1% at June 30, 2006 and 2005, respectively.

During the years ended June 30, 2006 and 2005, interest expense of \$135,577 and \$35,902 was incurred and added to the balance due to IASB and included in general and administrative interest expense.

NOTES TO FINANCIAL STATEMENTS

Note 4. Due to Iowa Department of Natural Resources

The Iowa Association of School Boards (IASB) received \$350,000 from the Iowa Department of Natural Resources on December 29, 1997 under a contract to establish and administer a revolving loan fund for public schools in Iowa to provide, but not be limited to, temporary financing for energy studies and associated costs related to direct energy purchase infrastructure improvements. The contract is non-interest bearing and is to be repaid on December 31, 2007. Based on borrowing rates currently available to IJUMP for bank loans with similar terms and maturities, the fair value of due to Iowa Department of Natural Resources is \$308,916 and \$284,242 at June 30, 2006 and 2005, respectively.

For financial reporting purposes, the contract amount was discounted at 8.5%. This contract, with a balance of \$203,741, was transferred to IJUMP effective July 1, 2001 along with cash of \$14,558. Additional cash of \$144,704 was transferred January 31, 2002. As of June 30, 2002, the funds were fully expended. The accreted interest expense was \$24,674 and \$22,704 for the years ended June 30, 2006 and 2005, respectively.

Note 5. Commitments

IJUMP has a support services agreement with IASB. This agreement shall continue for successive one-year periods unless terminated by either party giving sixty days written notice prior to the end of the current term. During each of the years ended June 30, 2006 and 2005, administrative support fees of \$220,000 and \$220,000 were incurred under this agreement, respectively.

On August 30, 2001, IJUMP entered into an agreement with WPS Energy Services, Inc. to provide program administration for natural gas supply, transportation, delivery, billing, and payment functions. The contract period extends through June 30, 2007 and shall be automatically renewed for one additional year unless either party provides written notice to cancel by April 1, 2007. Fees charged during the years ended June 30, 2006 and 2005 were \$171,207 and \$166,692, respectively.

Note 6. Derivative Instruments and Hedging Activities

During the 2006 fiscal year, IJUMP entered into commodity derivatives to manage its exposure to natural gas price fluctuations caused by commodity-price volatility. As of June 30, 2006 and 2005, all derivative instruments had been sold resulting in a realized (loss) and gain of \$(716,528) and \$407,320, respectively.

Note 7. Reclassifications

Certain amounts from the June 30, 2005 financial statements have been reclassified to conform to the June 30, 2006 presentation.