

IOWA PUBLIC POWER AGENCY

INDEPENDENT AUDITOR'S REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
COMMENTS AND RECOMMENDATIONS

YEARS ENDED DECEMBER 31, 2009 AND 2008

IOWA PUBLIC POWER AGENCY

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IOWA PUBLIC POWER AGENCY
Board of Directors
December 31, 2009

Board Members

Allen Bonderman (Chairman)
Atlantic Municipal Utilities

Duane Armstead (Vice Chairman)
Greenfield Municipal Utilities

John Bilsten (Secretary-Treasurer)
Algona Municipal Utilities

Sal Lobianco
Muscatine Water & Power

Greg Fritz
NIMECA

Merlin Sawyer
Missouri River Energy Services

Pat Stief
Traer Municipal Utilities

Robert Haug
Non-Voting Member

Representing

Independent Utilities

South Iowa Municipal Electric
Cooperative Association (SIMECA)

Independent Utilities

Independent Utilities

North Iowa Municipal Electric
Cooperative Association (NIMECA)

Missouri Basin Electric Cooperative
Association

Resale Power Group of Iowa (RPGI)

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

We have audited the accompanying balance sheets of Iowa Public Power Agency (a not-for-profit Organization and a political subdivision of the State of Iowa) as of December 31, 2009 and 2008 and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa Public Power Agency as of December 31, 2009 and 2008 and the results of its activities, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2010 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, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the Board of Directors
Iowa Public Power Agency

The management's discussion and analysis on pages 4 through 4c is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information (shown on page 14) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gronwald, Bell, Kghun + Co. P.C.
Atlantic, Iowa
February 22, 2010

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, 2009 and 2008.

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, 476A, and 504A of the Code of Iowa, 2005, 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.

2009 Financial Highlights

- \$3.2 million in electric revenue bonds were sold, to finance 161 kV network transmission facilities co-owned with MidAmerican Energy Company, identified as the Grimes-Granger Project.
- Revenues for 2009 totaled \$373,166, primarily due to operating assessments to member municipal utilities
- Expenses for 2009 totaled \$74,932, reflecting increased depreciation from the Grimes-Granger project.

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, as well as applicable Financial Accounting Standards Board (FASB) pronouncements unless they conflict with those issued by GASB.

Financial Analysis of the Agency

Net Assets serve as a useful indicator of financial position. The Agency's Net Assets increased by \$928,362, primarily due to the infusion of cash from participants in the Grimes-Granger Project investments, both in the form of capital contributions and in the form of operating assessments.

A summary of the Agency's financial information follows:

Assets, Liabilities, and Net Assets

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Utility Plant:		
Depreciable capital assets	\$ 2,938,378	\$ 129,243
Accumulated depreciation	(64,624)	(3,231)
Net utility plant	<u>2,873,754</u>	<u>126,012</u>
Special Purpose (Bond) Funds	285,224	--
Current Assets	3,942,227	93,348
Other Assets	<u>127,298</u>	<u>--</u>
	<u>\$ 7,228,503</u>	<u>\$ 219,360</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities	\$ 2,880,781	\$ --
Long-Term Debt	<u>3,200,000</u>	<u>--</u>
TOTAL LIABILITIES	6,080,781	--
NET ASSETS	<u>1,147,722</u>	<u>219,360</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,228,503</u>	<u>\$ 219,360</u>

Revenues, Expenses & Changes in Net Assets

	<u>2009</u>	<u>2008</u>
Operating Revenues	\$ 373,166	\$ 9,141
Operating Expenses:		
Project refunds	--	12,094
Insurance	1,963	--
Miscellaneous expense	1,104	--
Professional fees	5,156	250
Property tax	192	--
Provision for depreciation	61,393	3,231
Amortization of organizational costs	<u>5,124</u>	<u>--</u>
Total operating expenses	<u>74,932</u>	<u>15,575</u>
Income (Loss) from Operations	298,234	(6,434)
Other Income	<u>990</u>	<u>1,705</u>
Net Income (Loss)	299,224	(4,729)
Net Assets, Beginning	219,360	214,747
Participant Contributions to Net Assets	<u>629,138</u>	<u>9,342</u>
Net Assets, Ending	<u>\$ 1,147,722</u>	<u>\$ 219,360</u>

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, as well as from participants' cash contributions, are being used to pay for the Grimes-Granger Project improvements, establish debt service and operating reserves, and provide for cash flow of the organization. The debt will be serviced by making principal and interest payments over a twenty year period, and have an average interest cost of 6.53%.

