SUMNER MUNICIPAL LIGHT PLANT

FINANCIAL STATEMENTS

DECEMBER 31, 2007

SUMNER MUNICIPAL LIGHT PLANT

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

AUDITOR'S REPORT ON COMPLIANCE
COMMENTS AND RECOMMENDATIONS

DECEMBER 31, 2007

SUMNER MUNICIPAL LIGHT PLANT

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SUMNER MUNICIPAL LIGHT PLANT

Officials

Name	Title	Term Expires
Lester Teeling	Chairperson	January 1, 2012
Peggy Becker	Trustee	January 1, 2008
Richard Rath	Trustee	January 1, 2010
Alan Junkers	Manager	Indefinite
Mike Stoessel	Treasurer	Indefinite
Michelle Bahe	Bookkeeper	Indefinite

SHAFFER COMPANY, P.C.

Certified Public Accountant

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Independent Auditor's Report

To the Board of Trustees
Sumner Municipal Light Plant
Sumner, Iowa

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Sumner Municipal Light Plant, Sumner, Iowa, as of and for the year ended December 31, 2007. These financial statements are the responsibility of Light Plant officials. My responsibility is to express an opinion on these financial statements based on my audit. The Light Plant is a component unit of the City of Sumner, Iowa. The City is audited separately.

I conducted my audit in accordance with the United States 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 and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than the United States generally accepted accounting principles.

In my opinion, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the Sumner Municipal Light Plant as of and for the year ended December 31, 2007, and its indebtedness at December 31, 2007, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated March 7, 2008 on my consideration of Sumner Municipal Light Plant's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 10 and 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended December 31, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplemental information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audits of the aforementioned financial statements and, in my opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

SHAFFER COMPANY, P.C.

Shaffer Company, P.C.

Sumner, Iowa

March 7, 2008

SUMNER MUNICIPAL LIGHT PLANT

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Sumner Municipal Light 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, 2007. I encourage readers to consider this information in conjunction with the Light Plant's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Revenues of the Light Plant's governmental activities decreased 3.5%, or approximately $59,000, from 2006 to 2007. Charges for Services decreased 5.2%, or approximately $85,000 during this same period.

- Disbursements decreased 1%, or approximately $20,000, in 2007 from 2006.

- The Light Plant's total cash basis net assets decreased 14.1%, or approximately $252,000, from December 31, 2006 to December 31, 2007.

USING THIS ANNUAL REPORT

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 Light Plant's financial activities.

The Enterprise Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Enterprise fund financial statements report the Light Plant's operations in detail.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Light Plant's budget for the year.

Other Supplementary Information provides additional detailed information.

Basis of Accounting

The Light Plant maintain their financial records on the basis of cash receipts and disbursements and the financial statements of the Light Plant are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE LIGHT PLANT'S FINANCIAL ACTIVITIES

Proprietary funds account for the Light Plant's Enterprise Funds. Enterprise Funds are used to report business type activities. The Light Plant maintains three Enterprise Funds to provide separate information for the operations, meter deposit, and medical benefits funds.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The Light Plant's cash balance decreased from a year ago, from $1.779 million to $1.527 million. The analysis that follows focuses on the changes in cash balances.

Changes in Cash Basis Net Assets
(Expressed in Thousands)

	Year Ended December 31,	
Receipts:	2007	2006
Program Receipts:		
Charges for services	$ 1,530	$ 1,615
General Receipts:		
Unrestricted investment earnings	74	66
Other general receipts	61	43
Total Receipts	1,665	1,724
Disbursements	1,917	1,937
Increase in cash basis net assets	(252)	(213)
Cash basis net assets - Beginning of year	1,779	1,992
Cash basis net assets - End of Year	$ 1,527	$ 1,779

BUDGETARY HIGHLIGHTS

Actual expenditures exceeded the budgeted amount during the year. Expenditures for the Walter Scott # 4 of $484,141 caused this over expenditure.

