

**GRAETTINGER MUNICIPAL LIGHT PLANT
A COMPONENT UNIT OF THE CITY OF GRAETTINGER
GRAETTINGER, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

FOR THE FISCAL YEARS ENDED JUNE 30, 2009 AND 2008

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor’s Report		2-3
Management’s Discussion and Analysis		4-9
Basic Financial Statements:	<u>Exhibit</u>	
Statements of Net Assets	A	10-11
Statements of Revenues, Expenses and Changes in Net Assets	B	12
Statements of Cash Flows	C	13-14
Notes to Financial Statements		15-25
Required Supplementary Information:		
Budgetary Comparison Schedule of Revenues and Expenses		26
Notes to Required Supplementary Information – Budgetary Reporting		27
Other Supplementary Information:	<u>Schedule</u>	
Schedules of Operating Revenues	1	28
Schedules of Power Production, Plant, Distribution, Commercial and Administrative Expenses	2	29-30
Schedule of Insurance Coverage	3	31
Schedules of Kilowatt Hours	4	32
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		33-35
Schedule of Findings		36-39

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Officials

June 30, 2009

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lloyd Petersen	Chairman	Sep 1, 2013
James A. Haegele	Board Member	Sep 1, 2011
Bill Brown, Jr.	Board Member	Sep 1, 2009
Scott Tonderum	Superintendent	Indefinite
Pamela Peton	Secretary/Accountant	Indefinite

Independent Auditor's Report

To the Board of Directors of the
Graettinger Municipal Light Plant
Graettinger, Iowa 51342

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Graettinger Municipal Light Plant, a component unit of the City of Graettinger, Iowa as of and for the years ended June 30, 2009 and June 30, 2008. These financial statements are the responsibility of the Light Plant'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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 the Graettinger Municipal Light Plant of Graettinger, Iowa as of June 30, 2009 and 2008 and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2009 on our consideration of Graettinger Municipal Light Plant'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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 26 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Graettinger Municipal Light Plant's basic financial statements. Other supplementary information included in Schedules 1 and 2 is presented for the purpose 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 our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The nonaccounting information included in Schedules 3 and 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The nonaccounting information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

November 11, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Graettinger 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 fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the Light Plant's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- ~ The Light Plant's operating revenues decreased by 5.5%, or \$55,538, from fiscal 2008 to 2009. The decrease in revenues is the result of an decrease in electricity sales to all classifications of customers.
- ~ The Light Plant's operating expenses increased by 1.7%, or \$14,412, from fiscal 2008 to 2009. This increase is the result of a increase in power production cost.
- ~ The Light Plant's non-operating revenues (expenses) decreased by \$23,866 from fiscal 2008 to 2009. This decrease is due to two years of economic development payments (2008 & 2009) paid durring this fiscal year.
- ~ The Light Plant's net assets increased by 2.85%, or \$73,057 from fiscal 2008 to 2009.

USING THIS ANNUAL REPORT

The Graettinger Municipal Light Plant is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to the Graettinger Municipal Light Plant's basic financial statements. 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 statement of Net Assets presents information on the Light Plant's assets and liabilities, with difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Light Plant is improving or deteriorating.

The Statement of Revenues, Expenses and Change in Net Assets is the basic statement of activities for the proprietary funds. This statement presents information on the Light Plant's operating revenues and expenses, non-operating revenues and expenses and whether the Light Plant's financial position has improved or deteriorated as a result of the year's

The Statement of Cash Flows presents the change in the Light Plant's cash and cash equivalents during the year. This information can assist the user of this report in determining how the Light Plant financed its activities and how it met its cash requirements.

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

FINANCIAL ANALYSIS OF THE LIGHT PLANT

Statement of Net Assets

As noted earlier, net assets may serve, over time, as a useful indicator of the Light Plant's financial position. The Light Plant's net assets for fiscal 2009 totaled approximately \$2,644,000. This compares to approximately \$2,571,000 for fiscal 2008. A summary of the Light Plant's net assets is presented below.

Net Assets		
	Year Ended June 30,	
	2009	2008
Current Assets	\$ 389,209	\$ 380,245
Capital Assets	\$ 1,112,961	\$ 1,194,609
Non-Current Assets	\$ 1,066,508	\$ 998,343
Non-Current Restricted Assets	\$ 196,219	\$ 200,509
Total Assets	\$ 2,764,897	\$ 2,773,706
Current Liabilities	\$ 120,828	\$ 127,694
Non-Current Liabilities	\$ -	\$ 75,000
Total Liabilities	\$ 120,828	\$ 202,694
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 1,037,161	\$ 1,194,609
Restricted	\$ 187,461	\$ 195,509
Unrestricted	\$ 1,419,447	\$ 1,180,894
Total Net Assets	\$ 2,644,069	\$ 2,571,012

The Invested in Capital Assets (39.2% of total) is land, buildings, equipment and .17% ownership in the Neal #4 coal fired power plant, less the related debt portion of the net asset are resources allocated to capital assets. The Unrestricted Assets (53.7% of total) is what can be used to meet the Light Plant's obligations as they come due. The remaining Restricted Assets (7.1% of total) is the funds that are earmarked for certain projects and capital improvements.

Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are derived from the retail sales of electricity to customers of the Light Plant and from a energy adjustment charge imposed upon the same customers. Additional operating revenues are from the sale of wholesale electricity to other electric utilities through NIMECA and some miscellaneous sales. Operating expenses are expenses paid in conjunction with the production and purchase of electricity for resale and to operate the Light Plant. Non-operating revenues and expenses are for interest income and interest expense, payments in lieu of taxes to the City of Graettinger and contributions to economic development. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the fiscal year ended June 30, 2009 is presented below:

	Changes in Net Assets	
	Year Ended June 30,	
	2009	2008
Operating Revenues:		
Electricity Sales, Retail to Light Plant Customers	\$ 504,966	\$ 520,797
Electricity Sales, Wholesale to Other Electric Utilities	\$ 238,499	\$ 258,184
Energy Adjustments Charged	\$ 137,642	\$ 155,568
Miscellaneous	\$ 37,535	\$ 37,631
Total Operating Revenues	\$ 918,642	\$ 972,180
Operating Expenses:		
Fuel and Generation	\$ 79,964	\$ 72,889
Operation & Maintenance, Labor, Supplies & Expense	\$ 42,413	\$ 36,219
Other Power Cost	\$ 42,811	\$ 40,015
Purchase Power	\$ 298,358	\$ 281,851
Plant Supplies And Expense	\$ 8,533	\$ 14,042
Line and Station Labor	\$ 88,375	\$ 84,873
Distribution Supplies and Expense	\$ 15,935	\$ 12,781
Truck Expense	\$ 4,989	\$ 14,100
Accounting and Collecting Salaries	\$ 24,150	\$ 23,250
Supplies and Expense	\$ -	\$ -

Advertising	\$ 3,167	\$ 2,576
Bad Debt	\$ -	\$ -
Donations	\$ 395	\$ 185
Employee's Benefits	\$ 49,728	\$ 40,989
Insurance	\$ 14,087	\$ 13,817
Memberships and Dues	\$ 16,900	\$ 11,866
Miscellaneous General Administrative	\$ 29,193	\$ 24,542
Office Supplies and Expense	\$ 10,326	\$ 13,981
Outside Services Employed	\$ 9,323	\$ 34,606
Property Taxes	\$ 7,878	\$ 8,874
Depreciation	\$ 114,431	\$ 115,089
Total Operating Expenses	\$ 860,956	\$ 846,545
Total Operating Income	\$ 57,686	\$ 125,635
Non-Operating Revenues (Expenses):		
Interest Income	\$ 45,226	\$ 46,057
Other Income	\$ 21,386	\$ 18,709
Payments in Lieu of Property Taxes	\$ (14,885)	\$ (14,399)
Economic Developments Contributions	\$ (30,784)	\$ (2,520)
Interest Expense	\$ (4,572)	\$ (7,610)
Amortization Expense	\$ (1,000)	\$ (1,000)
Gain (Loss) on Disposal of Equipment	\$ -	\$ -
Net Non-Operating Revenues (Expenses)	\$ 15,371	\$ 39,237
Change in Net Assets	\$ 73,057	\$ 164,872
Net Assets Beginning of Fiscal Year	\$ 2,571,012	\$ 2,406,140
Net Assets at End of Fiscal Year	\$ 2,644,069	\$ 2,571,012

The Statement of Revenues, Expenses and Changes in Net Assets reflects gain for the year with an increase in the net assets of \$73,057 at the end of the fiscal 2009 year.

In fiscal 2009, operating revenues decreased by \$53,538, or just under 5.5%. Sales for Resale showed a decrease of \$19,686 or 7.6%, Residential sales showed a decrease of \$5,002 or 1.85%, Commercial sales showed a decrease of \$3,148 or 4.1%, Industrial sales showed a decrease of \$6,864 or 4.3% and Energy Adjustment revenues showed a decrease of \$17,926 or 11.5%. All other operating revenues remained fairly steady for fiscal 2009. The increase in operating expenses in fiscal 2009 were primarily due to an increase in Power Production expense of \$32,572 or 7.6%. All other operating expenses remained fairly steady for fiscal 2009.

Total fiscal 2009 operating income decreased from \$125,635 in fiscal 2008 to \$57,685 in fiscal 2009, an decrease of \$67,950. Note this doesn't include the non-operating revenues (expenses).

Interest income decreased slightly by \$830, but was partially offset by an increase in other income of \$2,677 for a total non-operating revenues of \$66,613 in fiscal 2009, compared to \$64,766 during the previous fiscal year. Non-operating expenses increased due to a 2008 Economic Development payment of \$14,399 which was posted in 2009 along with the current year payment of \$14,885, which resulted in a large increase in Non-operating expenses of \$223,867 in fiscal 2009.

With the inclusion of the non-operating revenues and expenses to the total operating income, the Graettinger Municipal Light Plant showed a gain for fiscal year 2009 of \$73,057, compared to a gain of \$164,872 in fiscal 2008.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes electricity sales to customers and miscellaneous income reduced by payments made to suppliers and payments made to employees for services. Cash used from capital and related financing activities includes the purchase of capital assets, a refinancing fee and repayment of long-term debt and interest. Cash flows from investing activities includes the purchase and redemption of investments, transfers to and from restricted funds, payments received on notes and interest on investments.

