

**RESALE POWER GROUP OF IOWA  
DES MOINES, IOWA**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEARS ENDED  
FEBRUARY 28, 2014 AND FEBRUARY 28, 2013**

# RESALE POWER GROUP OF IOWA

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# RESALE POWER GROUP OF IOWA

## OFFICIALS

### *Administrative Board -*

Terry Hershberger	President	Amana Society Service Company
Pat Stief	Vice-President	Traer Municipal Utilities
Warren McKenna	Secretary/Treasurer	Farmers Electric Cooperative
Dan Wilson	Member	Ogden Municipal Utilities
Randy Neff	Member	Mount Pleasant Municipal Utilities
Gary Obbink	Member	Sibley Municipal Utilities
Jeff Ishmael	Member	Story City Municipal Electric Utility

### *Others -*

Kris Stubbs	Chief Administrative Officer	Resale Power Group of Iowa
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# O'Donnell, Ficenec, Wills & Ferdig, LLP

*Certified Public Accountants*

4815 South 107th Avenue

Omaha, Nebraska 68127-1904

Gerald A. Wills, C.P.A.  
Ronald W. Ferdig, C.P.A.  
Lawrence A. Wolfe, C.P.A.  
Steven M. Povich, C.P.A.  
Gregory A. Harr, C.P.A.  
Dwain E. Wulf, C.P.A.  
Daniel R. Holt, C.P.A.

402-592-3800  
Fax: 402-592-7747  
www.ofwf.com

Daniel A. Dudley, C.P.A.  
Geoffrey F. Schnathorst, C.P.A.  
Catherine T. Kellogg, C.P.A.  
Frank H. Burnham, C.P.A.  
Matthew R. Tunink, C.P.A.  
Terrie L. Larkowski, C.P.A.

## INDEPENDENT AUDITORS' REPORT

Resale Power Group of Iowa  
Des Moines, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Resale Power Group of Iowa (RPGI) as of and for the years ended February 28, 2014 and 2013, and the related notes to the financial statements, which collectively comprise RPGI's basic financial statements as listed in the table of contents.

### 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 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 an opinion on the 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 entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Resale Power Group of Iowa as of February 28, 2014 and 2013, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2014, on our consideration of Resale Power Group of Iowa's (RPGI) 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 RPGI's internal control over financial reporting and compliance.

June 17, 2014  
Omaha, Nebraska

**RESALE POWER GROUP OF IOWA**

**STATEMENTS OF NET POSITION  
FEBRUARY 28, 2014 AND FEBRUARY 28, 2013**

<b>ASSETS</b>	<b>2014</b>			<b>2013</b>
	<b>Emissions Testing Fund</b>	<b>Power Supply Fund</b>	<b>Total</b>	
Cash -				
Operations	\$ -	\$ 4,926,925	\$ 4,926,925	\$ 4,586,705
MISO collateral reserve	-	634	634	634
Total cash	-	4,927,559	4,927,559	4,587,339
Accounts receivable	9,600	2,581,295	2,590,895	1,965,213
Collateral deposit - MISO	-	1,891,850	1,891,850	1,891,850
Due from emissions testing fund	-	33,178	33,178	-
Property and equipment, net	19,548	4,109	23,657	5,947
Total assets	<u>\$ 29,148</u>	<u>\$ 9,437,991</u>	<u>\$ 9,467,139</u>	<u>\$ 8,450,349</u>
 <b>LIABILITIES AND NET POSITION</b>				
Accounts payable - trade	\$ -	\$ 2,726,026	\$ 2,726,026	\$ 1,940,016
Due to power supply fund	33,178	-	33,178	-
Payroll liabilities	3,100	9,103	12,203	8,059
Total liabilities	36,278	2,735,129	2,771,407	1,948,075
Net position -				
Net investment in capital assets	19,548	4,109	23,657	5,947
Unrestricted (deficit)	(26,678)	6,698,753	6,672,075	6,496,327
Total net position (deficit)	(7,130)	6,702,862	6,695,732	6,502,274
Total liabilities and net position	<u>\$ 29,148</u>	<u>\$ 9,437,991</u>	<u>\$ 9,467,139</u>	<u>\$ 8,450,349</u>

See notes to financial statements.

**RESALE POWER GROUP OF IOWA**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED FEBRUARY 28, 2014 AND FEBRUARY 28, 2013**

	2014			
	Emissions Testing Fund	Power Supply Fund	Total	2013
<b>OPERATING REVENUES:</b>				
Wholesale energy revenue	\$ -	\$ 32,869,980	\$ 32,869,980	\$ 34,846,408
Testing revenue	9,600	-	9,600	-
Total operating revenue	9,600	32,869,980	32,879,580	34,846,408
<b>OPERATING EXPENSES:</b>				
Wholesale energy expense	-	32,234,269	32,234,269	33,978,761
Testing expense	1,200	-	1,200	-
Consultant expense	-	194,680	194,680	182,172
Legal expense	2,296	21,525	23,821	25,126
Other operating expenses	13,234	222,461	235,695	251,026
Total operating expenses	16,730	32,672,935	32,689,665	34,437,085
Operating income (loss)	(7,130)	197,045	189,915	409,323
<b>NON-OPERATING REVENUE:</b>				
Miscellaneous income	-	400	400	591
Gain on sale of equipment	-	150	150	-
Interest income	-	2,993	2,993	4,999
Total non-operating revenue	-	3,543	3,543	5,590
Change in net position	(7,130)	200,588	193,458	414,913
Net position, beginning of year	-	6,502,274	6,502,274	6,087,361
Net position (deficit), end of year	\$ (7,130)	\$ 6,702,862	\$ 6,695,732	\$ 6,502,274

See notes to financial statements.

