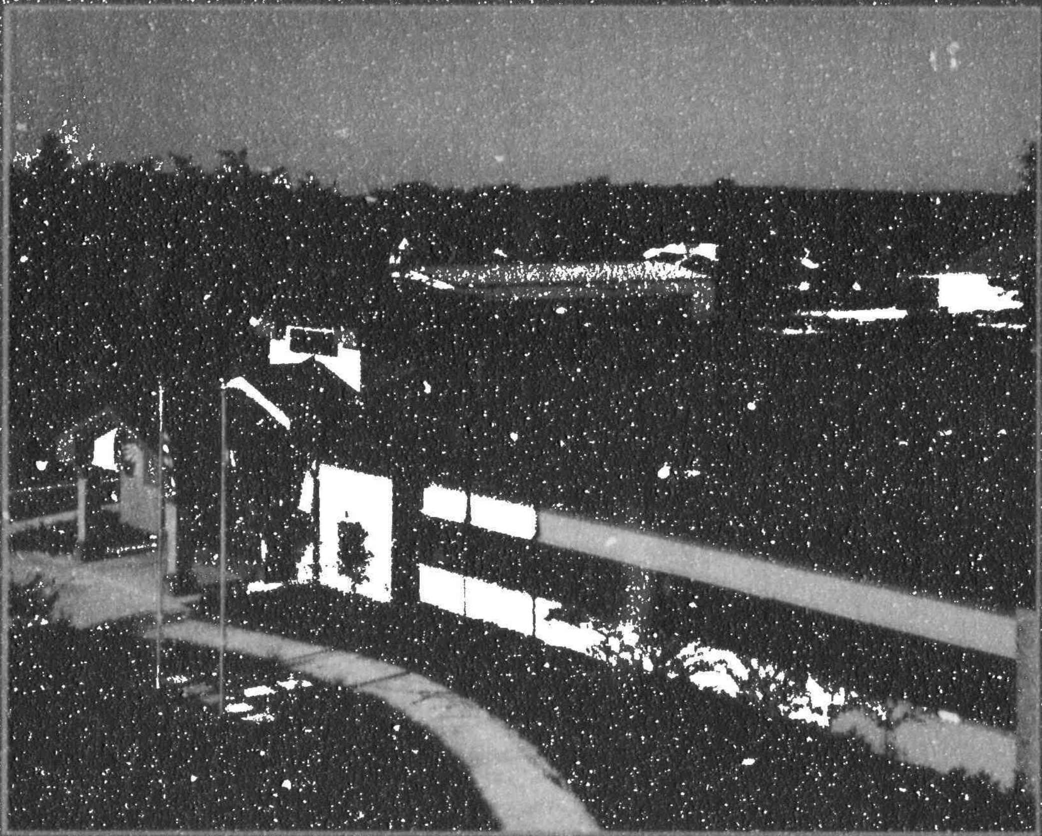
CORN BELT POWER COOPERATIVE



Certain as the sunrise

There are those who would say this goal is too ambitious. That it is unrealistic for a power company to strive for this degree of reliability.

For Corn Belt Power Cooperative, however, the goal of high reliability is the driving force behind its mission — to provide competitively-priced power to its members at a level of service that is unparalled.

POWER TO COUNT ON
Certain as the sunrise

In 1995, Corn Belt Power Cooperative was on line to its members 99.9914 percent of the time. It was a year in which an excellent maintenance program paid off.

No one will deny that there will be ice storms in our future. But even when the sun does not shine, we know it is always there. We can count on Corn Belt Power Cooperative to provide the same certainty in its service to members.

Over the horizon lies a competitive environment for electric utilities. Many issues will cloud the picture. One fact will remain, however: as certain as the sun rises in the east, Corn Belt Power Cooperative will be working to strengthen service to its members as part of the cooperative way of doing business. ●

EXECUTIVE REPORT

Reliably producing and delivering competitively-priced electricity to our member cooperatives has always been Corn Belt Power Cooperative's primary purpose.

Providing "Power To Count On" was once again our driving mission in 1995 with Corn Belt's reliability nearly 100 percent.

Corn Belt's rates remained stable during 1995. Corn Belt has not had a rate change since 1992 and there will be no change in 1996.

During 1995, Corn Belt's jointly-owned generating facilities had a good year with good production figures. Wisdom Station in Spencer ran at full capacity at times during the year and a new cycling program was started to keep employees trained and up-to-date. Corn Belt's Board of Directors continues to investigate opportunities for the inactive Humboldt Station, including exploration of a sale to a foreign market.

As one of three members of the Allied Power Cooperative, Corn Belt has agreed to market a site previously purchased for a new power plant. Power needs for Allied's members have changed over the years and the farm land owned in western Iowa will be put up for sale.

Margins in 1995 reflect the change in value of the Allied power plant site from a future plant site to farm land. This change resulted in a one-time write-off of approximately $2.2 million. While this write-off resulted in a negative margin for the year, it had no substantive impact on the remainder of Corn Belt's financial records. Without the write-off, Corn Belt would have had a positive margin of approximately $1.7 million.

The handling of the Allied property was reviewed extensively with our outside auditors and Rural Utilities Service. Both agreed that a one-time write-off would be the best plan for Corn Belt and would have a minimum impact on Corn Belt and its members.

While Corn Belt works very hard to maintain competitive rates and good margins, we feel this write-off will be in the long-run best interest of Corn Belt and will allow us to maintain our strong financial condition.

Energy sales to distribution co-op members in 1995 surpassed the previous record set in 1994. Sales were up due to an extremely hot summer and new commercial and industrial loads that included a new natural gas pumping station. It benefits everyone in Corn Belt to promote economic development. Higher sales keep plants in operation and greater power use keeps electric rates stable.

Marketing efforts also contributed to the increase in sales. With the marketing program and the Iowa Area Development Group efforts, we create ways to get new prospects for our lines.

National issues were at the forefront during 1995. We strongly opposed the proposed sale of the power marketing administrations, which included Western Area Power Administration, supplier of approximately 14 percent of Corn Belt's power. The issue is likely to resurface in the future. We must work with legislators to make sure they understand how detrimental this sale would be to co-ops and to people who live and work in rural areas.

Responding to the importance of legislative issues, the Corn Belt Power Cooperative Board of Directors activated its Government Relations Committee to become more involved in legislative affairs.

Corn Belt made changes in some of its personnel programs and policies to comply with new governmental regulations. A new drug and alcohol testing program was put into effect and flame resistant coveralls were

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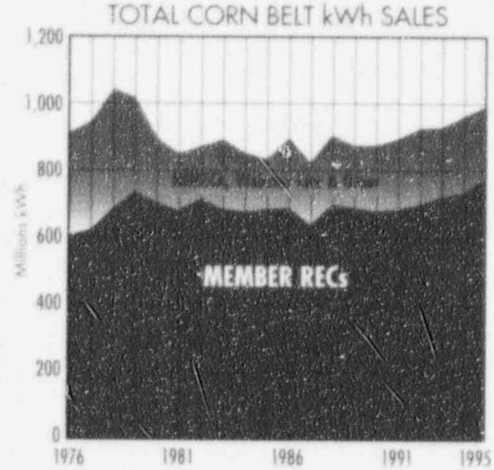
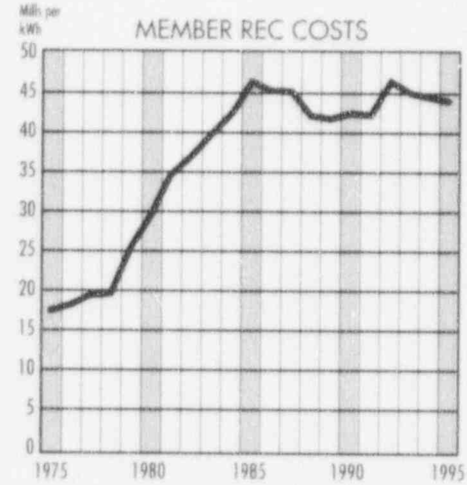
Cooperative Highlights
Total Energy Sales: 1995: 987,186,268 kWh 1994: 966,149,251 kWh
REC Peak Demand (no losses): 1995: 151,412 kW 1994: 169,320 kW
System Peak (REC, Webster City, 6% losses): 1995: 180,414 kW 1994: 198,639 kW
Miles of Transmission Line: 1,582
Distribution Substations: 114
Employees: 90





Average REC member system cost, including substation charge; calculated average REC rate reflects power sold to municipals served by RECs

Executive Vice President and General Manager

President

issued to all employees affected by OSHA regulations.

Currently, we have enough power to support our loads. The possibility exists in the future, with continued load growth, that we will need to expand our power supply. We are looking to the future now and exploring options with other utilities to see where we can work together and pool power resources.

Our main goal is to make sure we have the necessary power available so that we can always supply members' needs reliably. Corn Belt Power Cooperative has always prided itself on maintaining its reliability. Being able to serve the members in all respects including upgrading lines and substations will become even more important in a competitive environment.