CAPITAL ASSETS

At June 30, 2009, the Light Plant had \$3,366,908 invested in capital assets, net of accumulated depreciation of approximately \$2,253,947. Depreciation charges totaled \$114,431 for fiscal 2009. More detailed information about the Light Plant's capital assets is presented in Note 3 to the financial statements.

LONG-TERM DEBT

At June 30, 2009, the Light Plant had \$75,000 in debt outstanding, a decrease of \$75,000 from fiscal 2008. More detailed information about the Light Plant's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS

The Graettinger Municipal Light Plant increased its financial position with an increase in net assets for fiscal 2009 to bring the total net assets to \$2,644,069.

CONTACTING THE LIGHT PLANT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens and taxpayers of Graettinger, Iowa, customers of the Graettinger Municipal Light Plant and creditors with a general overview of the Light Plant's finances and to show accountability for the money received and expended. If you have questions about this report or need additional information, contact Graettinger Municipal Light Plant, P.O. Box 178, Graettinger, Iowa 51342.

Basic Financial Statements

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Exhibit A

Statements of Net Assets

June 30, 2009 and 2008

	<u>Assets</u>	
	<u>Proprietary Fund Type</u>	
	<u>Enterprise Fund</u>	
	<u>2009</u>	<u>2008</u>
Current Assets:		
Cash and cash equivalents	\$ 92,586	87,785
Accounts receivable	72,465	91,261
Inventories	197,906	170,573
Prepaid insurance	10,644	10,538
Interest receivable	12,074	13,685
Current portion of notes receivable	2,534	5,403
Current portion of prepaid loan fees	1,000	1,000
Total current assets	389,209	380,245
Capital Assets:		
Property and equipment	3,366,908	3,334,125
Less accumulated depreciation	(2,253,947)	(2,139,516)
Net capital assets	1,112,961	1,194,609
Non Current Assets:		
Investments	1,026,171	950,000
Notes receivable	12,454	17,762
Prepaid loan fees	1,000	2,000
Less current portion	(3,534)	(6,403)
Patronage dividends receivable	9,371	8,986
SO2 Allowances	21,046	25,998
Total non current assets	1,066,508	998,343
Non Current Restricted Assets:		
Revenue note sinking fund	64	287
Vehicle fund	114,672	105,752
NOX allowances	8,930	-
NIMECA transmission fund	32,553	54,470
CTS Capital improvement fund	35,000	35,000
Investment in ISEP	5,000	5,000
Total non current restricted funds	196,219	200,509
Total assets	\$ 2,764,897	2,773,706

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Exhibit A

Statements of Net Assets

June 30, 2009 and 2008

Liabilities

	<u>Proprietary Fund Type</u>	
	<u>Enterprise Fund</u>	
	<u>2009</u>	<u>2008</u>
Current Liabilities:		
Accounts payable	\$ 19,700	24,070
Operating advance - Neal #4	2,104	2,796
Accrued taxes	6,716	9,458
Accrued interest	261	523
Accrued property taxes	7,919	7,964
Accrued vacation	3,792	3,525
Customer deposits	5,336	4,358
Current portion long-term debt	<u>75,000</u>	<u>75,000</u>
Total current liabilities	<u>120,828</u>	<u>127,694</u>
Non Current Liabilities:		
Revenue notes payable	75,000	150,000
Less current portion above	<u>(75,000)</u>	<u>(75,000)</u>
Total non current liabilities	<u>-</u>	<u>75,000</u>
Total liabilities	<u>120,828</u>	<u>202,694</u>

Net Assets

Invested in capital assets net of related debt	1,037,161	1,194,609
Restricted	187,461	195,509
Unrestricted	<u>1,419,447</u>	<u>1,180,894</u>
Total net assets	<u>\$ 2,644,069</u>	<u>2,571,012</u>

See notes to financial statements.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Exhibit B

Statements of Revenues, Expenses and Changes in Net Assets

For the Fiscal Years ended June 30, 2009 and 2008

	<u>Proprietary Fund Type</u>	
	<u>Enterprise Fund</u>	
	<u>2009</u>	<u>2008</u>
Operating revenues	\$ 918,642	\$ 972,180
Operating expenses:		
Power production	463,546	430,974
Plant	8,533	14,042
Distribution	109,299	111,754
Commercial	24,150	23,250
Administration	140,997	151,436
Depreciation	114,431	115,089
Total operating expenses	<u>860,956</u>	<u>846,545</u>
Operating income	<u>57,686</u>	<u>125,635</u>
Non-operating revenues (expenses):		
Interest income	45,226	46,057
Other income	21,386	18,709
Payments in lieu of property taxes	(14,885)	(14,399)
Economic development payments	(30,784)	(2,520)
Interest expense	(4,572)	(7,610)
Amortization expense	(1,000)	(1,000)
Total non-operating revenues (expenses)	<u>15,371</u>	<u>39,237</u>
Change in net assets	73,057	164,872
Net assets beginning of year	<u>2,571,012</u>	<u>2,406,140</u>
Net assets end of year	<u>\$ 2,644,069</u>	<u>2,571,012</u>

