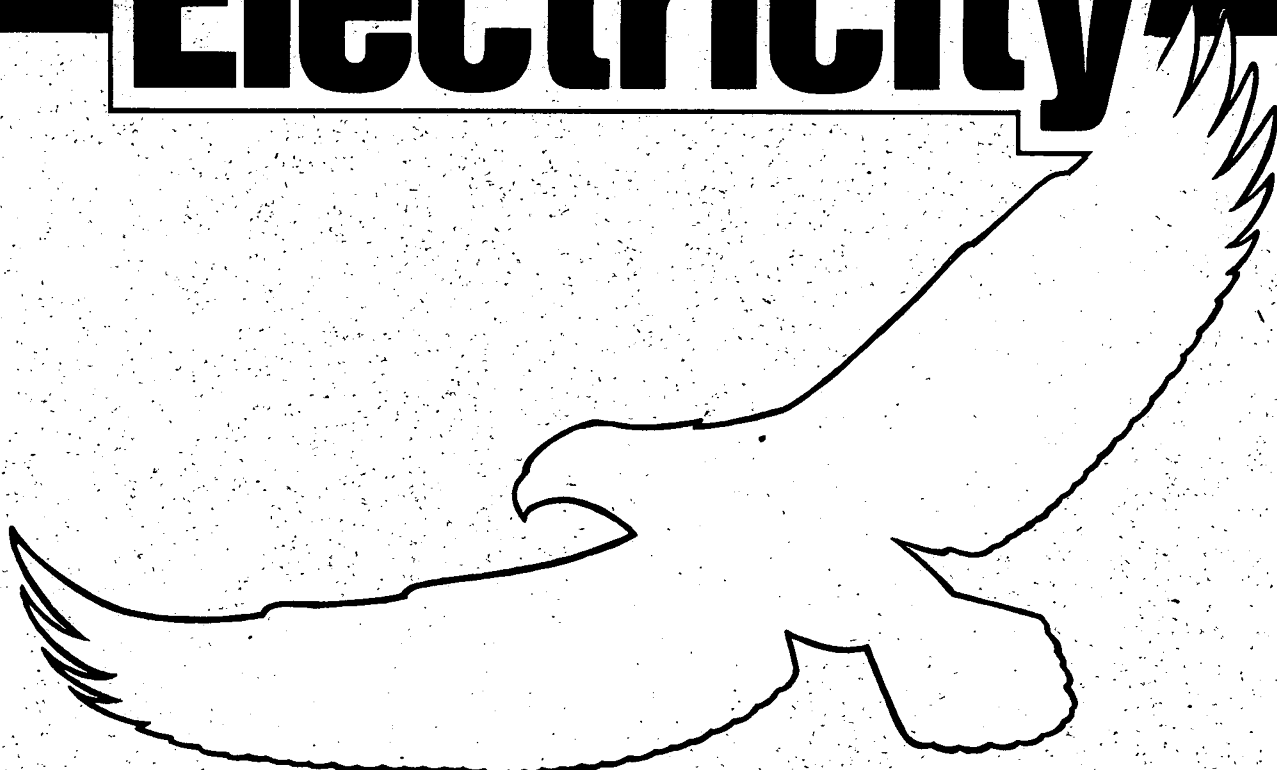
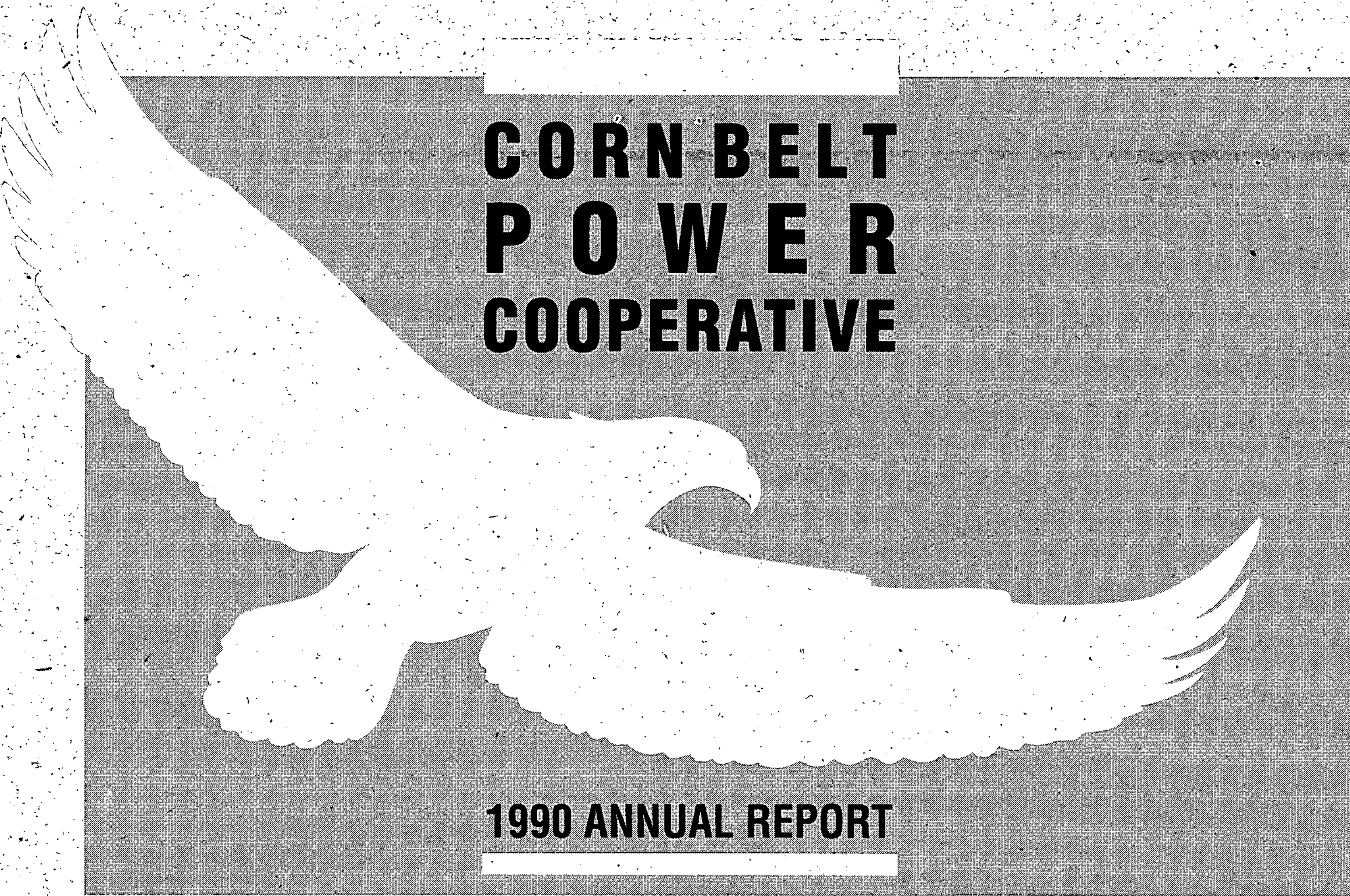
Electricity



