

**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, 2013 AND 2012

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, 2013

<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	(Resigned) Nov, 2013
Pamela Peton	Secretary/Accountant	Indefinite

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

Certified Public Accountants

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Graettinger Municipal Light Plant, a component unit of the City of Graettinger, Iowa as of and for the years ended June 30, 2013 and June 30, 2012, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Light Plant's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Light Plant's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Graettinger Municipal Light Plant as of June 30, 2013, and June 30, 2012, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

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 5 through 10 and 30 through 32 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 6, 2014, 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 in considering the Light Plant's internal control over financial reporting and compliance.

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

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

January 6, 2014

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, 2013. 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 increased by 1.2%, or \$13,995, from fiscal 2012 to 2013. 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 increased by 3.8%, or \$38,226, from fiscal 2012 to 2013. This change is the result of a increase in truck repairs, health insurance and purchased power.
- ~ The Light Plant's non-operating revenues (expenses) decreased from \$302,229 in fiscal 2012 to \$1,321 in fiscal 2013. This decrease of \$300,918 is attributed to a \$300,000 grant that was received from the USDA to start a revolving loan fund.

- ~ The Light Plant's net position increased by 2.7%, or \$88,949 from fiscal 2012 to 2013.

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 Position presents information on the Light Plant's assets and liabilities, with difference between the two reported as net position. Over time, increases or decreases in net position 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 activities.

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 Position

As noted earlier, net positions may serve, over time, as a useful indicator of the Light Plant's financial position. The Light Plant's net position for fiscal 2013 totaled approximately \$3,436,000. This compares to approximately \$3,332,000 for fiscal 2012. A summary of the Light Plant's net assets is presented below.

	Net Assets	
	Year Ended June 30,	
	2013	2012
Current Assets	\$ 718,401	\$ 681,622
Capital Assets	\$ 1,188,930	\$ 960,193
Non-Current Assets	\$ 1,528,502	\$ 1,690,019
Total Assets	\$ 3,435,833	\$ 3,331,834
Current Liabilities	\$ 62,113	\$ 48,268
Non-Current Liabilities	\$ 3,364	\$ 2,159
Total Liabilities	\$ 65,477	\$ 50,427
Net Position:		
Invested in Capital Assets, Net of Related Debt	\$ 1,188,930	\$ 960,193
Restricted	\$ 445,068	\$ 440,374
Unrestricted	\$ 1,736,358	\$ 1,880,840
Total Net Position	\$ 3,370,356	\$ 3,281,407

The Invested in Capital Assets (35.3% 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 (51.5% of total) is what can be used to meet the Light Plant's obligations as they come due. The remaining Restricted Assets (13.2% 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 Position

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 position for the fiscal years ended June 30, 2013 and June 30, 2012 is presented below:

Changes in Net Position		
	Year Ended June 30,	
	2013	2012
Operating Revenues:		
Electricity Sales, Retail to Light Plant Customers	\$ 686,450	\$ 666,908
Electricity Sales, Wholesale to Other Electric Utilities	\$ 311,292	\$ 305,069
Energy Adjustments Charged	\$ 52,233	\$ 63,025
Miscellaneous	\$ 66,694	\$ 67,672
Total Operating Revenues	\$ 1,116,669	\$ 1,102,674
Operating Expenses:		
Fuel and Generation	\$ 131,845	\$ 115,421
Operation & Maintenance, Labor, Supplies & Expense	\$ 45,564	\$ 39,959
Other Power Cost	\$ 73,834	\$ 72,599
Purchase Power	\$ 313,927	\$ 299,252
Plant Supplies And Expense	\$ 14,405	\$ 31,710
Line and Station Labor	\$ 97,049	\$ 99,902
Distribution Supplies and Expense	\$ 35,868	\$ 35,223
Truck Expense	\$ 18,474	\$ 6,770
Accounting and Collecting Salaries	\$ 28,413	\$ 27,320

