IOWA PUBLIC POWER AGENCY

INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED DECEMBER 31, 2013 AND 2012

IOWA PUBLIC POWER AGENCY

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IOWA PUBLIC POWER AGENCY
Board of Directors
December 31, 2013

Board Members	Representing
Greg Fritz (President) NIMECA	North Iowa Municipal Electric Cooperative Association (NIMECA)
Duane Armstead (Vice President) Greenfield Municipal Utilities	South Iowa Municipal Electric Cooperative Association (SIMECA)
John Bilsten (Secretary-Treasurer) Algona Municipal Utilities	Independent Utilities
Nancy Janssen Auburn Municipal Utilities	Independent Utilities
Sal Lobianco Muscatine Water & Power	Independent Utilities
Merlin Sawyer Missouri River Energy Services	Missouri Basin Electric Cooperative Association
Kris Stubbs Traer Municipal Utilities	Resale Power Group of Iowa (RPGI)
Robert Haug Non-Voting Member	Iowa Association of Municipal Utilities

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Iowa Public Power Agency

Report on the Financial Statements

We have audited the accompanying statements of net position of Iowa Public Power Agency (a not-for-profit Organization and a political subdivision of the State of Iowa) as of December 31, 2013 and 2012 and the related statements of activities and changes in net position, and cash flows for the years then ended, and the notes to the 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Organization'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 Organization'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.

To the Board of Directors
Iowa Public Power Agency

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa Public Power Agency as of December 31, 2013 and 2012 and the results of its activities, changes in net position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis on pages 4 through 4c 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.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2014 on our consideration of Iowa Public Power Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts 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 important for assessing the results of our audit.

Grewell, Ben, Kyhnn & Co. P.C.

Atlantic, Iowa
February 10, 2014

IOWA PUBLIC POWER AGENCY

Management's Discussion And Analysis

Iowa Public Power Agency provides this Management's Discussion and Analysis of its annual financial statements. This narrative overview and analysis is for the Agency's fiscal years ended December 31, 2013 and 2012.

Iowa Public Power Agency (IPPA) is a joint action agency, organized as a political subdivision and as a not-for-profit organization, under chapters 28E, 28F, 390, and 504A of the Code of Iowa, 2011, as amended. Its purpose is to effect joint development of projects for the benefit of municipally-owned electric utilities. IPPA is governed by a seven person Board of Directors, representing not only independent municipal electric utilities, but also five other electric joint action agencies.

2013 Financial Highlights

- Principal payments were made on the $3.2 million in electric revenue bonds sold in 2009 to finance 161 KV network transmission facilities co-owned with MidAmerican Energy Company, identified as the Grimes-Granger Project.

- Revenues for 2013 totaled $650,565, as compared to $651,592 in 2012. Revenues in both years consisted of revenues from transmission assets assigned to control of the Midwest Independent System Operator (MISO), as well as recovery of eligible expenses related to operation, maintenance, and administration of those assets, in addition to operating assessments to participating municipal utility owners.

- Operating expenses for 2013 totaled $108,191, as compared to 2012 expenses of $98,563, a significant portion (68%) of which is related to depreciation on transmission assets. It should be noted that amortizations related to organizational and other costs are treated as non-operating adjustments to income.

Basis of Accounting

Iowa Public Power Agency utilizes an accrual accounting system, following the Uniform System of Accounting prescribed by the Federal Energy Regulatory Commission. The Agency reports its financial activity in accordance with all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Financial Analysis of the Agency

Net Position is often considered a useful indicator of financial position, but in IPPA's case is expected to decrease over time. The purpose of the Agency is to provide for joint financing and management of transmission assets, with any financial benefits flowing to the members in the form of dividends. Recovery of costs related to transmission in any given calendar year lags by several months, and begin to be recovered in June of the following year. This contributes to negative cash flow, which was planned for by establishing significant cash reserves at the time of the original financing.

In 2013, the Agency's Net Position decreased by $4,882.

