

**COON RAPIDS MUNICIPAL UTILITIES  
(A COMPONENT UNIT OF  
THE CITY OF COON RAPIDS)  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2014**



## TABLE OF CONTENTS

	<u>Page</u>
Officials .....	1
Independent Auditors' Report .....	2 - 3
Management's Discussion and Analysis .....	4 - 11
Basic Financial Statements:	
Statements of Net Position .....	12 - 13
Statements of Revenues, Expenses and Changes in Net Position .....	14 - 15
Statements of Cash Flows.....	16 - 19
Notes to Financial Statements .....	20 - 37
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	38 - 39
Schedule of Findings .....	40 - 41

**COON RAPIDS MUNICIPAL UTILITIES**

**OFFICIALS**

**(As of June 30, 2014)**

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Term Expires</u></b>
Ron Brower	Chairman	June 2020
Dierk Halverson	Vice Chairman	June 2016
Doris Bass	Trustee	June 2018
Harold Siegler	Trustee	June 2015
Mary Schwaller	Trustee	June 2017
Bradley Honold	Secretary/General Manager	Indefinite
Kari Woodard	Director of Finance and Accounting	Indefinite
Jesica Leighty	City Clerk/City Treasurer	Indefinite
Mark Thomas	Attorney	Indefinite



## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Coon Rapids Municipal Utilities  
Coon Rapids, IA 50058

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Coon Rapids Municipal Utilities, a component unit of the City of Coon Rapids, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Coon Rapids Municipal Utilities, a component unit of the City of Coon Rapids, as of June 30, 2014 and the respective changes in

financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014, on our consideration of the Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control over financial reporting and compliance.

*Williams + Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
October 10, 2014



## Management's Discussion and Analysis

The Coon Rapids Municipal Utilities, "CRMU" provides this narrative overview and analysis of the Communications, Electric, Natural Gas, Water, and Wastewater Utilities' financial activities based upon currently known facts, decisions, and conditions for the fiscal year ended June 30, 2014. This should be read in conjunction with the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position, and the Statement of Cash Flows, which follow.

The Financial Statements of the Utility report information utilizing the accrual method of accounting. The Financial Statements conform to accounting principals which are generally accepted in the United States of America.

The Statement of Net Position provides information about the type and amount of investments in resources (assets) and the obligations to creditors (liabilities), and also

indicate those restricted by the Board of Communications, Electric, Natural Gas, Water, and Wastewater Trustees (the Board). It also provides the basis for making a variety of financial assessments about the structure, liquidity, and financial flexibility of the Utility.

The Statement of Revenues, Expenses, and Changes in Net Position reports all the revenues and expenses for the year, including nonoperating revenues and expenses. This statement can be used to determine whether the Utility has recovered all of its actual costs through rates and other charges.

The Statement of Cash Flows reports the cash from operating activities, cash from non-capital financing activities, as well as capital and related financing activities, and investing activities. This statement can be used to determine the source, use and change in cash.

### Communications Utility

#### Overview:

CRMU's communication utility provides a variety of products and services to the Coon Rapids community. Services include telephone, long distance, high speed internet, cable television, and high definition television. As the industry has become increasingly competitive over the years, CRMU has maintained quality service at reasonable rates.

CRMU monitors the industry to remain competitive and meet the wants and needs of customers. CRMU must be responsive to its customers and provide an extraordinary level of customer support.

Over the past year, CRMU has installed new internet equipment and increased internet bandwidth. This has improved service reliability and provided for additional internet offerings with increased speeds.

CRMU continues to work toward expanding offerings and enhancing current services, such as adding digital and high definition television channels, to provide additional revenue and offset costs incurred due to the always-changing nature of the technology industry.

### Communications Utility Financial Highlights:

*Dollars in Thousands*

	2014	2013
<b>OPERATING</b>		
Revenues .....	755	766
Expenses .....	654	671
Operating Income (Loss) .....	101	95
<b>NONOPERATING</b>		
Revenues (Expenses) .....	4	5
<b>Change in Net Position .....</b>	<b>105</b>	<b>100</b>
<b>ASSETS</b>		
Current .....	1,415	1,266
Capital .....	115	85
Noncurrent .....	0	76
<b>Total Assets .....</b>	<b>1,530</b>	<b>1,427</b>
<b>LIABILITIES</b>		
Current .....	52	53
Long-term .....	0	0
Total .....	52	53
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	115	85
Unrestricted .....	1,363	1,289
Total .....	1,478	1,374
<b>Total Liabilities &amp; Net Position .....</b>	<b>1,530</b>	<b>1,427</b>

# Management's Discussion and Analysis

## Results of Operations:

(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Position)

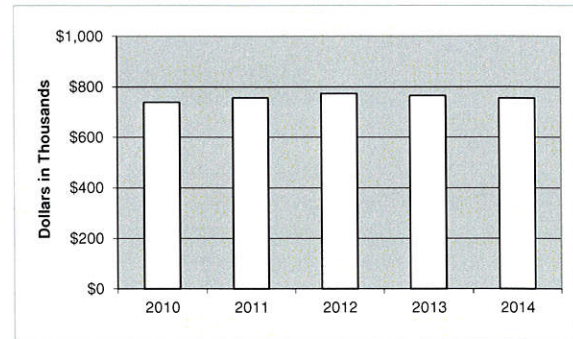
Revenue from operations decreased by 1.5%, while total operating expenses decreased by 2.5%. The decrease in revenue is ultimately a result of decreased telephone revenue, specifically Carrier Access Billing (CABS) and cable television revenue.