See notes to financial statements

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Exhibit C

Statements of Cash Flows

For the Fiscal Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from customers	\$ 937,438	952,996
Cash received from miscellaneous income	21,386	18,709
Cash paid to suppliers for goods and services	(709,028)	(670,152)
Cash paid to employees for services	<u>(112,258)</u>	<u>(108,328)</u>
Net cash provided by operating activities	<u>137,538</u>	<u>193,225</u>
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(32,783)	(59,092)
SO2 allowances purchased	-	(25,998)
Repayment of long-term debt	(75,000)	(70,000)
Interest paid on revenue bonds	<u>(4,834)</u>	<u>(7,853)</u>
Net cash used by capital and related financing activities	<u>(112,617)</u>	<u>(162,943)</u>
Cash flows from investing activities:		
(Increase) decrease in patronage dividends	(385)	(1,251)
Investments purchased	(76,171)	(114,774)
Transfers to restricted funds	(98,048)	(109,252)
Transfers from restricted funds	102,338	95,792
Notes receivable principal received	5,308	17,754
Interest on investments	<u>46,838</u>	<u>52,499</u>
Net cash provided by (used by) investing activities	<u>(20,120)</u>	<u>(59,232)</u>
Net increase (decrease) in cash and cash equivalents	4,801	(28,950)
Cash and cash equivalents - beginning of year	<u>87,785</u>	<u>116,735</u>
Cash and cash equivalents - end of year	<u>\$ 92,586</u>	<u>87,785</u>

See notes to financial statements.

(continued)

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Exhibit C

Statements of Cash Flows

For the Fiscal Years ended June 30, 2009 and 2008

Reconciliation of operating income to net cash provided by operating activities:

	<u>2009</u>	<u>2008</u>
Operating income	\$ 57,685	125,635
Adjustments to reconcile operating income to net cash provided by operating activities:		
Other revenue (expense) - net	(24,283)	1,790
Depreciation	114,432	115,089
Amortization of SO2 allowances	4,952	-
(Increase) decrease in current assets:		
Accounts receivable	18,796	(19,184)
Inventories	(27,333)	(35,777)
Prepaid insurance	(106)	(235)
Increase (decrease) in current liabilities:		
Accounts payable	(4,371)	(22)
Operating advance - Neal #4	(692)	(256)
Accrued taxes	(2,787)	6,710
Accrued vacation	267	(205)
Customer deposits	978	(320)
Total adjustments	<u>79,853</u>	<u>67,590</u>
Net cash provided by operating activities	<u>\$ 137,538</u>	<u>193,225</u>

See notes to financial statements.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2009 and 2008

(1) Summary of Significant Accounting Policies

Graettinger Municipal Light Plant (Light Plant) provides electric utility services on a user charge basis to the general public within Graettinger, Iowa.

The Light Plant's financial statements are prepared in conformity with U.S. generally accepted principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

The Graettinger Municipal Light Plant is legally separate, but is financially accountable to the City of Graettinger and is managed by a three member board of directors. The Light Plant is considered to be a component unit of the City of Graettinger in accordance with U.S. governmental accounting standards.

For financial reporting purposes, the Light Plant has included all funds, organizations, agencies, boards, commissions and authorities. The Light Plant has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Light Plant are such that exclusion would cause the Light Plant's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Light Plant to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Light Plant. Graettinger Municipal Light Plant has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of Graettinger Municipal Light Plant are organized 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

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2009 and 2008

is the costs (expenses, including depreciation) of providing goods or services to the general public 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.

C. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Light Plant applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Light Plant 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 the Light Plant's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities and Net Investments

The following accounting policies are followed in preparing the Statement of Net Assets:

Accounts Receivable – The Light Plant charges uncollectible receivables against income and does not maintain an allowance for uncollectibles. At each year-end, those accounts deemed to be worthless are written off. The use of the direct write-off method is not materially different from the reserve method.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2009 and 2008

Inventories – Inventories are valued at the lower of cost or market on a first-in, first-out (FIFO) basis.

Investments – Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

Cash and Cash Equivalents – The Light Plant considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Restricted Assets – The Light Plant sets aside funds for various purposes. See Note 5 for further explanation.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense, while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Light Plant as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of three years.

<u>Asset Class</u>	<u>Amount</u>
Buildings and improvements	\$ 2,500
Neal #4 plant	2,500
Engines and other plant equipment	500
Distribution system	2,500
Vehicles	1,000
Office equipment	500

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2009 and 2008

Capital assets of the Light Plant are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (in years)</u>
Buildings and improvements	15-40
Neal #4 plant	25
Engines and other plant equipment	7-25
Distribution system	10-20
Vehicles	5-10
Office equipment	3-10

Prepaid Loan Fees – The Light Plant is amortizing loan fees over the remaining life of the loan on a straight-line basis.

SO2 Allowances – The Light Plant is amortizing SO2 allowances when utilized.