A summary of the Agency's financial information follows:

Assets, Liabilities, and Net Position

	2013	2012
Assets		
Utility Plant:		
Depreciable capital assets	$ 2,941,630	$ 2,941,630
Accumulated depreciation	(360,297)	(286,404)
Net utility plant	2,581,333	2,655,226
Special Purpose (Bond) Funds	573,865	572,077
Current Assets	467,648	488,298
Other Assets	77,106	89,482
Total Assets	$ 3,699,952	$ 3,805,083
Liabilities and Net Position		
Current Liabilities	$ 123,008	$ 118,257
Long-Term Debt	2,805,000	2,910,000
Total Liabilities	2,928,008	3,028,257
Net Position	771,944	776,826
Total Liabilities and Net Position	$ 3,699,952	$ 3,805,083

Revenues, Expenses & Changes in Net Position

	2013	2012
Operating Revenues	$ 650,565	$ 651,592
Operating Expenses:		
Operating labor and benefits	16,772	7,615
Insurance	3,380	3,138
Miscellaneous	942	772
Professional fees	6,792	5,870
Property tax	3,231	3,233
Transmission operation and maintenance	3,181	3,789
Provision for depreciation	73,893	74,146
Total operating expenses	108,191	98,563
Income from Operations	542,374	553,029
Other Income (Expenses)	(197,258)	(200,663)
Net Income	345,116	352,366
Net Position, Beginning	776,826	803,228
Participant Distributions from Net Position	(349,998)	(378,768)
Net Position, Ending	$ 771,944	$ 776,826

DEBT ADMINISTRATION

On December 30, 2009, Iowa Public Power Agency successfully completed the issuance of taxable electric revenue bonds in the amount of $3.2 million. Proceeds of the debt, revenues from rents of the transmission facilities financed, and participants' cash contributions are being used to pay debt service and to provide for cash flow of the organization. The debt is serviced by making principal and interest payments over a twenty year period, at an approximate average interest rate of 6.5%.

BACKGROUND OF IOWA PUBLIC POWER AGENCY

The Iowa Public Power Agency was established in 2002 by the municipal electric utilities of Algona, Atlantic, and Traer, Iowa. The organization was incorporated as a not-for-profit entity by Robert Haug, the Executive Director of the Iowa Association of Municipal Utilities. The three utilities then executed agreements under Chapters 28E, 28F, and 390 of the Code of Iowa, which gave the Agency status as a political subdivision of the State of Iowa.

The purpose of the organization is to promote and nurture any and all types of cooperative ventures by and between Iowa municipal electric utilities. Iowa law allows any two or more political subdivisions to do together anything which they can legally do individually, and in the case of jointly-owned electric facilities, to finance on behalf of the group.

Iowa Public Power Agency represents the Iowa members of the Midwest Municipal Utility Association, which does business as the "Midwest Municipal Transmission Group", or "MMTG". MMTG and MidAmerican Energy Company are signatories to an agreement whereby municipal electric utilities can, through IPPA, invest in network electric transmission projects. To date, two projects have been undertaken jointly with MidAmerican. The first project included improvements to the transmission system in the Davenport-Moline (Quad Cities) area, and was identified as the "Quad Cities West Flowgate Improvements", or simply "Quad Cities West". Quad Cities West was a fairly small project for IPPA, with a total of $129,243 invested.

The second project, the Grimes-Granger Project, was brought to a successful conclusion at the end of 2009. IPPA was invited by MidAmerican to finance and own 25 percent of the facilities defined as "network transmission" - a total investment of nearly $3 million.

IPPA finances and owns these transmission facilities, on behalf of sixteen participating members. Its responsibilities are to administer the investments, and to take all actions necessary to recover costs of the facilities through the appropriate transmission tariff mechanisms.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

If you have any questions about this report, or need additional financial information, contact either of the parties listed below:

Allen Bonderman, Business Agent; 203 East 19th St.; Atlantic, IA 50022
John Bilsten, Secretary-Treasurer; c/o Algona Municipal Utilities; 104 W. Call, Algona, IA 50511