The primary reason for the decreased expense is lower fees associated with contract negotiations. These lower fees alone totaled a savings of almost \$30,000 this fiscal year. Purchased energy / programming, distribution operations, and depreciation expenses decreased, while plant, customer service, and administrative / general expenses increased.

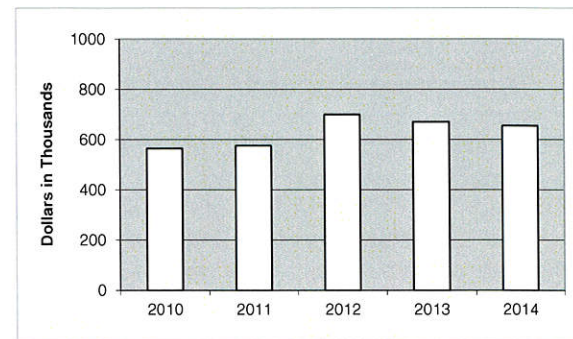
Interest income was lower in 2014 (\$1,300). In-Lieu-of tax payments and free community services totaled \$6,568, compared to \$6,565 last year.

The communications utility ended the year with a \$105,000 gain, compared to \$100,000 in 2013.

**Communications Utility  
Operating Revenues: \$754,735**



**Communications Utility  
Operating Expenses: \$653,835**



## Financial Position:

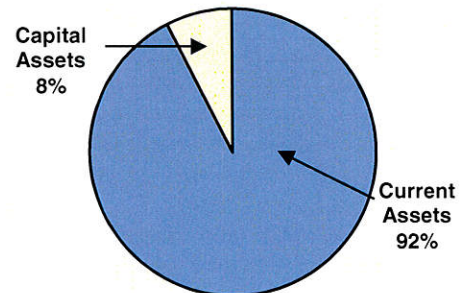
(As reported on the Statement of Net Position)

Total assets increased more than 7% in fiscal year 2014. This can be attributed to an increase in cash, which is a direct result of the operating gain and receipt of loan payments from the electric utility. Total liabilities decreased 2.5% simply because CRMU had lower accounts payable and accrued payables at the end of fiscal year 2014 compared to fiscal year 2013. Total net position increased more than 7%.

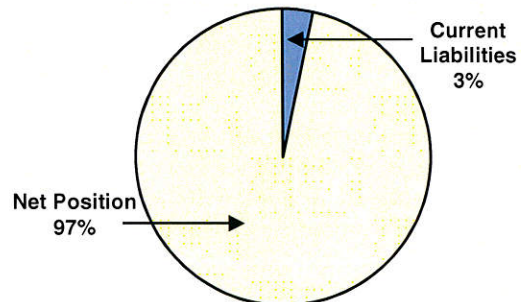
The communication utility's noncurrent assets decreased by \$76,200 due to debt pay down from the electric utility. Capital assets, in the form of utility plant, facilities and equipment, account for 8% of total assets, while current assets comprise 92% of the total assets. Cash and cash equivalents account for more than 83% of total assets. These funds are designated for equipment replacement, capital improvements, and general savings.

Revenues were higher than budgeted projections by \$24,700, while expenses were lower than budget by \$16,500.

**Communication Utility Total Assets: \$1,530,337**



**Communication Utility Total Liabilities and Net Position: \$1,530,337**





# Management's Discussion and Analysis

## Electric Utility

### Overview:

CRMU's electric utility made significant capital improvements in fiscal year 2014. CRMU's mitigation project of converting overhead facilities to underground was completed. The Neal 4 Scrubber / Bag House upgrade was substantially completed and will be finalized in fiscal year 2015. RICE upgrades were completed at our local generation plant. In 2015, CRMU will be upgrading electric services at the Iron Hills Substation / South Plant. CRMU has been able to fund these improvements solely through reserves. These cost-saving measures are important, as the industry continues to rapidly change towards higher-cost power due to increased government and environmental regulations.

In 2014, CRMU realized a net operating gain of \$386,000 and a nonoperating gain of \$492,000 for a total gain of \$878,000, compared to a gain of \$1,392,000 in 2013 (a decrease of \$514,000). Nonoperating gains alone were \$358,500 lower in 2014 than 2013. This is a direct result of less mitigation grant revenues received in 2014 than 2013.

