

COGGON MUNICIPAL LIGHT PLANT
FINANCIAL REPORT – MODIFIED CASH BASIS

June 30, 2010

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of assets, liabilities, and net assets – modified cash basis of Coggon Municipal Light Plant (a quasi-governmental organization) as of June 30, 2010 and the related statement of support, revenue and expenses – modified cash basis for the year 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 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 assets, liabilities, and net assets of Coggon Municipal Light Plant as of June 30, 2010, and its support, revenue, and expenses for the year then ended, on the basis of accounting described in Note 1.

Koppenhaver & Associates, PC

Mount Vernon, Iowa
 October 8, 2010

COGGON MUNICIPAL LIGHT PLANT
Statement of Assets, Liabilities and Net Assets - Modified Cash Basis
As of June 30, 2010

ASSETS

Cash and savings		\$ 51,993
Prepaid supplies		85,540
Due from employees		<u>4,741</u>
Current assets		\$ 142,274

Property and equipment:

Land	\$ 45,500	
Plant buildings	140,428	
Plant equipment	783,423	
Distributions lines and equipment	851,446	
Tools	31,425	
Vehicles	80,963	
Office equipment	<u>6,546</u>	
	\$ 1,939,731	
Less accumulated depreciation	<u>1,078,272</u>	<u>861,459</u>

Total assets		<u>\$ 1,003,733</u>
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LIABILITIES AND NET ASSETS

Credit card payable		\$ 1,620
Payroll withholdings payable		3,419
Bonds payable - current portion		40,000
Note payable - current portion		<u>3,774</u>
Current liabilities		\$ 48,813

Bonds payable		430,000
Note payable		<u>12,437</u>
Total liabilities		\$ 491,250

NET ASSETS		<u>512,483</u>
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\$ 1,003,733

See accompanying Notes to Financial Statements.

COGGON MUNICIPAL LIGHT PLANT
Statement of Support, Revenue, and Expenses - Modified Cash Basis
Year Ended June 30, 2010

REVENUES	
Sale of electricity	\$ 462,479
Interest	2,926
Miscellaneous	<u>8,922</u>
	<u>\$ 474,327</u>
EXPENSES	
Purchase of electricity	\$ 183,618
Plant expense	150,474
Distribution expense	58,897
Administrative expense	<u>91,642</u>
	<u>\$ 484,631</u>
DECREASE IN NET ASSETS	\$ (10,304)
NET ASSETS AT BEGINNING OF YEAR	<u>522,787</u>
NET ASSETS AT END OF YEAR	<u>\$ 512,483</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. As a result, Coggon Municipal Light Plant is exempt from income taxes as a quasi-governmental organization.

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	5-10 years

Total depreciation expense for the year ended June 30, 2010 was \$63,580.

NOTES TO FINANCIAL STATEMENTS

Note 2. Contingent Liabilities

At June 30, 2010, the Coggon Municipal Light Plant held refundable customer deposits totaling \$12,655. 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. The case has been dismissed and appealed several times and is currently on appeal in state court. The insurance company for Coggon Municipal Light Plant has managed all the legal activity and it is management's opinion that no liability exists for which they would be responsible.

Note 3. Retirement System

Employees are covered under the Iowa Public Employees Retirement System (IPERS). Contributions are 4.30% of compensation by the employee and 6.65% 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, 2010, was \$5,436.

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 \$55,000 plus interest. Payments are due semi-annually beginning March 1, 2003, with final maturity on March 1, 2022. At June 30, 2010, the balance due on the notes was \$470,000.

Future scheduled maturities are as follows for the years ended:

June 30, 2011	\$ 40,000
June 30, 2012	30,000
June 30, 2013	30,000
June 30, 2014	35,000
June 30, 2015	35,000
Thereafter	<u>300,000</u>
	<u>\$ 470,000</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Note Payable

The Organization has a note payable with a balance of \$16,211 at June 30, 2010, that is secured by a vehicle and payable to a financial institution in fixed monthly installments of \$390 beginning on June 10, 2009, with final maturity on May 10, 2014. The note bears interest at a rate of 6.25%.

Future scheduled maturities are as follows for the years ended:

June 30, 2011	\$ 3,774
June 30, 2012	4,016
June 30, 2013	4,275
June 30, 2014	<u>4,146</u>
	<u>\$ 16,211</u>

Note 6. Reimbursed Expenses

Coggon Municipal Light Plant also entered into a line construction reimbursement agreement with a local residential developer for the purpose of building lines for electric service to nineteen lots during the year ended June 30, 2007. The developer paid \$15,000 for the cost of construction of this service and Coggon Municipal Light Plant is obligated to reimburse the developer \$789.48 per lot when permanent service is established to each developed lot. This agreement was modified during the year ended June 30, 2008 upon the installation of light poles at the development.

Light poles were installed at a cost to Coggon Municipal Light Plant of \$5,311 and will offset the cost of the \$15,000 of developer fees. There were two lots developed during 2007 and two reimbursement fees for \$789.48 were applied to the balance due the developer. During the fiscal year ended June 30, 2010, one reimbursement fee of \$789.48 was applied to the balance due the developer. Coggon Municipal Light Plant is contingently liable to the developer \$7,321 at June 30, 2010.

The costs incurred for the new transformers, lines and light poles were capitalized and will be depreciated over their estimated useful lives.

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, 2010 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.

Mount Vernon, Iowa
October 8, 2010

COGGON MUNICIPAL LIGHT PLANT
 Detail of Expenses - Modified Cash Basis
 Year Ended June 30, 2010

Plant expense:	
Salaries and wages	\$ 51,110
Payroll taxes	4,061
IPERS	3,486
Employee Benefits	12,493
Supplies	5,575
Fuel	16,000
Insurance	9,420
Depreciation	34,834
Miscellaneous	13,495
	<u>\$ 150,474</u>
Distribution expense:	
Contract labor	\$ 37
Maintenance materials and supplies	10,481
Truck gas, oil and repairs	14,478
Truck insurance	2,320
Depreciation	28,028
Miscellaneous	3,553
	<u>\$ 58,897</u>
Administrative expense:	
Salaries and wages	\$ 28,560
Payroll taxes	2,217
IPERS	1,950
Employee Benefits	14,121
Trustee fees	644
Professional fees	6,000
Office supplies, printing and postage	1,227
Loss on disposal of assets	229
Interest expense	30,058
Depreciation	718
Miscellaneous	5,918
	<u>\$ 91,642</u>