DEBT ADMINISTRATION

At December 31, 2007, the Light Plant had $1,595,000 in revenue bonds, compared to $1,665,000 last year, as shown below:

Outstanding Debt at Year End
(Expressed in Thousands)

	Year Ended December 31, 2007	2006
Revenue Notes:		
Elec. Rev. Capital Notes $350,000 Oct. 1, 1997	$ 0	$ 45
Elec. Rev. Bonds-Series 2004 $1,695,000 Jan. 1, 2004	1,595	1,620
Total Revenue Notes	$ 1,595	$ 1,665

Debt decreased as a result of making the required bond payments.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The market pricing of energy and fuel costs, which are very volatile, controls the state of the electric industry. The Budget for 2008 reflects some of these possible changes in costs. The goal of the Light Plant is to provide energy to the citizens of the service territory at the lowest possible rate and still meet their commitments. The budget categories are being expanded to give a better picture of accountability of dollars.

The Light Plant has a commitment to the Walter Scott # 4 coal fire unit, which went online in 2007. In addition, the Light Plant has its scheduled upkeep that needs to be maintained.

The Board of Trustees and employees are committed to provide the best service available at the best possible rates and meeting citizens' energy needs and provide a balanced budget for 2008.

CONTACTING THE LIGHT PLANT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Light Plant's finances and to show the Light Plant's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michelle Bahe, Bookkeeper, Sumner, Iowa.

SUMNER MUNICIPAL LIGHT PLANT

Basic Financial Statements

Exhibit A

SUMNER MUNICIPAL LIGHT PLANT

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended December 31, 2007

	Disbursement	Program Receipts Charges for Service	Business Type Activities
Functions / Programs:			
Business type activities:			
Electric	$ 1,937,857	1,547,915	(389,942)
General Receipts:			
Unrestricted interest on investments			74,085
Miscellaneous			63,843
Total general receipts and transfers			137,928
Change in cash basis net assets			(252,014)
Cash basis net assets beginning of year			1,781,165
Cash basis net assets end of year			$ 1,529,151
Cash Basis Net Assets			
Restricted			
Debt service			$ 100,000
Meter deposits refunds			33,777
Unrestricted			1,395,374
Total Cash Basis Net Assets			$ 1,529,151

See notes to financial statements.

SUMNER MUNICIPAL LIGHT PLANT

Exhibit B

Statement of Cash Receipts, Disbursement and Changes in Cash Balances
Proprietary Funds

As of and for the year ended December 31, 2007

	Enterprise Funds			Internal Service Fund
	Electric	Meter Deposit	Total	Employee Health
Operating receipts:				
Use of money and property	$ 72,493	1,513	74,006	79
Charges for service	1,529,915	0	1,529,915	18,000
Miscellaneous	56,225	4,430	60,655	3,188
Total operating receipts:	1,658,633	5,943	1,664,576	21,267
Operating disbursements:				
Business type activities	1,288,919	3,392	1,292,311	21,215
Excess (deficiency) of operating receipts over (under) operating disbursements	369,714	2,551	372,265	52
Non-operating receipts (disbursements)				
Debt service	(140,190)	0	(140,190)	0
Investment in an interest in CB4	(484,141)	0	(484,141)	0
Net non-operating receipts (disbursements)	(624,331)	0	(624,331)	0
Excess (deficiency) of receipts over (under) disbursements	(254,617)	2,551	(252,066)	52
Cash balances beginning of year	1,747,619	31,226	1,778,845	2,320
Cash balances end of year	$ 1,493,002	33,777	1,526,779	2,372
Cash Basis Fund Balances				
Reserve for debt service	$ 100,000	0	100,000	0
Reserve for meter deposit refunds	0	33,777	33,777	0
Unreserved	1,393,002	0	1,393,002	2,372
Total cash basis fund balances	$ 1,493,002	33,777	1,526,779	2,372

See notes to financial statements.

SUMNER MUNICIPAL LIGHT PLANT

Exhibit C

Reconciliation of the Statement of Cash Receipts, Disbursement and Changes in Cash Balances to the Statement of Activities and Net Assets Proprietary Funds

As of and for the year ended December 31, 2007

Total enterprise funds cash balances (page 13)	$ 1,526,779
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
The Internal Service Fund is used by management to charge the costs of partial self funding of the Light Plant's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.	2,372
Cash basis net assets of business type activities (page 12)	$ 1,529,151

Net change in cash balances (page 13)	$ (252,066)
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
The Internal Service Fund is used by management to charge the costs of partial self funding of the Light Plant's health insurance benefit plan to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.	52
Change in cash balance of business type activities (page 12)	$ (252,014)

See notes to financial statements.