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 476A 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, President; c/o Atlantic Municipal Utilities; 15 W. Third; Atlantic, IA 50022
John Bilsten, Secretary-Treasurer; c/o Algona Municipal Utilities; 104 W. Call, Algona, IA 50511

IOWA PUBLIC POWER AGENCY
Balance Sheets
December 31,

ASSETS

	<u>2009</u>	<u>2008</u>
Utility Plant:		
Depreciable capital assets	\$ 2,938,378	\$ 129,243
Accumulated depreciation	(64,624)	(3,231)
Net utility plant	<u>2,873,754</u>	<u>126,012</u>
Special Purpose Funds:		
Bond reserve fund	284,907	--
Bond sinking fund	<u>317</u>	<u>--</u>
Non-current special purpose funds	<u>285,224</u>	<u>--</u>
Current Assets:		
Cash	1,082,554	84,207
Current special purpose funds	2,855,576	--
Accounts receivable	<u>4,097</u>	<u>9,141</u>
Total current assets	<u>3,942,227</u>	<u>93,348</u>
Other Assets:		
Debt issue costs	106,800	--
Organization costs	<u>20,498</u>	<u>--</u>
	<u>127,298</u>	<u>--</u>
	<u>\$ 7,228,503</u>	<u>\$ 219,360</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable, trade	\$ 205	\$ --
Accounts payable, other	<u>2,880,576</u>	<u>--</u>
Total current liabilities	<u>2,880,781</u>	<u>--</u>
Long-Term Debt	<u>3,200,000</u>	<u>--</u>
Total liabilities	<u>6,080,781</u>	<u>--</u>
Net Assets:		
Restricted - expendable	285,224	--
Invested in capital assets, net of related debt	(219,446)	126,012
Unrestricted	<u>1,081,944</u>	<u>93,348</u>
Total net assets	<u>1,147,722</u>	<u>219,360</u>
	<u>\$ 7,228,503</u>	<u>\$ 219,360</u>

The accompanying notes are an integral part of these statements.

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

	<u>2009</u>	<u>2008</u>
Operating Revenue:		
Rent from electric property	\$ 23,166	\$ 9,141
Project assessments	<u>350,000</u>	<u>--</u>
	373,166	9,141
Operating Expenses:		
Project refunds to participants	--	12,094
Insurance	1,963	--
Miscellaneous expense	1,104	--
Professional fees	5,156	250
Property tax	192	--
Provision for depreciation	61,393	3,231
Amortization	<u>5,124</u>	<u>--</u>
Total operating expenses	<u>74,932</u>	<u>15,575</u>
Income (Loss) from Operations	298,234	(6,434)
Other Income:		
Income from investments	<u>990</u>	<u>1,705</u>
Net Income (Loss)	299,224	(4,729)
Net Assets, Beginning	219,360	214,747
Participant Contributions to Net Assets	<u>629,138</u>	<u>9,342</u>
Net Assets, Ending	<u>\$ 1,147,722</u>	<u>\$ 219,360</u>

The accompanying notes are an integral part of these statements.

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

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Cash received from customers and participants	\$ 378,210	\$ 3,000
Cash paid to suppliers	(8,210)	(12,344)
Cash paid for organization costs	(622)	--
Net cash provided by (used in) operating activities	369,378	(9,344)
Cash flows from capital and related financing activities:		
Participant contribution to net assets	629,138	9,342
Capital expenditures	(1,159)	--
Proceeds from revenue bonds	<u>3,140,800</u>	<u>--</u>
Net cash provided by capital and related financing activities	3,768,779	9,342
Cash flows from investing activities:		
Income from investments	<u>990</u>	<u>1,705</u>
Net increase in cash	4,139,147	1,703
Cash at beginning of year	<u>84,207</u>	<u>82,504</u>
Cash at end of year	<u>\$ 4,223,354</u>	<u>\$ 84,207</u>
Reconciliation of cash to the balance sheet:		
Cash in current assets	\$ 3,938,130	\$ 84,207
Cash in special purpose funds	<u>285,224</u>	<u>--</u>
	<u>\$ 4,223,354</u>	<u>\$ 84,207</u>

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

	<u>2009</u>	<u>2008</u>
Reconciliation of income (loss) from operations to net cash provided by (used in) operating activities:		
Income (loss) from operations	\$ 298,234	\$(6,434)
Adjustments to reconcile income (loss) from operations to net cash provided by (used in) operating activities:		
Depreciation	61,393	3,231
Amortization	5,124	--
Increase in organization costs	(25,622)	--
Accounts payable for organization costs	25,000	--
Change in assets and liabilities:		
Accounts receivable	5,044	(6,141)
Accounts payable, trade	205	--
Total adjustments	<u>71,144</u>	<u>(2,910)</u>
Net cash provided by (used in) operating activities	<u>\$ 369,378</u>	<u>\$(9,344)</u>

Non-Cash Transactions:

IPPA also incurred the following non-cash transaction in addition to the transactions reflected in the reconciliation of income (loss) from operations to net cash provided by (used in) operating activities.

	<u>2009</u>	<u>2008</u>
Bond issue costs netted from proceeds	<u>\$ 59,200</u>	<u>\$ --</u>

The accompanying notes are an integral part of these statements.