### Electric Utility Financial Highlights:

Dollars in Thousands

	2014	2013
<b>OPERATING</b>		
Revenues .....	2,643	2,692
Expenses .....	2,257	2,150
Operating Income (Loss) .....	386	542
<b>NONOPERATING</b>		
Revenues (Expenses) .....	492	850
<b>Change in Net Position .....</b>	<b>878</b>	<b>1,392</b>
<b>ASSETS</b>		
Current .....	2,382	3,264
Capital .....	9,732	8,389
Noncurrent .....	220	263
<b>Total Assets .....</b>	<b>12,334</b>	<b>11,916</b>
<b>LIABILITIES</b>		
Current .....	506	694
Long-term .....	0	273
Total .....	506	967
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	9,459	7,849
Restricted .....	374	360
Unrestricted .....	1,995	2,740
Total .....	11,828	10,949
<b>Total Liabilities &amp; Net Position .....</b>	<b>12,334</b>	<b>11,916</b>

### Results of Operations:

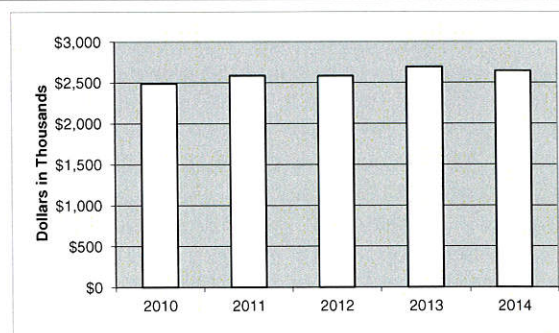
(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Position)

Revenue from operations decreased almost 2%. Sales to customers increased almost 2%, which correlates to the 6.5% increase in kwhs sold in fiscal year 2014. Resale revenue decreased almost 9%. Resale revenue varies as a result of our capacity sharing agreement within NIMECA.

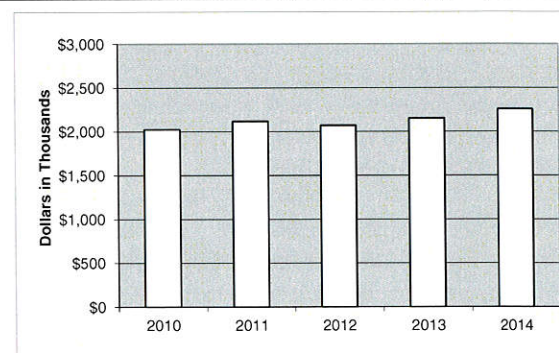
Operating expenses increased almost 5% (\$106,500). Distribution operations and depreciation expenses decreased. Purchased energy, plant, distribution, transmission, and customer service operations, and administrative expenses increased. Specifically, operations & maintenance expenses related to Neal 4 were about \$32,000 higher than last year (Plant Operations). Purchased energy – capacity sharing expenses were higher by \$64,500 from 2013 to 2014.

In-Lieu-of tax payments and free community services totaled \$70,400, compared to \$60,500 last year.

### Electric Utility Operating Revenues: \$2,642,824



### Electric Utility Operating Expenses: \$2,256,486



# Management's Discussion and Analysis

## Financial Position:

(As reported on the Statement of Net Position)

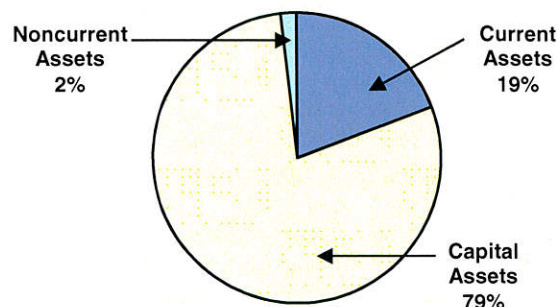
Current assets account for 19% of total assets. CRMU has almost 11% of its total assets in the form of cash and cash equivalents. Of this amount, the Board of Trustees has allocated these funds for designated uses such as capital improvement, equipment replacement, generation replacement, health fund plan, etc., leaving only a small portion of its current assets undesignated.

Capital assets, in the form of utility plant, facilities and equipment, account for 79% of CRMU's total assets. Noncurrent assets account for 2% of total assets.

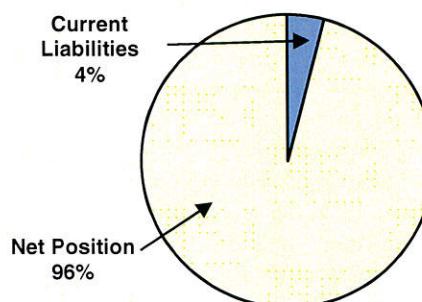
Current liabilities account for 4% of total liabilities and net position. Current liabilities decreased due to fewer payables at year-end. Previously, CRMU had long-term liabilities related to debt owed to other utilities. Because these debts will be paid in full in June, 2015, CRMU no longer has any long-term liabilities. Overall, the net position increased 8% from last year.

Revenues and expenses were higher than budget by almost \$133,000 and \$39,500, respectively.

Electric Utility Total Assets: \$12,334,197



Electric Utility Total Liabilities and Net Position: \$12,334,197



## Natural Gas Utility

Overview:

Historically, CRMU has experienced volatile energy costs. In efforts to limit exposure to this market, CRMU follows a commodity purchasing strategy with the goal of forward purchasing roughly 50% of its annual requirements prior to the winter heating season. This purchasing strategy consists of a mixed portfolio of commodity purchases ranging from futures contracts, to storage, to fixed monthly and spot volume purchases.