Delivering reliable, competitively-priced power is what drives decision making in the board room. Good service to our members is what we will continue to offer.

Affiliation with many other organizations has contributed to our successes this year. Sharing valuable resources with other cooperatives through the Iowa Area Development Group, the Iowa Environmental Group and the Iowa Marketing Group has helped hold down costs. Our working relationships with the Mid-Continent Area Power Pool, the Western Area Power Administration and the North Iowa Municipal Electric Cooperative Association and its members and the investor-owned utilities of Iowa have helped us achieve our goals during 1995.

Providing Power To Count On

During 1995, Corn Belt Power Cooperative proved its commitment to delivering reliable power, remaining on line 99.9914 percent of the time to its members.

Corn Belt crews began construction plans for four new substations in 1995 to serve loads near Clarion, Hobarton, Estherville and Sumner. Right-of-way work for continuation of the Laurens/Marathon line was completed, volunteer easements were signed and the franchise approval is in progress. At year's end, the Fernald line near Nevada was still in the franchise process. Staff members worked on easements for a line near Hobarton that will tie into a line owned by Algona Municipal Utilities. In 1995, a work order began for construction of five miles of new line east of the Estherville Industrial Park.

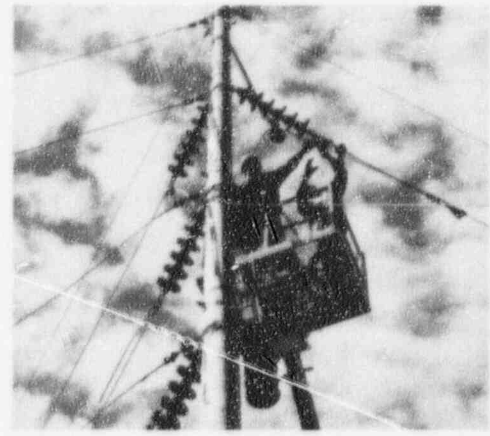
Corn Belt Power's line and substation maintenance includes traditional procedures such as helicopter patrols and pole replacement. Transmission crews also use newer techniques such as installation of air flow spoilers to reduce line galloping and placement of storm guy wires to help stop the domino effect of falling poles during a severe storm.

Projects continued at Corn Belt's substations to increase reliability. At selected substations, electrical maintenance crews continued the practice of replacing 15 kilovolt pin and cap insulators with 15 kilovolt post insulators to strengthen reliability. Wildlife protection devices were installed in substations prone to problems with birds, squirrels and raccoons. Crews also upgraded 15 kilovolt lightning arresters with newer ones that offer a higher degree of protection.

Tornadoes blew through central Iowa in May 1995, tearing down one of Corn Belt's 69 kV lines north of Carroll. A transformer at the Sac City substation was also affected by the storm.

In its control center, Corn Belt installed a new system control and data acquisition (SCADA) system to provide system supervisors with state-of-the-art technology that is faster, more sophisticated and more efficient for everyday operations and emergencies. The new system also incorporates operation of radio-controlled switches. A networking package in the new system allows dispatchers to see at a glance which lines and substations are energized and de-energized. A Farm Data broadcasting system leased from Broadcast Partners was also added to the control center. The system provides instant weather forecasts and weather-action radar, warning dispatchers of approaching storms, weather intensity and precipitation.

Corn Belt installed a new system control and data acquisition (SCADA) system to provide system supervisors with state-of-the-art technology.



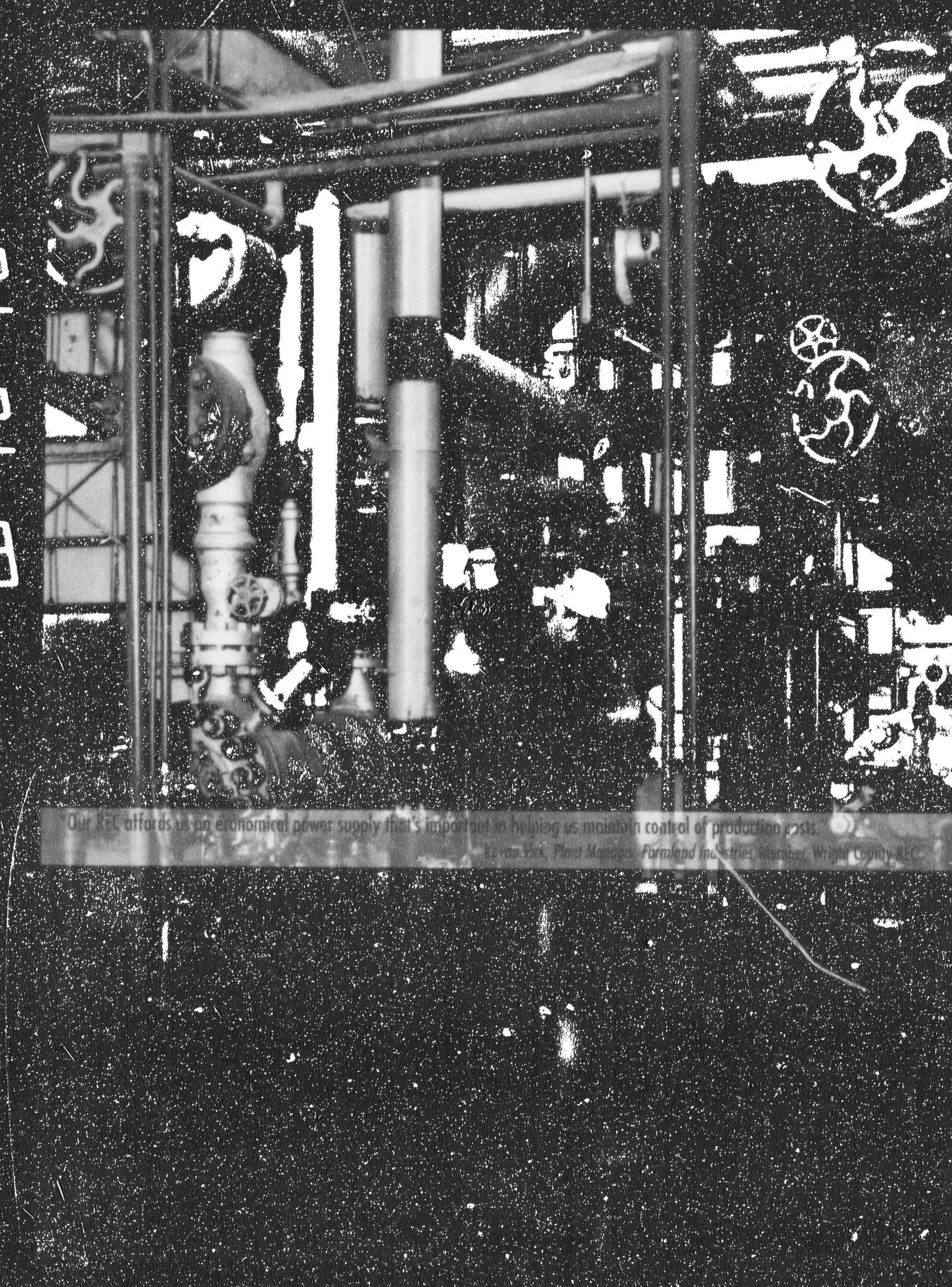
Corn Belt's line and substation maintenance increases reliability with traditional procedures such as helicopter patrols and pole replacement. Transmission crews also use new techniques such as installation of air flow spoilers to reduce line galloping and placement of storm guy wires to help stop the domino effect of falling poles during a severe storm.

Power Supply

On the generation side of operations, Wisdom Station, Spencer, Corn Belt's wholly-owned coal-fired generating plant, was put on a new cycling schedule that allows for training and operation of the unit. The cycling operation involves frequent start ups and shut downs. The plant runs during times of higher demand, providing both operating experience for employees and energy for sale. The new plan was prompted by the significant number of senior level Wisdom employees who become eligible for retirement in five to six years.

Two new job positions were added at Wisdom Station in 1995. Because of increasing administrative demands on the chief engineer, an operations and maintenance supervisor position was created to assist in day-to-day operations and supervise all operations personnel. An electronics technician was also hired to install, test and maintain all solid state and digital electronic systems.

Digital recorders were installed in the late fall in the control room at Wisdom Station. The new recorders monitor temperatures and other



"Our REC affords us an economical power supply that's important in helping us maintain control of production costs."

Kevan Vick, Plant Manager, Farmland Industries, Member, Wright County REC

parameters during plant operation and are more responsive, more accurate and faster than the aging electronic vacuum tube recorders that were replaced.

The Environmental Protection Agency (EPA) approved Wisdom Station's application for acid rain continuous emissions monitoring (CEM) system certification in August.