IOWA PUBLIC POWER AGENCY
Notes to Financial Statements
December 31, 2009 and 2008

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, 476A and 504A of the Code of Iowa 2005, 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, 476A and 504A, Code of Iowa 2005, 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.

The Agency reports its financial activity in accordance with all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) pronouncements unless those pronouncements conflict with or contradict GASB pronouncements.

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.

IOWA PUBLIC POWER AGENCY
Notes to Financial Statements
December 31, 2009 and 2008

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 assets.

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. Deferred Costs

Costs related to the issuance of debt and special projects are recorded as deferred costs when incurred. Such costs are amortized over the term of the outstanding debt or the estimated useful life in the case of special projects.

8. 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.

IOWA PUBLIC POWER AGENCY
Notes to Financial Statements
December 31, 2009 and 2008

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

9. 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.

10. 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 incurred during 2009 and 2008.

11. Net Assets

Net assets of the Agency are classified in three components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase of construction of those assets. *Restricted net assets* are noncapital net 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 assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt, or restricted net assets*.

NOTE B - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended December 31, 2009 and 2008 are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Balance December 31, 2007	\$ 129,243	\$ --
Additions	<u>--</u>	<u>3,231</u>
Balance December 31, 2008	129,243	3,231
Additions	<u>2,809,135</u>	<u>61,393</u>
Balance December 31, 2009	<u>\$ 2,938,378</u>	<u>\$ 64,624</u>

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

IOWA PUBLIC POWER AGENCY
Notes to Financial Statements
December 31, 2009 and 2008

NOTE C - SPECIAL PURPOSE FUNDS

Restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Restricted by Bond Resolution for:		
Payment of principal and interest	\$ 285,224	\$ --
Capital acquisitions	<u>2,855,576</u>	<u>--</u>
	<u>\$ 3,140,800</u>	<u>\$ --</u>

NOTE D - DEPOSITS AND INVESTMENTS

The Agency's deposits at December 31, 2009 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.

Currently, all IPPA funds are in a checking account or in the Iowa Public Agency Investment Trust.

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 \$95,000 in 2011 to \$275,000 in 2030. Interest rates range from 2.35% 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 less than 52% of cash flow available for debt service.

IOWA PUBLIC POWER AGENCY
Notes to Financial Statements
December 31, 2009 and 2008

NOTE E - NON-CURRENT LIABILITIES - Continued

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, 2010 through 2014 and thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ --	\$ 175,310	\$ 175,310
2011	95,000	190,670	285,670
2012	95,000	188,438	283,438
2013	100,000	185,445	285,445
2014	105,000	181,545	286,545
2015-2019	605,000	826,410	1,431,410
2020-2024	805,000	630,995	1,435,995
2025-2029	1,120,000	330,643	1,450,643
2030	<u>275,000</u>	<u>18,700</u>	<u>293,700</u>
	<u>\$ 3,200,000</u>	<u>\$ 2,728,156</u>	<u>\$ 5,928,156</u>

NOTE F - COMMITMENT AND CONTINGENCY

Transmission Line

At December 30, 2009, IPPA issued \$3,200,000 to pay for its 25% share of the cost of a 161,000 volt transmission line, debt issue costs, and to set up a debt service reserve fund. By December 31, 2009, all construction costs had been recorded, with the unpaid portion reported as accounts payable.

The project will result in IPPA being assessed its share of operating costs for the project by MidAmerican Energy (the majority owner in the project) and receiving its share of revenues generated from the project, each year.

Risk Management

IPPA was covered as a Named Additional Insured on the Iowa Association of Municipal Utilities' (IAMU) insurance policy through April, 2009. The Agency has now acquired its own coverage for liability claims related to business risk. Property coverage is part of the operating costs of the individual projects. No claims have been made against IPPA since its organization.

Subsequent Event

The Agency has evaluated all subsequent events through February 22, 2010, the date the financial statements were available to be issued.

* * *

SUPPLEMENTARY INFORMATION

IOWA PUBLIC POWER AGENCY
Net Income Available for Debt Service
December 31, 2009

Net Income Per Financial Statements	\$ 299,224
Add:	
Depreciation	61,393
Amortization	<u>5,124</u>
Available for Debt Service	<u>\$ 365,741</u>
Maximum Debt Service in Any Year	<u>\$ 293,700</u>
Actual Coverage	<u>1.25</u>

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, 2009, and have issued our report thereon dated February 22, 2010. 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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably, in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood a misstatement of the Organization's financial statements, that is more than inconsequential, will not be prevented or detected by the Organization's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

To the Board of Directors
Iowa Public Power Agency

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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.

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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Iowa Public Power Agency and other parties to whom the Organization may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Gronewold, Bell, Kyhman + Co. P.C.
Atlantic, Iowa
February 22, 2010

IOWA PUBLIC POWER AGENCY
Schedule of Findings
Year Ended December 31, 2009

PART I - SIGNIFICANT DEFICIENCIES

09-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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