

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

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

FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

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

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

Officials

June 30, 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lloyd Petersen	Chairman	Sep 1, 2013
James A. Haegele	Board Member	Sep 1, 2017
Bill Brown, Jr.	Board Member	Sep 1, 2015
Scott Tonderum	Superintendent	Indefinite
Pamela Peton	Secretary/Accountant	Indefinite

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

Independent Auditor's Report

To the Board of Directors of the
Graettinger Municipal Light Plant:

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, 2012 and June 30, 2011. 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 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 Graettinger Municipal Light Plant of Graettinger, Iowa as of June 30, 2012 and June 30, 2011 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 30, 2012, 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.

U.S. generally accepted accounting principle require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 9 and 29 through 31 to be presented to supplement the basic financial

statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. Supplementary information included in Schedules 1 through 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Supplementary information included in Schedules 1 and 2 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information included in Schedules 1 and 2 is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Schedules 3 and 4 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.

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

November 30, 2012

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, 2012. 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 0.3%, or \$3,730, from fiscal 2011 to 2012. The decrease in revenues is so minor that it can't be attributed to any one classification of revenues.
- ~ The Light Plant's operating expenses decreased by 2.5%, or \$25,490, from fiscal 2011 to 2012. This change is the result of a decrease in plant supplies and expense.
- ~ The Light Plant's non-operating revenues (expenses) increased from \$24,760 in fiscal 2011 to \$302,239 in fiscal 2012. This increase of \$277,479 is attributed to a \$300,000 grant that was received from the USDA to start a revolving loan fund. Other factors that attributed were decreases in interest income and other income and an increase in the "in lieu of property tax" payment made to the City of Graettinger.
- ~ The Light Plant's net assets increased by 14.4%, or \$414,098 from fiscal 2011 to 2012.

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 2012 totaled approximately \$3,281,000. This compares to approximately \$2,867,000 for fiscal 2011. A summary of the Light Plant's net assets is presented below.

Net Assets		
	Year Ended June 30,	
	2012	2011
Current Assets	\$ 681,622	\$ 592,186
Capital Assets	\$ 960,193	\$ 964,502
Non-Current Assets	\$ 1,690,019	\$ 1,362,786
Total Assets	\$ 3,331,834	\$ 2,919,474
Current Liabilities	\$ 48,268	\$ 51,129
Non-Current Liabilities	\$ 2,159	\$ 1,036
Total Liabilities	\$ 50,427	\$ 52,165
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 960,193	\$ 964,502
Restricted	\$ 440,374	\$ 72,328
Unrestricted	\$ 1,880,840	\$ 1,830,479
Total Net Assets	\$ 3,281,407	\$ 2,867,309

The Invested in Capital Assets (29.3% of the total) is land, buildings, equipment and a 0.17% ownership in the Neal #4 coal fired power plant, less the related debt portion of the asset. The Unrestricted Assets (57.3% of total) is what can be used to meet the Light Plant's obligations as they come due. The remaining Restricted Assets (13.4% of total) is the funds that are earmarked for certain projects and capital improvements and the \$360,000 that that was used to start the revolving loan fund account.

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 and the grant received from the USDA to start the revolving loan fund. 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, 2012 is presented below:

Changes in Net Assets		
	Year Ended June 30,	
	2012	2011
Operating Revenues:		
Electricity Sales, Retail to Light Plant Customers	\$ 666,908	\$ 681,325
Electricity Sales, Wholesale to Other Electric Utilities	\$ 305,069	\$ 313,599
Energy Adjustments Charged	\$ 63,025	\$ 41,431
Miscellaneous	\$ 67,672	\$ 70,049
Total Operating Revenues	\$ 1,102,674	\$ 1,106,404
Operating Expenses:		
Fuel and Generation	\$ 115,421	\$ 113,274
Operation & Maintenance, Labor, Supplies & Expense	\$ 39,959	\$ 39,173
Other Power Cost	\$ 72,599	\$ 74,607
Purchase Power	\$ 307,911	\$ 304,714
Plant Supplies And Expense	\$ 31,710	\$ 72,216
Line and Station Labor	\$ 99,902	\$ 93,650
Distribution Supplies and Expense	\$ 26,564	\$ 17,980
Truck Expense	\$ 6,770	\$ 6,791