SUMNER MUNICIPAL LIGHT PLANT

Notes to Financial Statements

SUMNER MUNICIPAL LIGHT PLANT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Sumner Municipal Light Plant is a city municipal utility for the City of Sumner, State of Iowa, located in Bremer and Fayette Counties. It has a separate governing body, the Board of Trustees, who are appointed for staggered six-year terms by the Mayor and approved by the City Council. The Light Plant maintains it own system of books, records and accounts apart from the City. The City is audited separately. The Light Plant provides electrical service to the citizens in and around Sumner.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the Light Plant. For the most part, the effect of inter-fund activity has been removed from this statement. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the proceeding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function.

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

The accounts of the Light Plant are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and fund balances. The various funds are classified as follows in the financial statements:

Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation, and maintenance of governmental facilities and services that are supported by user charges.

Plant Operation - Plant Operation is the general operating account of the Light Plant. All receipts, with the exception of meter deposits, are accounted for in this account. From this account are paid the general operating expenses, the fixed charges, and capital outlay for equipment.

Meter Deposits - Meter Deposits is utilized to account for monies received from electric consumers for meter deposits. Refunds, including interest, are paid from this account to electric consumers who have either discontinued service or have been current with their payments for twelve consecutive months.

Internal Service Fund - The Internal Service Fund is utilized to account for the financing of medical benefits to employees.

C. **Measurement Focus and Basis of Accounting**

The Light Plant maintains its financial records on the cash basis and the financial statements of the Light Plant are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with the United States generally accepted accounting principles.

D. **Budgets and Budgetary Accounting**

In accordance with the Code of Iowa, the Light Plant Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for the plant operation. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

(2) **Deposits and Investments**

The City 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 City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

The Light Plant deposits on December 31, 2007 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 Light Plant 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

(3) **Bonds Payable**

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

Year Ending Dec. 31	Total Principal	Interest
2008	70,000	67,110
2009	70,000	65,080
2010	75,000	62,875
2011	80,000	60,362
2012	80,000	57,523
2013	85,000	54,562
2014	90,000	51,290
2015	95,000	47,690
2016	100,000	43,748
2017	105,000	39,447
Beyond 10 years	745,000	128,153
Totals	1,595,000	677,840

The electric revenue capital loan notes were issued for the investment in a coal fired plant (Walter Scott # 4) in 2004. The notes are payable solely from income and proceeds of the revenue of the Light Plant.

(4) **Pension and Retirement Benefits**

The Light Plant 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 salary and the Light Plant is required to contribute 5.75% of annual covered payroll. Effective July 1, 2007, these rates went to 3.90% and 6.05%, respectively. Contribution requirements are established by State statute. The Light Plant's contributions to IPERS for the years ended December 31, 2007, 2006 and 2005 were $14,546, $13,425, and $12,817, respectively, equal to the required contributions for the year.

(5) **Compensated Absences**

The Light Plant employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. These accumulations are not recognized as disbursements by the Light Plant until used or paid. The Light Plant's approximate liability for earned compensated absences payable to employees at December 31, 2007, primarily relating to the Plant Operation, is as follows:

Type of Benefit	Amount
Vacation	$ 14,519
Sick Leave	36,980
Total	$ 51,499

This liability has been computed based on rates of pay as of December 31, 2007. Sick leave is not payable upon termination, retirement or death.

(6) **Related Party Transactions**

The Light Plant had no related party transactions during the year ended December 31, 2007.

(7) **Contracts**

The Light Plant contracts with N.I.M.E.C.A. to provide for its power needs. During the years ended December 31, 2007 and 2006, amounts of $450,040 and $656,864, respectively, were paid for power pursuant to this agreement.

(8) **Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the program level. During the year ended December 31, 2007, disbursements exceeded the amount budgeted, as amended.

(9) **Litigation**

The Light Plant has no pending litigation, claims, or assessments at December 31, 2007.

(10) **Risk Management**

The Light 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) **Commitments**

During 2002, the Light Plant committed itself to an interest in a new power plant (Walter Scott # 4) of around $1.8 million. These funds are expected to be disbursed over the remaining year as the project is being constructed and comes on line. For the years ended December 31, 2007, 2006, 2005, 2004 and 2003, the Light Plant disbursed $484,141, $427,000, $554,096, $238,241 and $65,150, respectively, towards this project.