Estimates – The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures 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.

Compensated Absences – Light Plant employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The Light Plant's liability for accumulated vacation has been computed based on rates of pay in effect at June 30, 2009.

Subsequent Events – The Light Plant has evaluated subsequent events through November 11, 2009, the date which the financial statements were available to be issued.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2009 and 2008

(2) Cash and Investments

The Light Plant's deposits in banks at June 30, 2009 and 2008 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 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 Light Plant; 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.

The Light Plant had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2009 and 2008

(3) Capital Assets

A summary of capital assets at June 30, 2009 is as follows:

	Balance Beginning of Year	<u>Increases</u>	<u>Decreases</u>	Balance End of Year
Capital Assets Not Being Depreciated:				
Land	\$ <u>22,664</u>	---	---	<u>22,664</u>
Capital Assets Being Depreciated:				
Buildings and improvements	193,196	---	---	193,196
Neal #4 plant	719,499	5,077	---	724,576
Engines and other plant equipment	1,208,825	---	---	1,208,825
Distribution system	1,113,334	22,506	---	1,135,840
Vehicles	65,748	5,200	---	70,948
Office equipment	<u>10,859</u>	---	---	<u>10,859</u>
Total capital assets being depreciated	<u>3,311,461</u>	<u>32,783</u>	---	<u>3,344,244</u>
Less Accumulated Depreciation For:				
Buildings and improvements	131,310	3,624	---	134,934
Neal #4 plant	487,156	19,898	---	507,054
Engines and other plant equipment	672,993	51,121	---	724,114
Distribution system	787,299	32,742	---	820,041
Vehicles	50,764	6,752	---	57,516
Office equipment	<u>9,994</u>	<u>294</u>	---	<u>10,288</u>
Total accumulated depreciation	<u>2,139,516</u>	<u>114,431</u>	---	<u>2,253,947</u>
Total capital assets being depreciated, net	<u>1,171,945</u>	<u>(81,648)</u>	---	<u>1,090,297</u>
Total capital assets, net	\$ 1,194,609	(81,648)	---	1,112,961
	=====	=====	=====	=====

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2009 and 2008

A summary of capital assets at June 30, 2008 is as follows:

	Balance Beginning of Year	<u>Increases</u>	<u>Decreases</u>	Balance End of Year
Capital Assets Not Being Depreciated:				
Land	\$ <u>22,664</u>	---	---	<u>22,664</u>
Capital Assets Being Depreciated:				
Buildings and improvements	193,196	---	---	193,196
Neal #4 plant	715,719	3,780	---	719,499
Engines and other plant equipment	1,208,825	---	---	1,208,825
Distribution system	1,058,022	55,312	---	1,113,334
Vehicles	65,748	---	---	65,748
Office equipment	<u>10,859</u>	---	---	<u>10,859</u>
Total capital assets being depreciated	<u>3,252,369</u>	<u>59,092</u>	---	<u>3,311,461</u>
Less Accumulated Depreciation For:				
Buildings and improvements	127,655	3,655	---	131,310
Neal #4 plant	467,305	19,851	---	487,156
Engines and other plant equipment	621,730	51,263	---	672,993
Distribution system	753,464	33,835	---	787,299
Vehicles	44,806	5,958	---	50,764
Office equipment	<u>9,467</u>	<u>527</u>	---	<u>9,994</u>
Total accumulated depreciation	<u>2,024,427</u>	<u>115,089</u>	---	<u>2,139,516</u>
Total capital assets being depreciated, net	<u>1,277,942</u>	<u>(55,997)</u>	---	<u>1,171,945</u>
Total capital assets, net	\$ <u>1,250,606</u>	<u>(55,997)</u>	---	<u>1,194,609</u>
	=====	=====	=====	=====

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2009 and 2008

(4) Notes Receivable

Notes receivable at June 30, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Shavers Manufacturing Construction note receivable in monthly installments of \$386, including interest at 3.00% and unsecured	\$ 0	5,308
Graettinger Housing Associates, Limited Partnership note receivable in annual payments of \$1,622, beginning December 1, 1997, including interest at 3.00%, and a balloon payment of \$4,075 on December 1, 2010, and secured by a real estate mortgage	<u>12,454</u>	<u>12,454</u>
Total notes receivable	\$ 12,454 =====	17,762 =====

(5) Restricted Funds

The Light Plant has set aside funds for the purchase of a new vehicle. Monthly transfers of \$500 are transferred to this fund.

The Light Plant has also set aside funds for payment of electric revenue notes as required by the note indenture.

Additionally, fund balances are maintained with North Iowa Municipal Electric Cooperative Association (NIMECA) for power transmission and improvements in accordance with the Light Plant's agreement with NIMECA. The Light Plant has also set aside funds with NIMECA to purchase NOX allowances.