Humboldt Station remained on extended outage in 1995. In July, Ten Square International arranged for a delegation from China to visit Humboldt Station to determine the feasibility of the plant being purchased and moved to China. The group is still considering this option.

In 1995, Corn Belt started the process of closing the Humboldt Station ash storage landfill. At Wisdom Station, the process of obtaining an operating permit for the ash storage landfill was begun.

Neal 4, a jointly-owned coal-fired plant near Sioux City, experienced its second highest net generation ever during 1995 with a 79.3 percent capacity factor. Coal inventories at the plant, depleted in previous years, were recovered somewhat in 1995 due to more trains serving the plant and more efficient operation of the railroad. At the Council Bluffs 3 plant, another jointly-owned coal-fired station, coal inventories also increased and the unit had its highest net generation and its highest coal burn on record. The plant experienced a capacity factor of 69.2 percent during 1995.

Energy Sales and Marketing

A late, cool and wet spring increased the number of heating degree days in March, April, May and June compared to 1994 as recorded at Corn Belt's control center. Corn planting was delayed in most of Corn Belt's service area. Hot temperatures blasted Iowa in July and August, resulting in all of Corn Belt's active generating units being put on line to meet members' demand and power needs for neighboring utilities. The National Weather Service reported that the average heat index for July in central Iowa was 84.9 degrees, the highest average heat index in the last 27 years. Corn Belt's summer peak load was a record-setter, reaching a full 11 percent higher than previous summer peaks. Cooling degree days in July 1995 totaled almost twice as many as in July 1994. August cooling degree days numbered three times higher in 1995 than in 1994. Firm kilowatt-hour sales reached an all-time record high in 1995, passing the previous record set in 1994.

Hot temperatures blasted Iowa in July and August, resulting in all of Corn Belt's active generating units being put on line to meet demand.

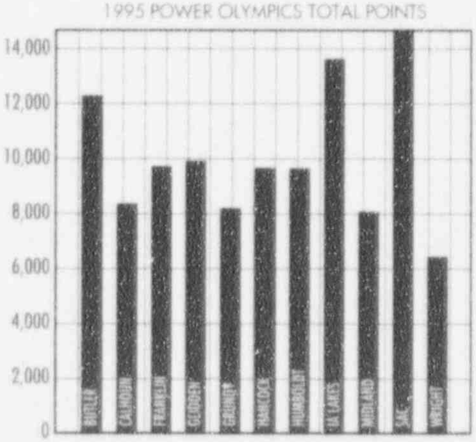
Duane Arnold Energy Center, a jointly-owned nuclear plant in Palo, performed its scheduled refueling during an outage from Feb. 24 through April 19 and experienced a 82.8 percent capacity factor for the year. Plant operators at DAEC began a cost-cutting study. The plant earned its highest ratings in its 20-year history from the Nuclear Regulatory Commission, the primary regulatory agency overseeing plant operations and safety.

A new system control and data acquisition (SCADA) system was installed in Corn Belt's control center in 1995. It offers faster, more sophisticated and more efficient technology for everyday operation and emergencies. Representatives from the Egyptian government visited the control center to observe the new system.

Corn drying sales were not as high in the fall as they have been in previous years, due to a smaller crop and dry, mild weather during harvest.

Increased energy sales can also be attributed in part to marketing efforts. In 1995, Power Olympics, a Corn Belt system-wide program that encourages goal setting and increased employee involvement in marketing and

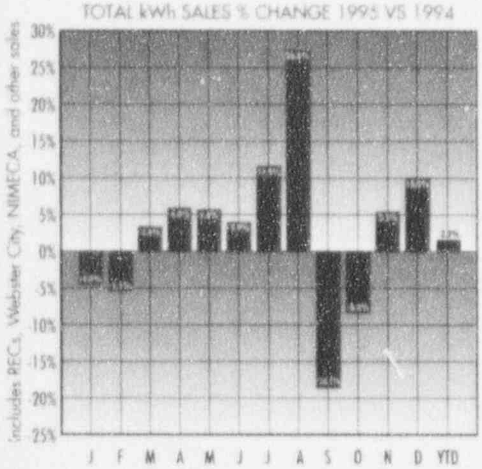
1995 POWER OLYMPICS TOTAL POINTS



"We depend on the reliable electric service provided by our local Calhoun County Electric Co-op and Corn Belt Power for drying grain in the fall and for our livestock."

Larry Winkelbauer, Farmer, Member, Calhoun County Electric Co-op

customer service, helped in the sale of 737 electric water heaters, 1,795 kW of new resistance heat and 462 tons of new heat pumps in the Corn Belt system by its member cooperatives. Grundy County REC won the Power Olympics Grand Award for greatest percentage increase over the previous year and Sac County REC once again received the Top Points Award.



Marketing training held as part of the Power Olympics program featured Bob Mason from the National Rural Electric Cooperative Association (NRECA) as the instructor speaking on "Getting a Toehold on the Competition." Almost 400 employees and directors of Corn Belt and its member systems attended the training in January.

Corn Belt received preliminary data from electronic demand meters that have been placed on targeted heating and cooling loads. Approximately 150 meters record kilowatt-hour use and demand characteristics of various types of heat pumps and electric resistance heating systems. The project analyzes costs and revenue in relation to marketing program incentives.

In 1995, the Corn Belt Power Cooperative Board of Directors extended the electric heat rate guarantee to five years, resulting in rate credits for all-electric, interruptible and dual fuel guaranteed to the year 2000.

Corporate Relations

Corn Belt Orientation Days were held in March for new employees and directors from member co-ops and members of North Iowa Municipal Electric Cooperative Association (NIMECA) to learn about Corn Belt's background, current organization and future plans.

Eighty directors from Corn Belt system distribution co-ops and their spouses attended a bus tour of Gavins Point Dam, Yankton, South Dakota, and Neal 4 coal-fired power plant, Sioux City, Aug. 8-9.

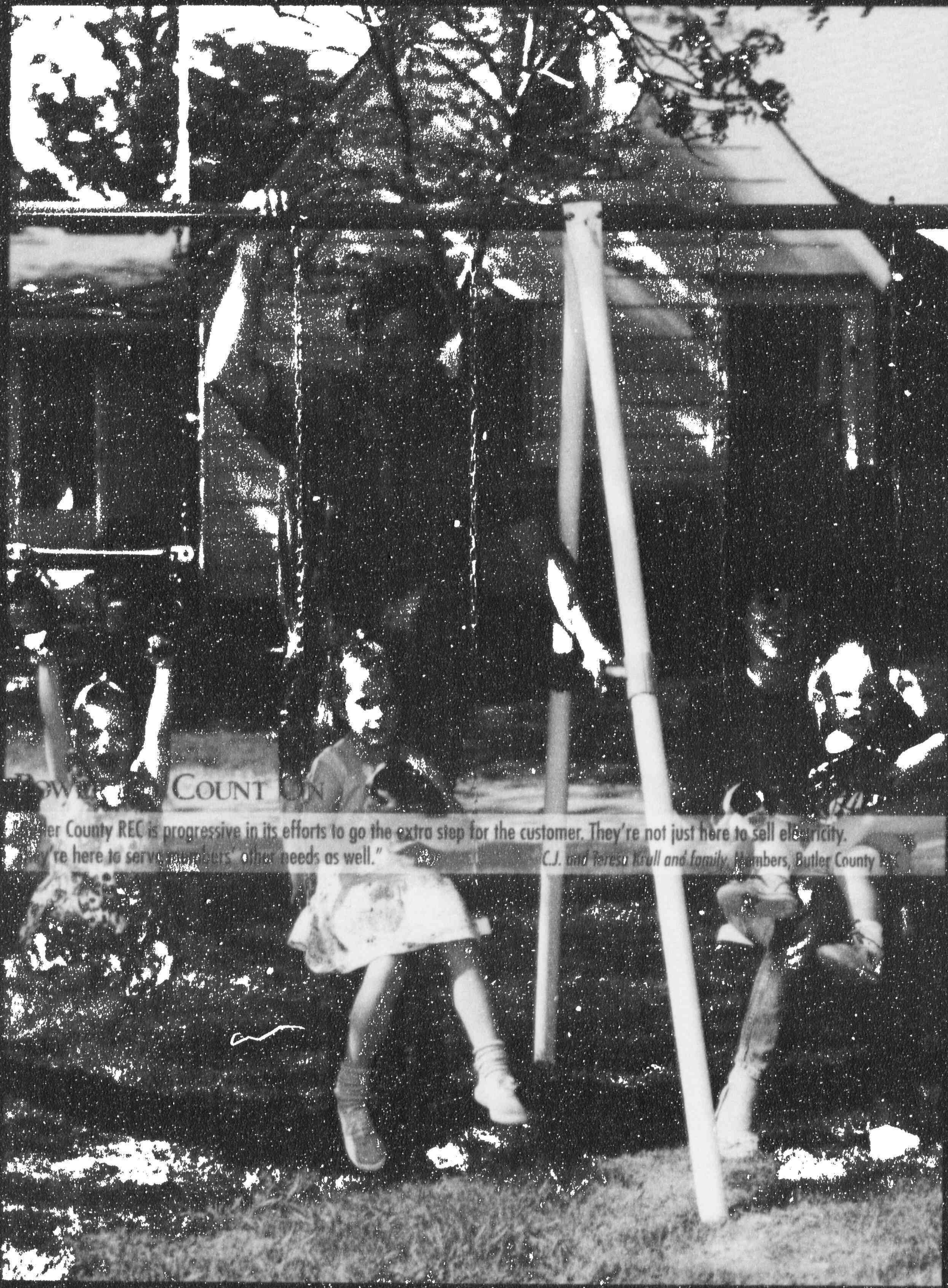
Supporting economic development and housing initiatives of Corn Belt member systems remained a priority in 1995.