Power for Rural America

CORN BELT POWER COOPERATIVE

1990 ANNUAL REPORT

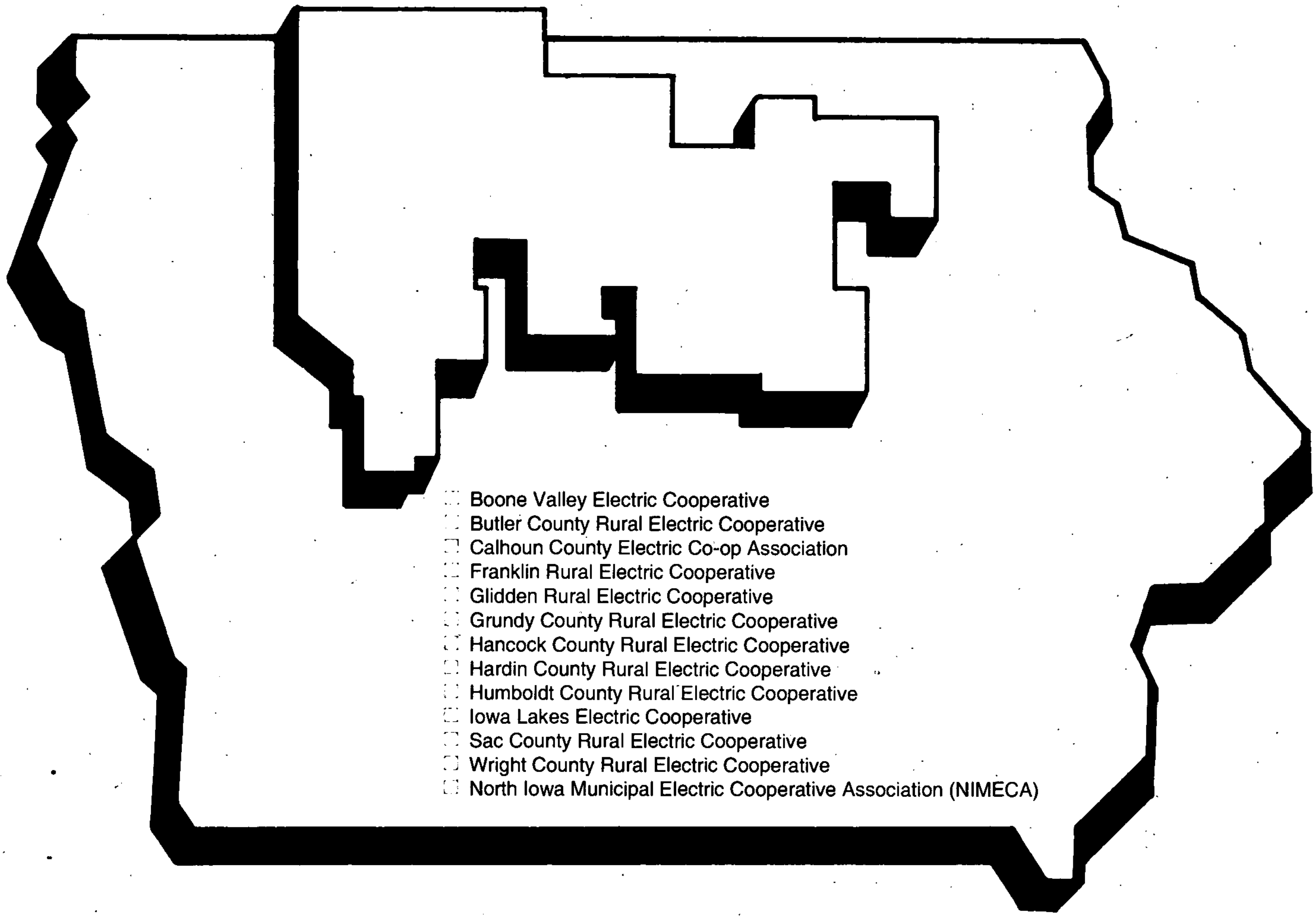


Corn Belt Power Cooperative, headquartered at Humboldt, Iowa, is a generation and transmission rural electric cooperative owned by its member systems. Corn Belt provides electric power to 12 member distribution rural electric cooperatives and one municipal electric cooperative (NIMECA). Providing *Power for Rural America* since 1947, Corn Belt serves farm members, rural residences, small towns, and commercial and industrial members across 27 counties in north central Iowa.

The 1990 Annual Report is printed on 100 percent recycled paper. Paper products make up about 45 percent of the waste in landfills. By using recycled paper, the accumulation of paper in landfill sites can be reduced. Corn Belt Power Cooperative and its member systems are concerned about the welfare of our environment.

100% Recycled Paper

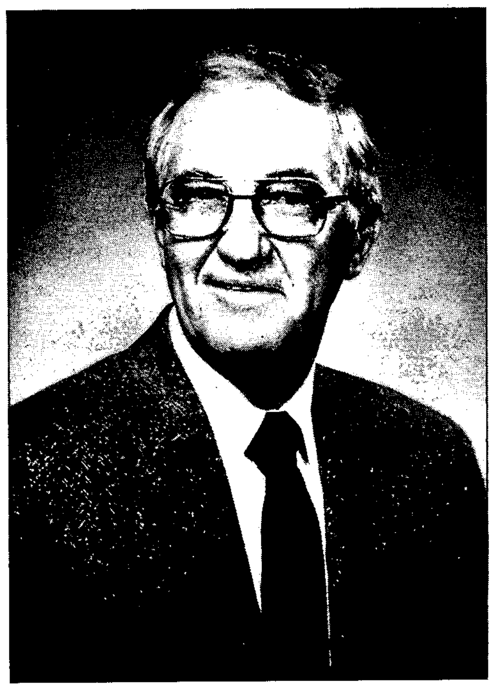
MEMBER SYSTEMS



COOPERATIVE HIGHLIGHTS

	1990	1989
Total Energy Sales (kWh)	**867,647,766**	865,871,988
Peak Demand—RECs (kW)	**157,182**	154,942
Total Assets	**$ 151,856,531**	$ 155,380,557
Total Long Term Debt	**$ 128,971,968**	$ 131,883,294
Total Operating Revenues	**$ 38,183,967**	$ 37,909,865
Total Operating Expenses	**$ 30,333,160**	$ 30,177,349
Net Operating Revenues	**$ 7,850,807**	$ 7,732,516
Net Margin	**$ 1,127,487**	$ 1,692,530
Miles of Transmission Line	**1,566**	1,566
Distribution Substations	**110**	110
Number of Employees	**91**	91

PRESIDENT'S REPORT



Eugene Drager
President of the Board

Nineteen-ninety marked the first year of a new decade. As the 1990s began, we reviewed the past and set our sights on the successful future of Corn Belt Power Cooperative.

In 1990, your board of directors made a number of decisions which will direct and guide our progress for years to come. As a board, we tried to approach each decision with a positive attitude and a strong commitment to our role in providing electric power for our part of rural America.

Legislation and regulation at state and national levels continue to affect your cooperative. As electric cooperative representatives, it is important for us to maintain a high level of participation, visibility and involvement with elected officials at all levels of government. This we have tried to do. Often the best strategy is maintaining personal contact with our elected officials throughout the year, whether at their official offices or back home in our local communities.

Rural electric directors need to be more active in the legislative process, letting our officials know how policies and regulations have an important impact on rural Iowans.

Each year, wholesale power suppliers like Corn Belt become more involved not only in the reliable, economic supply of electricity, but also in how it is used by member-consumers at the end of the line. Corn Belt plays a coordinating role with its member systems in the demand side of energy use through its marketing program.

Through its committee structure, Corn Belt works closely with its member systems to review and revise the Marketing and Economic Development Plan to promote planned load growth most beneficial to Corn Belt and its members. The Marketing Advisory Committee, which includes member service representatives from all member systems, makes marketing recommendations based on daily contact with member-consumers. Then several board committees—Marketing and Member Service, Industrial Development or Rate Committees—review information and present recommendations related to our marketing efforts for decision by the board of directors.

In 1990, Corn Belt again worked closely with the Iowa Marketing Group, a coalition of all generation and transmission cooperatives serving in Iowa. The IMG started a year ago as an organization to better present common marketing messages across the state. Among projects this group carried out in 1990 was the Iowa 4-H camp earth energy demonstration project developed closely with Iowa State University in order to test and document the efficiency of ground source heat pumps.