Accounting and Collecting Salaries	\$ 27,320	\$ 26,775
Advertising	\$ 3,274	\$ 3,673
Donations	\$ 110	\$ 235
Employee's Benefits	\$ 59,128	\$ 61,379
Insurance	\$ 16,710	\$ 14,339
Memberships and Dues	\$ 14,700	\$ 18,191
Miscellaneous General Administrative	\$ 31,079	\$ 25,377
Office Supplies and Expense	\$ 15,101	\$ 13,895
Outside Services Employed	\$ 13,050	\$ 22,480
Property Taxes	\$ 9,287	\$ 6,767
Depreciation	\$ 100,220	\$ 100,789
Total Operating Expenses	\$ 990,815	\$ 1,016,305
Total Operating Income	\$ 111,859	\$ 90,099
Non-Operating Revenues (Expenses):		
Interest Income	\$ 15,251	\$ 24,898
Other Income	\$ 22,228	\$ 28,134
Grant Proceeds	\$ 300,000	\$ -
Payments in Lieu of Property Taxes	\$ (21,144)	\$ (14,136)
Economic Developments Contributions	\$ (14,096)	\$ (14,136)
Net Non-Operating Revenues (Expenses)	\$ 302,239	\$ 24,760
Change in Net Assets	\$ 414,098	\$ 114,859
Net Assets Beginning of Fiscal Year	\$ 2,867,309	\$ 2,752,450
Net Assets at End of Fiscal Year	\$ 3,281,407	\$ 2,867,309

The Statement of Revenues, Expenses and Changes in Net Assets reflects gain for the year with a increase in the net assets of \$414,098 at the end of the fiscal 2012 year.

In fiscal 2012, operating revenues decreased by \$3,730, or less than 0.5%. Sales to all customer classifications were similar to fiscal 2011; Residential sales decreased by \$15,954 or 4%, Commercial sales decreased by \$849 or >1%, Industrial sales increased by \$4,911 or 2.5%, and Public Authorities sales decreased by \$2,525 or 14%. Energy Adjustment showed a large increase in revenues of \$21,594 or 52%. Sales for Resale revenues decreased slightly at 2.5% or \$8,530. The remainder of the decrease in revenues was from Miscellaneous sales which decreased by \$2,377 or 3.5%. Fiscal 2012 operating expenses decreased by 2.5% or \$25,490. Plant expense had the largest decrease at \$40,506 or 56%, followed by Administration and Depreciation expenses, which showed decreases of \$3,897 or 2.5% and \$569 or >1% respectively. Distribution expense had the largest increase of \$14,815 or 12.5% followed by Commercial and Power Production expenses, which also showed increases of \$545 or 2% and \$4,122 or >1% respectively.

Total fiscal 2012 operating income increased by 24% or \$21,760 to \$111,859 compared to \$90,099 in fiscal 2011. Note this doesn't include the non-operating revenues (expenses).

An increase in Other income of \$5,906 or 26.5% was offset by a decrease in Interest income of \$9,647 or 39%. Payments In Lieu of Property Taxes increased by 50.5% or \$7,008 while Economic Development Payments decreased slightly by \$40 or >1%. Due to the Light Plant having zero debt their was no Interest and Amortization expenses. Grant Proceeds was added to the Non-operating revenues (expenses) as a new line item to show the \$300,000 USDA grant received.

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 2012 of \$414,098, compared to a gain of \$114,859 in fiscal 2011.

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, 2012, the Light Plant had \$960,193 invested in capital assets, net of accumulated depreciation of approximately \$2,560,449. Depreciation charges totaled \$100,220 for fiscal 2012. 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, 2012 the Light Plant had no outstanding long term debts.

ECONOMIC FACTORS

During fiscal 2012 the Graettinger Municipal Light Plant increased its financial assets by 14.12% or \$412,360 to a total asset value of \$3,331,834 compared to \$2,919,474 in fiscal 2011.