IOWA PUBLIC POWER AGENCY
Statements of Net Position
December 31,

ASSETS

	2013	2012
Utility Plant:		
Depreciable capital assets	$ 2,941,630	$ 2,941,630
Accumulated depreciation	(360,297)	(286,404)
Net utility plant	2,581,333	2,655,226
Special Purpose Funds:		
Bond reserve fund	285,264	285,242
Bond sinking fund	288,601	286,835
Non-current special purpose funds	573,865	572,077
Current Assets:		
Cash and cash equivalents	418,705	437,412
Accounts receivable	48,943	50,886
Total current assets	467,648	488,298
Other Assets:		
Organization costs	--	5,124
Other	77,106	84,358
	77,106	89,482
	$ 3,699,952	$ 3,805,083

LIABILITIES AND NET POSITION

Current Liabilities:		
Current maturities of long-term debt	$ 105,000	$ 100,000
Accounts payable, trade	61	65
Accrued payroll	2,818	2,738
Accrued interest	15,129	15,454
Total current liabilities	123,008	118,257
Long-Term Debt, less current maturities	2,805,000	2,910,000
Total liabilities	2,928,008	3,028,257
Net Position:		
Invested in capital assets, net of related debt	(328,667)	(354,774)
Restricted - expendable	573,865	572,077
Unrestricted	526,746	559,523
Total net position	771,944	776,826
	$ 3,699,952	$ 3,805,083

The accompanying notes are an integral part of these statements.

IOWA PUBLIC POWER AGENCY
Statements of Activities and Changes in Net Position
Year Ended December 31,

	2013	2012
Operating Revenue:		
Rent from electric property	$ 300,567	$ 301,594
Project assessments	349,998	349,998
	650,565	651,592
Operating Expenses:		
Operating labor and benefits	16,772	7,615
Insurance	3,380	3,138
Miscellaneous	942	772
Professional fees	6,792	5,870
Property tax	3,231	3,233
Transmission operation and maintenance	3,181	3,789
Provision for depreciation	73,893	74,146
Total operating expenses	108,191	98,563
Income from Operations	542,374	553,029
Other Income (Expenses):		
Income from investments	238	124
Amortization	(12,376)	(12,599)
Interest expense	(185,120)	(188,188)
Other income (expenses), net	(197,258)	(200,663)
Net Income	345,116	352,366
Net Position, Beginning	776,826	803,228
Participant Distributions from Net Position	(349,998)	(378,768)
Net Position, Ending	$ 771,944	$ 776,826

The accompanying notes are an integral part of these statements.

IOWA PUBLIC POWER AGENCY
Statements of Cash Flows
Year Ended December 31,

	2013	2012
Cash flows from operating activities:		
Cash received from customers and participants	$ 302,510	$ 286,869
Cash paid to suppliers	(17,530)	(16,761)
Cash paid to employees	(16,692)	(5,533)
Net cash provided by operating activities	268,288	264,575
Cash flows from capital and related financing activities:		
Participant distributions from net position	--	(28,770)
Capital expenditures	--	(3,252)
Interest payments on long-term debt	(185,445)	(188,437)
Principal payment on long-term debt	(100,000)	(95,000)
Net cash used in capital and related financing activities	(285,445)	(315,459)
Cash flows from investing activities:		
Income from investments	238	124
Net decrease in cash	(16,919)	(50,760)
Cash at beginning of year	1,009,489	1,060,249
Cash at end of year	$ 992,570	$ 1,009,489
Reconciliation of cash to the balance sheet:		
Cash in current assets	$ 418,705	$ 437,412
Cash in special purpose funds	573,865	572,077
	$ 992,570	$ 1,009,489

(continued next page)

IOWA PUBLIC POWER AGENCY
Statements of Cash Flows - Continued
Year Ended December 31,

	2013	2012
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	$ 542,374	$ 553,029
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Project assessments	(349,998)	(349,998)
Depreciation	73,893	74,146
Change in assets and liabilities:		
Accounts receivable	1,943	(14,725)
Accounts payable, trade	(4)	41
Accrued payroll	80	2,082
Total adjustments	(274,086)	(288,454)
Net cash provided by operating activities	$ 268,288	$ 264,575

The accompanying notes are an integral part of these statements.

