

**RESALE POWER GROUP OF IOWA  
ANKENY, IOWA**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
FEBRUARY 28, 2007 AND 2006**

# RESALE POWER GROUP OF IOWA

## TABLE OF CONTENTS

	<b>Page</b>
OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2
FINANCIAL STATEMENTS	
Statements of Net Assets	3
Statements of Revenues, Expenses, and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDITS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	9
Schedule of Findings	11

# RESALE POWER GROUP OF IOWA

## OFFICIALS

### *Administrative Board -*

Terry Hershberger	President	Amana Society Service Company
Pat Stief	Vice-President	Traer Municipal Utilities
Warren McKenna	Secretary/Treasurer	Farmers Electric Co-operative
Norm Parsons	Member	Hopkinton Municipal Utility
Lori Glanzman	Member	Mount Pleasant Municipal Utilities
Gary Obbink	Member	City of Sibley
Jeff Ishmael	Member	Story City Municipal Utility

### *Others -*

Bob Haug	Executive Director	Iowa Association of Municipal Utilities
Kris Stubbs	Business Manager	Iowa Association of Municipal Utilities

# O'Donnell, Ficenec, Wills & Ferdig, LLP

Certified Public Accountants

4815 South 107th Avenue Omaha, Nebraska 68127-1904

402-592-3800

Fax: 402-592-7747

www.ofwf.com

Gerald A. Wills, C.P.A.  
Ronald W. Ferdig, C.P.A.  
Lawrence A. Wolfe, C.P.A.  
Richard P. Edgar, C.P.A.  
Steven M. Povich, C.P.A.  
John Keblesh, C.P.A.

Gregory A. Harr, C.P.A.  
Dwain E. Wulf, C.P.A.  
Daniel R. Holt, C.P.A.  
Daniel A. Dudley, C.P.A.  
Geoffrey F. Schnathorst, C.P.A.  
Catherine T. Kellogg, C.P.A.

## INDEPENDENT AUDITORS' REPORT

Resale Power Group of Iowa  
Ankeny, Iowa

We have audited the accompanying financial statements of the Resale Power Group of Iowa as of and for the years ended February 28, 2007 and 2006. These financial statements are the responsibility of Resale Power Group of Iowa'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 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. We believe 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 the Resale Power Group of Iowa as of February 28, 2007 and 2006 and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2007, on our consideration of Resale Power Group of Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 audit.

Resale Power Group of Iowa has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

By



Certified Public Accountant

July 27, 2007

RESALE POWER GROUP OF IOWA

STATEMENTS OF NET ASSETS  
FEBRUARY 28, 2007 AND 2006

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Cash and Invested Funds:		
Operations	\$ 2,286,730	\$ 1,032,126
Transmission	15,907	15,187
User Fees	7,995	7,633
Total Cash and Invested Funds	2,310,632	1,054,946
Accounts Receivable	3,115,678	2,011,983
Members Receivable for Transmission Investment	283,793	-
Total Assets	<u>\$ 5,710,103</u>	<u>\$ 3,066,929</u>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable - Trade	\$ 3,021,593	\$ 1,512,366
Due to the Iowa Association of Municipal Utilities	5,182	4,282
Total Liabilities	3,026,775	1,516,648
Net Assets -		
Unrestricted	2,683,328	1,550,281
Total Liabilities and Net Assets	<u>\$ 5,710,103</u>	<u>\$ 3,066,929</u>

See Independent Auditors' Report and Notes to Financial Statements.

**RESALE POWER GROUP OF IOWA**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED FEBRUARY 28, 2007 AND 2006**

	2007	2006
<b>OPERATING REVENUES:</b>		
Wholesale Energy Revenue	\$ 37,058,110	\$ 33,710,385
Translink Reimbursement	-	10,061
Total Operating Revenues	<u>37,058,110</u>	<u>33,720,446</u>
<b>OPERATING EXPENSES:</b>		
Wholesale Energy Expense	35,667,467	33,015,795
Consultant Expense	80,545	103,279
Transmission Investment Expenses	-	5,000
Legal Expense	36,155	22,560
Other Operating Expenses	253,087	282,701
Total Operating Expenses	<u>36,037,254</u>	<u>33,429,335</u>
Operating Income	1,020,856	291,111
<b>NON-OPERATING REVENUE:</b>		
Interest Income	112,191	46,952
Change in Net Assets	<u>1,133,047</u>	<u>338,063</u>
Net Assets, Beginning of Year	1,550,281	1,212,218
Net Assets, End of Year	<u>\$ 2,683,328</u>	<u>\$ 1,550,281</u>

See Independent Auditors' Report and Notes to Financial Statements.