Advertising	\$ 3,840	\$ 3,274
Donations	\$ 575	\$ 110
Employee's Benefits	\$ 66,935	\$ 59,128
Insurance	\$ 21,358	\$ 16,710
Memberships and Dues	\$ 14,022	\$ 14,700
Miscellaneous General Administrative	\$ 29,871	\$ 31,079
Office Supplies and Expense	\$ 12,434	\$ 15,101
Outside Services Employed	\$ 6,724	\$ 13,050
Property Taxes	\$ 6,977	\$ 9,287
Depreciation	\$ 106,926	\$ 100,220
Total Operating Expenses	\$ 1,029,041	\$ 990,815
Total Operating Income	\$ 87,628	\$ 111,859
Non-Operating Revenues (Expenses):		
Interest Income	\$ 9,816	\$ 15,251
Other Income	\$ 24,748	\$ 22,228
Grant Proceeds	\$ -	\$ 300,000
Payments in Lieu of Property Taxes	\$ (19,946)	\$ (21,144)
Economic Developments Contributions	\$ (13,297)	\$ (14,096)
Net Non-Operating Revenues (Expenses)	\$ 1,321	\$ 302,239
Change in Net Position	\$ 88,949	\$ 414,098
Net Position Beginning of Fiscal Year	\$ 3,281,407	\$ 2,867,309
Net Position at End of Fiscal Year	\$ 3,370,356	\$ 3,281,407

The Statement of Revenues, Expenses and Changes in Net Position reflects gain for the year with an increase in the net assets of \$88,949 at the end of the fiscal 2013 year.

In fiscal 2013, operating revenues increased by \$13,995. Residential sales increased by \$15,535, Commercial sales decreased by \$2,289, Industrial sales increased by \$6,549 and Public Authorities sales decreased by \$453. Energy Adjustment showed a decrease in revenues of \$10,792. Sales for Resale revenues increased \$6,223. The remainder of the increase in revenues was from Miscellaneous sales which decreased by \$978. Fiscal 2013 operating expenses increased by \$38,226, with our power production expense having the largest increase of \$37,939.

Total fiscal 2013 operating income decreased by \$24,231 compared to an increase of \$21,760 in fiscal 2012. Note this does not include the non-operating revenues (expenses).

Our non-operating revenues (expenses) shows a sufficient decrease due to the grant proceeds that effected this number last year. If you take that number out our non-operating revenues (expenses) had a decrease of only \$918. Both payments of In Lieu of Property Taxes and to the Economic Development decreased slightly. In lieu of Taxes by \$1,198 and the Economic Development by \$799.

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 2013 of \$88,949, compared to a gain of \$414,098 in fiscal 2012.

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, 2013, the Light Plant had \$1,188,930 invested in capital assets, net of accumulated depreciation of \$2,667,375. Depreciation charges totaled \$106,926 for fiscal 2013. More detailed information about the Light Plant's capital assets is presented in Note 3 to the financial statements. As of June 30, 2013, there is also a commitment for an emission improvement project, of which there is an additional \$229,000 left to pay on the project.

LONG-TERM DEBT

At June 30, 2013 the Light Plant had no outstanding long term debts.

ECONOMIC FACTORS

During fiscal 2013 the Graettinger Municipal Light Plant increased its financial assets by 2.7% or \$88,949 to a total asset value of \$3,370,356 compared to \$3,281,407 in fiscal 2012. The Board is planning on making some major improvements in the next fiscal year.

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 Position

June 30, 2013 and 2012

	<u>Assets</u>	
	<u>Proprietary Fund Type</u>	
	<u>Enterprise Fund</u>	
	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and cash equivalents- unrestricted	\$ 239,741	277,346
Cash and cash equivalents- restricted	38,047	2,025
Accounts receivable	99,276	93,731
Inventories	284,262	254,535
Prepaid expense	17,396	14,940
Interest receivable	3,679	3,045
Current portion of notes receivable	36,000	36,000
Total current assets	<u>718,401</u>	<u>681,622</u>
Capital Assets:		
Property and equipment	3,856,305	3,520,642
Less accumulated depreciation	<u>(2,667,375)</u>	<u>(2,560,449)</u>
Net capital assets	<u>1,188,930</u>	<u>960,193</u>
Non Current Assets:		
Investments- unrestricted	1,115,000	1,244,000
Investments- restricted	83,021	78,349
Notes receivable	324,000	360,000
Less current portion	(36,000)	(36,000)
Patronage dividends receivable	12,528	12,532
Emission allowances	29,953	31,138
Total non current assets	<u>1,528,502</u>	<u>1,690,019</u>
 Total assets	 <u>\$ 3,435,833</u>	 <u>3,331,834</u>