CRMU also optimizes its storage contract to help balance its daily volumes to avoid any monthly imbalance penalties from the pipeline.

In fiscal year 2014, gas prices remained relatively stable through December, 2013, but increased in January and peaked at very high prices in February. Extremely cold temperatures were experienced throughout the country, causing a high demand of the natural gas commodity and transportation. CRMU expects the commodity cost to remain relatively stable in the near future, unless we experience another extreme winter.

## Natural Gas Utility Financial Highlights:

Dollars in Thousands

	2014	2013
<b>OPERATING</b>		
Revenues .....	1,166	752
Expenses .....	1,039	728
Operating Income (Loss) .....	127	24
<b>NONOPERATING</b>		
Revenues (Expenses) .....	(53)	(41)
<b>Change in Net Position .....</b>	<b>74</b>	<b>(17)</b>
<b>ASSETS</b>		
Current .....	1,320	1,092
Capital .....	845	882
Noncurrent .....	53	176
<b>Total Assets .....</b>	<b>2,218</b>	<b>2,150</b>
<b>LIABILITIES</b>		
Current .....	48	54
Long-term .....	0	0
Total .....	48	54
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	845	882
Unrestricted .....	1,325	1,214
Total .....	2,170	2,096
<b>Total Liabilities &amp; Net Position ...</b>	<b>2,218</b>	<b>2,150</b>

# Management's Discussion and Analysis

## Results of Operations:

(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Position)

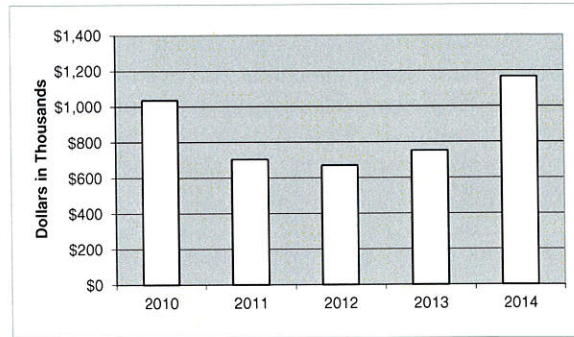
In 2014, CRMU's natural gas utility experienced an operating gain of \$126,600, compared to \$24,400 in 2013. Combined with nonoperating revenues / expenses and transfers out, the utility ended the year with a \$74,000 gain.

In 2014, total operating revenues increased more than 55%. Total town usage billed increased by 41%. Industrial usage increased by 84% for the year, while all other service classes increased by 20%.

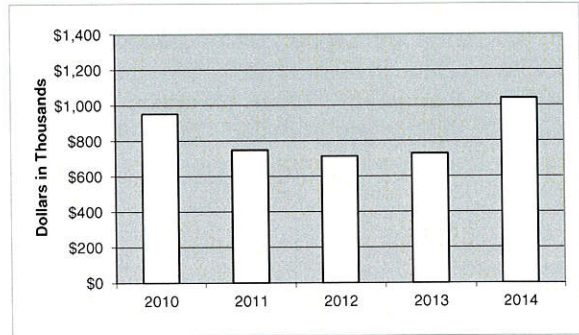
Total operating expenses increased \$311,500 or 43%. This is attributed to purchasing more gas commodity to meet customer demand, which is designated as "Purchased Energy" on the financial statements. Additional increased expenses include Distribution, Plant, and Customer Service Operations. Decreased expenses include Administration / General and Depreciation.

Nonoperating expenses increased more than 26% in 2014. This increase can be attributed to a higher contribution to the City of Coon Rapids and the community, which totaled just over \$60,000 in 2014, compared to \$53,000 last year.

### Natural Gas Utility Operating Revenues: \$1,165,388



### Natural Gas Utility Operating Expenses: \$1,038,804



## Financial Position:

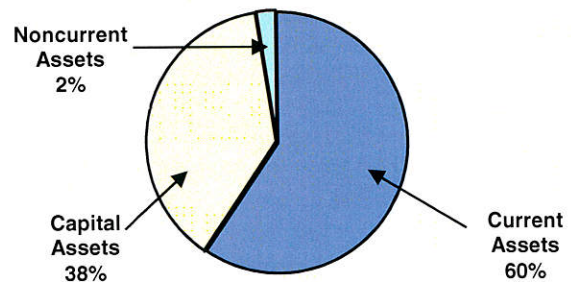
(As reported on the Statement of Net Position)

Capital assets, in the form of utility plant, facilities and equipment, account for 38% of CRMU's total assets, while current assets comprise 60% of the total. Cash and cash equivalents account for 49% of total assets. Cash increased almost 23% from the previous year, while noncurrent assets (loan receivables) decreased almost 70%. These changes are a direct result of the interutility loan pay down between gas and electric and other economic development loan pay downs.