RESALE POWER GROUP OF IOWA

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED FEBRUARY 28, 2014 AND FEBRUARY 28, 2013

	2014			2013
	Emissions Testing Fund	Power Supply Fund	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from wholesale energy sales	\$ -	\$ 32,253,898	\$ 32,253,898	\$ 34,828,339
Cash payments for wholesale energy purchased	-	(31,481,437)	(31,481,437)	(33,996,581)
Cash received (payments) for operating expenses	<u>24,435</u>	<u>(435,201)</u>	<u>(410,766)</u>	<u>(455,610)</u>
Net cash from operating activities	24,435	337,260	361,695	376,148
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Cash paid for property and equipment	(24,435)	(583)	(25,018)	(3,347)
Cash received for other	-	550	550	591
Cash received for investment earnings	-	<u>2,993</u>	<u>2,993</u>	<u>4,999</u>
Net cash from investing activities	<u>(24,435)</u>	<u>2,960</u>	<u>(21,475)</u>	<u>2,243</u>
Increase (decrease) in cash and invested funds	-	340,220	340,220	378,391
Cash, beginning of year	-	4,587,339	4,587,339	4,208,948
Cash, end of year	<u>\$ -</u>	<u>\$ 4,927,559</u>	<u>\$ 4,927,559</u>	<u>\$ 4,587,339</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (7,130)	\$ 197,045	\$ 189,915	\$ 409,323
Non-cash depreciation expense	4,887	2,421	7,308	3,286
Changes in operating assets and liabilities -				
(Increase) decrease in receivables	(9,600)	(616,082)	(625,682)	(18,069)
(Increase) decrease in prepaid expense	-	-	-	782
(Increase) decrease in due/from emissions testing division	33,178	(33,178)	-	-
Increase (decrease) in accounts payable	-	786,010	786,010	(18,602)
Increase (decrease) in payroll liabilities	3,100	1,044	4,144	(572)
Net cash from operating activities	<u>\$ 24,435</u>	<u>\$ 337,260</u>	<u>\$ 361,695</u>	<u>\$ 376,148</u>

See notes to financial statements.

**RESALE POWER GROUP OF IOWA**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **Organization -**

Resale Power Group of Iowa (RPGI) was organized in 1986 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of RPGI is to obtain wholesale electric energy and transmission thereof and other related services, and otherwise act on behalf of, its members. During 2013, RPGI started a new division which tests the emissions of reciprocating engines that burn natural gas and diesel fuel, both within the membership and for other municipal utilities in Iowa. Management is comprised of an administrative board selected from RPGI members.

RPGI members are either public or private agencies who are bound by the terms of the 28E agreement filed with the Iowa Secretary of State. RPGI's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) for business-type activities reported as enterprise funds.

B. **Reporting Entity -**

RPGI is a special-purpose governmental entity that meets all of the criteria to be reported as a primary government. The criteria includes having a separate elected governing body, being legally separate, and being fiscally independent of other state and local governments.

C. **Basis of Presentation -**

As a 28E organization, the accounts of RPGI are organized as a governmental entity with its two activities reported as enterprise funds. 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 is that the costs of providing goods or services 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.

D. **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.

E. **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.

F. **Budget -**

RPGI is not required to adopt and does not publish or approve a public budget. RPGI does however, prepare an internal-use-only budget as required by Chapter 28E of the Code of Iowa.

G. **Revenue Recognition -**

RPGI 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 its principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### H. **Cash -**

Cash and cash equivalents for the purpose of reporting cash flows, consists of cash in operating bank accounts, including cash invested in Iowa Public Agency Investment Trust (IPAiT).

### I. **Property and Equipment -**

Property and equipment (capital assets) are recorded at cost, and depreciation is provided using the straight-line method over the estimated useful lives of the assets. Major acquisitions and improvements are capitalized. Expenditures for maintenance, repairs and acquisitions of minor items are charged to earnings as incurred. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reported in operations for the period.

### J. **Net Position -**

Net position shown on the Statements of Net Position represents the difference between assets plus deferred outflow of resources and liabilities plus deferred inflow of resources and is divided into three components:

*Net investment in capital assets* - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to acquire those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

*Restricted net position* - consists of assets that are restricted by the enabling legislation, by grantors, and by other contributors of which RPIG has none.

*Unrestricted* - consists of all remaining net position reported in this category.

### K. **Income Taxes -**

RPIG is exempt from federal income taxes pursuant to Revenue Ruling 77-261, 1977-2 C B 45.