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

Exhibit A

Statements of Net Position

June 30, 2013 and 2012

Liabilities

	<u>Proprietary Fund Type</u>	
	<u>Enterprise Fund</u>	
	<u>2013</u>	<u>2012</u>
Current Liabilities:		
Accounts payable	\$ 37,595	24,657
Operating advance - Neal #4	4,276	2,045
Accrued taxes	9,151	10,041
Accrued vacation	4,369	4,513
Customer deposits	<u>6,722</u>	<u>7,012</u>
Total current liabilities	<u>62,113</u>	<u>48,268</u>
Non Current Liabilities:		
Net OPEB Liability	<u>3,364</u>	<u>2,159</u>
Total non current liabilities	<u>3,364</u>	<u>2,159</u>
Total liabilities	<u>65,477</u>	<u>50,427</u>

Net Position

Invested in capital assets net of related debt	1,188,930	960,193
Restricted	445,068	440,374
Unrestricted	<u>1,736,358</u>	<u>1,880,840</u>
Total net position	<u>\$ 3,370,356</u>	<u>3,281,407</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 Position

For the Fiscal Years ended June 30, 2013 and 2012

	<u>Proprietary Fund Type</u>	
	<u>Enterprise Fund</u>	
	<u>2013</u>	<u>2012</u>
Operating revenues	\$ 1,116,669	<u>1,102,674</u>
Operating expenses:		
Power production	565,170	527,231
Plant	14,405	31,710
Distribution	151,391	141,895
Commercial	28,413	27,320
Administration	162,736	162,439
Depreciation	106,926	<u>100,220</u>
Total operating expenses	<u>1,029,041</u>	<u>990,815</u>
Operating income	<u>87,628</u>	<u>111,859</u>
Non-operating revenues (expenses):		
Interest income	9,816	15,251
Other income	24,748	22,228
Grant proceeds	-	300,000
Payments in lieu of property taxes	(19,946)	(21,144)
Economic development payments	<u>(13,297)</u>	<u>(14,096)</u>
Total non-operating revenues (expenses)	<u>1,321</u>	<u>302,239</u>
Change in net position	88,949	414,098
Net position beginning of year	<u>3,281,407</u>	<u>2,867,309</u>
Net position end of year	<u>\$ 3,370,356</u>	<u>3,281,407</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from customers	\$ 1,111,124	1,095,076
Cash received from miscellaneous income	24,748	22,228
Cash paid to suppliers for goods and services	(845,700)	(848,019)
Cash paid to employees for services	<u>(125,606)</u>	<u>(129,716)</u>
Net cash provided by operating activities	<u>164,566</u>	<u>139,569</u>
Cash flows from noncapital financing activities:		
Grant proceeds received	-	300,000
Payments received on development loans	36,000	12,454
Disbursements made on development loans	<u>-</u>	<u>(360,000)</u>
Net cash provided by (used by) noncapital financing activities	<u>36,000</u>	<u>(47,546)</u>
Cash flows from capital and related financing activities:		
Acquisition of property and equipment	<u>(335,663)</u>	<u>(95,911)</u>
Net cash used by capital and related financing activities	<u>(335,663)</u>	<u>(95,911)</u>
Cash flows from investing activities:		
(Increase) decrease in patronage dividends	4	(2,212)
Investments purchased	(21,000)	-
Investments redeemed	150,000	-
Transfers to restricted investments	(21,025)	(21,479)
Transfers from restricted investments	16,353	15,458
Interest on investments	<u>9,182</u>	<u>17,928</u>
Net cash provided by (used by) investing activities	<u>133,514</u>	<u>9,695</u>
Net increase (decrease) in cash and cash equivalents	(1,583)	5,807
Cash and cash equivalents - beginning of year	<u>279,371</u>	<u>273,564</u>
Cash and cash equivalents - end of year	<u>\$ 277,788</u>	<u>279,371</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, 2013 and 2012

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

	<u>2013</u>	<u>2012</u>
Operating income	\$ 87,628	<u>111,859</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Other revenue (expense) - net	(8,495)	(13,012)
Investment in ISEP written off	-	5,000
Depreciation	106,926	100,220
Increase in net OPEB liability	1,205	1,123
Emission allowances utilized	1,185	-
(Increase) decrease in current assets:		
Accounts receivable	(5,545)	(7,598)
Inventories	(29,727)	(51,362)
Prepaid insurance	(2,456)	(3,800)
Increase (decrease) in current liabilities:		
Accounts payable	12,938	(2,423)
Operating advance - Neal #4	2,231	(394)
Accrued taxes	(890)	2,698
Accrued vacation	(144)	(2,494)
Customer deposits	(290)	(248)
Total adjustments	<u>76,938</u>	<u>27,710</u>
Net cash provided by operating activities	<u>\$ 164,566</u>	<u>\$ 139,569</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	239,741	277,346
Cash and cash equivalents - restricted	<u>38,047</u>	<u>2,025</u>
Total cash and cash equivalents	<u>\$ 277,788</u>	<u>279,371</u>

See notes to financial statements.