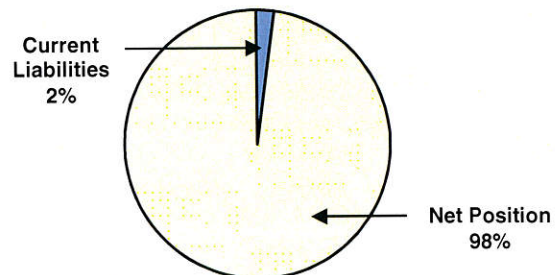
The Natural Gas Utility has no significant noncurrent liabilities. CRMU's current liabilities are primarily comprised of payables totaling almost \$48,000.

Revenues and expenses were higher than budget by \$362,000 and \$219,000, respectively.

### Natural Gas Utility Total Assets: \$2,217,959



### Natural Gas Utility Total Liabilities and Net Position: \$2,217,959



# Management's Discussion and Analysis

## Water Utility

### Overview:

Protecting and preserving the water quality for Coon Rapids is a primary concern of CRMU. CRMU has been fortunate through the years with an abundant water supply of good quality drinking water. CRMU is also fortunate to have four certified operators on staff, while some communities struggle to keep one.

For the past few years, CRMU has operated its water utility with very slight margins while continuing to make much needed and necessary system improvements. The result of these activities has put a financial strain on the small reserves of the water utility over the years. Slowly, reserves are being built back up after the rate adjustment in 2013.

In 2014, the water utility ended with an operating gain of almost \$23,000, compared to \$49,500 last year. Sales to customers were basically unchanged from 2013 to 2014.

### Water Utility Financial Highlights:

*Dollars in Thousands*

	2014	2013
<b>OPERATING</b>		
Revenues .....	244	242
Expenses .....	221	192
Operating Income (Loss) .....	23	50
<b>NONOPERATING</b>		
Revenues (Expenses) .....	(26)	(5)
<b>Change in Net Position .....</b>	<b>(3)</b>	<b>45</b>
<b>ASSETS</b>		
Current .....	339	312
Capital .....	309	335
Noncurrent .....	0	0
<b>Total Assets .....</b>	<b>648</b>	<b>647</b>
<b>LIABILITIES</b>		
Current .....	26	22
Long-term .....	0	0
Total .....	26	22
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	310	335
Unrestricted .....	312	290
Total .....	622	625
<b>Total Liabilities &amp; Net Position .....</b>	<b>648</b>	<b>647</b>

### Results of Operations:

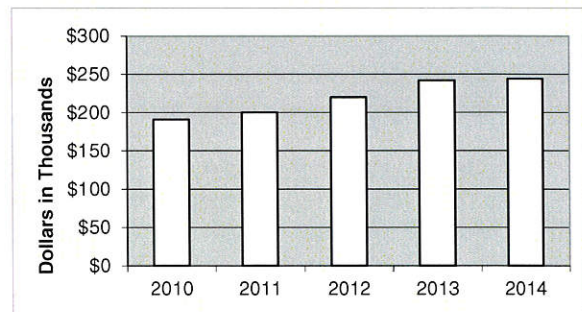
*(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Position)*

Revenue from operations increased \$2,000 (less than 1%), which is expected since there was very little change in usage.

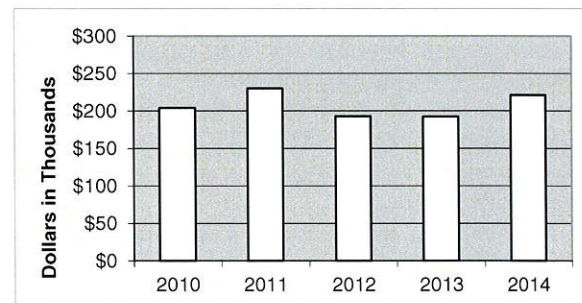
Operating expenses increased more than \$28,000 (15%). Due to the extreme winter, CRMU had several water line breaks, which increased wage and maintenance expenses. Additionally, CRMU is in the process of replacing water meters for all customers, resulting in a \$9,000 expense increase.

Nonoperating expenses totaled more than \$25,500, compared to \$4,800 last year. Within nonoperating expenses, contributions through payment-in-lieu-of-tax and donations to the community totaled \$26,600 this year, which is significantly higher than last year's contribution of \$5,700. This increase is attributed to CRMU's donation of labor and materials for the water line at the new Fire Hall. Considering the nonoperating losses, the water utility experienced a \$2,800 loss in 2014 compared to a \$44,600 gain last year.

### Water Utility Operating Revenues: \$243,948



### Water Utility Operating Expenses: \$221,082



# Management's Discussion and Analysis

## Financial Position:

(As reported on the Statement of Net Position)

Current assets account for 52% of total assets. CRMU has approximately 42% of its total assets in the form of cash and cash equivalents. Of this amount, the Board of Trustees has designated uses for all of it.

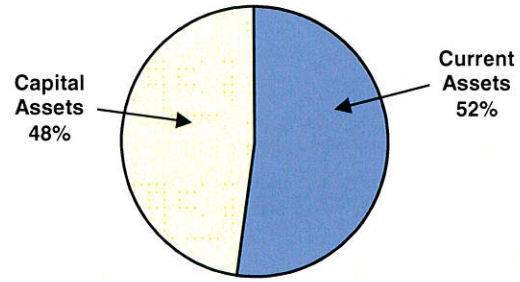
The water utility has no noncurrent assets (loan receivables).