Corn Belt Power participated in projects with the Public Information Committee of the Iowa Association of Electric Cooperatives (IAEC), including displays for the REC Day at the Iowa State Fair, the Camp Courageous project and promotional materials about electrotechnologies. Hy-Capacity Engineering and Manufacturing, a member of Humboldt County REC, was featured in a television spot as part of IAEC's "Power for Progress" campaign. Corn Belt also jointly sponsored a booth at the Clay County Fair, Spencer, with Iowa Lakes Electric Cooperative and Northwest Iowa Power Cooperative. Together with the other Iowa G&Ts, Corn Belt Power sponsored the third "Momentum is Building" contractors' conference in February.

Wisdom Station, Spencer, began a cycling operation in 1995 that provides both operating experience for plant employees and energy for sale. New digital recorders were installed to monitor temperatures and other parameters during operation.

Economic Development

Supporting economic development and housing initiatives of Corn Belt member systems remained a priority in 1995. In board action throughout the year, directors approved several economic development projects that will increase load on REC lines, furthering rate stabilization and bringing new jobs to rural areas.


Count On
County REC is progressive in its efforts to go the extra step for the customer. They're not just here to sell
re here to serve
other needs as well."
C.J. and Teresa Krull and family, Members, Butler County

Corn Belt and member system partnerships assisted in the:

- expansion of Green Products near Conrad;
- construction of the Enron natural gas pumping station near Hubbard;
- creation of a speculative housing program in Glidden;
- expansion of Country Home Machine Shop near Garner;
- acquisition and planning of an industrial site near Goldfield;
- construction of Murphy Feed Mill near Algona;
- expansion of Maurer Manufacturing into the Spencer Technical Park;
- acquisition of land for a proposed ethanol plant near Glidden;
- expansion of Armstrong Rim and Wheel in Estherville;
- expansion of the Allen Bradley plant in Sumner;
- construction of a speculative industrial building in the Lakes Business Park at Spirit Lake
- development of Eastwoods Estates, a new housing subdivision in Spirit Lake.

In 1995 the Corn Belt Power Cooperative Board of Directors actively opposed a proposal in Congress that called for the sale of Western Area Power Administration.

In 1995, Corn Belt continued to actively support efforts of the Iowa Area Development Group (IADG), a consortium of the state's electric cooperatives and municipal utilities. In the past year, IADG has worked with 70 business locations or expansions, 29 of those in the Corn Belt service territory.

Corn Belt again co-hosted the Mid Iowa Community Development Conference in March with Iowa State University Cooperative Extension. The conference is designed for small town leaders to share ideas about successful community development programs.

An economic development workshop was co-sponsored by Corn Belt and Northwest Iowa Power Cooperative in November in Des Moines. The workshop focused on responding to prospect inquiries, due diligence requirements and minimizing legal risks.

Government Relations

In 1995, the Corn Belt Power Cooperative Board of Directors actively opposed a proposal in Congress that called for sale of the power marketing administrations (PMAs), including Western Area Power Administration (WAPA), owned and operated by the federal government. Corn Belt gets about 14 percent of its power from WAPA. Sale to the highest bidder would have resulted in higher power costs for all cooperatives and municipal utilities that buy hydropower from WAPA. The proposal was defeated in 1995, but it is anticipated the issue will resurface in the future. Corn Belt's contract with WAPA ends in 2000 and the agency is now publicizing the final rules for extending its contracts. In exchange for extending the right to purchase power from WAPA, a utility will have to complete an integrated resource plan (IRP). Corn Belt plans to begin formulating an IRP in 1996.

In early 1995, the Department of Energy (DOE) withdrew proposed energy standards for water heaters which if enacted would have banned the manufacture of electric resistance water heaters by 1997. The DOE received more than 8,000 comments on the standards raising numerous issues needing further study. Corn Belt directors and employees actively opposed the DOE proposed standards as part of a national campaign spearheaded by NRECA.

Rates and Financial Report

Corn Belt's board has determined that rates will remain stable, staying at the same level in 1996 as they were in 1995. Corn Belt staff members actively cut costs during 1995 to maintain current rates for members.

The cooperative's 1995 margin totaled \$1,756,791 before a write-off from Allied Power Cooperative of \$2,271,159 was applied, leaving a negative margin of \$514,368. Farm land Allied purchased in western Iowa for a future generating plant was written down to market value after the Allied board determined to attempt to sell the property instead of building a generating plant there. (See Note 8 in the Notes to Financial Statements.)

In 1995, patronage dividends in the amount of \$750,000 were allocated to member cooperatives.

Personnel Issues

At the November board meeting, directors took preliminary action to adopt the NRECA Retirement and Security Program, a defined benefit plan, for active Corn Belt employees. The change in pension plans was ratified at the December board meeting to be effective Jan. 1, 1996. In 1995, Corn Belt's board initiated a drug and alcohol testing program for

Power To Count On

"Hancock County REC has been so supportive of me in all kinds of different ways — running three-phase in here and with financial help. The REC has been the backbone of the whole thing." *Ron Bogle, owner, Country Home Machine, Member, Hancock County REC*

employees who hold a commercial drivers license (CDL). Because Corn Belt has less than 50 employees with CDLs, the federal regulations for drug and alcohol testing were not in effect until Jan. 1, 1996. Grandview Occupational Health Service, South Sioux City, Nebraska, administers the program for Corn Belt and many other of Iowa's electric cooperatives.

In response to Occupational Safety and Health Administration (OSHA) regulations, Corn Belt further developed its flame resistant clothing policy. Emloyees who are exposed to the hazards of flames or arcs are required to wear flame resistant coveralls in situations of exposure.

Corn Belt's remodeling project of the Humboldt headquarters building, completed in February, was recognized as the 1995 Renovation of the Year by Metal Architecture magazine.

Corn Belt was honored in January 1995 by the National Committee for Employer Support of the Guard and Reserve. David Heyden, electrician, nominated the cooperative for the award in recognition of the support he received during his service in the Gulf War in 1991.

Remodeling Project

Corn Belt's remodeling project of the Humboldt headquarters building, completed in February, was recognized as the 1995 Renovation of the Year by Metal Architecture magazine. The project was submitted to the magazine by Sande Construction and Supply Co., Humboldt, the general contractor and installer of the metal roofing. ●

New Employees

Rodney Stephas
general plant worker, Wisdom Station
— June 16

Dennis Berry
general plant worker, Wisdom Station
— July 31

Mary Thul
purchasing accountant
— July 17

Clayton Burkhart
electronics technician, Wisdom Station
— Sept. 18

Retired

Jerry McCurry • transmission superintendent — April 16

Service Awards

Each year, Corn Belt Power Cooperative honors its long-term employees by presenting them with special awards.

Gary Brinkley
journeyman electrician, Hampton
— 20 years

Steven Curry
meter technician assistant
— 20 years

Raymond Lathrop
electrical and control, Humboldt Station
— 20 years

David Stockdale
journeyman electrician, Humboldt
— 25 years

Richard Hegna
chief system supervisor
— 35 years

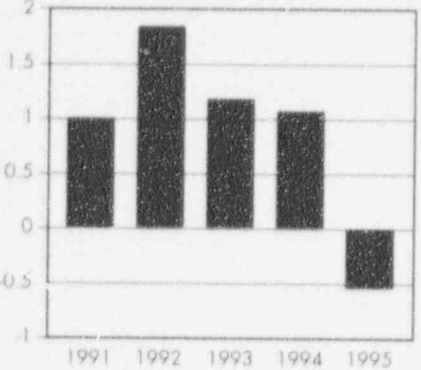
Donald Jensen
vice president, generation
— 35 years

James Johnson
engineering and construction superintendent
— 35 years

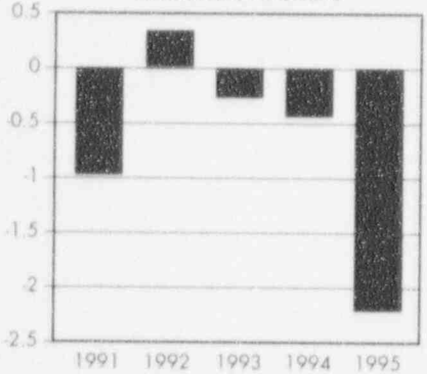
James Roling
operations and maintenance supervisor, Wisdom Station
— 35 years