Amidst today's uncertainty about world fuel supplies, along with fluctuations in the price of oil we saw in late 1990, it becomes even more important that we reaffirm our commitment to promoting quality electric service, available at competitive rates.

A key to our successful part of Iowa's future is the allocation of resources to residential, agricultural, and commercial and industrial needs. Corn Belt has been active in arranging financial help to its member cooperatives—assisting them in local efforts to promote economic expansion. Corn Belt has created a favorable economic climate and an aggressive development program for our area.

The Iowa Area Development Group, of which Corn Belt was a founding member in 1985, added another year to its credibility and success.

In 1990 IADG facilitated 50 projects, new businesses or expansions, 25 of which were in the Corn Belt area. Eighteen IADG projects received close to $3.1 million in financial assistance through various Iowa funding programs. This is a successful record. Also, IADG held seminars last year to help inform directors about the resources and commitment needed for successful economic development.

It is not enough to meet the challenges of tomorrow by merely focusing on the present. In 1990, Corn Belt managers, directors and employees worked on a strategic planning process in order to look more clearly and creatively toward the future of our organization. Possible new programs and services, as well as ways to improve service and communication, were discussed and analyzed.

Strategic planning is an ongoing process that will help us prepare for the future and meet the challenges that are sure to come.

Two director changes on the Corn Belt board were made in 1990. Dennis Larson, Laurens, representing Iowa Lakes Electric Cooperative, serving on the board since 1981, was replaced by Marlowe Feldman, Albert City. Wilbur Harding, Rockwell City, representing Calhoun County Electric Cooperative Association since 1979, retired and was replaced by Donald O'Tool, Lake City. Our thanks to retired directors Larson and Harding for their years of dedicated, faithful leadership.

In closing, let me express my sincere appreciation to the Corn Belt Board of Directors, management and employees for their part in helping Corn Belt meet the challenges of today. With each of us doing our part, we can work together to successfully meet challenges and opportunities of tomorrow.

GENERAL MANAGER'S REPORT

George W. Toyne
General Manager

Another year is over, and a new one started. We measure progress by periods passed on a calendar, but we must also look forward to the tomorrows soon to be faced.

This past year showed a continuation of many trends begun in the eighties. Rural areas continued to lose population. The magnitude of loss was even more evident with the 1990 census results showing most counties in the area served by Corn Belt losing about ten percent of their population since 1980.

In the face of this decline, it is remarkable—and a tribute to the marketing efforts of the member systems—that electric loads held relatively steady during this time. In 1990, Corn Belt total sales were up two tenths of one percent over 1989. Our basic wholesale power rate did not change. However, because of increasing costs, we could not give a refund as we had in the past years, and margins were less than in 1989.

We did allocate $500,000 back to member systems, and paid $250,000 in member patronage at the 1989 Annual Meeting.

The Corn Belt board and staff, together with input from member cooperatives and their managers, spent considerable time during 1990 looking toward the future, anticipating changes we must meet. The result of this process will be an updated Strategic Plan for Corn Belt.

In addition, marketing personnel from Corn Belt and its members systems have continued to update and improve the marketing plan and have worked with the Iowa Marketing Group to coordinate marketing over the entire state and region.

As reported by President Drager, we have also continued to work closely with the Iowa Area Development Group and our member cooperatives to increase the industrial and commercial base in our area.

A major step in 1990 was approval by the Rural Electrification Administration of Corn Belt's loan application for over $16 million, primarily for improvements at generating stations.

Reliability of electric service remained at a high level this past year. Much credit for this goes to the dedicated employees of Corn Belt and its member cooperatives, who are charged with maintaining the lines and substations we depend on.

We also must credit the Mid-Continent Area Power Pool, Western Area Power Administration, the North Iowa Municipal Electric Cooperative Association and its members, and all the other Iowa utilities we are interconnected with, especially Iowa Public Service Company and Iowa Electric Light and Power Company. We all work together to provide reliable energy supply and an adequate transmission system in our area. We have worked closely together for several years, to the benefit of all.

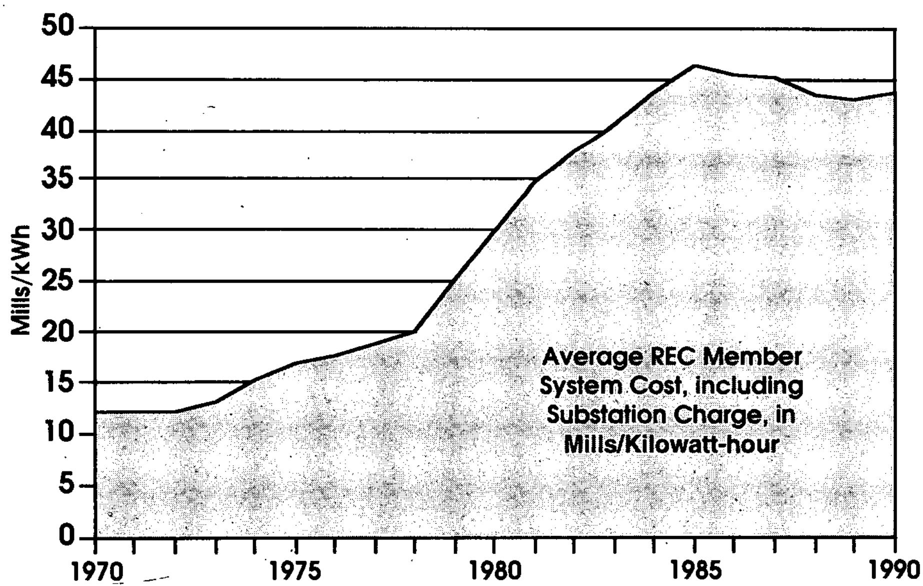
The year 1990 saw passage of new legislation sure to affect us in the future, including major changes in environmental requirements and the Clean Air Act. We know this increased protection for the environment will result in increased energy costs. No estimate on final costs is available as the rules and regulations are yet to be written.

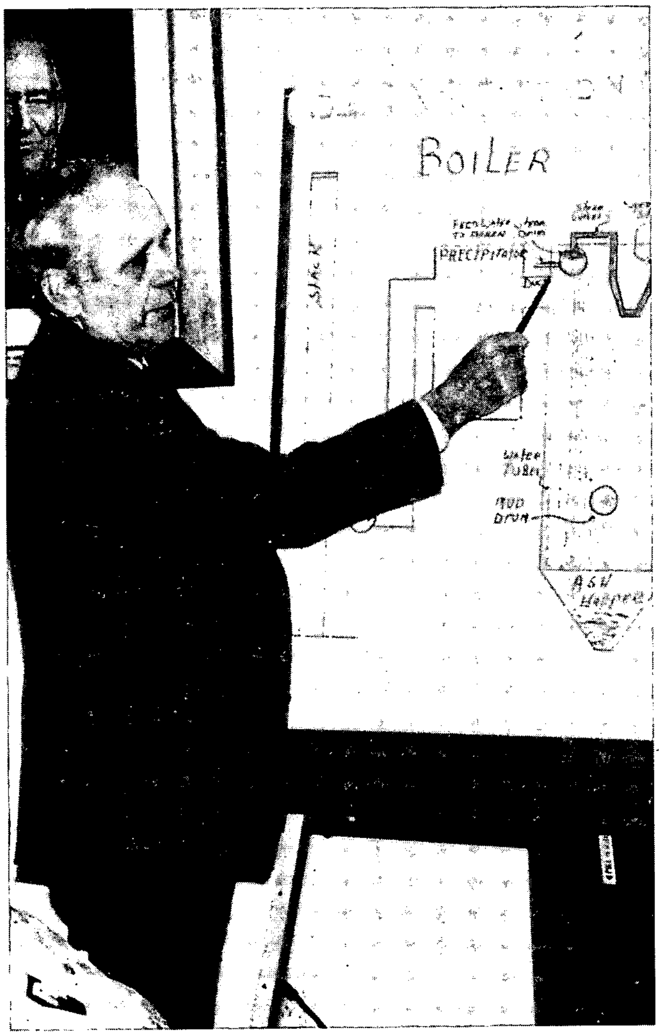
Also, changes in our financing are here. The Rural Electrification Administration, as part of our new loan conditions, requires a guarantee by our members for a portion of that loan, and requires we have a plan to improve our equity in the future. These are being developed at this time.