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

Notes to Financial Statements

June 30, 2013 and 2012

(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, 2013 and 2012

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 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 Position

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

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, 2013 and June 30, 2012 include certificates of deposit of \$1,115,000 and \$1,244,000, respectively.

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

Notes to Financial Statements

June 30, 2013 and 2012

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
A Component Unit of the City of Graettinger

Notes to Financial Statements

June 30, 2013 and 2012

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

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the year ended June 30, 2013.

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, 2013.

Net Position – Net position represent the difference between assets and liabilities in the financial statements. Net position is 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.

Graettinger Municipal Light Plant
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Notes to Financial Statements

June 30, 2013 and 2012

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

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

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, Cash Equivalents and Investments

The Light Plant's deposits in banks at June 30, 2013 and 2012 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, 2013 and 2012

(3) Capital Assets

A summary of capital assets at June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital Assets Not Being Depreciated:				
Land	\$ 22,664	---	---	22,664
Construction in progress	---	13,333	---	13,333
Total capital assets not being depreciated	<u>22,664</u>	<u>13,333</u>	---	<u>35,997</u>
Capital Assets Being Depreciated:				
Buildings and improvements	196,742	2,550	---	199,292
Neal #4 plant	796,405	285,508	---	1,081,913
Engines and other plant equipment	1,208,825	---	---	1,208,825
Distribution system	1,210,655	29,457	---	1,240,112
Vehicles	70,748	---	---	70,748
Office equipment	<u>14,603</u>	<u>4,815</u>	---	<u>19,418</u>
Total capital assets being depreciated	<u>3,497,978</u>	<u>322,330</u>	---	<u>3,820,308</u>
Less Accumulated Depreciation For:				
Buildings and improvements	144,021	2,668	---	146,689
Neal #4 plant	568,688	28,382	---	597,070
Engines and other plant equipment	867,623	45,934	---	913,557
Distribution system	900,453	26,801	---	927,254
Vehicles	68,942	867	---	69,809
Office equipment	<u>10,722</u>	<u>2,274</u>	---	<u>12,996</u>
Total accumulated depreciation	<u>2,560,449</u>	<u>106,926</u>	---	<u>2,667,375</u>
Total capital assets being depreciated, net	<u>937,529</u>	<u>215,404</u>	---	<u>1,152,933</u>
Total capital assets, net	<u>\$ 960,193</u>	<u>228,737</u>	---	<u>1,188,930</u>

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

Notes to Financial Statements

June 30, 2013 and 2012

(3) Capital Assets (continued)

A summary of capital assets at June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital Assets Not Being Depreciated:				
Land	\$ <u>22,664</u>	<u>---</u>	<u>---</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>---</u>	<u>14,603</u>
Total capital assets being depreciated	<u>3,402,067</u>	<u>95,911</u>	<u>---</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>---</u>	<u>10,722</u>
Total accumulated depreciation	<u>2,460,229</u>	<u>100,220</u>	<u>---</u>	<u>2,560,449</u>
Total capital assets being depreciated, net	<u>941,838</u>	<u>(4,309)</u>	<u>---</u>	<u>937,529</u>
Total capital assets, net	<u>\$ 964,502</u>	<u>(4,309)</u>	<u>---</u>	<u>960,193</u>

Graettinger Municipal Light Plant
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Notes to Financial Statements

June 30, 2013 and 2012

(4) Notes Receivable

Notes receivable at June 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
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>324,000</u>	<u>360,000</u>
Total notes receivable	\$ <u>324,000</u>	<u>360,000</u>

(5) Restricted Funds

The Light Plant has the following amounts restricted for the following purposes as of June 30, 2013 and 2012:

Economic Development Loans	\$ 362,047	362,025
Improvements	<u>83,021</u>	<u>73,328</u>
Total restricted funds	\$ <u>445,068</u>	<u>440,374</u>

Graettinger Municipal Light Plant
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Notes to Financial Statements

June 30, 2013 and 2012

(6) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Net OPEB Liability	\$ 2,159	1,205	---	3,364	---

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	---

(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 5.78% of their annual covered salary and the Light Plant is required to contribute 8.67% of annual covered payroll for the years ended June 30, 2013. The contribution rates were 5.38% and 8.07% respectively for the year ended June 30, 2012. Contribution requirements are established by state statute. The Light Plant's contribution to IPERS for the years ended June 30, 2013 and June 30, 2012 were \$10,914 and \$9,902 respectively, equal to the required contributions for each year.