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, 2012 and 2011

	<u>Assets</u>	
	<u>Proprietary Fund Type</u>	
	<u>Enterprise Fund</u>	
	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and cash equivalents- unrestricted	\$ 277,346	273,564
Cash and cash equivalents- restricted	2,025	-
Accounts receivable	93,731	86,133
Inventories	254,535	203,173
Prepaid insurance	14,940	11,140
Interest receivable	3,045	5,722
Current portion of notes receivable	36,000	12,454
Total current assets	<u>681,622</u>	<u>592,186</u>
Capital Assets:		
Property and equipment	3,520,642	3,424,731
Less accumulated depreciation	<u>(2,560,449)</u>	<u>(2,460,229)</u>
Net capital assets	<u>960,193</u>	<u>964,502</u>
Non Current Assets:		
Investments- unrestricted	1,244,000	1,244,000
Investments- restricted	78,349	72,328
Investment in ISEP	-	5,000
Notes receivable	360,000	12,454
Less current portion	(36,000)	(12,454)
Patronage dividends receivable	12,532	10,320
Emission allowances	31,138	31,138
Total non current assets	<u>1,690,019</u>	<u>1,362,786</u>
Total assets	<u>3,331,834</u>	<u>2,919,474</u>

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, 2012 and 2011

	<u>Proprietary Fund Type</u>	
	<u>Enterprise Fund</u>	
	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 1,102,674	1,106,404
Operating expenses:		
Power production	535,890	531,768
Plant	31,710	72,216
Distribution	133,236	118,421
Commercial	27,320	26,775
Administration	162,439	166,336
Depreciation	100,220	100,789
Total operating expenses	<u>990,815</u>	<u>1,016,305</u>
Operating income	<u>111,859</u>	<u>90,099</u>
Non-operating revenues (expenses):		
Interest income	15,251	24,898
Other income	22,228	28,134
Grant proceeds	300,000	-
Payments in lieu of property taxes	(21,144)	(14,136)
Economic development payments	(14,096)	(14,136)
Total non-operating revenues (expenses)	<u>302,239</u>	<u>24,760</u>
Change in net assets	414,098	114,859
Net assets beginning of year	<u>2,867,309</u>	<u>2,752,450</u>
Net assets end of year	<u>\$ 3,281,407</u>	<u>2,867,309</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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,095,076	1,090,607
Cash received from miscellaneous income	22,228	28,134
Cash paid to suppliers for goods and services	(848,019)	(829,288)
Cash paid to employees for services	<u>(129,716)</u>	<u>(118,117)</u>
Net cash provided by operating activities	<u>139,569</u>	<u>171,336</u>
Cash flows from noncapital financing activities:		
Grant proceeds received	300,000	-
Payments received on development loans	12,454	-
Disbursements made on development loans	<u>(360,000)</u>	<u>-</u>
Net cash provided by (used by) noncapital financing activities	<u>(47,546)</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	(95,911)	(38,817)
Emission allowances purchased	<u>-</u>	<u>(447)</u>
Net cash used by capital and related financing activities	<u>(95,911)</u>	<u>(39,264)</u>
Cash flows from investing activities:		
(Increase) decrease in patronage dividends	(2,212)	(332)
Investments purchased	-	(93,829)
Transfers to restricted investments	(21,479)	(23,572)
Transfers from restricted investments	15,458	30,927
Interest on investments	<u>17,928</u>	<u>29,277</u>
Net cash provided by (used by) investing activities	<u>9,695</u>	<u>(57,529)</u>
Net increase (decrease) in cash and cash equivalents	5,807	74,543
Cash and cash equivalents - beginning of year	<u>273,564</u>	<u>199,021</u>
Cash and cash equivalents - end of year	<u>\$ 279,371</u>	<u>273,564</u>

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, 2012 and 2011

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

	<u>2012</u>	<u>2011</u>
Operating income	\$ 111,859	<u>90,099</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Other revenue (expense) - net	(13,012)	(137)
Investment in ISEP written off	5,000	-
Depreciation	100,220	100,789
Increase in net OPEB liability	1,123	1,036
(Increase) decrease in current assets:		
Accounts receivable	(7,598)	(15,797)
Inventories	(51,362)	(11,819)
Prepaid insurance	(3,800)	(514)
Increase (decrease) in current liabilities:		
Accounts payable	(2,423)	5,153
Operating advance - Neal #4	(394)	25
Accrued taxes	2,698	(576)
Accrued vacation	(2,494)	2,308
Customer deposits	<u>(248)</u>	<u>769</u>
Total adjustments	<u>27,710</u>	<u>81,237</u>
Net cash provided by operating activities	<u>\$ 139,569</u>	<u>171,336</u>

Reconciliation of cash and cash equivalents at year end to the specific assets included on the Statement of Net Assets:

Current assets:

Cash and cash equivalents - unrestricted	277,346	273,564
Cash and cash equivalents - restricted	<u>2,025</u>	<u>-</u>
Total cash and cash equivalents	<u>\$ 279,371</u>	<u>273,564</u>

See notes to financial statements.