Thus, while we look back at 1990 in this report to measure what we have done, we must also look ahead to the future with its changes and challenges about things we must do.

It will take all of us working together—employees, directors, member systems and others—to successfully meet these challenges.

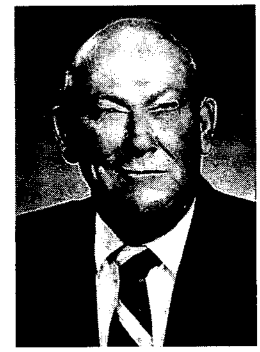
Member Costs





A training program, **"Understanding Electric Utility Operations,"** was held for the first time at Corn Belt in January 1990. The course was offered to distribution cooperative and municipal utility personnel, directors and trustees. **Don Jensen**, generation manager at Corn Belt, was one of the course instructors.

Wilbur Harding



Donald O'Tool

Wilbur Harding, Rockwell City, retired from the Corn Belt Board of directors in September after 11 years of service. **Don O'Tool**, Lake City, was elected by Corn Belt to replace Harding as representative of Calhoun County Electric Cooperative Association.

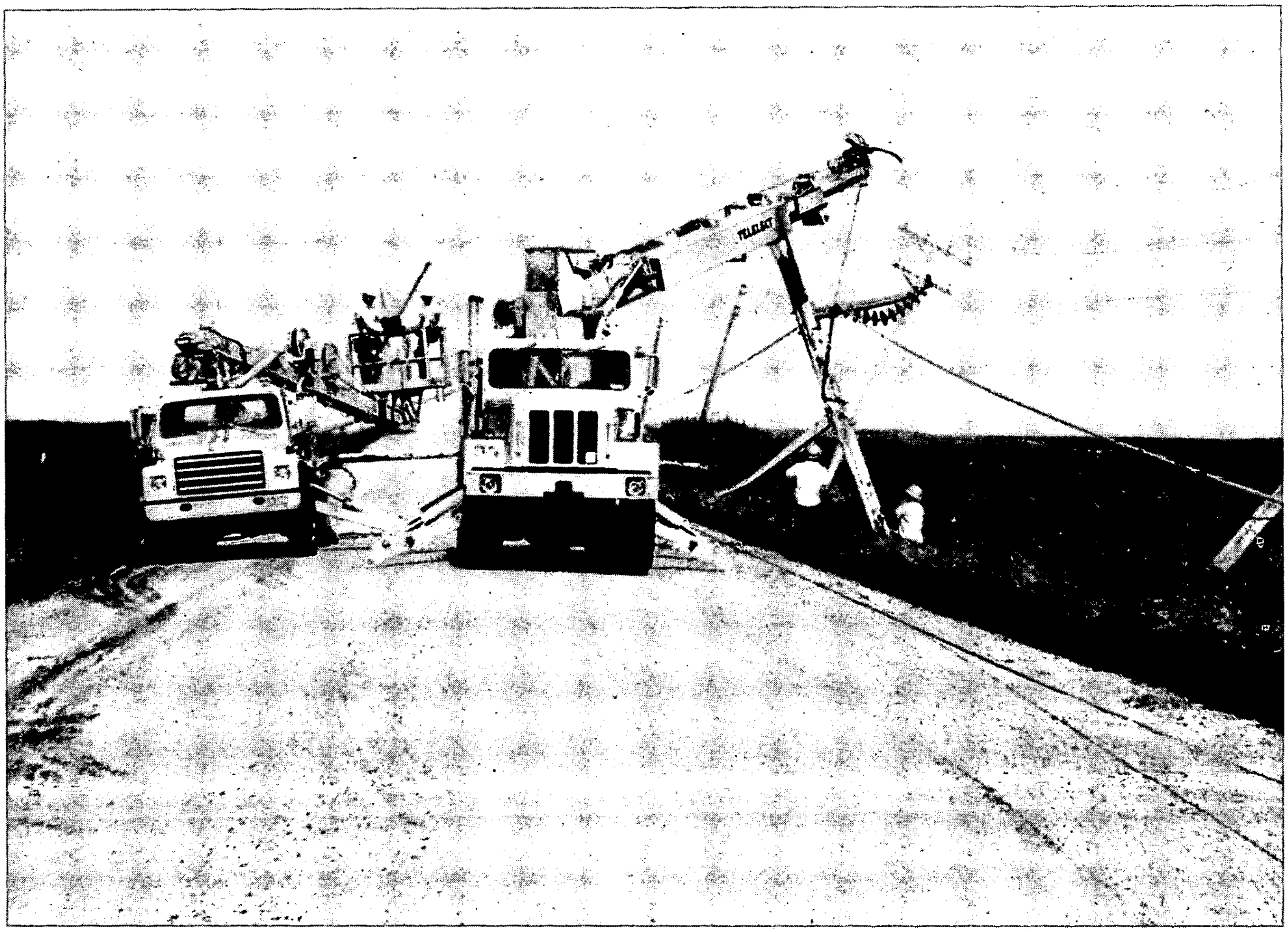
Dennis Larson

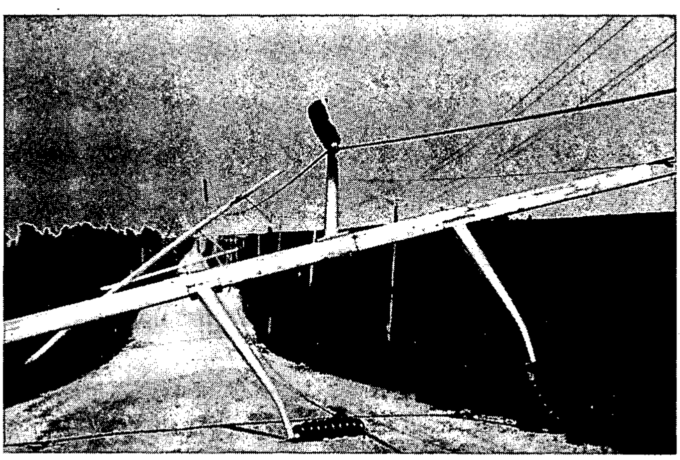
Marlowe Feldman

Dennis Larson, Laurens, left the Corn Belt Board of directors in August after nine years of service. **Marlowe Feldman**, Albert City, was elected by Corn Belt to replace Larson as representative of Iowa Lakes Electric Cooperative.

Corn Belt crews were involved for the first time in the construction of a switching station during the fall of 1990.

Located near Bancroft, the Springfield Switching Station was built to improve reliability of service in northwest Iowa.