Capital assets, in the form of utility plant, facilities and equipment, account for 48% of CRMU's total assets. CRMU's total assets increased almost \$2,000 (less than 1%) in 2014.

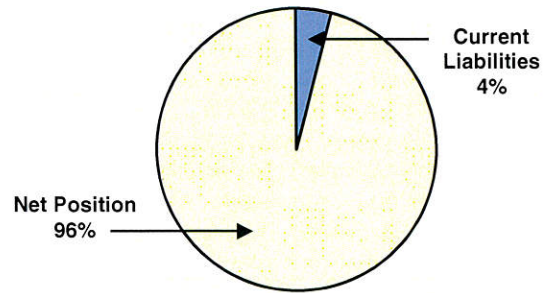
The water utility has no significant liabilities, other than normal payables. These payables account for 4% of total liabilities and net position. Net position decreased slightly (less than 1% in 2014).

Revenues were higher than budget by \$12,000. Expenses were also higher than budget by \$44,300.

Water Utility Total Assets: \$648,460



Water Utility Total Liabilities and Net Position: \$648,460



## Wastewater Utility

Overview:

In 2014, the wastewater utility realized an operating loss of just over \$65,000. Including nonoperating revenues (primarily interest income), the utility ended with a total loss of almost \$60,000, compared to a \$48,500 loss in 2013.

The loss realized is not unexpected by the utility. The wastewater utility currently has reserves in the bank, which have been used to offset losses realized over the past several years. As those reserves are spent down and other capital improvements are made, a break-even performance will be necessary.

The wastewater utility currently has a payable of approximately \$81,500 due from the electric utility, with payment expected to be completed by June, 2015.

## Wastewater Utility Financial Highlights:

Dollars in Thousands

	2014	2013
<b>OPERATING</b>		
Revenues .....	116	115
Expenses .....	181	170
Operating Income (Loss) .....	(65)	(55)
<b>NONOPERATING</b>		
Revenues (Expenses) .....	5	7
<b>Change in Net Position .....</b>	<b>(60)</b>	<b>(48)</b>
<b>ASSETS</b>		
Current .....	1,082	1,000
Capital .....	854	919
Noncurrent .....	0	81
<b>Total Assets .....</b>	<b>1,936</b>	<b>2,000</b>
<b>LIABILITIES</b>		
Current .....	6	10
Long-term .....	0	0
Total .....	6	10
<b>NET POSITION</b>		
Net Investment in Capital Assets .....	854	919
Unrestricted .....	1,076	1,071
Total .....	1,930	1,990
<b>Total Liabilities &amp; Net Position ...</b>	<b>1,936</b>	<b>2,000</b>

# Management's Discussion and Analysis

## Results of Operations:

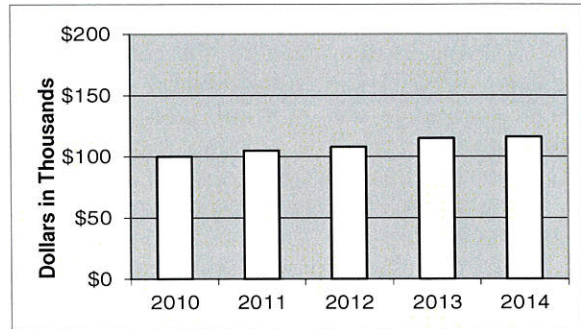
(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Position)

In 2014, the wastewater utility recorded \$116,000 in revenues. This is higher by \$1,000 compared to 2013. Customer usage was virtually unchanged from 2013 to 2014. No rate adjustments were implemented in fiscal year 2014; however, CRMU did implement a slight rate increase in July, 2014 (fiscal year 2015).

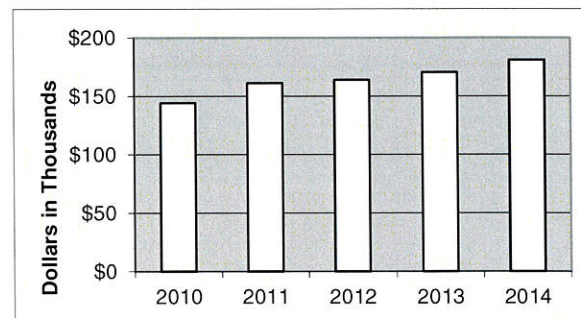
Total operating expenses in 2014 were up more than \$10,000 (6%) compared to 2013. Distribution operations and depreciation expense increased, while plant operations, customer service operations and administrative expenses decreased. The water meter replacement project previously discussed is the primary reason for increased expenses. Because water and wastewater usage is billed from the same meter, meter maintenance costs are split evenly between the two utilities.

Nonoperating revenues decreased by \$1,650 in 2014 (24%) due to lower interest income. In-lieu-of tax payments and free service to the community was slightly lower at \$200 this year, compared to \$400 last year.