Graettinger Municipal Light Plant
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Notes to Financial Statements

June 30, 2013 and 2012

(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, 2013, the amount actually contributed to the plan and changes in the Light Plant’s net OPEB obligation:

Annual required contribution	\$ 1,268
Interest on net OPEB obligation	54
Adjustment to annual required contribution	<u>117</u>
Annual OPEB cost	1,205
Contributions made	<u>---</u>
Increase in net OPEB obligation	1,205
Net OPEB obligation beginning of year	<u>2,159</u>
Net OPEB obligation end of year	\$ <u><u>3,364</u></u>

Graettinger Municipal Light Plant
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Notes to Financial Statements

June 30, 2013 and 2012

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, 2013 and 2012.

For the years ended June 30, 2013 and 2012, 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, 2013 and 2012 are summarized as follows:

Year Ended <u>June 30,</u>	Annual <u>OPEB Cost</u>	Percentage of Annual OPEB <u>Cost Contributed</u>	Net OPEB <u>Obligation</u>
2013	\$ 1,205	0 %	\$ 3,364
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, 2011 through June 30, 2012, 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 \$121,000 and the ratio of the UAAL to covered payroll was 8.4%. As of June 30, 2012, there were no trust fund assets.

As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, 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 \$151,000 and the ratio of the UAAL to covered payroll was 7.4%. As of June 30, 2013, there were no trust fund assets.

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

Notes to Financial Statements

June 30, 2013 and 2012

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 \$541 or \$1,352 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
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Notes to Financial Statements

June 30, 2013 and 2012

(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, 2013 and 2012 totaled \$19,946 and \$21,144 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, 2013 and 2012 totaled \$13,297 and \$14,096 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, 2013 and 2012

(12) Subsequent Events

The Light Plant has evaluated subsequent events through January 6, 2014, the date the financial statements were available to be delivered.

(13) Construction Commitments

The Light Plant has approved a diesel emission project with a cost of approximately \$242,000. As of June 30, 2013, approximately \$13,000 has been expended on this project. This improvement will be funded from cash on hand.

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 Fund Type		Final to Actual Variance	
	Enterprise Fund	Budgeted Amounts		
	Actual	Original		Final
<u>For the Fiscal Year ended June 30, 2013</u>				
Revenues:				
Use of money and property	\$ 9,816	30,000	30,000	(20,184)
Charges for service	1,116,669	1,223,500	1,223,500	(106,831)
Miscellaneous	24,748	25,000	25,000	(252)
Total revenues	<u>1,151,233</u>	<u>1,278,500</u>	<u>1,278,500</u>	<u>(127,267)</u>
Expenses:				
Business type activities	<u>1,062,284</u>	<u>1,182,550</u>	<u>1,182,550</u>	<u>120,266</u>
Total expenses	<u>1,062,284</u>	<u>1,182,550</u>	<u>1,182,550</u>	<u>120,266</u>
Change in net position	88,949	95,950	95,950	(7,001)
Balances beginning of year	<u>3,281,407</u>	<u>3,281,407</u>	<u>3,281,407</u>	<u>-</u>
Balances end of year	<u>\$ 3,370,356</u>	<u>3,377,357</u>	<u>3,377,357</u>	<u>(7,001)</u>

For the Fiscal Year ended June 30, 2012

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 position	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>
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, 2013 and 2012

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
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Schedule of Funding Progress for the
Retiree Health Plan

Required Supplementary Information

Year Ended <u>30-Jun</u>	Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b - a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b - a) / c)</u>
2011	July 1, 2010	-	\$ 8,828	\$ 8,828	0%	\$ 117,081	7.50%
2012	July 1, 2010	-	\$ 10,152	\$ 10,152	0%	\$ 120,766	8.40%
2013	July 1, 2010	-	\$ 9,303	\$ 9,303	0%	\$ 125,462	7.40%