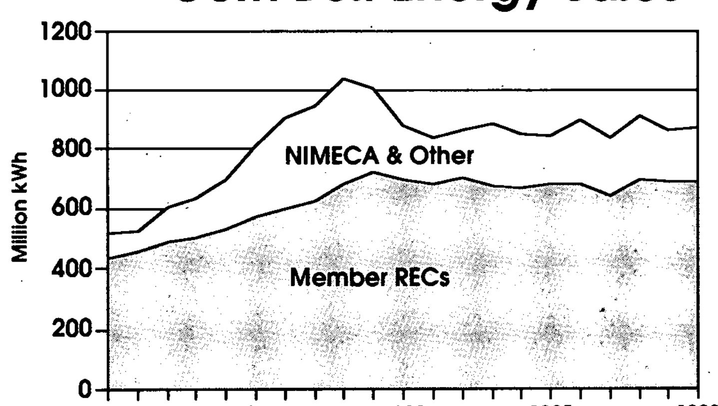


Mother Nature pounded the Corn Belt service territory with tornados, high winds and torrential rains several times in June. Corn Belt transmission lines were brought down in various parts of the system by the weather.

Some of the greatest damage occured June 28, when two separate tornados destroyed five structures on the Spencer 2-pole 161-kV line and 25 single-pole 161-kV structures near the Hampton tap.

Future electric load growth in rural Iowa is dependent on economic development activities throughout Corn Belt's member systems. Corn Belt was recognized in 1990 by the Iowa Area Development Group for its efforts in local economic development. IADG is a consortium of rural electric co-ops and municipal electric utilities committed to economic development in local communities. Receiving the award for Corn Belt were, left to right: **Eugene Drager**, president of the board of directors, and **George Toyne**, general manager.

Corn Belt Energy Sales



Corn Belt Personnel Changes—1990

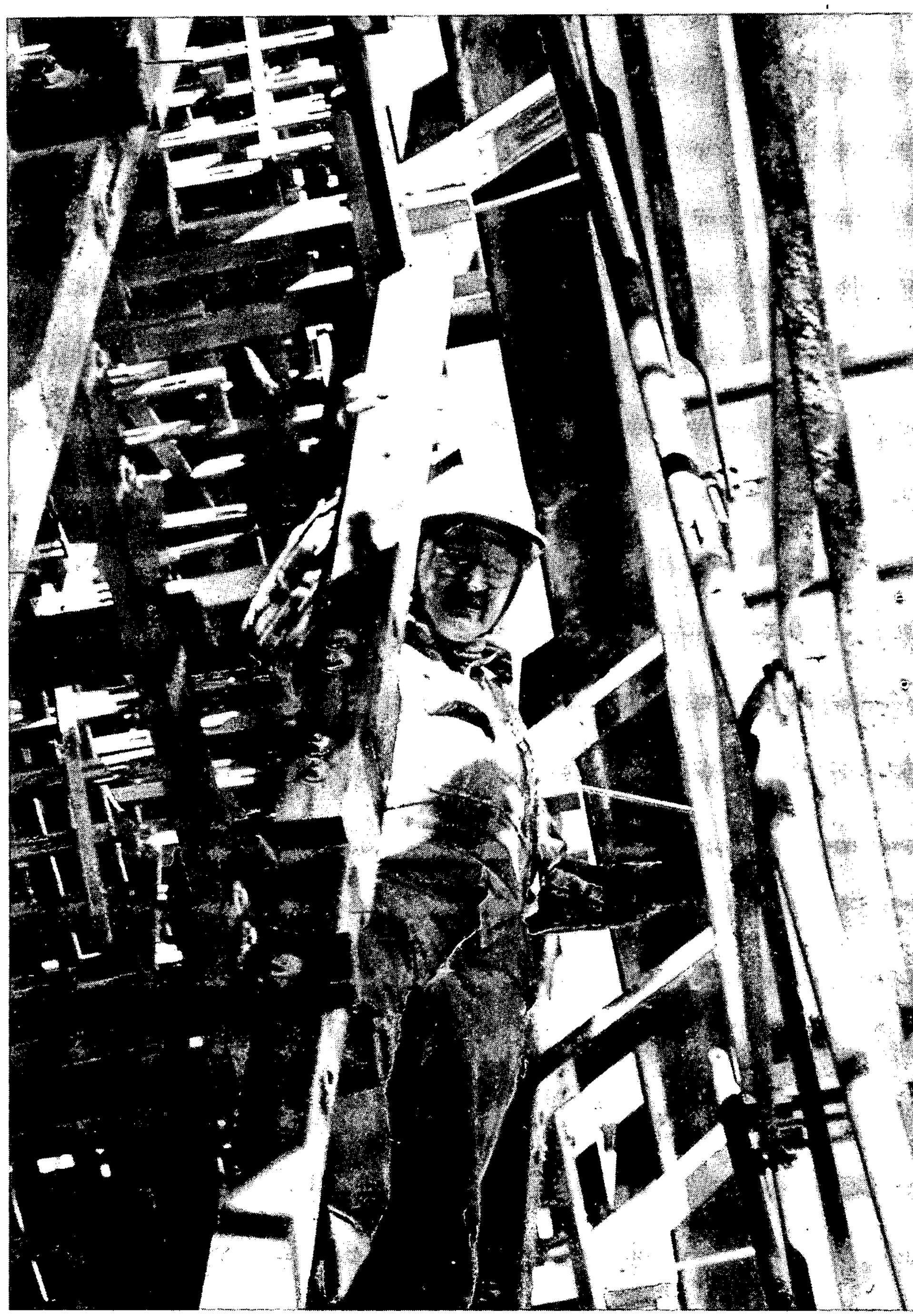
New Employees
Scott Makeef, General Plant Worker, Wisdom Station, Spencer—Jan. 1
Dean Jensen, Control Operator, Wisdom Station, Spencer—May 16
Trent Nielsen, General Plant Worker, Wisdom Station, Spencer—June 1

Retired
Earl Hansen, Journeyman Electrician—April 30
Bob Griffin, Electrical Maintenance Foreman—July 31

Corn Belt Power Cooperative's Earl F. Wisdom Station, Spencer, was taken out of service during the fall of 1990 for an asbestos abatement project.

Asbestos was removed from plant ductwork, vessels and piping, and water and cooling towers.

Ralph Larsen, shift operator at Wisdom, helped install new wooden louvers on the cooling tower after the cement asbestos louvers were removed.



To promote energy efficiency during 1990, the Iowa Marketing Group, a coalition of electric G & T rural electric cooperatives in Iowa, donated a new earth energy system to the Iowa 4-H Education and Natural Resources Center, Madrid.

Iowa State University's Extension and Mechanical Engineering Departments assisted in the project by doing an energy audit and making recommendations to increase energy efficiency.

Corn Belt's 1990 marketing efforts focused on the stability of electric rates and reliability of supply, offering rebates and incentives to install electric heating and cooling equipment.

Balance Sheets

December 31, 1990 and 1989

ASSETS

	1990	1989
ELECTRIC PLANT (Notes 2 and 6):		
In service	$ 186,215,972	$ 181,791,823
Less-Accumulated depreciation	78,707,836	72,614,061
	107,508,136	109,177,762
Construction work in progress	2,889,383	2,206,297
Nuclear fuel, net of amortization (Note 2)	8,351,681	9,140,465
	118,749,200	120,524,524
OTHER PROPERTY AND INVESTMENTS:		
Nonutility property	458,655	421,654
Investment in the National Rural Utilities Cooperative Finance Corporation	2,551,257	2,578,280
Land held for future generating site (Note 8)	3,856,509	3,856,509
Decommissioning fund (Note 2)	3,698,227	2,404,305
Other investments and receivables (Note 10)	6,089,733	4,862,669
	16,654,381	14,123,417
CURRENT ASSETS:		
General fund cash and temporary cash investments	4,107,841	8,457,568
Special construction fund cash and temporary cash investments	162,689	348,435
Working capital advances	59,976	257,734
Member accounts receivable	3,883,525	4,108,350
Other receivables	151,628	255,706
Inventories -		
Fuel, primarily coal, at last-in first-out cost	1,935,087	2,707,343
Materials and supplies, at average cost	1,943,362	1,851,993
Prepayments	769,013	682,404
	13,013,121	18,669,533
DEFERRED CHARGES:		
Deferred spent nuclear fuel disposal costs (Note 9)	1,201,320	1,361,496
Deferred refueling costs (Note 2)	1,898,234	380,886
Other (Note 7)	656,433	320,701
	3,755,987	2,063,083
	$152,172,689	$155,380,557