SUMNER MUNICIPAL LIGHT PLANT

Required Supplementary Information

SUMNER MUNICIPAL LIGHT PLANT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended December 21, 2007

	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance	Net as % of Final Budget
Receipts:							
Use of money and property	$ 74,085	79	74,006	10,000	10,000	64,006	640%
Charges for services	1,547,915	18,000	1,529,915	1,583,150	1,583,150	(53,235)	-3%
Miscellaneous	63,843	3,188	60,655	41,900	41,900	18,755	45%
Total receipts	1,685,843	21,267	1,664,576	1,635,050	1,635,050	50,793	3%
Disbursements:							
Business type activities	1,937,857	21,215	1,916,642	1,635,050	1,635,050	(281,592)	-17%
Excess of receipts over disbursements	(252,014)	52	(252,066)	0	0		
Balances beginning of year	1,781,165	2,320	1,778,845				
Balances end of year	$ 1,529,151	2,372	1,526,779				

See accompanying independent auditor's report.

SUMNER MUNICIPAL LIGHT PLANT

Notes to Required Supplementary Information - Budgetary Reporting

December 31, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund.

In accordance with the Code of Iowa, the Light Plant annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Disbursements for the Proprietary Funds are required to be budgeted.

During the year ended December 31, 2007, disbursements exceeded the amounts budgeted in the business type activities function.

SUMNER MUNICIPAL LIGHT PLANT

Other Supplementary Information

SUMNER MUNICIPAL LIGHT PLANT

Schedule 1

Schedules of Cash Transactions
Enterprise Fund
Electric Utilities - Plant Operation

Years Ended December 31, 2007, 2006, 2005, 2004 and 2003

RECEIPTS:	2007	2006	2005	2004	2003
Charges for Services:					
Sale of Electricity:					
Residential	$ 830,321	886,369	876,185	786,908	671,784
Commercial	699,594	728,158	748,533	672,002	531,472
Total Charges for Services	1,529,915	1,614,527	1,624,718	1,458,910	1,203,256
Miscellaneous:					
Interest on Investments	74,006	66,155	36,497	37,540	6,507
Cable	2,272	4,544	0	2,272	2,244
Refunds & Reimbursements	6,348	4,991	10,619	12,052	7,150
Sale of Labor	0	0	100	26,000	758
Sale of Material, Scrap & Fuel	7,585	14,065	7,275	58,007	2,945
Penalties	3,840	4,601	3,867	2,408	2,026
NIMECA	28,512	1,288	40,980	0	40,980
Posting Fees	6,309	5,500	4,450	2,713	2,725
Sales of Truck	885	4,000	0	0	0
Insurance Claims	0	0	430	0	25,220
Sale of Lines - NIMECA	0	0	0	0	1,695
Meter Deposits	4,400	4,100	4,200	3,000	5,750
FEMA	0	0	701	4,547	0
Sale of Bonds	0	0	0	1,674,309	0
Miscellaneous	504	11	12	120	3,152
Total Miscellaneous Receipts	134,661	109,255	109,131	1,822,968	101,152
TOTAL RECEIPTS	1,664,576	1,723,782	1,733,849	3,281,878	1,304,408

SUMNER MUNICIPAL LIGHT PLANT

Schedule 1

Schedules of Cash Transactions
Enterprise Fund
Electric Utilities - Plant Operation

Years Ended December 31, 2007, 2006, 2005, 2004 and 2003

DISBURSEMENTS:	2007	2006	2005	2004	2003
Business type activities:					
Plant Operation:					
Power Purchased	$ 450,040	656,864	667,151	490,942	451,049
Salaries	23,308	22,218	21,272	15,291	15,125
Operating Supplies	20,804	6,876	12,640	11,613	59,535
Insurance	33,914	29,532	36,221	41,765	31,972
Maintenance	22,379	4,191	5,021	2,681	0
Gas & Fuel	36,609	32,759	23,614	10,758	16,342
Extensions:					
Rebuild Substation	133,148	0	0	0	0
New Engine and Controls	0	0	0	0	0
Walter Scott # 4	484,141	427,000	554,096	238,241	65,150
Total Plant Operation	1,204,343	1,179,440	1,320,015	811,291	639,173
Plant Distribution:					
Salaries	46,617	44,435	15,679	15,291	15,000
Truck Expense	17,223	15,823	21,823	22,402	12,404
Maintenance Labor	105,697	99,119	94,129	130,790	119,670
Stocks & Supplies	79,066	58,017	69,031	71,286	59,933
Transmission Costs	28,596	24,000	24,000	24,000	24,000
Extensions:					
WWTP	0	0	0	69,816	51,701
Truck	0	0	48,575	0	0
Total Plant Distribution	277,199	241,394	273,237	333,585	282,708
Accounting and Collection:					
Salaries	36,291	33,678	31,889	24,185	22,273
Office Supplies	10,357	12,764	13,669	25,218	11,404
Meter Reading Labor	0	0	0	1,351	2,418
Collection Fees	0	0	6,500	6,500	7,042
Miscellaneous	1,147	30	479	72	4,853
Extensions:					
Computer & Software	0	0	0	0	21,267
Total Accounting and Collection	47,795	46,472	52,537	57,326	69,257