William Gleisner
electrical maintenance foreman, Hampton
— 45 years

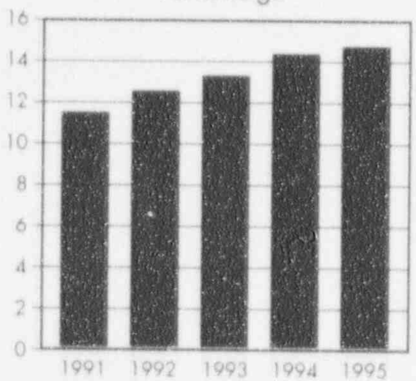
NET MARGIN
Millions of Dollars



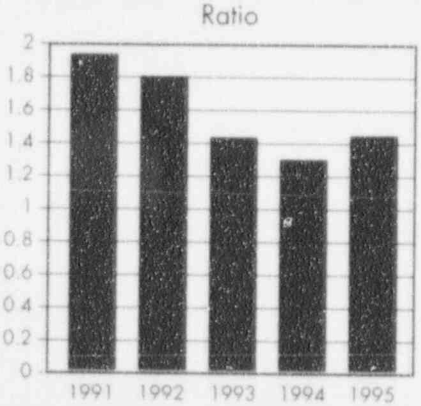
OPERATING MARGIN
Millions of Dollars



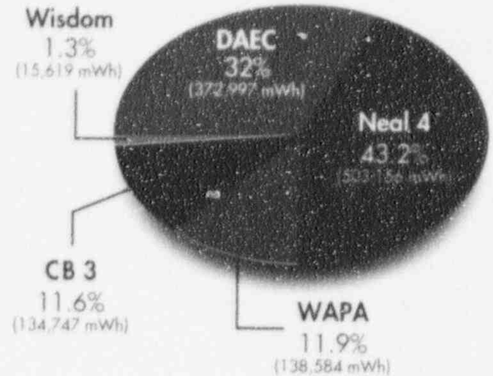
EQUITY/TOTAL ASSETS
Percentage



CURRENT ASSETS/CURRENT LIABILITIES
Ratio

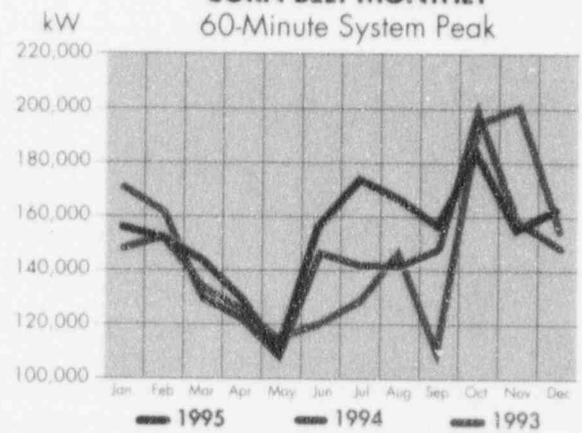


1995 GENERATION SUMMARY*



*represents input from major resources and 100% ownership shares

CORN BELT MONTHLY
60-Minute System Peak



Corn Belt System Peak = RECs + Webster City x 1.06 at time of CBPC/WC 60-minute System Peak

	1995 kWh Billed by Corn Belt Power	Miles of Line	# Consumers Served	# Consumers Per Mile	# of Employees
Boone V.	5,874,533	56	115	2.05	1
Butler	103,866,804	1,768	4,480	2.53	33
Calhoun	28,989,593	768	1,300	1.69	12
Franklin	38,414,031	820	1,510	1.84	14
Glidden	37,508,087	750	1,269	1.69	14
Grundy	49,048,300	915	1,814	1.98	17
Hancock	45,706,549	920	1,540	1.67	14
Humboldt	41,073,132	934	1,533	1.64	15
Iowa Lakes	221,577,385	4,604	8,934	1.94	60
Midland	80,658,491	2,782	6,356	2.28	39
Sac	21,078,219	484	797	1.65	9
Wright	93,687,346	1,035	2,008	1.94	18

BALANCE SHEETS
December 31, 1995 and 1994

ASSETS

	1995	1994
ELECTRIC PLANT (Notes 2 and 6):		
In service	$ 203,330,265	$ 199,459,396
Less-accumulated depreciation	109,217,282	103,064,047
	94,112,983	96,395,349
Construction work in progress	1,941,721	3,823,754
Nuclear fuel, net of amortization (Note 2)	5,052,991	6,835,981
	101,107,695	107,055,084
OTHER PROPERTY AND INVESTMENTS:		
Nonutility property	380,070	422,131
Investment in the National Rural Utilities Cooperative Finance Corporation (Note 2)	2,515,525	2,515,707
Land held for future use (Note 8)	1,585,350	3,856,509
Decommissioning fund (Note 2)	9,716,390	7,925,336
Other investments and receivables (Notes 2 and 10)	6,558,196	7,871,575
	20,755,531	22,591,258
CURRENT ASSETS:		
Cash and cash equivalents (Note 2)	7,477,797	6,930,938
Short-term investments (Note 2)	1,519,253	888,935
Member accounts receivable	3,859,867	3,520,203
Other receivables	195,680	188,624
Inventories —		
Fuel, primarily coal, at last-in, first-out cost	1,108,683	989,249
Materials and supplies, at average cost	2,513,751	2,119,491
Prepayments	1,032,366	813,690
	17,707,397	15,451,130
DEFERRED CHARGES:		
Deferred Department of Energy decommissioning costs (Note 12)	1,651,816	1,803,766
Deferred spent nuclear fuel disposal costs (Note 9)	400,440	560,616
Deferred refueling costs (Note 2)	1,217,289	311,782
Unamortized refinancing costs (Note 4)	257,127	569,618
Other (Note 7)	1,378,565	1,500,283
	4,905,237	4,746,065
	$144,475,860	$ 149,843,537

The accompanying notes to the financial statements are an integral part of these statements.

BALANCE SHEETS
December 31, 1995 and 1994

MEMBERSHIP CAPITAL AND LIABILITIES

	1995	1994
MEMBERSHIP CAPITAL:		
Memberships, at $100 per membership	$ 1,400	$ 1,400
Deferred patronage dividends, per accompanying statements (payment restricted as indicated in Note 3)	7,347,255	7,067,255
Other equities, per accompanying statements	13,052,120	14,284,088
Unrealized gain in market value of investments (Note 2)	445,627	66,292
	20,846,402	21,419,035
LONG-TERM DEBT (Note 4):		
Rural Utilities Service	39,073,088	40,973,564
Federal Financing Bank	67,655,363	69,522,725
Capital lease obligations (Note 2)	4,383,957	5,170,523
Pollution control revenue bonds	2,470,000	2,605,000
	113,582,408	118,271,812
Less — Current maturities of long-term debt	5,092,058	4,876,817
	108,490,350	113,394,995
OTHER LONG-TERM LIABILITIES:		
Deferred Department of Energy decommissioning costs (Note 12)	1,436,710	1,594,098
Deferred compensation	148,763	188,595
	1,585,473	1,782,693
CURRENT LIABILITIES:		
Current maturities of long-term debt	5,092,058	4,876,817
Accounts payable	3,022,528	2,606,310
Accrued property and other taxes	2,274,244	2,354,517
Accrued interest and other	1,833,662	1,902,409
	12,222,492	11,740,053
DEFERRED CREDITS:		
Other (Note 7)	1,331,143	1,506,761
	$ 144,475,860	$149,843,537

The accompanying notes to the financial statements are an integral part of these statements.