**RESALE POWER GROUP OF IOWA**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED FEBRUARY 28, 2007 AND 2006**

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Receipts from Wholesale Energy Sales	\$ 35,660,778	\$ 33,508,516
Cash Receipts from Reimbursement	-	10,061
Cash Payments for Wholesale Energy Purchased	(33,864,603)	(33,386,208)
Cash Payments for Operating Expenses	<u>(368,887)</u>	<u>(414,387)</u>
Net Cash From Operating Activities	1,427,288	(282,018)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash Paid for Member Transmission Investment	(293,637)	-
Cash from Members for Transmission Investment	9,844	-
Cash Received on Investment Earnings	<u>112,191</u>	<u>46,952</u>
Net Cash From Investing Activities	(171,602)	46,952
 Increase (Decrease) in Cash and Invested Funds	 1,255,686	 (235,066)
Cash and Invested Funds, Beginning of Year	1,054,946	1,290,012
 Cash and Invested Funds, End of Year	 <u>\$ 2,310,632</u>	 <u>\$ 1,054,946</u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating Income	\$ 1,020,856	\$ 291,111
Changes in Operating Assets and Liabilities:		
Receivables (Increase) Decrease	(1,103,695)	(201,869)
Accounts Payable Increase (Decrease)	1,509,227	(370,413)
Due to Iowa Association of Municipal Association Increase (Decrease)	900	(847)
Net Cash from Operating Activities	<u>\$ 1,427,288</u>	<u>\$ (282,018)</u>

See Independent Auditors' Report and Notes to Financial Statements.

## RESALE POWER GROUP OF IOWA

### NOTES TO FINANCIAL STATEMENTS

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Organization -**

Resale Power Group of Iowa (RPGI) was organized in 1986 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of RPGI is to obtain wholesale electric energy and transmission thereof and other related services, and otherwise act on behalf of, its members. Management is comprised of an administrative board selected from RPGI members and Iowa Association of Municipal Utilities (IAMU) personnel.

RPGI members are either public or private agencies who are bound by the terms of the 28E agreement filed with the Iowa Secretary of State. RPGI's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

B. **Reporting Entity -**

The Governmental Accounting Standard Board (GASB) requires RPGI to consider if it has oversight or control over any other legal entities and has set forth criteria to consider such in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of an organization to impose its will on another organization or (2) the financial burdens on the Association. RPGI has no such oversight or control and therefore has no component units which meet the Governmental Accounting Standards Board criteria.

C. **Basis of Presentation -**

As a 28E organization, the accounts of RPGI are organized as a governmental entity with its activities reported 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 that the costs of providing goods or services 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.

D. **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.

RPGI applies all applicable GASB pronouncements, as well as following pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989, unless such pronouncements conflict with or contradict GASB pronouncements.

See Independent Auditors' Report.

**NOTE 1 – SUMMARY OF SIGNIFICAN ACCOUNTING POLICIES (Continued)**

**E. Revenue Recognition -**

RPGI 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 its principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**F. Budget -**

Resale Power Group of Iowa is not required by the Government Accounting Standards Board to and does not publish or approve a public budget. RPGI does, however, prepare an internal-use-only budget as required by Chapter 28E of the Code of Iowa.

**G. Use of Estimates -**

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

**H. Cash and Invested Funds -**

Cash and invested funds (cash equivalents) for the purpose of reporting cash flows, consists of cash and funds in operating bank accounts, including Iowa Public Agency Investment Trust (IPAIT).

**I. Income Taxes -**

RPGI is exempt from federal income taxes pursuant to Revenue Ruling 77-261, 1977-2 C B 45.

**NOTE 2 - CASH AND INVESTMENTS**

RPGI 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 RPGI; 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.