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

Balance Sheets

December 31, 1990 and 1989

MEMBERSHIP CAPITAL AND LIABILITIES

	1990	1989
MEMBERSHIP CAPITAL:		
Memberships, at $100 per membership	$ 1,400	$ 1,400
Deferred patronage dividends, per accompanying statements (payment restricted as indicated in Note 3)	5,617,255	5,367,255
Other equities, per accompanying statements	11,563,633	10,920,296
	17,182,288	16,288,951
LONG-TERM DEBT (Note 4):		
Rural Electrification Administration	49,473,387	50,964,992
Federal Financing Bank	68,866,983	69,656,309
Capital lease obligations (Note 2)	7,546,598	8,076,993
Pollution control revenue bonds	3,085,000	3,185,000
	128,971,968	131,883,294
Less - Current maturities of long-term debt	6,888,715	4,058,576
	122,083,253	127,824,718
OTHER LONG-TERM LIABILITIES:		
Deferred compensation	357,291	366,869
CURRENT LIABILITIES:		
Current maturities of long-term debt	6,888,715	4,058,576
Accounts payable	2,279,474	3,778,226
Accrued property and other taxes	2,334,671	2,330,465
Other	443,683	445,596
	11,946,543	10,612,863
DEFERRED CREDITS:		
Other (Note 7)	603,314	287,156
	$152,172,689	$155,380,557

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

Statements of Revenues and Expenses

For the Years Ended December 31, 1990 and 1989

	1990	1989
OPERATING REVENUES:		
Sales of electric energy	**$ 35,766,418**	$ 35,502,773
Other	**2,417,549**	2,407,092
	38,183,967	37,909,865
OPERATING EXPENSES:		
Operation -		
Steam and other power generation	**13,169,437**	13,821,223
Purchased Power	**(503,118)**	(573,219)
Transmission	**1,222,872**	1,181,259
Sales	**277,433**	266,179
Administrative and general	**2,892,589**	2,883,253
Maintenance -		
Steam and other power generation	**3,680,851**	3,240,822
Transmission	**555,937**	554,442
General plant	**29,563**	32,740
Depreciation and decommissioning (Note 2)	**6,435,395**	6,288,172
Property and other taxes	**2,572,201**	2,482,478
	30,333,160	30,177,349
Net Operating Revenues	**7,850,807**	7,732,516
INTEREST AND OTHER DEDUCTIONS:		
Interest on long-term debt	**8,659,726**	8,494,828
Other interest (Note 2)	**(8,179)**	14,363
Interest during construction (Note 2)	**(510,203)**	(445,435)
Other deductions	**10,171**	6,554
Amortization of loan expense	**8,108**	1,383
	8,159,623	8,071,693
NET OPERATING DEFICIT	**(308,816)**	(339,177)
NON-OPERATING MARGIN:		
Interest income	**1,291,550**	582,422
Other, net (Note 10)	**144 753**	1,449,285
	1,436,303	2,031,707
NET MARGIN	**$ 1,127,487**	$ 1,692,530

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

Statements of Cash Flows

For the Years Ended December 31, 1990 and 1989 (Note 2)

	1990	1989
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	$ 1,127,487	$ 1,692,530
Adjustments to reconcile net margin to cash provided by (used in) operations:		
Depreciation and decommissioning	6,233,858	6,590,938
Amortization of nuclear fuel	1,473,024	1,493,348
Amortization of deferred refueling costs	941,274	1,525,763
Amortization of nuclear fuel disposal costs	160,176	160,176
Deferred settlement credit (Note 10)	—	(526,457)
Changes in current assets and liabilities:		
Accounts receivable	398,042	(581,926)
Inventories	680,887	899,654
Prepayments	(86,609)	(25,089)
Accounts payable	(1,498,752)	(1,179,193)
Accrued property and other taxes	4,206	9,805
Other liabilities	(1,913)	24,203
Increase in deferred compensation	(9,578)	4,064
Freight refund receipts	—	645,468
Other	(19,574)	30,650
Net cash provided by operating activities	9,402,528	10 763,934
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	1,160,000	8,072,920
Repayment of long-term debt	(4,071,326)	(4,774,828)
Deferred patronage dividends paid	(250,000)	(250,000)
Net cash provided by (used in) financing activities	(3,161,326)	3,048,092
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to electric plant, net	(5,553,503)	(4,718,092)
Additions to nuclear fuel	(684,240)	(1,420,238)
Additions to deferred refueling costs	(2,458,622)	(74,846)
Additions to nonutility property	(37,001)	4,396
Decommissioning fund	(1,293,922)	(1,317,955)
Other investments	(947,145)	(7,482)
Net cash used in investing activities	(10,974,433)	(7,534,217)
Net increase (decrease) in cash and cash equivalents	(4,733,231)	6,277,809
CASH AND CASH EQUIVALENTS AT:		
Beginning of year	9,063,737	2,785,928
End of year	$ 4,330,506	$ 9,063,737

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

Statements of Deferred Patronage Dividends and Other Equities

For the Years Ended December 31, 1990 and 1989 (Note 3)

	1990	1989
DEFERRED PATRONAGE DIVIDENDS:		
Balance assigned beginning of year	$ 5,367,255	$ 4,867,255
Net margin	1,127,487	1,692,530
Lease revenue deferred patronage dividends	15,850	24,600
	6,510,592	6,584,385
Patronage dividends paid	(250,000)	(250,000)
Appropriation of margin -		
Reserve for contingent losses	(393,337)	(717,130)
Statutory surplus	(250,000)	(250,000)
Balance assigned end of year	$ 5,617,255	$ 5,367,255

OTHER EQUITIES:
(Appropriated Margins)

	Statutory Surplus	Reserve for Contingent Losses	Total
Balance December 31, 1988	$ 1,599,484	$ 8,353,682	$ 9,953,166
Appropriation of margin	250,000	717,130	967,130
Balance December 31, 1989	1,849,484	9,070,812	10,920,296
Appropriation of margin	250,000	393,337	643,337
Balance December 31, 1990	$ 2,099,484	$ 9,464,149	$ 11,563,633

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

Notes to Financial Statements

December 31, 1990 and 1989

NOTE (1) ORGANIZATION:

Corn Belt Power Cooperative (the Cooperative) is a Rural Electrification Administration (REA) financed generation and transmission cooperative created and owned by twelve 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 establishing rates charged to the member cooperatives.

Notes to Financial Statements

December 31, 1990 and 1989

NOTE (2) SIGNIFICANT ACCOUNTING POLICIES:

The Cooperative maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by the REA. The significant accounting policies are described below.

A. Electric Plant -

Electric plant is stated at original cost which includes certain pension costs, sales and use taxes, payroll 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 REA prescribed lives. These provisions, excluding nuclear facilities, were equivalent to a composite depreciation rate on gross plant of 2.88% and 3.00% for 1990 and 1989, 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 3.04% and 3.32% for 1990 and 1989, respectively.

A site-specific estimate of the decommissioning costs of DAEC was updated in 1989. This report estimated the Cooperative's share of the decommissioning costs of DAEC to be approximately $29,572,110 (in 1989 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 the year 2014.

Decommissioning costs are included in "depreciation and decommissioning" expense in the Statements of Revenues and Expenses. Such costs were $756,840 and $868,190 for 1990 and 1989, respectively.