SUMNER MUNICIPAL LIGHT PLANT

Schedule 1

Schedules of Cash Transactions
Enterprise Fund
Electric Utilities - Plant Operation

Years Ended December 31, 2007, 2006, 2005, 2004 and 2003

DISBURSEMENTS (Continued):	2007	2006	2005	2004	2003
Business type activities (Continued):					
Administration:					
Salaries	32,835	32,231	31,358	30,583	32,000
Employee Group Insurance	74,760	80,168	84,072	77,864	65,544
Employee Benefits	32,977	33,088	31,843	29,251	27,773
Medical Benefits	18,000	16,500	12,000	15,300	18,000
Trustees	1,800	1,800	1,800	1,800	1,800
Legal & Professional Fees	9,397	7,213	9,095	5,555	7,744
Dues and Meetings	5,068	5,684	4,600	5,082	4,868
Telephone	3,919	4,686	4,462	3,521	4,137
Supplies and Miscellaneous	4,851	12,972	6,701	5,193	2,553
City of Sumner	13,709	10,000	5,000	0	0
Streetscape	0	64,725	11,357	0	0
Meter Deposits Returned	3,392	3,047	1,743	4,068	3,713
Merchandise for resale	3,973	9,046	2,968	121	4,486
Total Administration	204,681	281,160	206,999	178,338	172,618
Unallocated:					
Sales Tax Remitted	42,435	50,127	58,313	52,252	47,792
Total Unallocated	42,435	50,127	58,313	52,252	47,792
Bonds:					
Interest & Bond Adm Fees	70,190	72,893	41,282	60,361	10,595
Bond Retirement	70,000	65,000	65,000	60,000	35,000
Total Bonds:	140,190	137,893	106,282	120,361	45,595
TOTAL DISBURSEMENTS	1,916,643	1,936,486	2,017,383	1,553,153	1,257,143
NET	(252,067)	(212,704)	(283,534)	1,728,725	47,265
BALANCE BEGINNING OF YEAR	1,778,845	1,991,549	2,275,083	546,358	499,093
BALANCE END OF YEAR	$ 1,526,778	1,778,845	1,991,549	2,275,083	546,358

See independent accountant's audit report

SUMNER MUNICIPAL LIGHT PLANT

Schedule 2

Statement of Indebtedness

Year ended December 31, 2007

	Electric Revenue Capital Notes	Electric Revenue Bonds - Series 2004
Date of Issue	October 1, 1997	January 1, 200
Interest Rates	4.5 to 5.4%	1.85 to 4.8%
Amount Originally Issued	$ 350,000	$ 1,695,000
Balance Beginning of Year	$ 45,000	$ 1,620,000
Issued During Year	$ 0	$ 0
Redeemed During Year	$ 45,000	$ 25,000
Balance End of Year	$ 0	$ 1,595,000
Interest Paid	$ 2,430	$ 67,760
Interest Due and Unpaid	$ 0	$ 16,778

See notes to financial statements.