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

The Iowa Public Power Agency (IPPA) is an Iowa not-for-profit organization and a political subdivision of the State of Iowa organized pursuant to Chapters 28E, 28F, 390 and 504A of the Code of Iowa 2011, as amended. As a political subdivision, it is exempt from income taxes. IPPA is a municipal joint action agency established by the Traer Municipal Utilities, Algona Municipal Utilities, and Atlantic Municipal Utilities. IPPA's Bylaws state: "The purpose, power and function of the Iowa Public Power Agency is to effect joint development of projects for the benefit of members and to utilize to the full extent possible all powers granted by Chapters 28E, 28F, 390 and 504A, Code of Iowa 2011, as amended, to promote the interest of members in the operation of their utilities through the development and implementation of projects on a joint basis." IPPA promotes the concepts of municipal utilities working together on projects of any and all kinds. Any city utility or electric power agency organized as a political subdivision may become a member of the IPPA by making application for membership and agreeing to comply with the rules and regulations of the organization. IPPA is governed by a seven person Board of Directors. Directors represent municipal electric joint action agencies across Iowa, as well as independent municipal utilities who are not affiliated with any joint action agency.

2. Basis of Accounting

IPPA utilizes an accrual accounting system, following the Uniform System of Accounting prescribed by the Federal Energy Regulatory Commission. The accrual basis of accounting recognizes revenues when earned rather than received. Expenses are recognized when incurred.

Proprietary funds distinguish 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 a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency result from fees for the use of transmission lines and from participant operating cost assessments. Operating expenses for the Agency include the cost of project studies and development, administrative expense and depreciation on capital assets.

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Agency Plant and Depreciation

The straight-line method is used for computing depreciation with lives on machinery and equipment ranging from three to forty years. Cost of labor, materials, supervision and other expenses incurred in making repairs and minor replacements and in maintaining the properties in efficient operating condition are charged to expense. Agency plant accounts are charged with the cost of improvements and replacements of the plant.

5. Revenue Recognition

Revenues from transmission or other utility services and participant operating assessments are recorded as revenue when earned or assessed. Participant contributions for capital projects are recorded as contributions to net position.

6. Investments

Investments are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are stated at amortized cost, which approximates fair value. Securities traded on a national or international exchange are valued at the reported sales price and current exchange rates at year end. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in other income when earned.

7. Purpose of Special Funds

IPPA has set aside certain of its assets for specific purposes. The revenue bond funds are the result of requirements established in bond issue documents. Use of restricted or unrestricted resources for individual projects is determined by the IPPA Board of Directors based on the facts regarding each specific situation.

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Cash Equivalents

For purposes of the statement of cash flows, the IPPA considers all highly liquid debt instruments purchased with a maturity of less than three months to be cash equivalents.

9. Debt Costs During Periods of Construction

During construction, costs of related debt are accumulated and capitalized. Interest earned on invested debt proceeds is offset against the accumulated debt costs and the net amount is included in capitalized construction costs. No debt costs were capitalized during 2013 and 2012.

10. Net Position

Net position of the Agency is classified in three components. *Invested in capital assets net of related debt* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* consists of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Agency, including amounts deposited with trustees as required by revenue bond indentures. *Unrestricted net position* consists of the remaining net position that does not meet the definition of *invested in capital assets net of related debt, or restricted net position.*

NOTE B - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended December 31, 2013 and 2012 are as follows:

	Cost	Accumulated Depreciation
Balance December 31, 2011	$ 2,938,378	$ 212,258
Additions	3,252	74,146
Balance December 31, 2012	2,941,630	286,404
Additions	--	73,893
Balance December 31, 2013	$ 2,941,630	$ 360,297

All capital assets currently represent a share of utility transmission lines under a group sharing arrangement and office equipment.

NOTE C - SPECIAL PURPOSE FUNDS

Restricted expendable assets are available for the following purposes:

	2013	2012
Restricted by Bond Resolution for:		
Payment of principal and interest	$ 573,865	$ 572,077

NOTE D - DEPOSITS AND INVESTMENTS

The Agency's deposits and investments at December 31 are as follows:

	2013	2012
Unrestricted Funds:		
Cash	$ 359,939	$ 215,995
IPAIT	58,766	221,417
	418,705	437,412
Special Purpose Funds:		
IPAIT	573,865	572,077
Total deposits and investments	$ 992,570	$ 1,009,489

The Agency's deposits at December 31, 2013 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. The investments are all insured, registered, or held by the Agency or their agent in the Agency's name. Investments are stated as indicated in Note A.