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

Notes to Financial Statements

June 30, 2012 and 2011

(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, 2012 and 2011

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 Assets

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

Cash, Investments 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. Cash investments not meeting the definition of cash equivalents at June 30, 2012 include certificates of deposit of \$1,244,000 as of June 30, 2012 and 2011.

Graettinger Municipal Light Plant
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Notes to Financial Statements

June 30, 2012 and 2011

Accounts Receivable – The Light Plant charges uncollectible receivables against income and does not maintain an allowance for doubtful accounts. 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.

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.

Restricted Assets – The Light Plant has restricted assets set aside for economic development loans and for improvements in accordance with their agreement with North Iowa Municipal Electric Cooperative (NIMECA).

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
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Notes to Financial Statements

June 30, 2012 and 2011

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

Emission Allowances – The Light Plant is amortizing emission allowances when utilized.

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, 2012.

Net Assets – Net assets represent the difference between assets and liabilities in the financial statements. Net assets are reported in the following categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources by management which can be removed or modified.

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

Notes to Financial Statements

June 30, 2012 and 2011

The Light Plant's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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.

(2) Cash and Investments

The Light Plant's deposits in banks at June 30, 2012 and 2011 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, as amended by Statement No. 40.

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

Notes to Financial Statements

June 30, 2012 and 2011

(3) Capital Assets

A summary of capital assets at June 30, 2012 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	196,742	---	---	196,742
Neal #4 plant	732,201	64,204	---	796,405
Engines and other plant equipment	1,208,825	---	---	1,208,825
Distribution system	1,183,763	26,892	---	1,210,655
Vehicles	70,748	---	---	70,748
Office equipment	<u>9,788</u>	<u>4,815</u>	---	<u>14,603</u>
Total capital assets being depreciated	<u>3,402,067</u>	<u>95,911</u>	---	<u>3,497,978</u>
Less Accumulated Depreciation For:				
Buildings and improvements	141,037	2,984	---	144,021
Neal #4 plant	547,239	21,449	---	568,688
Engines and other plant equipment	821,691	45,932	---	867,623
Distribution system	873,589	26,864	---	900,453
Vehicles	67,016	1,926	---	68,942
Office equipment	<u>9,657</u>	<u>1,065</u>	---	<u>10,722</u>
Total accumulated depreciation	<u>2,460,229</u>	<u>100,220</u>	---	<u>2,560,449</u>
Total capital assets being depreciated, net	<u>941,838</u>	<u>(4,309)</u>	---	<u>937,529</u>
Total capital assets, net	\$ <u>964,502</u>	<u>(4,309)</u>	---	<u>960,193</u>
	=====	=====	=====	=====

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

Notes to Financial Statements

June 30, 2012 and 2011

(3) Capital Assets

A summary of capital assets at June 30, 2011 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	3,546	---	196,742
Neal #4 plant	727,857	4,344	---	732,201
Engines and other plant equipment	1,208,825	---	---	1,208,825
Distribution system	1,152,836	30,927	---	1,183,763
Vehicles	70,948	---	200	70,748
Office equipment	<u>10,859</u>	---	<u>1,071</u>	<u>9,788</u>
Total capital assets being depreciated	<u>3,344,244</u>	<u>38,817</u>	<u>1,271</u>	<u>3,402,067</u>
Less Accumulated Depreciation For:				
Buildings and improvements	138,189	2,848	---	141,037
Neal #4 plant	527,246	19,991	---	547,239
Engines and other plant equipment	774,388	47,303	---	821,691
Distribution system	847,202	26,387	---	873,589
Vehicles	63,178	4,038	200	67,016
Office equipment	<u>10,508</u>	<u>220</u>	<u>1,071</u>	<u>9,657</u>
Total accumulated depreciation	<u>2,253,947</u>	<u>106,764</u>	---	<u>2,460,229</u>
Total capital assets being depreciated, net	<u>1,003,810</u>	<u>(61,972)</u>	---	<u>941,838</u>
Total capital assets, net	\$ <u>1,026,474</u>	<u>(61,972)</u>	---	<u>964,502</u>
	=====	=====	=====	=====