SUMNER MUNICIPAL LIGHT PLANT

Schedule 3

Bond and Note Maturities

December 31, 2007

Revenue Bonds			
	Electric Revenue Bonds - Series 2004 $1,695,000 Issued January 1, 2004		
Year Ending December 31,	Interest Rates	Amount	Total
2008	2.900%	70,000	70,000
2009	3.150%	70,000	70,000
2010	3.350%	75,000	75,000
2011	3.550%	80,000	80,000
2012	3.700%	80,000	80,000
2013	3.850%	85,000	85,000
2014	4.000%	90,000	90,000
2015	4.150%	95,000	95,000
2016	4.300%	100,000	100,000
2017	4.400%	105,000	105,000
2018	4.500%	110,000	110,000
2019	4.600%	115,000	115,000
2020	4.650%	120,000	120,000
2021	4.700%	125,000	125,000
2022	4.750%	135,000	135,000
2023	4.800%	140,000	140,000
Total		$1,595,000	$1,595,000

See accompanying independent auditor's report.

SUMNER MUNICIPAL LIGHT PLANT

Independent Auditor's Report on Compliance and 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

SHAFFER COMPANY, P.C.

Certified Public Accountant

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Independent Auditor's Report on Compliance
and 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

To the Board of Trustees
Sumner Municipal Light Plant
Sumner, Iowa:

I have audited the financial statements of the Sumner Municipal Light Plant, as of and for the year ended December 31, 2007, and have issued my report thereon dated March 7, 2008. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with the United States generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Sumner Municipal Light Plant's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Light Plant's operations for the year ended December 31, 2007 and based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Light Plant. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Sumner Municipal Light Plant's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Sumner Municipal Light Plant's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are descried 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item I-A-07 is a material weakness. Prior year reportable conditions have been resolved except for item I-A-07.

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

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Sumner Municipal Light Plant during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at a mutually agreeable time.

SHAFFER COMPANY, P.C.

Shaffer Company, P.C.

Sumner, Iowa

March 7, 2008

SUMNER MUNICIPAL LIGHT PLANT

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2007

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-07 Segregation of duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all sometimes done by the same person.

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

Response - We will investigate this.

Conclusion - The Light Plant should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Part II: Other Findings Related to Statutory Reporting:

II-A-07 Certified Budget - Disbursements during the year ended December 31, 2006, exceeded the amounts budgeted. Chapter 384.18 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 accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

SUMNER MUNICIPAL LIGHT PLANT

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2007

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

II-B-06 Records of Accounts - The Meter Deposit, Bond Securities, Employee Health Benefits accounts and the Investments are not being recorded within the general ledger accounting system of the Light Plant. Therefore, these transactions and the related balances are not recorded in the Light Plant's records. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." The Light Plant is required to follow this Code.

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all Light Plant accounts should all be recorded in the records of the Light Plant.

Response - We will look for a way to set these up within our accounting system so they can be included in the future.

Conclusion - Response accepted.

II-C-06 Questionable Disbursements - No disbursements were noted for parties, banquets, or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-D-06 Travel Expense - No disbursements of Light Plant money for travel expenses of spouses of Light Plant officials or employees were noted.

II-E-06 Business Transactions - Business transactions between the Light Plant and Light Plant officials or employees were present in very small amounts and were considered immaterial to report on.

II-F-06 Bond Coverage - Surety bond coverage of Light Plant 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.

SUMNER MUNICIPAL LIGHT PLANT

SCHEDULE OF FINDINGS

YEAR ENDED DECEMBER 31, 2007

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

II-G-06 Trustee Minutes - No transactions were found that I believe should have been approved in the Trustee minutes but were not.

II-H-06 Revenue Notes - The Light Plant has outstanding revenue notes as of December 31, 2007.

II-I-06 Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Light Plant's investment policy.

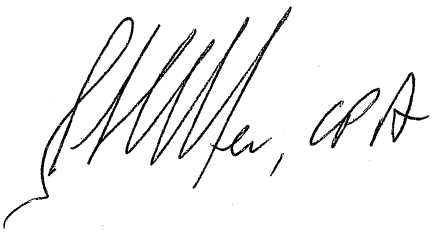
SUMNER MUNICIPAL LIGHT PLANT

Audit Staff

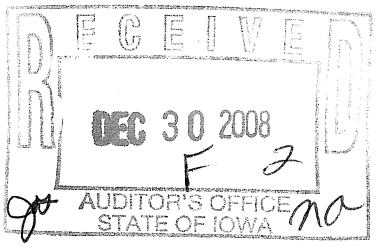
This audit was performed by:

Roger L. Shaffer, C.P.A., Owner & Manager of the Firm

SHAFFER COMPANY, P.C.



ROGER L. SHAFFER
Certified Public Accountant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