**Wastewater Utility Operating Revenues: \$115,994**



**Wastewater Utility Operating Expenses: \$181,154**



## Financial Position:

(As reported on the Statement of Net Position)

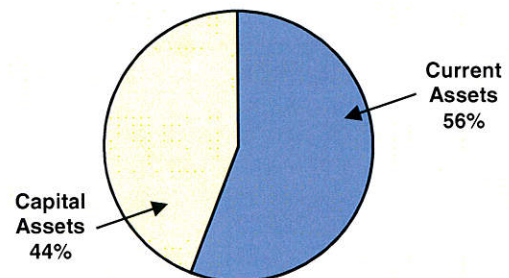
Capital assets, in the form of utility plant, facilities and equipment, account for 44% of CRMU's total assets, while current assets account for 56%.

The wastewater utility has 51% of its total assets in the form of cash, cash equivalents, and certificates of deposit. A portion of this will be used for ongoing improvements, specifically lagoon dredging and line repair. The cash position increased 8% from last year due to loan payments from the electric utility.

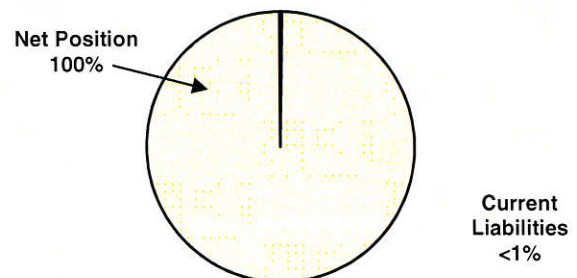
The wastewater utility essentially has no liabilities other than some small payables.

Revenues were \$2,800 lower than budget, and expenses were \$4,100 lower than budget.

**Wastewater Utility Total Assets: \$1,935,942**



**Wastewater Utility Total Liabilities and Net Position: \$1,935,942**



**BASIC FINANCIAL STATEMENTS**

**COON RAPIDS MUNICIPAL UTILITIES**  
**(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2014**

	Communications Utility	Electric Utility	Gas Utility
<b>Assets</b>			
<b>Current Assets:</b>			
Cash & Cash Equivalents-Unrestricted	\$ 1,272,187	\$ 1,229,572	\$ 1,085,593
Cash & Cash Equivalents-Restricted	-	111,792	-
Accounts Receivable, Net of Allowance -			
Trade	41,612	200,321	48,011
Other	13,051	176,246	2,352
Inter-Utility Loans Receivable - Current Portion	76,214	-	115,209
Revolving Loans Receivable - Current Portion	-	62,228	7,123
Inventories	2,664	555,355	51,902
Other Current and Prepaid Assets	9,401	46,224	9,599
Total Current Assets	<u>1,415,129</u>	<u>2,381,738</u>	<u>1,319,789</u>
<b>Capital Assets:</b>			
Land	-	52,312	30,478
Construction in Progress	-	3,764,811	2,006
Utility Plant, Facilities and Equipment, at Cost	493,156	12,426,164	1,922,937
Accumulated Depreciation	<u>(377,948)</u>	<u>(6,511,207)</u>	<u>(1,110,585)</u>
Total Capital Assets	<u>115,208</u>	<u>9,732,080</u>	<u>844,836</u>
<b>Noncurrent Assets:</b>			
NIMECA Patronage Dividend Receivable	-	20,640	-
Revolving Loans Receivable - Net of Current Portion	<u>-</u>	<u>199,739</u>	<u>53,334</u>
Total Noncurrent Assets	<u>-</u>	<u>220,379</u>	<u>53,334</u>
Total Assets	<u>1,530,337</u>	<u>12,334,197</u>	<u>2,217,959</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable - Trade	41,769	172,326	37,699
Other Payables and Credits	8	22,669	367
Compensated Absences Payable	9,797	24,287	9,635
Customer Deposits	-	13,900	-
Inter-Utility Loans Payable - Current Portion	-	272,955	-
Accrued Interest	<u>-</u>	<u>284</u>	<u>-</u>
Total Current Liabilities	<u>51,574</u>	<u>506,421</u>	<u>47,701</u>
<b>Net Position</b>			
Net Investment in Capital Assets	115,208	9,459,125	844,836
Restricted	-	373,759	-
Unrestricted	<u>1,363,555</u>	<u>1,994,892</u>	<u>1,325,422</u>
Total Net Position	<u>\$ 1,478,763</u>	<u>\$ 11,827,776</u>	<u>\$ 2,170,258</u>