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

Notes to Financial Statements

June 30, 2012 and 2011

(4) Notes Receivable

Notes receivable at June 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
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 \$11,204 on December 1, 2011, and secured by a real estate mortgage	\$ ---	12,454
Graettinger Terrill Community School District, note receivable in ten annual payments of \$36,000 beginning September 2, 2012, with no interest charged. This loan was made in association with the Federal Grant Agreement for rural economic development.	<u>360,000</u>	<u>---</u>
Total notes receivable	<u>360,000</u>	<u>12,454</u>

(5) Restricted Funds

The Light Plant has the following amounts restricted for the following purposes as of June 30, 2012 and 2011:

Economic Development Loans	362,025	---
Improvements	<u>78,349</u>	<u>73,328</u>
Total restricted funds	<u>\$ 440,374</u>	<u>73,328</u>

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

Notes to Financial Statements

June 30, 2012 and 2011

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Net OPEB Liability	\$ 1,036 =====	1,123 =====	--- =====	2,159 =====	--- =====

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Net OPEB Liability	\$ --- =====	1,036 =====	--- =====	1,036 =====	--- =====

(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 5.38% of their annual covered salary and the Light Plant is required to contribute 8.07% of annual covered payroll for the years ended June 30, 2012. The contribution rates were 4.50% and 6.95% respectively for the year ended June 30, 2011. Contribution requirements are established by state statute. The Light Plant's contribution to IPERS for the years ended June 30, 2012 and June 30, 2011 were \$9,902 and \$7,830 respectively, equal to the required contributions for each year.

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

Notes to Financial Statements

June 30, 2012 and 2011

(8) Other Postemployment Benefits (OPEB)

Plan Description – The Light Plant operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 3 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Light Plant. The Light Plant currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The Light Plant’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the Light Plant, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Light Plant’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the Light Plant’s net OPEB obligation:

Annual required contribution	\$ 1,036
Interest on net OPEB obligation	26
Adjustment to annual required contribution	<u>93</u>
Annual OPEB cost	1,123
Contributions made	<u>---</u>
Increase in net OPEB obligation	1,123
Net OPEB obligation beginning of year	<u>1,036</u>
Net OPEB obligation end of year	\$ <u><u>2,159</u></u>

Graettinger Municipal Light Plant
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Notes to Financial Statements

June 30, 2012 and 2011

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2010. The end of year net OPEB obligation was calculated using the frozen entry age actuarial cost method by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the years ended June 30, 2012 and 2011.

For the years ended June 30, 2012 and 2011, the Light Plant contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0, or 0% of the premium costs.

The Light Plant's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation as of June 30, 2012 and 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 1,123	0 %	\$ 2,159
2011	1,036	0 %	1,036

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$10,152, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,152. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$117,000 and the ratio of the UAAL to covered payroll was 8.7%. As of June 30, 2011, there were no trust fund assets.

As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$9,303, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$9,303. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$121,000 and the ratio of the UAAL to covered payroll was 7.7%. As of June 30, 2012, there were no trust fund assets.

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

Notes to Financial Statements

June 30, 2012 and 2011

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the Light Plant's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement was assumed to be 80% by all groups. There was no assumed turnover rate.

Spousal coverage was based on actual data and husbands are assumed to be three years older than wives. Retirees pay for 100% of the premium and contributions are assumed to increase according to health care trend rates. All employees are assumed to elect the plan they are currently enrolled in at retirement.

Projected claim costs of the medical plan are \$443 or \$1,107 per month for retirees less than age 65 and the same for retirees who have attained age 65. The UAAL is being amortized to fund the value over 30 years, and is not related to salary levels.

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

Notes to Financial Statements

June 30, 2012 and 2011

(9) 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. This policy was amended November 16, 2011 to pay a franchise fee of 2.25 mills per KWH of sales per year.

Payments made in the fiscal years ended June 30, 2012 and 2011 totaled \$21,144 and \$14,136 respectively.

(10) 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, 2012 and 2011 totaled \$14,096 and \$14,136 respectively.

(11) 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.

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

Notes to Financial Statements

June 30, 2012 and 2011

(12) Subsequent Events

The Light Plant has evaluated subsequent events through November 30, 2012, the date the financial statements were available to be delivered.