The Agency is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency has investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of $632,631 ($793,494 in 2012) pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The Agency's investment policy limits the investment of funds to IPAIT or short term deposits in banks located in the State of Iowa. The maturities shall be consistent with the needs and use of the Agency.

Credit risk - The Agency's investment in the Iowa Public Agency Investment Trust is unrated.

NOTE E - NON-CURRENT LIABILITIES

The 2009 Series Revenue Bonds constitute a lien on the net income of IPPA. The bonds mature in increasing amounts ranging from $105,000 in 2014 to $275,000 in 2030. Interest rates range from 4.15% to 6.8%. The part of these bonds maturing on and after December 1, 2018 are subject to early redemption on or after that date.

The annual debt service on the bonds is expected to require approximately 107% of cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately $285,400 and $266,500 respectively. The difference is being funded through existing reserves of the Agency.

The resolutions of the Board of Directors authorizing the issuance of the 2009 bonds specify the creation and maintenance of a sinking fund and a debt service reserve fund. Funding requirements have been fulfilled with the only remaining requirement being monthly accumulation of principal and interest for the next due date. Principal and interest payments required on the long-term debt during each of the five years ending December 31, 2014 through 2018 and thereafter are as follows:

	Principal	Interest	Total
2014	$ 105,000	$ 181,545	$ 286,545
2015	110,000	177,188	287,188
2016	115,000	171,798	286,798
2017	120,000	165,875	285,875
2018	125,000	159,275	284,275
2019-2023	755,000	677,305	1,432,305
2024-2028	1,050,000	400,568	1,450,568
2029-2030	530,000	54,740	584,740
	$ 2,910,000	$ 1,988,294	$ 4,898,294

NOTE F - PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.78% (5.95% effective July 1, 2013) of their annual salary and the Agency is required to contribute 8.67% (8.93% effective July 1, 2013) of annual covered payroll. Contribution requirements are established by State statute. The Agency's contributions to IPERS for the year ended June 30, 2013 was approximately $1,300, equal to the required contributions for the year.

NOTE G - CONTINGENCIES

Risk Management

IPPA is exposed to risks of liability claims related to business risks of loss. These risks are covered to the extent practical by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Subsequent Event

The Agency has evaluated all subsequent events through February 10, 2014, the date the financial statements were available to be issued.

* * *

SUPPLEMENTARY INFORMATION

IOWA PUBLIC POWER AGENCY
Net Income Available for Debt Service
December 31, 2013

Net Income Per Financial Statements	$	345,116
Add:		
Depreciation		73,893
Amortization		12,376
Interest		185,120
Available for Debt Service	$	616,505
Maximum Debt Service in Any Year	$	293,700
Actual Coverage		2.10

See Independent Auditor's Report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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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
Iowa Public Power Agency

We have audited the financial statements of Iowa Public Power Agency as of and for the year ended December 31, 2013, and have issued our report thereon dated February 10, 2014. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iowa Public Power Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Iowa Public Power Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be 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 the Organization's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Directors
Iowa Public Power Agency

A significant deficiency is a deficiency or 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 Part I of the accompanying Schedule of Findings as item 13-I-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Public Power Agency'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 non-compliance or other matters that are required to be reported under Government Auditing Standards.

Response to Findings

Iowa Public Power Agency's response to findings identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the Organization's response, we did not audit the Organization's response and, accordingly, we express no opinion on it.

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 result of that testing and not to provide an opinion on the effectiveness of the Organization's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brownfield, Ben, Kyhnn & Co. P.C.

Atlantic, Iowa
February 10, 2014

IOWA PUBLIC POWER AGENCY
Schedule of Findings
Year Ended December 31, 2013

PART I - INTERNAL CONTROL DEFICIENCIES

13-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Organization. However, this situation is common in small organizations.

Recommendation: We recognize that it may not be economically feasible for the Organization to contract for additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the members be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The members are aware of this lack of segregation of duties, but it is not economically feasible for the Organization to contract for additional personnel for this reason. The members will continue to act as an oversight group.

Conclusion: Response accepted.

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