

IOWA JOINT UTILITY MANAGEMENT PROGRAM, INC.

FINANCIAL STATEMENTS

**YEARS ENDED
JUNE 30, 2008 AND 2007**

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99
100

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	5-8

1
2
3
4
5
6
7
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9
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11
12
13
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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, 2008 and 2007, 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, 2008 and 2007, 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.

As discussed in Note 2 to the financial statements, the organization entered into an agreement to sell all of its assets. These assets represent all of the assets the organization uses in generating income for the organization.

Brooks Lodden, P.C.

West Des Moines, Iowa
November 5, 2008

IOWA JOINT UTILITY MANAGEMENT PROGRAM, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

ASSETS	<u>2008</u>	<u>2007</u>
Cash	\$ 155,977	\$ 159,336
Accounts receivable - billed	670,151	405,397
Accounts receivable - unbilled	558,684	455,504
Deposits	<u>6,500</u>	<u>6,500</u>
Total assets	<u>\$ 1,391,312</u>	<u>\$ 1,026,737</u>
 LIABILITIES AND NET ASSETS (DEFICIT)		
LIABILITIES		
Accounts payable	\$ 826,919	\$ 369,020
Advances from Iowa Association of School Boards	1,236,562	1,074,173
Due to Iowa Department of Natural Resources	-	335,731
Customer deposits	<u>95,065</u>	<u>95,065</u>
Total liabilities	<u>\$ 2,158,546</u>	<u>\$ 1,873,989</u>
UNRESTRICTED NET ASSETS (DEFICIT)	<u>\$ (767,234)</u>	<u>\$ (847,252)</u>
Total liabilities and net assets (deficit)	<u>\$ 1,391,312</u>	<u>\$ 1,026,737</u>

See Notes to Financial Statements.

IOWA JOINT UTILITY MANAGEMENT PROGRAM, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
REVENUES, GAINS, AND OTHER SUPPORT		
Energy, distribution, and administrative revenues	\$ 26,161,809	\$ 23,637,821
Interest income	10,346	13,509
(Loss) on derivative instruments	<u>(1,003,275)</u>	<u>(2,447,914)</u>
Total revenues, (losses), and other support	<u>\$ 25,168,880</u>	<u>\$ 21,203,416</u>
EXPENSES		
Energy, natural gas, and distribution costs	<u>\$ 24,534,393</u>	<u>\$ 20,631,043</u>
General and administrative expenses:		
Administration	\$ 482,476	\$ 476,093
Interest	<u>71,993</u>	<u>128,618</u>
Total general and administrative expense	<u>\$ 554,469</u>	<u>\$ 604,711</u>
Total expenses	<u>\$ 25,088,862</u>	<u>\$ 21,235,754</u>
Increase (decrease) in net assets	\$ 80,018	\$ (32,338)
Net assets (deficit) at beginning of year	<u>(847,252)</u>	<u>(814,914)</u>
Net assets (deficit) at end of year	<u>\$ (767,234)</u>	<u>\$ (847,252)</u>

See Notes to Financial Statements.

IOWA JOINT UTILITY MANAGEMENT PROGRAM, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 80,018	\$ (32,338)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Interest expense accreted, net	14,269	26,815
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(367,934)	660,781
Increase in accounts payable	457,899	82,117
Increase in deposits	-	6,521
	<u>184,252</u>	<u>743,896</u>
Net cash provided by operating activities	\$	\$
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from Iowa Association of School Boards	\$ 12,897,389	\$ 3,254,433
Payments on advances from Iowa Association of School Boards	(12,735,000)	(3,980,000)
Payment on loan from Department of Natural Resources	(350,000)	-
	<u>(187,611)</u>	<u>(725,567)</u>
Net cash (used in) financing activities	\$	\$
Net (decrease) increase in cash	\$ (3,359)	\$ 18,329
Cash at beginning of year	<u>159,336</u>	<u>141,007</u>
Cash at end of year	<u>\$ 155,977</u>	<u>\$ 159,336</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 14,604</u>	<u>\$ 36,737</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. IJUMP is a related party to the Iowa Association of School Boards (IASB) through common board members.

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. Subsequent Event

IJUMP was created as a pilot program to determine the feasibility of mid-sized commercial enterprises (i.e., school buildings) buying competitively-priced natural gas. The Iowa Utilities Board evaluated the program and ordered the tariff to be expanded beyond schools to all non-residential consumers. The board of directors of both IJUMP and IASB, subsequent to June 30, 2008, approved a plan to transfer the service to a reliable company capable of providing a high level of service at a competitive price. As part of an agreement with Seminole Energy Services (SES), IJUMP will transfer substantially all of its assets, including participation agreements, hardware, intellectual property, and other assets used in the program. All material related contractual liabilities have either been terminated or assigned to SES. Due to the transfer of assets and liabilities, it is reasonably possible the organization will discontinue in the near term. However, the board of directors and management have not yet determined any action regarding the future of the organization.

Note 3. 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, 2008.

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 prior two-year arrangement expired June 30, 2007. The current two-year arrangement expires June 30, 2009.

NOTES TO FINANCIAL STATEMENTS

Note 4. Related Party Transactions

IJUMP has an agreement dated September 20, 2001 with 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 2.21% and 5.17% at June 30, 2008 and 2007, respectively. During the years ended June 30, 2008 and 2007, interest expense of \$57,389 and \$91,881 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 for these expenses. At June 30, 2008 and 2007, IJUMP owed IASB \$18,074 and \$2,991 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, 2008 and 2007, sponsorship fees of \$220,000 and \$220,000 were incurred under this agreement, respectively. Effective October 1, 2008, this sponsorship agreement was terminated.

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 years ended June 30, 2008 and 2007, \$145,418 and 87,464 was paid to LGS for administrative services, respectively. The amounts payable to LGS at June 30, 2008 and 2007 were \$-0- and \$11,635, respectively.

Note 5. 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 was non-interest bearing and was repaid during year ended June 30, 2008. 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 was \$-0- and \$335,731 at June 30, 2008 and 2007, 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 \$14,269 and \$26,521 for the years ended June 30, 2008 and 2007, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 6. 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, 2008 and 2007 were \$24,000 and \$88,157, respectively. IJUMP notified Integrys of its intent to terminate this agreement effective November 1, 2008.

Note 7. 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, 2008 and 2007, the derivative instruments that had been settled resulted in a net realized (loss) of \$(1,003,275) and \$(2,447,914), respectively, in the statements of net assets. At June 30, 2008, IJUMP did not have any outstanding commitments to purchase commodity derivatives.