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, 2012</u>				
Revenues:				
Use of money and property	\$ 15,250	38,000	38,000	(22,750)
Charges for service	1,102,674	1,219,200	1,219,200	(116,526)
Miscellaneous	322,228	489,000	489,000	(166,772)
Total revenues	<u>1,440,152</u>	<u>1,746,200</u>	<u>1,746,200</u>	<u>(306,048)</u>
Expenses:				
Business type activities	<u>1,026,054</u>	<u>1,182,800</u>	<u>1,182,800</u>	<u>156,746</u>
Total expenses	<u>1,026,054</u>	<u>1,182,800</u>	<u>1,182,800</u>	<u>156,746</u>
Change in net assets	414,098	563,400	563,400	(149,302)
Balances beginning of year	<u>2,867,309</u>	<u>2,867,309</u>	<u>2,867,309</u>	<u>-</u>
Balances end of year	<u>\$ 3,281,407</u>	<u>\$ 3,430,709</u>	<u>\$ 3,430,709</u>	<u>\$ (149,302)</u>

For the Fiscal Year ended June 30, 2011

Revenues:				
Use of money and property	\$ 24,898	38,000	38,000	(13,102)
Charges for service	1,106,404	1,328,200	1,328,200	(221,796)
Miscellaneous	28,134	20,000	20,000	8,134
Total revenues	<u>1,159,436</u>	<u>1,386,200</u>	<u>1,386,200</u>	<u>(226,764)</u>
Expenses:				
Business type activities	<u>1,044,577</u>	<u>1,182,800</u>	<u>1,182,800</u>	<u>138,223</u>
Total expenses	<u>1,044,577</u>	<u>1,182,800</u>	<u>1,182,800</u>	<u>138,223</u>
Change in net assets	114,859	203,400	203,400	(88,541)
Balances beginning of year	<u>2,752,450</u>	<u>2,752,450</u>	<u>2,752,450</u>	<u>-</u>
Balances end of year	<u>\$ 2,867,309</u>	<u>2,955,850</u>	<u>2,976,926</u>	<u>(109,617)</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, 2012 and 2011

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.

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

Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended 30-Jun	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
2011	July 1, 2010	-	\$ 10,152	\$ 10,152	0%	\$ 117,081	8.70%
2012	July 1, 2010	-	\$ 9,303	\$ 9,303	0%	\$ 120,766	7.70%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Utility sales:		
Residential	\$ 360,019	375,973
Commercial	100,226	101,075
Industrial	190,823	185,912
Public authorities	15,840	18,365
For resale	305,069	313,599
Energy adjustment	<u>63,025</u>	<u>41,431</u>
	<u>1,035,002</u>	<u>1,036,355</u>
Other:		
Miscellaneous	<u>67,672</u>	<u>70,049</u>
Total operating revenues	<u>\$ 1,102,674</u>	<u>1,106,404</u>

See accompanying independent auditor's report.

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

Schedule 2

Schedules of Operating Expenses

For the Fiscal Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Power production expense:		
Fuel and generation	\$ 115,421	113,274
Operation and maintenance, labor, supplies, and expense	39,959	39,173
Other power costs	72,599	74,607
Purchased power	<u>307,911</u>	<u>304,714</u>
Total power production expense	<u><u>535,890</u></u>	<u><u>531,768</u></u>
Plant expense:		
Supplies and expense	<u>31,710</u>	<u>72,216</u>
Total plant expense	<u><u>31,710</u></u>	<u><u>72,216</u></u>
Distribution expense:		
Line and station labor	99,902	93,650
Supplies and expense	26,564	17,980
Truck expense	<u>6,770</u>	<u>6,791</u>
Total distribution expense	<u><u>133,236</u></u>	<u><u>118,421</u></u>
Commercial expense:		
Accounting and collecting salaries	<u>27,320</u>	<u>26,775</u>
Total commercial expense	<u><u>27,320</u></u>	<u><u>26,775</u></u>
Administrative expense:		
Advertising	3,274	3,673
Donations	110	235
Employees' benefits	59,128	61,379
Insurance	16,710	14,339

(continued)

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

Schedule 2

Schedules of Operating Expenses

For the Fiscal Years ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Administrative expense (continued):		
Membership and dues	14,700	18,191
Miscellaneous general	31,079	25,377
Office supplies and expense	15,101	13,895
Outside services employed	13,050	22,480
Property taxes	<u>9,287</u>	<u>6,767</u>
Total administrative expense	<u>162,439</u>	<u>166,336</u>
Depreciation expense	<u>100,220</u>	<u>100,789</u>
Total operating expenses	<u>\$ 990,815</u>	<u>\$ 1,016,305</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, 2012