The Light Plant has invested funds in the Iowa Stored Energy Project (ISEP). The Light Plant's management is anticipating that this investment will result in their ability to access additional power sources.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2009 and 2008

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within <u>One Year</u>
Revenue Notes	\$ 150,000	---	75,000	75,000	75,000
	=====	=====	=====	=====	=====

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within <u>One Year</u>
Revenue Notes	\$ 220,000	---	70,000	150,000	75,000
	=====	=====	=====	=====	=====

The Light Plant's long-term indebtedness consists of one revenue note. This note had an interest rate of 6.15% until it was renegotiated to 4.18% during fiscal year ended June 30, 2004. Annual principal amounts are due from \$55,000 - \$75,000 per year with the final maturity due in the fiscal year ending June 30, 2010. This note was originally issued June 1, 2000 for \$650,000.

The resolutions providing for the issuance of the revenue note include the following provisions:

- (a) The entire income and revenues of the Light Plant shall be deposited as collected in the Revenue Fund and shall be disbursed only as follows:
 - (1) Money in the Revenue Fund shall be first disbursed to the Operation and Maintenance Fund to pay current expenses.
 - (2) Money in the Revenue Fund shall next be disbursed to the Sinking Fund for the purpose of making the note principal and interest payments when due.
 - (3) Any monies remaining in the Revenue Fund may be used to pay for extraordinary repairs or replacements to the system, to redeem the notes or for any lawful purpose.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2009 and 2008

- (b) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the notes falling due in the same year.

During the year ended June 30, 2009, the Light Plant was in compliance with its revenue note provisions.

A summary of the annual note principal and interest payments to maturity is as follows:

Due Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010 and Total	\$ 75,000 =====	3,135 =====	78,135 =====

(7) 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 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 4.10% of their annual salary and the Light Plant is required to contribute 6.35% of annual covered payroll for the years ended June 30, 2009 and 2008. Contribution requirements are established by state statute. The Light Plant's contribution to IPERS for the years ended June 30, 2009 and June 30, 2008 were \$7,129 and \$6,554, respectively, equal to the required contributions for each year.

(8) Payments in Lieu of Property Taxes

Pursuant to a policy statement adopted on April 9, 1986, the Light Plant is obligated to make voluntary payments in lieu of property taxes to the City of Graettinger. Annual payments are the greater of 7% of net income or \$5,000. This policy was amended June 9, 1999 where the Light Plant is obligated to pay a franchise fee of 1.5 mills per KWH of sales per year.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2009 and 2008

Payments made in the fiscal years ended June 30, 2009 and 2008 totaled \$14,885 and \$14,399 respectively.

(9) Economic Development Payments

Pursuant to a policy statement adopted on May 8, 1991, the Light Plant is obligated to pay annually 5% of net income to the Graettinger Development Council (an economic development association). This policy was amended December 13, 2002, where the Light Plant is obligated to pay a franchise fee of 1.5 mills per KWH of sales per year. Payments to satisfy this policy in the fiscal years ended June 30, 2009 and 2008 totaled \$29,284 and \$0 respectively. There were no payments during the year ended June 30, 2008 as the Graettinger Development Council had not completed their request by year end.

The Light Plant, pursuant to a board resolution, paid housing incentives to the Graettinger Development Council in the amounts of \$1,500 and \$2,520 for the fiscal years ended June 30, 2009 and 2008 respectively.

(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. The Light plant assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Contingency

The Light Plant is involved in some discussion concerning a disputed bill. There is a possibility that the Light Plant may incur an additional expense of approximately \$33,000, but as of the date of the audit report, the final amount has not been determined.

Required Supplementary Information

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Budgetary Comparison Schedule of Revenues and Expenses

Required Supplementary Information

	Proprietary <u>Fund Type</u> <u>Enterprise Fund</u>			Final to Actual <u>Variance</u>
	<u>Budgeted Amounts</u>			
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
<u>For the Fiscal Year ended June 30, 2009</u>				
Revenues:				
Use of money and property	\$ 45,227	46,000	46,000	(773)
Charges for service	918,642	1,102,000	1,102,000	(183,358)
Miscellaneous	21,386	17,500	17,500	3,886
Total revenues	<u>985,255</u>	<u>1,165,500</u>	<u>1,165,500</u>	<u>(180,245)</u>
Expenses:				
Business type activities	912,198	1,079,900	1,079,900	174,926
Total expenses	<u>912,198</u>	<u>1,079,900</u>	<u>1,079,900</u>	<u>174,926</u>
Change in net assets	73,057	85,600	85,600	(12,543)
Balances beginning of year	<u>2,571,012</u>	<u>2,524,026</u>	<u>2,524,026</u>	<u>46,986</u>
Balances end of year	<u>\$ 2,644,069</u>	<u>\$ 2,609,626</u>	<u>\$ 2,609,626</u>	<u>\$ 34,443</u>

For the Fiscal Year ended June 30, 2008

Revenues:				
Use of money and property	\$ 46,057	46,000	46,000	57
Charges for service	972,180	1,065,000	1,065,000	(92,820)
Miscellaneous	18,709	17,000	17,000	1,709
Total revenues	<u>1,036,946</u>	<u>1,128,000</u>	<u>1,128,000</u>	<u>(91,054)</u>
Expenses:				
Business type activities	872,074	1,047,000	1,047,000	174,926
Total expenses	<u>872,074</u>	<u>1,047,000</u>	<u>1,047,000</u>	<u>174,926</u>
Change in net assets	164,872	81,000	81,000	83,872
Balances beginning of year	<u>2,406,140</u>	<u>2,443,026</u>	<u>2,443,026</u>	<u>(36,886)</u>
Balances end of year	<u>\$ 2,571,012</u>	<u>2,524,026</u>	<u>2,524,026</u>	<u>46,986</u>