The total decommissioning funds accumulated at December 31, 1990 were $3,698,227, including $1,229,420 in an externally managed trust fund and $2,468,807 in an internally managed fund. Substantially all of the decommissioning assets are invested in a money market account.

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 $1,473,024 and $1,493,348 for 1990 and 1989, 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 $941,274 and $1,525,763 for 1990 and 1989, respectively. The Cooperative deferred $2,458,622 of extraordinary operation and maintenance expenses in 1990.

E. Interest During Construction -

Interest during construction represents the cost of funds used for construction and nuclear fuel refinement. The average rate was 7.1% and 7.4% for 1990 and 1989, 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 purposes of reporting cash flows, the Cooperative considers temporary cash investments purchased with a maturity of three months or less to be cash equivalents as follows:

	1990	1989
General fund cash and temporary cash investments	$4,107,841	$8,457,568
Special construction fund cash and temporary cash investments	162,689	348,435
Working capital advances	59,976	257,734
	$4,330,506	$9 063,737

Cash paid for interest, net of interest capitalized, was $9,445,485 and $7,952,919 for 1990 and 1989, respectively.

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 of the 1990 net margin to 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 appropriated $393,337 of the 1990 net margin to Reserve for Contingent Losses. 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 $500,000 of the 1990 net margin to 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 REA and the National Rural Utilities Cooperative Finance Corporation (CFC) unless the remaining equity meets certain tests. The Cooperative does not meet these tests at December 31, 1990. However, the Cooperative received permission and retired $250,000 of the 1977 patronage dividends during 1990 and plans to request permission to retire an additional $250,000 of the 1977 deferred patronage dividends during 1991.

NOTE (4) LONG-TERM DEBT:

Long-term debt consists of mortgage notes payable to the United States of America acting through the REA 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:

	1990	1989
Mortgage notes due in quarterly installments -		
REA 2%, due 1991-2008	$ 19,993,893	$21,425,130
REA 5%, due 1991-2019	29,479,494	29,539,862
FFB 7.3%-13.5%, due 1991-2019	68,866,983	69,656,309
	118,340,370	120 621 301

Notes to Financial Statements

December 31, 1990 and 1989

	1990	1989
Capital lease obligations -		
Webster City Revenue Bonds		
4.7%-7.5%, due 1991-1997	4,680,678	5,211,073
Webster City Revenue Notes		
6.5%, due 1991	2,865,920	2,865,920
	7,546,598	8,076,993
Pollution control revenue bonds -		
5%-6.25%, due serially		
1991-1997 and term due 2007	3,085,000	3,185,000
	$128,971,968	$131,883,294

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

Year	Maturity
1991	$ 6,888,715
1992	4,157,186
1993	4,244,034
1994	4,270,649
1995	4,398,444

In connection with the mortgage notes, the Cooperative had available at December 31, 1990, $8,942,000 of loan funds from FFB, $4,661,000 from REA and $3,882,000 from CFC to meet future borrowing needs. Currently, the Cooperative is awaiting final approval of loan documents for approximately $16,900,000 from the FFB to be used for qualifying construction projects. The Cooperative has approximately $5,880,000 of unreimbursed capital additions which they anticipate will be funded by the new FFB loan in 1991. The Cooperative had available at December 31, 1990, an unused $12,000,000 line of credit with CFC of which $1,000,000 is available only in the event of disaster at DAEC.

NOTE (5) CONSTRUCTION COMMITMENTS:

Total construction expenditures for 1991, including expenditures for the jointly owned units, are estimated to be $6,119,000 of which $771,850 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, 1990 in three electric generating units as shown below:

	Neal Unit #4	Council Bluffs Unit #3	Duane Arnold Energy Center
Total electric plant	$45,335,187	$13,266,922	$60,099,186
Accumulated depreciation	$16,259,886	$ 4,885,387	$18,082,507
Unit accredited capacity - MW	600	675	540
Cooperative's share-percent	11.63%	3.8%	10.0%
Capital cost per KW	$ 650	$ 517	$ 1,113

The dollar amounts shown above represent the Cooperative's share in each jointly-owned unit. 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.

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 afforded this cost.

Net periodic pension cost for 1990 and 1989 includes the following components:

	1990	1989
Service cost-benefits earned during the period	**$ 332,221**	$ 301,238
Interest cost on projected benefit obligation	341,753	324,843
Reduction in pension cost from actual return on assets	(383,283)	(480,473)
Net amortization and deferral	25,467	131,854
Net periodic pension cost - employees	(94,847)	(83,239)
Net periodic pension cost - employer	221,311	194,223
Change in expenses due to rate regulation	(221,311)	(194,223)
Total pension cost	$ —	$ —
Assumptions used were:		
Discount rate	**6.31%**	6.31%
Rate of increase in compensation levels	**6.00%**	6.00%
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, 1990:

	1990	1989
Actuarial present value of benefit obligations:		
Vested benefit obligation	**$3,756,293**	$3,378,693
Nonvested benefit obligation	**266,791**	274,622
Accumulated benefit obligation	**4,023,084**	3,653,315
Provision for future pay increases	**1,724,220**	1,604,419
Projected benefit obligation	**5,747,304**	5,257,734
Plan assets at fair value	**4,926,499**	4,771,838
Projected benefit obligation (greater) or less than plan assets	**(820,805)**	(485,896)
Unrecognized net (gain) or loss	**189,304**	200,410
Unrecognized prior service cost	**27,432**	(2,545)
Unrecognized net transition obligation	**755**	875
Accrued pension cost recognized in the balance sheets	**$ (603,314)**	$ (287,156)

The Cooperative does not anticipate making a funding contribution in 1991.

In 1989, the Cooperative established a 401(k) plan which is available to all employees with the Cooperative matching 50% 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.

NOTE (8) LAND HELD FOR FUTURE GENERATING SITE:

The Cooperative is a participant in Allied Power Cooperative of Iowa (Allied). Allied was organized for the purpose of building a generation plant and related transmission facilities to provide for the future power needs of its member cooperatives. During 1980, Allied determined that the estimated future power needs of its member cooperatives had declined and that the continued development of its plant site was not feasible. It is contemplated that the plant site will be developed in the future as the needs for power increase.

Notes to Financial Statements

December 31, 1990 and 1989

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 mil 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 thirteen year period ending in 1998 which corresponds with the period the Cooperative is recovering these costs in its rates. In both 1990 and 1989, $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, North Iowa Municipal Electric Cooperative Association (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 agreement resulted in the Cooperative recording a sale of approximately $6,200,000 of electric plant and recognizing a gain of approximately $996,000. Corn Belt has a receivable of $4,349,000 from a trust established by NIMECA for ultimate payment to Corn Belt. 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 1990 operating expenses were $459,000 and were recorded as operating revenue. Additionally, the Cooperative and NIMECA entered into a capacity sharing agreement which provides for the sharing of generating resources for the next twenty years.

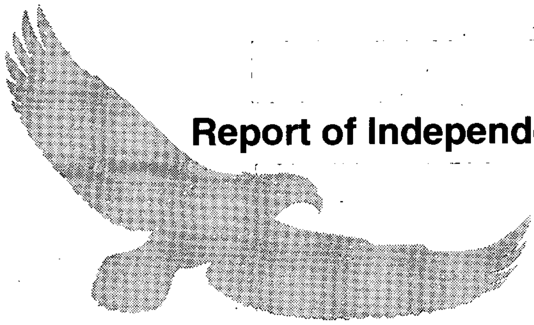
NOTE (11) CLEAN AIR ACT:

The Clean Air Act (Act) was amended on November 15, 1990. The amendment 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 is evaluating the provisions and compliance requirements of phase II which will be effective in the year 2000.