<u>Company</u>	<u>Coverage</u>	<u>Limit</u>	<u>Effective</u>
Employers Mutual	Worker's Comp	\$ 500,000	4/1/12-3/31/13
	General Liability	Aggregate	4/1/12-3/31/13
		2,000,000	
		Products Liability	
		2,000,000	
		Personal Liability	
		1,000,000	
	Automobile	Liability	4/1/12-3/31/13
		1,000,000	
		Uninsured Motorist	
		50,000	
		Underinsured Motorist	
		50,000	
	Umbrella Liability	3,000,000	4/1/12-3/31/13
	Crime	Employee Theft	4/1/12-3/31/13
		50,000	
		Forgery	
		10,000	
	Property	Facilities and Contents	4/1/12-3/31/13
		5,454,464	
	Inland Marine	Equipment-Catastrophe	4/1/12-3/31/13
		Scheduled	
	Linebacker	1,000,000	4/1/12-3/31/13

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, 2012 and 2011

	2012		2011	
	<u>Kilowatt Hours</u>	<u>Percent</u>	<u>Kilowatt Hours</u>	<u>Percent</u>
KWH Metered:				
Residential	4,896,831	48.52	5,355,093	51.71
Commercial	1,232,070	12.21	1,325,450	12.80
Industrial	2,541,680	25.19	2,461,496	23.77
Public authorities	<u>194,308</u>	<u>1.92</u>	<u>255,077</u>	<u>2.46</u>
	8,864,889	87.84	9,397,116	90.74
KWH Consumed:				
Used in operations	346,832	3.44	352,468	3.40
Distribution system loss	691,488	6.85	409,618	3.96
Transmission losses	<u>188,367</u>	<u>1.87</u>	<u>196,342</u>	<u>1.90</u>
 Total System	 <u><u>10,091,576</u></u>	 <u><u>100.00</u></u>	 <u><u>10,355,544</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**

Cornwell, Frideres, Maher & Associates, P.L.C.

Certified Public Accountants

714 14th Avenue North
Fort Dodge, IA 50501-7098
Phone 515.955.4805 • Fax 515.955.4673

Lowell W. Cornwell, C.P.A.
lwcornwell@frontiernet.net

Christine R. Frideres, C.P.A.
crfrideres@frontiernet.net

Jerilyn J. Maher, C.P.A.
jjmaher@frontiernet.net

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, 2012 and have issued our report thereon dated November 30, 2012. 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

The management of the Graettinger Municipal Light plant is responsible for establishing and maintaining effective 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 an 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness and a deficiency we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of Graettinger Municipal's Light Plant's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in the Light Plant's internal control described in the accompanying Schedule of Findings as item I-A-12 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item I-B-12 to be a significant deficiency.

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. However, we noted an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Light Plant's operations for the year ended June 30, 2012 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 the 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 and 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.
Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

November 30, 2012

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

Schedule of Findings

For the Fiscal Year ended June 30, 2012

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-12 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.

I-B-12 Preparation of Financial Statements, Including Disclosures to Financial Statements - Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Graettinger does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, Communicating Internal Control Related Matters Identified in an Audit, requires us to communicate this matter with those charged with governance.

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

Schedule of Findings

For the Fiscal Year ended June 30, 2012

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. Outsourcing of these services is not unusual in an organization of your size.

Recommendation – We realize that obtaining the expertise to prepare the financial statements, including all necessary disclosures, in accordance with generally accepted accounting principals can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a gong forward basis.

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, 2012

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements for the year ended June 30, 2012 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 \$19,920 and \$14,853 for the years ended June 30, 2012 and 2011, 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 \$3,214 and \$3,774 to the Graettinger Times for the years ended June 30, 2012 and 2011 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.

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

Schedule of Findings

For the Fiscal Year ended June 30, 2012

- (6) Board Minutes – Out of twelve claims reviewed, it was noted that four of them were not published in the paper as required by the code of Iowa.

Recommendation – Light Plant officials should review it's procedures to insure that all claims are published in the paper.

Response – This was an oversight this year, as the claims not published were either electronic transfer payments or paid in between meetings. We will review our procedures to insure all claims are published in the paper in the future.

Conclusion – Response accepted.

- (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.