See accompanying independent auditor's report.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Notes to Required Supplementary Information –
Budgetary Reporting

June 30, 2009 and 2008

In accordance with Code of Iowa, the Light Plant annually adopts a budget following required public notice and hearing. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The Light Plant budgets on a GAAP basis and is included in the City of Graettinger's published budget.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. All Light Plant disbursements are included in business type activities.

Other Supplementary Information

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule 1

Schedules of Operating Revenues

For the Fiscal Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating revenues:		
Utility sales:		
Residential	\$ 265,649	270,651
Commercial	74,463	77,611
Industrial	151,871	158,735
Public authorities	12,983	13,800
For resale	238,499	258,184
Energy adjustment	<u>137,642</u>	<u>155,568</u>
	<u>881,107</u>	<u>934,549</u>
Other:		
Miscellaneous	<u>37,535</u>	<u>37,631</u>
Total operating revenues	<u>\$ 918,642</u>	<u>972,180</u>

See accompanying independent auditor's report.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule 2

Schedules of Power Production, Plant, Distribution,
Commercial and Administrative Expenses

For the Fiscal Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Power production expense:		
Fuel and generation	\$ 79,964	72,889
Operation and maintenance, labor, supplies, and expense	42,413	36,219
Other power costs	42,811	40,015
Purchased power	<u>298,358</u>	<u>281,851</u>
Total power production expense	<u>463,546</u>	<u>430,974</u>
Plant expense:		
Supplies and expense	<u>8,533</u>	<u>14,042</u>
Total plant expense	<u>8,533</u>	<u>14,042</u>
Distribution expense:		
Line and station labor	88,375	84,873
Supplies and expense	15,935	12,781
Truck expense	<u>4,989</u>	<u>14,100</u>
Total distribution expense	<u>109,299</u>	<u>111,754</u>
Commercial expense:		
Accounting and collecting salaries	<u>24,150</u>	<u>23,250</u>
Total commercial expense	<u>24,150</u>	<u>23,250</u>
Administrative expense:		
Advertising	3,167	2,576
Donations	395	185
Employees' benefits	49,728	40,989
Insurance	14,087	13,817

(continued)

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule 2

Schedules of Power Production, Plant, Distribution,
Commercial and Administrative Expenses

For the Fiscal Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Administrative expense (continued):		
Membership and dues	16,900	11,866
Miscellaneous general	29,193	24,542
Office supplies and expense	10,326	13,981
Outside services employed	9,323	34,606
Property taxes	7,878	8,874
Total administrative expense	<u>\$ 140,997</u>	<u>151,436</u>

See accompanying independent auditor's report.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule 3

Schedule of Insurance Coverage

June 30, 2009

<u>Company</u>	<u>Coverage</u>	<u>Limit</u>	<u>Effective</u>
Employers Mutual	Worker's Comp	\$ 500,000	4/1/09-3/31/10
	General Liability		
	Aggregate	2,000,000	4/1/09-3/31/10
	Products Liability	2,000,000	
	Personal Liability	1,000,000	
	Automobile		
	Liability	1,000,000	4/1/09-3/31/10
	Uninsured Motorist	50,000	
	Underinsured Motorist	50,000	
	Umbrella Liability	2,000,000	4/1/09-3/31/10
	Crime		
	Inside Premises	5,000	4/1/09-3/31/10
	Outside Premises	5,000	
	Employee Theft	50,000	
	Forgery	10,000	
	Property		
	Facilities and Contents	4,972,802	4/1/09-3/31/10
	Inland Marine		
	Equipment-Catastrophe	Scheduled	4/1/09-3/31/10
	Linebacker	1,000,000	4/1/09-3/31/10

See accompanying independent auditor's report.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule 4

Schedules of Kilowatt Hours

For the Fiscal Years ended June 30, 2009 and 2008

	2009		2008	
	<u>Kilowatt Hours</u>	<u>Percent</u>	<u>Kilowatt Hours</u>	<u>Percent</u>
KWH Metered:				
Residential	5,249,144	48.87	5,286,790	48.22
Commercial	1,338,218	12.46	1,430,800	13.05
Industrial	2,816,976	26.23	2,956,853	26.97
Public authorities	<u>234,626</u>	<u>2.18</u>	<u>249,090</u>	<u>2.27</u>
	9,638,964	89.74	9,923,533	90.51
KWH Consumed:				
Used in operations	350,240	3.26	368,980	3.37
Distribution system loss	399,013	3.72	307,139	2.80
Transmission losses	<u>352,207</u>	<u>3.28</u>	<u>364,148</u>	<u>3.32</u>
 Total System	 <u><u>10,740,424</u></u>	 <u><u>100.00</u></u>	 <u><u>10,963,800</u></u>	 <u><u>100.00</u></u>

See accompanying independent auditor's report.