## NOTE 2 - CASH AND INVESTMENTS

RPIG 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 RPIG; 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.

All monies deposited with Iowa Public Agency Investment Trust (IPAiT) are held in the IPAiT Diversified Portfolio. The balances, totaling \$4,927,559 and \$4,587,339 for 2014 and 2013, respectively, are not FDIC insured as IPAiT is not considered a financial institution. Instead, IPAiT is a common law trust established under Iowa law which authorizes Iowa public agencies to jointly invest monies pursuant to a joint investment agreement. IPAiT is registered under the Investment Company Act of 1940. Investments in IPAiT are not classified as to custodial credit risk.

## NOTE 3 - COLLATERAL DEPOSIT

RPIG, as authorized agent for and on behalf of its participant members, entered into an unsecured pro rata guaranty with the Midwest Independent System Operator (MISO) to provide transmission, ancillary and related services. The maximum financial obligation of this instrument is limited to \$1,000,000. In the event that RPIG's maximum financial obligation exceeds \$1,000,000, RPIG is required to place additional financial assurances with MISO in an amount equal to or greater than this additional credit exposure. Additional financial assurances may take the form of cash deposits or irrevocable standby letter of credit. As of February 28, 2014, RPIG's cash deposit with MISO was \$1,891,850 and was unchanged from the prior year.

**NOTE 4 - INTERFUND BALANCES**

During the year, the Power fund advanced funds to the Emissions Testing fund for start-up purposes. Those funds are expected to be paid back in the near term as the Emissions Testing fund starts receiving money for services performed.

**NOTE 5 - CAPITAL ASSETS, NET**

Details of changes in the power supply and emissions testing enterprises combined capital asset costs by category and depreciation reported for the year are as follows:

	<b>Beginning of Year</b>	<b>Increases</b>	<b>Decreases</b>	<b>End of Year</b>
Office furniture and equipment cost	\$ 20,520	\$ 25,018	\$ 4,089	\$41,449
Less accumulated depreciation	14,573	7,308	4,089	17,792
Property and equipment, net	<u>\$ 5,947</u>	<u>\$ 17,710</u>	<u>\$ -</u>	<u>\$23,657</u>

**NOTE 6 - SERVICE AGREEMENT**

RPGI has a service agreement with Illinois Power Marketing (Illinois Power) formally known as Ameren Energy Marketing Company, whereby Illinois Power provides delivery of wholesale electric energy on a levelized basis to RPGI. The agreement runs through December 31, 2014. RPGI has agreed to purchase certain minimum megawatt-hours of energy from Illinois Power. In turn, RPGI has electric services agreements with its participating members to utilize the energy provided by Illinois Power pursuant to the service agreement.

**NOTE 7 - OTHER CONTINGENCIES**

Over the past few years, there has been a legal proceeding against RPGI relating to the integrated transmission system between a predecessor-in-interest, Interstate Power and Light Company (IPL), and Central Iowa Power Cooperative (CIPCO). A settlement was reached and became effective on March 10, 2014 which calls for \$166,000 annual payments for five years. Specific members of RPGI are named in this lawsuit and will be billed for allocable shares of the settlement amounts. Accordingly, no liability or reserve has been recognized in these financial statements.

**NOTE 8 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 17, 2014, the date the financial statements were available to be issued, and believes that no events have occurred that require adjustment of, or disclosure in, the financial statements.

# O'Donnell, Ficenec, Wills & Ferdig, LLP

*Certified Public Accountants*

4815 South 107th Avenue

Omaha, Nebraska 68127-1904

Gerald A. Wills, C.P.A.  
Ronald W. Ferdig, C.P.A.  
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## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

### **INDEPENDENT AUDITORS' REPORT**

Resale Power Group of Iowa  
Des Moines, Iowa

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, business-type activities and each major fund of Resale Power Group of Iowa (RPGI) as of and for the year ended February 28, 2014, and the related notes to the financial statements, which collectively comprise RPGI's basis financial statements, and have issued our report thereon dated June 17, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered RPGI'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RPGI's internal control. Accordingly, we do not express an opinion on the effectiveness of RPGI's internal control.

*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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether RPGI's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about RPGI's operations for the years ended February 28, 2014, are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of RPGI. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **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 entity'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 entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

June 17, 2014  
Omaha, Nebraska

**RESALE POWER GROUP OF IOWA**  
**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2014**

**PART I: SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS**

- (a) An unmodified opinion was issued on the basic financial statements.
- (b) The audit did not disclose any noncompliance which could have a material effect on the financial statement amounts.
- (c) No material weaknesses in internal control were noted.

**PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS**

**Instances of Non-Compliance:**

No matters were detected.

**Reportable Conditions:**

No matters were detected.

**PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

- (1) Questionable Expenses - No expenses that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- (2) Travel Expense - No expenditures of money for travel expenses of spouses of Resale Power Group of Iowa officials or employees were noted.
- (3) Business Transactions - No business transactions between Resale Power Group of Iowa and its officials, as described in the Code of Iowa, were noted.
- (4) Board Minutes - No transactions were found that we believe should have been approved in the administrative board minutes but were not.
- (5) Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.