STATEMENTS OF REVENUES AND EXPENSES

For the Years Ended December 31, 1995 and 1994

	1995	1994
OPERATING REVENUES:		
Sales of electric energy	$ 41,020,635	$ 40,642,276
Other	2,930,329	2,812,581
	43,950,964	43,454,857
OPERATING EXPENSES:		
Operation —		
Steam and other power generation	15,228,763	15,274,435
Purchased power, net	1,117,882	1,068,005
Transmission	1,617,468	1,548,817
Sales	723,149	726,394
Administrative and general	3,386,082	3,645,669
Maintenance —		
Steam and other power generation	3,565,812	3,511,169
Transmission	602,119	678,439
General plant	36,773	36,143
Depreciation and decommissioning (Note 2)	6,607,977	6,222,442
Property and other taxes	2,412,392	2,518,692
	35,298,417	35,230,205
Net Operating Revenues	8,652,547	8,224,652
INTEREST AND OTHER DEDUCTIONS:		
Interest on long-term debt	7,475,567	7,758,991
Other interest (Note 2)	614,302	520,963
Interest during construction (Note 2)	(131,616)	(261,090)
Impairment of land held for future use (Note 8)	2,271,159	0
Other deductions	1,115	87,472
Amortization of reacquired debt (Note 4)	312,491	544,436
Amortization of loan expense	21,535	22,077
	10,564,553	8,672,849
NET OPERATING MARGIN (DEFICIT)	(1,912,006)	(448,197)
NON-OPERATING MARGIN:		
Interest income	1,165,070	1,035,595
Other, net	232,568	472,607
	1,397,638	1,508,202
NET MARGIN (DEFICIT)	$ (514,368)	$ 1,060,005

The accompanying notes to the financial statements are an integral part of these statements.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 1995 and 1994 (Note 2)

	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin (deficit)	$ (514,368)	$ 1,060,005
Adjustments to reconcile net margin (deficit) to cash provided by operations:		
Depreciation and amortization	6,113,678	5,944,678
Amortization of nuclear fuel	2,167,471	2,249,594
Amortization of deferred refueling costs	1,362,141	1,466,126
Amortization of spent nuclear fuel disposal costs	160.176	160,176
Amortization of refinancing cost	312,491	544,436
Amortization of Department of Energy decommissioning costs	112,020	108,779
Provision for impairment of land held for future use	2,271,159	0
Changes in current assets and liabilities:		
Accounts receivable	(346,720)	330,625
Inventories	(513,694)	334,645
Prepayments	(218,676)	(399,309)
Accounts payable	416,218	(464,960)
Accrued property and other taxes	(80,273)	(57,527)
Accrued interest and other liabilities	(71,692)	(130,008)
Decrease in deferred compensation	(39,832)	(48,945)
Payment to Department of Energy for decommissioning	(114,513)	(228,731)
Other	(53,900)	182,583
Net cash provided by operating activities	10,961,686	11,052,167
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(4,689,404)	(4,727,252)
Deferred patronage dividends paid	(470,000)	(250,000)
Cash provided from CTS fund (Note 10)	2,040,661	0
Cost of refinancing	0	(422,277)
Net cash used in financing activities	(3,118,743)	(5,399,529)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to electric plant, net	(1,905,955)	(3,614,567)
Additions to nuclear fuel	(384,481)	(2,029,283)
Change in deferred refueling costs	(2,267,648)	2,318
Sale of non-utility plant	42,061	0
Additions to decommissioning fund	(1,411,719)	(1,116,306)
Change in other investments	(1,368,342)	977,915
Net cash used in investing activities	(7,296,084)	(5,779,923)
Net increase (decrease) in cash and cash equivalents	546,859	(127,285)
CASH AND CASH EQUIVALENTS AT:		
Beginning of year	6,930,938	7,058,223
End of year	$ 7,477,797	$ 6,930,938

The accompanying notes to the financial statements are an integral part of these statements.

STATEMENTS OF DEFERRED PATRONAGE DIVIDENDS AND OTHER EQUITIES

For the Years Ended December 31, 1995 and 1994

	1995	1994
DEFERRED PATRONAGE DIVIDENDS:		
Balance assigned beginning of year	**$ 7,067,255**	$ 6,717,255
Net margin (deficit)	**(514,368)**	1,060,005
Revenue deferred patronage dividends	**32,400**	24,840
	6,585,287	7,802,100
Patronage dividends paid	**(470,000)**	(250,000)
Appropriation of margin —		
Reserve for contingent losses	**1,481,968**	(234,845)
Statutory surplus	**(250,000)**	(250,000)
Balance assigned end of year	**$ 7,347,255**	$ 7,067,255

OTHER EQUITIES:
(Appropriated Margins)

	Statutory Surplus	Reserve for Contingent Losses	Total
Balance December 31, 1993	$ 2,849,484	$ 10,949,759	$ 13,799,243
Appropriation of margin	250,000	234,845	484,845
Balance December 31, 1994	3,099,484	11,184,604	14,284,088
Appropriation of margin	250,000	(1,481,968)	(1,231,968)
Balance December 31, 1995	$ 3,349,484	$ 9,702,636	$ 13,052,120

The accompanying notes to the financial statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 1995 and 1994

NOTE (1) ORGANIZATION:

Corn Belt Power Cooperative (the Cooperative) is a Rural Utilities Service (RUS) financed generation and transmission cooperative created and owned by 12 distribution cooperatives and one municipal cooperative association. Electricity supplied by the Cooperative serves farms, small towns and commercial and industrial businesses across 27 counties in north central Iowa.

The Cooperative's Board of Directors is comprised of one representative from each member cooperative and is responsible for, among other things, establishing rates charged to the member cooperatives.

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES:

The Cooperative maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by the RUS. The preparation of financial statements in conformity with generally accepted accounting principles 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. The significant accounting policies are:

A. Electric Plant —

Electric plant is stated at original cost which includes payroll and related benefits, sales and use taxes, property taxes and interest during the period of construction.

Costs in connection with repairs of properties and replacement of items less than a unit of property are charged to maintenance expense. Additions to and replacements of units of property are charged to electric plant accounts.

B. Depreciation and Decommissioning —

Depreciation is provided using straight-line methods and RUS-prescribed lives. These provisions, excluding nuclear facilities, were equivalent to a composite depreciation rate on gross plant of 2.76% and 2.74% for 1995 and 1994, respectively.

Under a joint-ownership agreement, the Cooperative has a 10% undivided interest in the Duane Arnold Energy Center (DAEC), a nuclear-fueled generating station, which was placed in service in 1974. The Cooperative is depreciating its interest in the DAEC and each year's property additions subsequent to 1984 on a straight-line basis over the remaining term of the initial Nuclear Regulatory Commission license for DAEC (2014). The composite depreciation rate on gross plant for DAEC was 3.30% and 3.23% for 1995 and 1994, respectively.

A Nuclear Regulatory Commission estimate of the decommissioning costs of DAEC was updated in 1995. This report estimated the Cooperative's share of the decommissioning costs of DAEC to be approximately $37,700,000 (in 1995 dollars). The Cooperative is providing for overall nuclear decommissioning costs using a funding method which assumes a 5% rate of inflation and 3% real rate of return. The method is designed to accumulate a decommissioning reserve sufficient to cover the Cooperative's share of decommissioning costs by 2014.

Decommissioning costs are included in depreciation and decommissioning expense, in the Statements of Revenue and Expenses. Such costs were $785,851 and $579,221, for 1995 and 1994, respectively.

The total decommissioning funds accumulated at December 31, 1995, were $9,716,390, of which $5,882,130 has been placed in a fund legally restricted for use in decommissioning DAEC. The remaining $3,834,260, while not legally restricted, has been designated by the Cooperative for use in decommissioning DAEC. The interest component shown as other interest was $614,302 and $520,963 for 1995 and 1994, respectively.

C. Nuclear Fuel —

The cost of nuclear fuel is amortized to steam and other power generation expenses based on the quantity of heat produced for the generation of electric energy. Such amortization was $2,167,471 and $2,249,594 for 1995 and 1994, respectively.

D. Deferred Refueling Costs —

The Cooperative defers extraordinary operation and maintenance expenses incurred during refueling outages of DAEC. These costs are being amortized to expense based on the expected generation of the next fuel cycle which corresponds with the period the Cooperative is recovering these costs in its rates. Such amortization was $1,362,141 and $1,466,126 for 1995 and 1994, respectively.

E. Interest During Construction —

Interest during construction represents the cost of funds used for construction and nuclear fuel refinement. The average rate was 6.7% and 6.4% for 1995 and 1994, respectively, and is based on the Cooperative's levels and costs of financing.

F. Capital Lease —

The Cooperative has a long-term lease agreement with the City of Webster City (Webster City) under which Webster City has agreed to provide certain generation and transmission facilities to the Cooperative. In return, the Cooperative will pay a minimum charge which approximates the debt service on these facilities. The Cooperative has capitalized this lease and reflected it in electric plant and has reflected the related obligation as a capital lease obligation.

G. Income Taxes —

The Cooperative is exempt from federal and state income taxes under section 501(c)(12) of the Internal Revenue Code.

H. Statements of Cash Flows —

For the purpose of reporting cash flows, the Cooperative considers temporary cash investments purchased with a maturity of three months or less to be cash equivalents. Cash paid for interest, net of interest capitalized, was $7,425,011 and $7,569,443 for 1995 and 1994, respectively.