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Utility sales:		
Residential	\$ 375,554	360,019
Commercial	98,137	100,226
Industrial	197,372	190,823
Public authorities	15,387	15,840
For resale	311,292	305,069
Energy adjustment	<u>52,233</u>	<u>63,025</u>
	<u>1,049,975</u>	<u>1,035,002</u>
Other:		
Miscellaneous	<u>66,694</u>	<u>67,672</u>
Total operating revenues	<u>\$ 1,116,669</u>	<u>1,102,674</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Power production expense:		
Fuel and generation	\$ 131,845	115,421
Operation and maintenance, labor, supplies, and expense	45,564	39,959
Other power costs	73,834	72,599
Purchased power	<u>313,927</u>	<u>299,252</u>
Total power production expense	<u>565,170</u>	<u>527,231</u>
 Plant expense:		
Supplies and expense	<u>14,405</u>	<u>31,710</u>
Total plant expense	<u>14,405</u>	<u>31,710</u>
 Distribution expense:		
Line and station labor	97,049	99,902
Line rents	8,704	8,659
Supplies and expense	27,164	26,564
Truck expense	<u>18,474</u>	<u>6,770</u>
Total distribution expense	<u>151,391</u>	<u>141,895</u>
 Commercial expense:		
Accounting and collecting salaries	<u>28,413</u>	<u>27,320</u>
Total commercial expense	<u>28,413</u>	<u>27,320</u>
 Administrative expense:		
Advertising	3,840	3,274
Donations	575	110
Employees' benefits	66,935	59,128
Insurance	21,358	16,710

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Administrative expense (continued):		
Membership and dues	14,022	14,700
Miscellaneous general	29,871	31,079
Office supplies and expense	12,434	15,101
Outside services employed	6,724	13,050
Property taxes	6,977	9,287
Total administrative expense	<u>162,736</u>	<u>162,439</u>
 Depreciation expense	 <u>106,926</u>	 <u>100,220</u>
 Total operating expenses	 <u>\$ 1,029,041</u>	 <u>990,815</u>

See accompanying independent auditor's report.

Graettinger Municipal Light Plant
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Schedule 3

Schedule of Insurance Coverage

June 30, 2013

<u>Company</u>	<u>Coverage</u>	<u>Limit</u>	<u>Effective</u>
Employers Mutual	Worker's Comp	\$ 500,000	4/1/13-3/31/14
	General Liability		
	Aggregate	2,000,000	4/1/13-3/31/14
	Products Liability	2,000,000	
	Personal Liability	1,000,000	
	Automobile		
	Liability	1,000,000	4/1/13-3/31/14
	Uninsured Motorist	50,000	
	Underinsured Motorist	50,000	
	Umbrella Liability	3,000,000	4/1/13-3/31/14
	Crime		
	Employee Theft	50,000	4/1/13-3/31/14
	Forgery	10,000	
	Property		
	Facilities and Contents	5,685,450	4/1/13-3/31/14
	Inland Marine		
	Equipment-Catastrophe	Scheduled	4/1/13-3/31/14
	Linebacker	1,000,000	4/1/13-3/31/14

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, 2013 and 2012

	2013		2012	
	<u>Kilowatt Hours</u>	<u>Percent</u>	<u>Kilowatt Hours</u>	<u>Percent</u>
KWH Metered:				
Residential	5,395,936	51.19	4,896,831	48.52
Commercial	1,282,091	12.16	1,232,070	12.21
Industrial	2,719,877	25.80	2,541,680	25.19
Public authorities	<u>202,485</u>	<u>1.92</u>	<u>194,308</u>	<u>1.92</u>
	9,600,389	91.07	8,864,889	87.84
KWH Consumed:				
Used in operations	346,832	3.29	346,832	3.44
Distribution system loss	392,307	3.72	691,488	6.85
Transmission losses	<u>201,761</u>	<u>1.92</u>	<u>188,367</u>	<u>1.87</u>
 Total System	 <u>10,541,289</u>	 <u>100.00</u>	 <u>10,091,576</u>	 <u>100.00</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

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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2013 and June 30, 2012, and the related notes to the financial statements and have issued our report thereon dated January 6, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Graettinger Municipal Light Plant's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Graettinger Municipal Light Plant's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over that we consider to be material weaknesses and significant deficiencies.

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 deficiency described in the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that 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-13 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.

Graettinger Municipal Light Plant's Response to Findings

Graettinger Municipal Light Plant's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Light Plant's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Light Plant's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Light Plant's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

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January 6, 2014

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

Schedule of Findings

For the Fiscal Year ended June 30, 2013

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-13 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-13 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. Graettinger Municipal Light Plant 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, 2013

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 Light Plant’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, 2013

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements for the year ended June 30, 2013 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 \$22,594 and \$19,920 for the years ended June 30, 2013 and 2012, 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 \$3,835 and \$3,214 to the Graettinger Times for the years ended June 30, 2013 and 2012 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, 2013

- (6) Board Minutes – No transactions were found that we believe should have been approved in the minutes but were not.
- (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.