COGGON MUNICIPAL LIGHT PLANT

FINANCIAL REPORT – MODIFIED CASH BASIS

June 30, 2004

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INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Trustees
Coggon Municipal Light Plant
Coggon, Iowa

We have audited the accompanying statement of financial position – modified cash basis of Coggon Municipal Light Plant as of June 30, 2004 and the related statement of activities – modified cash basis for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position and activities of Coggon Municipal Light Plant for the year ended June 30, 2004, on the basis of accounting described in Note 1. The supplementary information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Koppenhaver & Pearson, LLP

Mount Vernon, Iowa
September 10, 2004

COGGON MUNICIPAL LIGHT PLANT
Statement of Financial Position – Modified Cash Basis
June 30, 2004

ASSETS		
Cash and savings		$ 102,552
Certificates of deposit		12,934
Prepaid supplies		88,617
Property and equipment:		
Land	$ 45,500	
Plant buildings	123,958	
Plant equipment	813,134	
Distribution lines and equipment	801,639	
Tools	29,618	
Vehicles	68,467	
Office equipment	5,286	
	$ 1,887,602	
Less accumulated depreciation	760,656	
		1,126,946
		$ 1,331,049
LIABILITIES		
Savings withheld		$ 75
Payroll withholdings payable		2,803
Bonds payable		765,000
		$ 767,878
NET ASSETS		563,171
		$ 1,331,049

See accompanying Notes to Financial Statements.

COGGON MUNICIPAL LIGHT PLANT
Statement of Activities – Modified Cash Basis
Year Ended June 30, 2004

REVENUES	
Sale of electricity	$ 342,857
Interest	1,697
Miscellaneous	14,147
	$ 358,701
EXPENSES	
Purchase of electricity	$ 68,945
Plant expense	167,215
Distribution expense	68,167
Administrative expense	90,424
	$ 394,751
(DECREASE) IN NET ASSETS	$ (36,050)
NET ASSETS AT BEGINNING OF YEAR	599,221
NET ASSETS AT END OF YEAR	$ 563,171

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Coggon Municipal Light Plant provides electrical service to residents and businesses in Coggon, Iowa. A three-member board of trustees governs the organization. Rates charged customers are regulated by the State of Iowa.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis differs from generally accepted accounting principles in that electricity sales are recognized when received instead of when service is provided and expenses are recognized when paid instead of when goods and services are received. Modifications to the cash method include the recognition of prepaid supplies, capitalization and depreciation of property and equipment, and recognition of bonds payable.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires the use of estimates and assumptions, primarily in the useful lives assigned to property and equipment, that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Property and Equipment

Property and equipment with a useful life in excess of one year are capitalized at cost. Repairs and maintenance are expensed. Straight-line depreciation is recognized over the estimated useful lives as follows:

Plant buildings	40 years
Plant equipment	20 years
Distribution lines and equipment	30 years
Tools	10 years
Vehicles	6 years
Office equipment	10 years

Total depreciation expense for the year ended June 30, 2004 was $64,226.

Note 2. Contingent Liabilities

At June 30, 2004, the Coggon Municipal Light Plant held refundable customer deposits totaling $5,780. The deposits have been recorded as miscellaneous income.

Note 3. Retirement System

Employees are covered under the Iowa Public Employees Retirement System (IPERS). Contributions are 3.70% of compensation by the employee and 5.75% by the employer. The plan is administered by the State of Iowa and Coggon Municipal Light Plant's responsibility is limited to payment of the contributions required under rates set by the State of Iowa. The employer's contribution paid during the year ended June 30, 2004, was $4,016.

According to IPERS, the net assets available for benefits exceed the pension benefit obligation for IPERS as a whole, leaving no unfunded pension benefit obligation.

Note 4. Concentrations of Credit Risk

Coggon Municipal Light Plant maintains cash balances at two financial institution located in Coggon and Central City, Iowa. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation up to $100,000. At June 30, 2004, the Company's uninsured cash balances total $13,937.

Note 5. Bonds Payable

On January 14, 2002, Coggon Municipal Light Plant issued $825,000 of Electric Utility Revenue Bonds for the purpose of installing a new generator. The notes bear interest from 4.0% to 6.0% and are payable in fixed principal payments from $20,000 to $50,000 plus interest. Payments are due semi-annually beginning March 1, 2003, with final maturity on March 1, 2022. At June 30, 2004, the balance due on the notes was $765,000.

Future scheduled maturities are as follows for the years ended:

June 30, 2005	$ 45,000
June 30, 2006	45,000
June 30, 2007	50,000
June 30, 2008	50,000
June 30, 2009	50,000
Thereafter	525,000
	$ 765,000

COGGON MUNICIPAL LIGHT PLANT
Detail of Expenses – Modified Cash Basis
Year Ended June 30, 2004

Plant expense:	
Salaries and wages	$ 45,113
Payroll taxes	3,451
IPERS	2,597
Employee benefits	11,820
Supplies	2,306
Fuel	41,667
Insurance	9,821
Depreciation	27,095
Miscellaneous	23,345
	$ 167,215

Distribution expense:	
Salaries and wages	$ 2,115
Payroll taxes	162
Maintenance materials and supplies	3,022
Truck gas, oil and repairs	11,989
Truck insurance	2,907
Depreciation	35,666
Miscellaneous	12,306
	$ 68,167

Administrative expense:	
Salaries and wages	$ 24,619
Payroll taxes	1,883
IPERS	1,419
Employee benefits	8,551
Trustee fees	469
Professional fees	2,557
Office supplies, printing and postage	1,401
Use tax	76
Interest expense	40,815
Depreciation	1,465
Miscellaneous	7,169
	$ 90,424