NOTES TO FINANCIAL STATEMENTS

December 31, 1995 and 1994

I. Cash and Investments —

The Cooperative has cash and investments in the following:

	1995	1994
Obligations of the U.S. government and its agencies	$ 7,658,264	$ 4,683,826
Corporate bonds	1,166,245	1,181,969
Common and preferred stock	2,952,749	2,280,154
National Rural Utilities Cooperative Finance Corporation commercial paper	6,797,554	5,364,062
Cash and CDs deposited with federally insured financial institutions	721,094	880,746
Funds held in trust invested primarily with Iowa Public Agency Investment Trust	3,393,656	6,809,844
Economic development investments	2,444,333	2,081,285
Other investments	137,741	334,898
	$ 25,271,636	$ 23,616,784

The above investments are included as follows in the accompanying balance sheets:

Decommissioning fund	$ 9,716,390	$ 7,925,336
Other investments and receivables	6,558,196	7,871,575
Cash and cash equivalents	7,477,797	6,930,938
Short-term investments	1,519,253	888,935
	$25,271,636	$ 23,616,784

The above amounts include $4,283,659 and $6,572,606 at December 31, 1995 and 1994, respectively, which must be used to fund construction of electric plant.

The carrying amounts of cash and cash equivalents and short-term investments of $8,997,050 and $7,819,873 at December 31, 1995 and 1994, respectively, approximate the fair value because of the short maturity of these investments. The Cooperative's decommissioning fund investments, which include marketable debt and equity securities, are reported at fair value with unrealized gains and losses reported as a net amount in a separate component of membership capital until realized.

The fair value of the Cooperative's other investments and receivables are based on quoted market prices for those or similar investments, where available. The fair value and carrying costs of these investments are as follows:

	1995	1994
Other investments carrying value	$ 3,437,669	$ 5,317,893
Other investments fair value	$ 3,449,576	$ 5,322,257

For other investments and receivables of $3,120,527 and $2,553,682 at December 31, 1995 and 1994, respectively, for which there were no quoted market prices, a reasonable estimate of fair value could not be made without incurring excessive costs. These investments include $1,000,000 invested in the preferred stock of the Iowa Capital Corporation (ICC). The ICC is a for-profit corporation established for the purpose of advancing economic development in the state of Iowa. After payment of operating costs and certain reserves, the net proceeds of ICC will be paid to the preferred stockholders, including the Cooperative, until the preferred stock investment plus a return not to be less than 7.5% has been returned. After which, any remaining proceeds will be split 2/3 to the preferred stockholders and 1/3 to the common stockholders (the state of Iowa).

The Cooperative has an investment of $2,515,525 and $2,515,707, at December 31, 1995 and 1994, respectively, with the National Rural Utilities Cooperative Finance Corporation (CFC). This investment is required in order to allow the Cooperative to borrow funds from CFC. The investment earns interest of 5% on $2,195,507 which matures between 2070 and 2080 and 3% on $319,289 which matures between 2007 and 2025.

NOTE (3) DEFERRED PATRONAGE DIVIDENDS AND OTHER EQUITIES:

In accordance with the Iowa Code, the Board of Directors is required to allocate a portion of the current year's net margin to statutory surplus until the statutory surplus equals 30% of total equity. No additions can be made to statutory surplus whenever it exceeds 50% of total equity. The Board of Directors appropriated $250,000 in 1995 for statutory surplus.

The equity designated "Reserve for contingent losses" in the Statements of Deferred Patronage Dividends and Other Equities is an appropriation of equity by the Board of Directors. The Board of Directors used $1,481,968 of the reserve for contingent losses for the impairment of the land held for future use (see Note 8). There is no statutory restriction of this equity.

The Board of Directors is permitted by the Iowa Code to allocate the current year's net margin to deferred patronage dividends upon meeting certain requirements and is required to make such allocations if the net margin for the year exceeds specified maximums. The Board of Directors has appropriated $750,000 in 1995 for deferred patronage dividends. Deferred patronage dividends are to be paid in the future as determined by the Board of Directors.

Under the conditions of the Cooperative's mortgages, deferred patronage dividends cannot be retired without approval of the RUS and the CFC unless the remaining equity meets certain tests. The Cooperative does not meet these tests at December 31, 1995. However, the Cooperative received permission and retired $250,000 of the 1982 and $220,000 of the 1984 patronage dividends during 1995.

NOTES TO FINANCIAL STATEMENTS

December 31, 1995 and 1994

NOTE (4) LONG-TERM DEBT:

Long-term debt consists of mortgage notes payable to the United States of America acting through the RUS and the Federal Financing Bank (FFB), capital lease obligations, and notes issued in conjunction with the issuance of pollution control revenue bonds. Substantially all the assets and all rent, income, revenue and net margin of the Cooperative are pledged as collateral for the long-term debt of the Cooperative. Long-term debt is comprised of:

	1995	1994
Mortgage notes due in quarterly installments:		
RUS 2%, due 1996-2008	**$ 13,384,941**	$ 14,543,375
RUS 5%, due 1996-2019	**25,688,148**	26,430,189
FFB 5.5%-11.8%, due 1996-2019	**67,655,362**	69,522,725
	106,728,451	110,496,289
Capital lease obligations — Webster City revenue bonds 4.7%-7.5%, due 1996-2002	**4,383,957**	5,170,523
Pollution control revenue bonds — 5.7%-6.125%, due serially 1996-1997 and term due 2007	**2,470,000**	2,605,000
	$113,582,408	$118,271,812

Maturities of long-term debt for the next five years are as follows:

Year	Maturity
1996	$ 5,092,058
1997	5,297,862
1998	5,080,561
1999	5,366,319
2000	5,550,459

In connection with the mortgage notes, the Cooperative had available at December 31, 1995, $3,882,000 from CFC to meet future borrowing needs. In addition, the Cooperative has $5,016,210 of unreimb[illegible] capital additions which it anticipates will be funded by the most recent FFB loan in 1996. The Cooperative had available at December 31, 1995, an unused $12,000,000 line of credit with CFC of which $1,000,000 is available only in the event of a nuclear incident.

Based on the borrowing rates currently available to the Cooperative for debt with similar terms and maturities, the fair value of the long-term debt was $119,187,094 and $112,775,003, at December 31, 1995 and 1994, respectively.

The Cooperative paid the FFB $422,278 at December 31, 1994, to reduce the interest rate on a number of its FFB debt issues. The fees have been deferred and are being amortized over three years which corresponds with the period the Cooperative is recovering the fees in rates. The present value savings as a result of the interest rate reduction, less the fees, was $854,116 for the 1994 transactions.

NOTES TO FINANCIAL STATEMENTS

December 31, 1995 and 1994

NOTE (5) CONSTRUCTION COMMITMENTS:

Total construction expenditures for 1996, including expenditures for the jointly-owned units, are estimated to be $8,079,990 of which $1,989,320 is for the purchase of nuclear fuel at DAEC.

NOTE (6) JOINT PLANT OWNERSHIP:

Under joint-ownership agreements with other Iowa utilities, the Cooperative had undivided interests at December 31, 1995 in three electric generating units as shown below:

	Neal #4	Council Bluffs #3	DAEC
Total electric plant	$ 44,651,896	$ 14,295,032	$ 66,914,092
Accumulated depreciation	$ 22,384,851	$ 6,597,223	$ 26,339,085
Unit accredited capacity (mW)	624	675	530
Cooperative's share (%)	11.3%	3.8%	10.0%
Capital cost per kW	$ 633	$ 557	$ 1,263

Each participant provided its own financing for its share of the unit. The Cooperative's share of direct expenses of the jointly-owned units is included in the operating and maintenance expenses on the Statements of Revenues and Expenses.

During 1991, the Cooperative, one of its members, North Iowa Municipal Electric Cooperative Association (NIMECA), and the City of Grundy Center (the City), a NIMECA member, entered into a long-term lease agreement for the use by the City of two megawatts of the Cooperative's capacity in the Neal #4 generation facilities. The Cooperative will continue to act as the Neal #4 partner on behalf of the City. The above plant statistics have been reduced to reflect the agreement.

NOTE (7) PENSION PLAN:

The Cooperative has a deposit administration defined benefit plan which covers substantially all employees. The plan is funded jointly by contributions from the Cooperative and all participants. Assets are held on deposit by an insurance company in its general account. Benefits paid to retired employees are equal to 2-1/4% of the average monthly earnings multiplied by the years of service since January 1, 1973. The Cooperative has recorded pension expense equal to its funding contribution in its Statements of Revenues and Expenses consistent with the rate treatment allowed this cost. Net periodic pension cost for the years ended 1995 and 1994 includes the following components:

	1995	1994
Service cost-benefits earned during the period	**$ 219,898**	$ 276,394
Interest cost on projected benefit obligation	**419,883**	425,327
Reduction in pension cost from actual return on assets	**(464,511)**	(407,023)
Net amortization and deferral	**43,486**	22,952
Net periodic pension cost — employees	**(101,728)**	(99,673)
Net periodic pension cost — employer	**117,028**	217,977
Change in expense due to rate regulation	**251,684**	86,927
Total pension expense	**$ 368,712**	$ 304,904

NOTES TO FINANCIAL STATEMENTS

December 31, 1995 and 1994

	1995	1994
Assumptions used were:		
Discount rate	**7.50%**	7.50%
Rate of increase in compensation levels	**4.50%**	4.50%
Expected long-term rate of return on assets	**8.00%**	8.00%

The following table presents the plan's funding status and amounts recognized in the Cooperative's balance sheets as of December 31, 1995 and 1994:

	1995	1994
Actuarial present value of benefit obligations:		
Vested benefit obligation	**$ 4,469,583**	$ 3,975,522
Nonvested benefit obligation	**268,540**	237,037
Accumulated benefit obligation	**4,738,123**	4,212,559
Provision for future pay increases	**1,926,698**	1,692,946
Projected benefit obligation	**6,664,821**	5,905,505
Plan assets at fair value	**5,784,374**	5,246,108
Projected benefit obligation greater than plan assets	**(880,447)**	(659,397)
Unrecognized net gain	**(349,320)**	(722,848)
Unrecognized prior service cost	**15,422**	17,824
Unrecognized net transition obligation	**155**	275
Accrued pension cost recognized in the balance sheets	**$ (1,214,190)**	$(1,364,146)

The Cooperative also provides a 401(k) plan which is available to all employees with the Cooperative matching 25% of the employees' contribution up to 4% of the employees' wages.