NOTE (12) NUCLEAR INSURANCE PROGRAM:

Corn Belt, under the provisions of the Price-Anderson Amendments Act of 1988 (the 1988 Act), has the benefit of $7.4 billion of public liability coverage. The coverage consists of $200,000,000 of insurance and $7.2 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 $63,000,000 per nuclear incident, payable in annual installments of not more than $10,000,000. Corn Belt's assessment on its 10% ownership in Duane Arnold Energy Center may be up to $6,300,000 per nuclear incident with a maximum of $1,000,000 per year. In addition, an additional surcharge, of up to 5% of the retroactive assessment, may be payable if the public liability claims and legal costs arising from a nuclear incident at a commercial nuclear power plant exceed the Price-Anderson financial protection.

In addition, Corn Belt could be assessed $643,000 and $133,000 related to coverages for excess property damage and replacement power, respectively, if the insurer's losses relating to an accident exceeds its reserves. No such assessments have been made.



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, 1990 and 1989, 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, 1990 and 1989, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Chicago, Illinois,
February 22, 1991

ARTHUR ANDERSEN & CO.

EXPENSES

	1990		1989	
	Amount	**Percent**	Amount	Percent
Generation	**$16,850,288**	**43.78**	$17,062,045	44.61
Interest and Loan Expense	**8,159,623**	**21.19**	8,071,693	21.10
Depreciation & Decommissioning	**6,435,395**	**16.72**	6,288,172	16.44
Taxes	**2,572,201**	**6.68**	2,482,478	6.49
Administrative and General	**2,922,152**	**7.59**	2,915,993	7.62
Purchased Power	**(503,118)**	**(1.30)**	(573,219)	(1.50)
Transmision	**1,778,809**	**4.62**	1,735,701	4.54
Sales	**277,433**	**.72**	266,179	.70
TOTAL	**$38,492,783**	**100.00**	$38,249,042	100.00

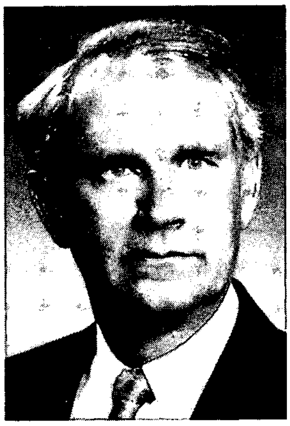
SYSTEM DATA

Member/Utility	1990 kWh Billed by Corn Belt	1990 Revenue to Corn Belt
Boone Valley Electric Co-op	5,376,067	$ 240,470
Butler County REC	96,337,564	4,334,343
Calhoun County Electric Co-op	28,533,864	1,266,029
Franklin REC	37,590,501	1,663,878
Glidden REC	34,011,053	1,596,879
Grundy County REC	45,269,445	2,021,084
Hancock County REC	41,694,180	1,845,985
Hardin County REC	68,229,112	3,013,583
Humboldt County REC	39,685,319	1,708,275
Iowa Lakes Electric Co-op	207,294,031	8,862,928
Sac County REC	20,623,197	941,601
Wright County REC	62,452,894	2,558,285
NIMECA	67,106,305	2,547,672
Webster City	113,444,234	4,786,495
TOTAL	**867,647,766**	**$ 37,387,507**

LOAD SUMMARY

Sources of Energy	1990—kWh	1989—kWh
Duane Arnold Energy Center	**301,157,198**	318,295,450
Council Bluffs #3	**135,775,000**	131,261,000
Neal #4	**504,717,000**	476,699,000
Humboldt Station	**(539,984)**	571,807
Wisdom Station	**30,369,700**	27,621,600
Webster City	**795,700**	78,167
NIMECA/Other	**30,526,008**	14,364,939
Western Area Power Administration	**140,952,000**	140,155,000
IPS Economic Dispatch	**(226,044,000)**	(196,161,000)
TOTAL SOURCES	**917,708,622**	912,885,963
Sales of Energy		
RECs	**687,097,227**	689,780,119
Webster City	**113,444,234**	104,099,266
NIMECA	**67,106,305**	71 992 603
TOTAL SALES	**867,647,766**	865,871,988
System Uses	**50,060,856**	47,013,975
TOTAL SALES AND SYSTEM USES	**917,708,622**	912,885,963

ASSISTANT GENERAL MANAGER'S REPORT



Dale M. Arends
Assistant
General Manager

You have heard the saying, "You ain't seen nothing yet." That phrase can certainly apply to changes coming in the future at Corn Belt—and in the rural electrification program overall.

It is no secret that REA is rapidly changing the rules for future financing. You have read the general manager's report which identified new REA conditions on our recently approved loan. These conditions include requirements for a guarantee for part of Corn Belt's debt by the member distribution cooperatives and an increase in Corn Belt's equity.

Equity will be increased by a combination of marketing and financial goals in conjunction with expanded economic well being and competitiveness of our member distribution cooperatives. No marketing or financial plan can be successful without the full cooperation of REA, the Corn Belt Board of Directors, the member distribution cooperatives and Corn Belt staff.

Marketing goals will include increased annual sales to REC members. To help accomplish this goal, Corn Belt has adopted a Marketing and Economic Development Plan which provides for promoting certain residential sales and economic development throughout the Corn Belt area. Residential incentives include space heating and cooling (with emphasis on ground-source heat pumps), storage water heaters, and the installation of energy efficient water heaters allowing for future load control.

In economic development, incentives are provided for industrial site development, speculative buildings, rural housing and venture capital for new or expanding industries. To help accomplish these marketing efforts, Corn Belt has set aside funds for employee and director training, advertising and various promotions.

Financial goals are centered on maintaining a high quality of service at a rate that is competitive, yet meets mortgage and loan requirements of REA.

Corn Belt has begun steps to help spread future costs. In conjunction with our board of directors, distribution cooperative managers and the Corn Belt staff, we have identified some key areas where we can potentially share costs, improve service and enhance our image with our members. These areas include environmental services, purchasing automation and inventory control, surplus material coordination, certain accounting functions, data processing, printing services, line construction and maintenance, and engineering.

A recent survey of member distribution cooperative directors and managers and Corn Belt employees gave Corn Belt very high marks in areas of leadership, integrity, competitiveness, progressiveness, effectiveness, vision for the future, and professionalism.

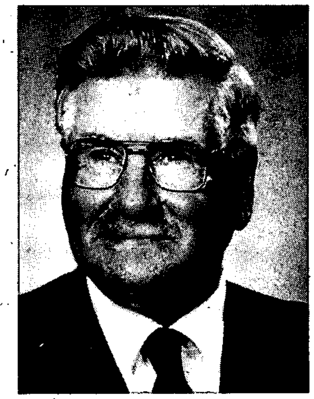
Maintaining this high image—along with the quality that stands behind it—should perhaps be the highest goal of all.

BOARD OF DIRECTORS

President
Eugene Drager
Humboldt

Vice President
Ronald Deiber
NIMECA

Secretary
Paul Robertson
Grundy



Treasurer
Clarence Lange
Hardin

Asst. Secretary/Treasurer
Carrol Boehnke
Hancock

Donald Feldman
Butler

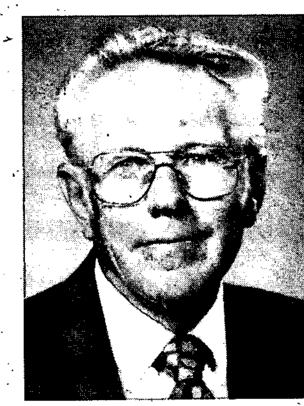
Donald O'Tool
Calhoun

Roger Rust
Franklin

Lawrence Wittry
Glidden

Marlowe Feldman
Iowa Lakes

Norman Kolbe
Sac



Russell Krog
Wright

Power *for* Rural America

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