All monies deposited with Iowa Public Agency Investment Trust (IPAIT) are held in the IPAIT Diversified Portfolio. The balances totaling \$2,167,875 and \$1,054,946 for 2007 and 2006, respectively, are not FDIC insured as IPAIT is not considered a financial institution. Instead, IPAIT is a common law trust established under Iowa law which authorizes Iowa public agencies to jointly invest moneys pursuant to a joint investment agreement. IPAIT is registered under the Investment Company Act of 1940. Investments in IPAIT are not classified as to custodial credit risk.

See Independent Auditors' Report.

### **NOTE 3 - MEMBERS RECEIVABLE FOR TRANSMISSION INVESTMENT**

RPGI, on behalf of its members, referred to as investing participants, has entered into the Quad Cities West Agreement which grants investment rights in the total amount of \$293,637, as their joint ownership in transmission line upgrades and improvements to a transmission facility owned and operated by MEC. As of February 28, 2007, \$283,793 which is non-interest bearing, is due from the investing participants. Income earned on these transmission investments is returned to the investing participants based on transmission load shares.

### **NOTE 4 - SERVICE AGREEMENT**

RPGI has a service agreement with Ameren Energy Marketing Company (Ameren), whereby Ameren provides delivery of electric energy capacity to RPGI through December 31, 2008. RPGI has agreed to purchase certain minimum megawatt-hours of energy from Ameren. In turn, RPGI has executed electric services agreements with its participating members to utilize the energy provided by Ameren pursuant to the service agreement.

### **NOTE 5 - RELATED PARTY TRANSACTIONS**

Resale Power Group of Iowa pays Iowa Association of Municipal Utilities (IAMU) an administrative fee for services performed. Total fees to IAMU for the years ended February 28, 2007 and 2006 were \$10,045 and \$7,808, respectively.

### **NOTE 6 - OTHER CONTINGENCIES**

There are legal proceedings against RPGI. While it is not presently possible to predict or determine the outcome of these proceedings, it is the opinion of management that their outcome will have no material adverse effect on the financial position of RPGI.

See Independent Auditors' Report.

# O'Donnell, Ficenec, Wills & Ferdig, LLP

*Certified Public Accountants*

4815 South 107th Avenue

Omaha, Nebraska 68127-1904

Gerald A. Wills, C.P.A.  
Ronald W. Ferdig, C.P.A.  
Lawrence A. Wolfe, C.P.A.  
Richard P. Edgar, C.P.A.  
Steven M. Povich, C.P.A.  
John Keblesh, C.P.A.

402-592-3800  
Fax: 402-592-7747  
www.ofwf.com

Gregory A. Harr, C.P.A.  
Dwain E. Wulf, C.P.A.  
Daniel R. Holt, C.P.A.  
Daniel A. Dudley, C.P.A.  
Geoffrey F. Schnathorst, C.P.A.  
Catherine T. Kellogg, C.P.A.

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AUDITS OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCES WITH GOVERNMENT AUDITING STANDARDS**

Resale Power Group of Iowa  
Ankeny, Iowa

We have audited the financial statements of the Resale Power Group of Iowa (RPGI) as of and for the years ended February 28, 2007 and 2006, and have issued our report thereon dated July 27, 2007. 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 RPGI's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of RPGI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RPGI's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects RPGI's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of RPGI's that is more than inconsequential will not be prevented or detected by RPGI's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by RPGI's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the RPGI's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance 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 non-compliance required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the RPGI's operations for the years ended February 28, 2007 and 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the RPGI. 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.

RPGI's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the responses, we did not audit RPGI's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of management, the members and customers of RPGI, and other parties to whom it may report and is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

July 27, 2007

By  \_\_\_\_\_  
Certified Public Accountant

**RESALE POWER GROUP OF IOWA**  
**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2007**

**Findings Related to the Financial Statements**

**SIGNIFICANT DEFICIENCIES:**

No matters were noted.

**INSTANCES OF NON-COMPLAINE:**

No matters were noted.

**Other Findings Related to Required Statutory Reporting**

- (1) Questionable Expenses - No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense - No expenditures of money for travel expenses of spouses of Resale Power Group of Iowa officials or employees were noted.
- (3) Board Minutes - No transactions were found that we believe should have been approved in the Administrative Board minutes but were not.
- (5) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.