In addition, the Cooperative provides certain health and life insurance benefits to active employees. Retired employees may continue medical insurance coverage at their own cost.

Effective January 1, 1996, all assets and accumulated plan benefits of the Cooperative's deposit administration defined benefit plan, covering substantially all employees, were transferred to the National Rural Electric Cooperative Association (NRECA) Retirement & Security Program (the Program). The Program is a defined benefit pension plan qualified under Section 401 and tax exempt under Section 501(a) of the Internal Revenue Code. The Cooperative's future funding requirement to the Program will be funded solely by contributions from the Cooperative. Additionally, any excess accumulated plan benefit obligations over plan assets will be funded over a period of time.

In this multi-employer plan, which is available to all member cooperatives of NRECA, the accumulated plan benefits and assets are not determined or allocated separately by individual employers.

NOTE (8) LAND HELD FOR FUTURE USE:

The Cooperative is a 50% participant in Allied Power Cooperative of Iowa (Allied). Allied was organized to build a generation plant and related transmission facilities to provide for the future power needs of its member cooperatives. The Cooperative had purchased land to provide a site for Allied's future generating plant. During 1995, Allied determined that the site may not be used for future plant development. As a result, the Cooperative concluded that its investment had been impaired and recorded a non-cash charge of $2,271,159 to record the land at its estimated current market value. The charge was recorded as an impairment of land held for future use in the Statements of Revenues and Expenses and this portion of theCooperative's 1995 margin was applied against the reserve for contingent losses. The Cooperative, in conjunction with Allied, is considering the sale of this property.

NOTE (9) LIABILITY FOR SPENT NUCLEAR FUEL DISPOSAL COSTS:

The Nuclear Waste Disposal Act of 1982 gave approval to the federal government to construct a repository for the nation's civilian spent nuclear fuel. The Act stated that funding for this repository would be provided by assessing nuclear generating unit owners a one-time fee for spent nuclear fuel being stored on-site at each nuclear facility in April 1983, and by assessing all future energy generated by nuclear facilities at a rate of 1.0 mill per kilowatt hour. The Cooperative is paying the post-1983 fees on a current basis and such fees are being charged to steam and other power generation expenses. The Cooperative has previously paid the one-time fee and is amortizing it to expense over a 13-year period ending in 1998 which corresponds with the period the Cooperative is recovering these costs in its rates. In both 1995 and 1994, $160,176 was amortized to steam and other power generation expenses.

NOTE (10) NIMECA COMBINED TRANSMISSION SYSTEM:

In 1989, the Cooperative and one of its members, NIMECA, entered into a joint transmission agreement which allows several members of NIMECA an individual undivided ownership interest in and access to the Cooperative's transmission system. The Cooperative has a receivable of $2,821,504 from a trust established by NIMECA (CTS fund) for ultimate payment to the Cooperative. These funds can only be used to fund RUS approved transmission projects. The Cooperative will continue to operate and maintain the system. NIMECA members will reimburse the Cooperative for the proportionate share of operating expenses of the system and will contribute proportionately for all future capital additions of the system. The reimbursement of the 1995 and 1994 operating expenses was $540,334 and $528,057, respectively, and was recorded as operating revenues. Additionally, the Cooperative and NIMECA entered into a capacity sharing agreement which provides for the sharing of generating resources through at least 2009.

NOTE (11) CLEAN AIR ACT:

The Clean Air Act (Act), as amended, made significant changes in the nation's clean air laws. The Act's specific amendments to acid deposition control (acid rain) make significant reductions in the amounts of sulfur dioxide and nitrous oxide emissions allowed on an annual basis nationwide. The Cooperative's coal-fired generating stations are in compliance with the standards established by Phase I of the Act and management has begun implementing the program necessary to meet the compliance requirements of Phase II which will be effective in the year 2000.

NOTE (12) NATIONAL ENERGY POLICY ACT:

The Federal National Energy Policy Act of 1992 requires owners of nuclear power plants to pay a special assessment into a "Uranium Enrichment Decontamination and Decommissioning Fund." The assessment is based upon prior nuclear fuel purchases and for the DAEC averages approximately $1,413,700 annually through 2007, of which the Cooperative's 10% share is $141,370. The Cooperative's total assessment of $1,998,100, which will be recovered in rates, has been recorded as a liability, net of payments, in the balance sheets. This liability, totaling $1,555,106 on December 31, 1995, has been recorded with a corresponding deferred charge amortized over a 15-year period, beginning in 1992.

NOTES TO FINANCIAL STATEMENTS

December 31, 1995 and 1994

NOTE (13) NUCLEAR INSURANCE PROGRAM:

The Cooperative, under the provisions of the Price-Anderson Amendments Act of 1988 (the 1988 Act), has the benefit of \$8.9 billion of public liability coverage. The coverage consists of \$200,000,000 of insurance and \$8.7 billion of potential retroactive assessments from the owners of each commercial nuclear power plant. Under the 1988 Act, for losses relating to nuclear accidents in excess of \$200,000,000, each nuclear reactor may be assessed a maximum of \$79,300,000 per nuclear incident, payable in annual installments of not more than \$10,000,000. The Cooperative's assessment on its 10% ownership in DAEC may be up to \$7,930,000 per nuclear incident with a maximum of \$1,000,000 per year. These limits are subject to adjustments for inflation in future years.

Pursuant to provisions in various nuclear insurance policies, the Cooperative could be assessed retroactive premiums in connection with future accidents at a nuclear facility owned by a utility participating in the particular insurance plan. In addition, the Cooperative could be assessed \$1,290,000 related to coverages for excess property damage if the insurer's losses relating to an accident exceed its reserves. While assessment may also be made for losses in certain prior years, the Cooperative is not aware of any losses in such years that it believes are likely to result in an assessment.

In the unlikely event of a catastrophic loss at DAEC, the amount of insurance available may not be adequate to cover property damage, decontamination and premature decommissioning. Uninsured losses, to the extent not recovered through rates, would be borne by the Cooperative and could have a material adverse effect on the Cooperative's financial position and results of operations.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

TO THE BOARD OF DIRECTORS OF CORN BELT POWER COOPERATIVE:

We have audited the accompanying balance sheets of Corn Belt Power Cooperative (a cooperative association incorporated in Iowa) as of December 31, 1995 and 1994, and the related statements of revenues and expenses, cash flows and deferred patronage dividends and other equities for the years then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 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 Corn Belt Power Cooperative as of December 31, 1995 and 1994, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Kansas City, Missouri
February 29, 1996

Board of Directors

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Eugene Drager
Humboldt Co. REC

Vice President

Ronald Deiber
NIMECA

Secretary

Donald Feldman
Butler Co. REC

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Cooperative

Norman Kolbe
Sac Co. REC

Russell Krog
Wright Co. REC

Corn Belt Power Cooperative, headquartered at Humboldt, Iowa, is a generation and transmission electric cooperative owned by its member systems. Corn Belt provides electric power to 12 member/distribution electric cooperatives and one municipal electric cooperative, (NIMECA). Corn Belt serves farm members, rural residences, small towns, and commercial and industrial members across 27 counties in north central Iowa.

1. Boone Valley Electric Cooperative
2. Butler County REC
3. Calhoun County Electric Cooperative Association
4. Franklin REC
5. Glidden REC
6. Grundy County REC
7. Hancock County REC
8. Humboldt County REC
9. Iowa Lakes Electric Cooperative
10. Midland Power Cooperative
11. Sac County REC
12. Wright County REC

North Iowa Municipal Electric Cooperative Association (NIMECA) includes municipal electric utilities of:

Alta	Milford
Bancroft	New Hampton
Coon Rapids	Spencer
Graettinger	Sumner
Grundy Center	Webster City
Laurens	West Bend

Corn Belt Power Cooperative
1300 13th Street North
Humboldt, Iowa 50548
515/332-2571