

COGGON MUNICIPAL LIGHT PLANT
FINANCIAL REPORT – MODIFIED CASH BASIS

June 30, 2006

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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, 2006 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, 2006, on the basis of accounting described in Note 1.

Koppenhaver & Associates, PC

Mount Vernon, Iowa
October 29, 2006

COGGON MUNICIPAL LIGHT PLANT
Statement of Financial Position – Modified Cash Basis
June 30, 2006

ASSETS		
Cash and savings		\$ 28,546
Prepaid supplies		88,843
Due from employees		<u>1,207</u>
Current assets		\$ 118,596
Property and equipment:		
Land	\$ 45,500	
Plant buildings	127,548	
Plant equipment	779,914	
Distribution lines and equipment	801,639	
Tools	30,336	
Vehicles	68,467	
Office equipment	<u>5,485</u>	
	\$ 1,858,889	
Less accumulated depreciation	<u>850,354</u>	
		1,008,535
Other assets - certificate of deposit		<u>68,212</u>
		<u>\$ 1,195,343</u>
LIABILITIES		
Savings withheld		\$ 200
Payroll withholdings payable		3,481
Bonds payable – current portion		<u>50,000</u>
Current liabilities		\$ 53,681
Bonds payable		<u>625,000</u>
Total liabilities		\$ 678,681
NET ASSETS		<u>516,662</u>
		<u>\$ 1,195,343</u>

See accompanying Notes to Financial Statements.

COGGON MUNICIPAL LIGHT PLANT
Statement of Activities – Modified Cash Basis
Year Ended June 30, 2006

REVENUES	
Sale of electricity	\$ 378,690
Interest	2,274
Miscellaneous	<u>16,809</u>
	<u>\$ 397,773</u>
EXPENSES	
Purchase of electricity	\$ 133,242
Plant expense	120,127
Distribution expense	65,861
Administrative expense	<u>87,671</u>
	<u>\$ 406,901</u>
(DECREASE) IN NET ASSETS	\$ (9,128)
NET ASSETS AT BEGINNING OF YEAR	<u>525,790</u>
NET ASSETS AT END OF YEAR	<u>\$ 516,662</u>

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, 2006 was \$62,290.

NOTES TO FINANCIAL STATEMENTS

Note 2. Contingent Liabilities

At June 30, 2006, the Coggon Municipal Light Plant held refundable customer deposits totaling \$9,305. The deposits have been recorded as miscellaneous income.

During 2006 Coggon Municipal Light Plant was named in a lawsuit which has been forwarded to their insurance company. Management intends to defend the case vigorously and any potential claim should be covered by their insurance policy. In the opinion of management, the outcome of the claim will have no material effect on the financial statements.

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, 2006, was \$4,216.

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. 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, 2006, the balance due on the notes was \$675,000.

Future scheduled maturities are as follows for the years ended:

June 30, 2007	\$ 50,000
June 30, 2008	50,000
June 30, 2009	50,000
June 30, 2010	55,000
June 30, 2011	40,000
Thereafter	<u>430,000</u>
	<u>\$ 675,000</u>

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

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

Our report on our audit of the basic financial statements of Coggon Municipal Light Plant as of June 30, 2006 and for the year then ended appears on page one. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Detail of Expenses – Modified Cash Basis 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 the audit 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.

Koppenhaver & Associates, PC

Mount Vernon, Iowa
October 29, 2006

COGGON MUNICIPAL LIGHT PLANT
 Detail of Expenses – Modified Cash Basis
 Year Ended June 30, 2006

Plant expense:	
Salaries and wages	\$ 46,697
Payroll taxes	3,510
IPERS	2,685
Employee benefits	12,367
Supplies	1,737
Fuel	4,040
Insurance	10,549
Depreciation	25,877
Miscellaneous	12,664
	<u>\$ 120,126</u>

Distribution expense:	
Salaries and wages	\$ 603
Payroll taxes	46
Maintenance materials and supplies	11,096
Truck gas, oil and repairs	10,667
Truck insurance	2,857
Depreciation	35,878
Miscellaneous	4,714
	<u>\$ 65,861</u>

Administrative expense:	
Salaries and wages	\$ 26,624
Payroll taxes	1,953
IPERS	1,531
Employee benefits	10,588
Trustee fees	504
Professional fees	2,682
Office supplies, printing and postage	929
Use tax	12
Interest expense	37,360
Depreciation	535
Miscellaneous	4,953
	<u>\$ 87,671</u>