

IOWA JOINT UTILITY MANAGEMENT PROGRAM, INC.

FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2007 AND 2006**

C O N T E N T S

	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 June 30, 2007 and 2006, 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, 2007 and 2006, 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
November 1, 2007

IOWA JOINT UTILITY MANAGEMENT PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

ASSETS	2007	2006
Cash	\$ 159,336	\$ 141,007
Accounts receivable - billed	405,397	1,002,537
Accounts receivable - unbilled	455,504	519,145
Deposits	6,500	6,500
Total assets	<u>\$ 1,026,737</u>	<u>\$ 1,669,189</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
LIABILITIES		
Accounts payable	\$ 369,020	\$ 286,903
Advances from Iowa Association of School Boards	1,074,173	1,799,740
Due to Iowa Department of Natural Resources	335,731	308,916
Customer deposits	95,065	88,544
Total liabilities	<u>\$ 1,873,989</u>	<u>\$ 2,484,103</u>
UNRESTRICTED NET ASSETS (DEFICIT)	<u>\$ (847,252)</u>	<u>\$ (814,914)</u>
Total liabilities and net assets (deficit)	<u>\$ 1,026,737</u>	<u>\$ 1,669,189</u>

See Notes to Financial Statements.

IOWA JOINT UTILITY MANAGEMENT PROGRAM, INC.

STATEMENTS OF ACTIVITIES
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
REVENUES, GAINS, AND OTHER SUPPORT		
Energy, distribution, and administrative revenues	\$ 23,637,821	\$ 24,200,537
Interest income	13,509	13,260
Gain (loss) on derivative instruments	<u>(2,447,914)</u>	<u>(716,528)</u>
Total revenues, gains (losses), and other support	<u>\$ 21,203,416</u>	<u>\$ 23,497,269</u>
EXPENSES		
Energy, natural gas, and distribution costs	<u>\$ 20,631,043</u>	<u>\$ 23,361,047</u>
General and administrative expenses:		
Administration	\$ 476,093	\$ 464,482
Interest	<u>128,618</u>	<u>147,482</u>
Total general and administrative expense	<u>\$ 604,711</u>	<u>\$ 611,964</u>
Total expenses	<u>\$ 21,235,754</u>	<u>\$ 23,973,011</u>
(Decrease) in net assets	\$ (32,338)	\$ (475,742)
Net assets (deficit) at beginning of year	<u>(814,914)</u>	<u>(339,172)</u>
Net assets (deficit) at end of year	<u><u>\$ (847,252)</u></u>	<u><u>\$ (814,914)</u></u>

See Notes to Financial Statements.

IOWA JOINT UTILITY MANAGEMENT PROGRAM, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (32,338)	\$ (475,742)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Decrease in accounts receivable	660,781	441,241
(Increase) in deposits - sales tax bond	-	(6,500)
Increase (decrease) in accounts payable	82,117	(325,467)
Increase (decrease) in deposits	6,521	(9,410)
Interest expense accrued/accreted, net	26,815	24,674
	<u>743,896</u>	<u>(351,204)</u>
Net cash provided by (used in) operating activities	\$ 743,896	\$ (351,204)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from Iowa Association of School Boards	\$ 3,254,433	\$ 2,313,149
Payments on advances from Iowa Association of School Boards	<u>(3,980,000)</u>	<u>(2,141,000)</u>
	<u>(725,567)</u>	<u>172,149</u>
Net cash provided by (used in) financing activities	\$ (725,567)	\$ 172,149
Net increase (decrease) in cash	\$ 18,329	\$ (179,055)
Cash at beginning of year	<u>141,007</u>	<u>320,062</u>
Cash at end of year	<u>\$ 159,336</u>	<u>\$ 141,007</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 is stated at the amount management expects to collect from the customer's latest billed meter read date through the end of the fiscal year for services rendered. The accounts receivable – unbilled balances are considered an estimate as it relates to management's allocation of customer charges between days in the billing cycle that cross the fiscal year-end.

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, 2007.

IJUMP purchases virtually all of the gas from one supplier. A request for proposal process is conducted by management on a regular basis to receive bids. The current two-year arrangement expired June 30, 2007. The organization has entered into a new two-year commitment expiring on June 30, 2009.

Note 3. Related Party Transactions

IJUMP is a related party to the Iowa Association of School Boards (IASB) through common board members. 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 5.17% and 5.14% at June 30, 2007 and 2006, respectively. During the years ended June 30, 2007 and 2006, interest expense of \$91,881 and \$135,577 was incurred and added to the balance due to IASB and included in general and administrative interest expense. In addition, IASB occasionally pays expenses of IJUMP and requests reimbursement from these expenses. At June 30, 2007 and 2006, IJUMP owed IASB \$2,991 and \$7,528 for these expenses, respectively.

IJUMP also has a sponsorship 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, 2007 and 2006, sponsorship fees of \$220,000 and \$220,000 were incurred under this agreement, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 3. Related Party Transactions *(Continued)*

IJUMP has an administrative services agreement with Local Government Services (LGS), a wholly owned subsidiary of IASB to provide management and oversight, marketing, and administration for the program. The administration fee is \$13 per meter per month and is paid the month following the billing. For the year ended June 30, 2007, \$87,464 was paid to LGS for administrative services. The amount payable to LGS at June 30, 2007 was \$11,635.

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 \$335,731 and \$308,916 at June 30, 2007 and 2006, 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 \$26,521 and \$24,674 for the years ended June 30, 2007 and 2006, respectively.

Note 5. Commitments

On August 30, 2001, IJUMP entered into an agreement with WPS Energy Services, Inc., now Integrys Energy Services, to provide program administration for natural gas supply, transportation, delivery, billing, and payment functions. The contract was terminated effective November 30, 2006. On December 1, 2006, Integrys Energy Services began providing nomination services to IJUMP. The agreement expires June 30, 2010 and is automatically renewable for twelve months unless terminated at the end of the primary term by either party by giving written notice no later than April 1 of the anniversary year. Fees charged during the years ended June 30, 2007 and 2006 were \$88,157 and \$171,207, respectively.

Note 6. Derivative Instruments and Hedging Activities

IJUMP entered into commodity derivatives to manage its exposure to natural gas price fluctuations caused by commodity-price volatility. As of June 30, 2007 and 2006, the derivative instruments that had been settled resulted in a net realized (loss) of \$(2,447,914) and \$(716,528), respectively, in the statements of net assets. At June 30, 2007, IJUMP had outstanding commitments to purchase commodity derivatives of \$5,404,980.