**Independent Auditor's Report 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**

Independent Auditor's Report 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 Directors of the Graettinger
Municipal Light Plant:

We have audited the accompanying financial statements of Graettinger Municipal Light Plant, a component unit of the City of Graettinger, Iowa, as of and for the year ended June 30, 2009 and have issued our report thereon dated November 11, 2009. 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 Graettinger Municipal Light Plant'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 Graettinger Municipal Light Plant's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Graettinger Municipal Light Plant'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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

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 Graettinger Municipal Light Plant'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 Graettinger Municipal Light Plant's that is more than inconsequential will not be prevented or detected by Graettinger Municipal Light Plant's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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 Graettinger Municipal Light Plant'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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (A) is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Graettinger Municipal Light Plant's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 noncompliance or other matters 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 June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Light Plant. 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.

Graettinger Municipal Light Plant's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Light Plant's responses, we did not audit Graettinger Municipal Light Plant'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 the members and customers of Graettinger Municipal Light Plant and other parties to whom the Light Plant may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Graettinger Municipal Light Plant during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

November 11, 2009

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule of Findings

For the Fiscal Year ended June 30, 2009

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent loss from employee error or dishonesty and therefore maximizes the accuracy of the Light Plant’s financial statements. We noted that one employee handles almost all of the financial duties, including reconciling accounts and recording financial data.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. Therefore, we recommend the board maintain its diligence in the review of the financial records.

Response – We will continue our review.

Conclusion – Response accepted.

- (B) Preparation of Financial Statements, including Notes to Financial Statements – As is common with an entity of this size, the City has engaged the auditing firm to prepare the financial statements, including disclosures. The Auditing Standards Board requires us to notify you this is considered to be a significant deficiency.

Recommendation – The City’s personnel should continue to review the preliminary draft of the audit report before issuance.

Response – We will continue to do this.

Conclusion – Response accepted.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule of Findings

For the Fiscal Year ended June 30, 2009

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements for the year ended June 30, 2009 did not exceed amounts budgeted.
- (2) Questionable Expenses – No expenses were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No expenditures of money for travel expenses of spouses of Light Plant officials or employees were noted.
- (4) Business Transactions – The City of Graettinger has included the Light Plant in the commercial insurance package purchased from the agency of Lloyd Peterson, Chairman of the Light Plant Board. The City bills the Light Plant for their portion of the premiums paid. The Light Plant’s premium paid for this coverage was \$14,193 and \$14,052 for the years ended June 30, 2009 and 2008, respectively.

This does not appear to be a conflict of interest as insurance is a service and falls outside the items that are normally bid on.

The Light Plant designated Graettinger Times as their designated newspaper. The Graettinger Times is owned by Scott Tonderum, manager of the Light Plant and his wife. This does not appear to represent a conflict of interest as a resolution was passed naming the Graettinger Times as it’s official newspaper.

The Light Plant paid \$2,785 and \$2,774 to the Graettinger Times for the years ended June 30, 2009 and 2008 respectively.

- (5) Bond Coverage – Surety bond coverage of Light Plant officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.
- (6) Board Minutes – No transactions were found that we believe should have been approved in the board minutes but were not.

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule of Findings

For the Fiscal Year ended June 30, 2009

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Light Plant’s investment policy were noted.
- (8) Revenue Notes – The Light Plant is in compliance with all aspects of the note resolutions.

Other Findings Related to the Covenants of the Electric Revenue Bond issued dated June 1, 2000:

- (a) The Covenants of the note resolution have been complied with in all material respects. In addition, the Light Plant has satisfied the net revenue test as required by the rate covenants.

- (b) Net revenues for the year ended June 30, 2009 are as follows:

Change in net assets	\$ 73,057
Depreciation	114,432
Interest expense	<u>4,572</u>
Net revenues	\$ 192,061
	=====

- (c) Restricted Funds

Balance July 1, 2008	\$ 195,509
Change	<u>(8,048)</u>
Balance – June 30, 2009	\$ 187,461
	=====

Graettinger Municipal Light Plant
A Component Unit of the City of Graettinger

Schedule of Findings

For the Fiscal Year ended June 30, 2009

(d) Rates at June 30, 2009 were as follows:

Residential:	0-500 KWH	6.44 cents per KWH
	All additional KWH	4.11 cents per KWH
Small General Service:	0-1000 KWH	7.94 cents per KWH
	All additional KWH	4.08 cents per KWH
Large Commercial:	All KW of demand at	\$4.39 per KW
	All KWH of energy at	3.31 cents per KWH
Public Authority and Street Lighting:		
	First 1000 KWH at	7.25 cents per KWH
	All additional KWH at	4.09 cents per KWH
Customer Charge All Services Per Month:		\$ 5.00

(e) Customer numbers at June 30, 2009 are as follows:

Residential	437
Commercial	74
Large Industrial	16
Public Lighting and Authority	<u>12</u>
	<u>539</u>

(f) See Schedule 3 for insurance coverage.

(g) See page 1 for list of Light Plant officials.