See Accompanying Notes to Financial Statements



Water Utility	Wastewater Utility	Total
\$ 269,842	\$ 979,395	\$ 4,836,589
-	-	111,792
41,800	19,477	351,221
5,286	20	196,955
-	81,532	272,955
-	-	69,351
16,814	566	627,301
5,001	749	70,974
<u>338,743</u>	<u>1,081,739</u>	<u>6,537,138</u>
33,349	5,980	122,119
-	-	3,766,817
1,382,879	2,333,546	18,558,682
(1,106,511)	(1,485,323)	(10,591,574)
<u>309,717</u>	<u>854,203</u>	<u>11,856,044</u>
-	-	20,640
-	-	253,073
-	-	273,713
<u>648,460</u>	<u>1,935,942</u>	<u>18,666,895</u>
13,934	2,716	268,444
5,643	-	28,687
6,789	3,500	54,008
-	-	13,900
-	-	272,955
-	-	284
<u>26,366</u>	<u>6,216</u>	<u>638,278</u>
309,717	854,203	11,583,089
-	-	373,759
312,377	1,075,523	6,071,769
<u>\$ 622,094</u>	<u>\$ 1,929,726</u>	<u>\$ 18,028,617</u>

**COON RAPIDS MUNICIPAL UTILITIES**  
**(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Communications Utility	Electric Utility	Gas Utility
<b>Operating Revenues</b>			
Sales to Customers	\$ 744,448	\$ 1,593,355	\$ 1,145,179
Sales for Resale	-	939,157	-
Interdepartmental Sales	-	84,552	9,248
Forfeited Discounts	5,018	15,047	7,586
Rebates and Other	5,269	10,713	3,375
Total Operating Revenues	<u>754,735</u>	<u>2,642,824</u>	<u>1,165,388</u>
<b>Operating Expenses</b>			
Purchased Energy and Programming	283,719	661,888	727,880
Plant Operations	33,416	642,962	18,820
Transmission Operations	-	117,416	-
Distribution Operations	148,340	140,312	90,716
Consumer Service Operations	39,177	80,189	47,748
Administrative & General Expenses	128,445	300,089	105,523
Depreciation	20,738	313,630	48,117
Total Operating Expense	<u>653,835</u>	<u>2,256,486</u>	<u>1,038,804</u>
Operating Income (Loss)	100,900	386,338	126,584
<b>Nonoperating Revenues (Expenses)</b>			
Interest Income	6,001	7,741	7,615
Joint Use Revenue	-	103,000	-
In-Lieu-Of Tax Payments	(5,095)	(42,403)	(35,058)
Free Community Service	(1,473)	(28,000)	(25,098)
(Loss) on Sale or Disposal of Assets	-	1,690	-
Miscellaneous Nonoperating Revenue	4,605	480	69
Grant Revenue	-	459,340	-
Interest Expense	-	(10,165)	-
Net Nonoperating Revenues (Expenses)	<u>4,038</u>	<u>491,683</u>	<u>(52,472)</u>
Change in Net Position	104,938	878,021	74,112
Total Net Position June 30, 2013	<u>1,373,825</u>	<u>10,949,755</u>	<u>2,096,146</u>
Total Net Position June 30, 2014	<u>\$ 1,478,763</u>	<u>\$ 11,827,776</u>	<u>\$ 2,170,258</u>

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ 234,834	\$ 114,776	\$ 3,832,592
-	-	939,157
3,660	430	97,890
1,172	563	29,386
4,282	225	23,864
<u>243,948</u>	<u>115,994</u>	<u>4,922,889</u>
-	-	1,673,487
57,828	11,227	764,253
-	-	117,416
58,859	43,532	481,759
22,087	13,458	202,659
55,429	33,307	622,793
26,879	79,630	488,994
<u>221,082</u>	<u>181,154</u>	<u>4,351,361</u>
22,866	(65,160)	571,528
723	5,232	27,312
-	-	103,000
(22,832)	(8)	(105,396)
(3,785)	(175)	(58,531)
-	-	1,690
251	230	5,635
-	-	459,340
-	-	(10,165)
<u>(25,643)</u>	<u>5,279</u>	<u>422,885</u>
(2,777)	(59,881)	994,413
<u>624,871</u>	<u>1,989,607</u>	<u>17,034,204</u>
<u>\$ 622,094</u>	<u>\$ 1,929,726</u>	<u>\$ 18,028,617</u>

**COON RAPIDS MUNICIPAL UTILITIES**  
**(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Communications Utility	Electric Utility	Gas Utility
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers & Users	\$ 753,369	\$ 2,807,446	\$ 1,148,243
Cash Paid to Suppliers for Goods and Services	(478,678)	(1,494,938)	(845,791)
Cash Paid to Employees	(154,807)	(324,138)	(156,056)
Cash Received from Joint Revenue	-	103,000	-
Cash Received from Miscellaneous Nonoperating Revenue	4,605	480	69
Cash Paid for In-Lieu-of Tax Payments	(5,095)	(42,403)	(35,058)
Cash Paid for Free Community Services	(1,473)	(28,000)	(25,098)
Net Cash Provided by Operating Activities	<u>117,921</u>	<u>1,021,447</u>	<u>86,309</u>
<b>Cash Flows from Capital &amp; Related</b>			
<b>Financing Activities</b>			
Acquisition & Construction of Property and Equipment	(51,365)	(1,667,408)	(10,514)
Proceeds from Sale of Capital Asset	-	11,941	-
Payments Received on Inter-Utility Loans	74,335	-	112,367
Principal Payments Paid on Inter-Utility Loans	-	(266,223)	-
Interest Paid	-	(10,442)	-
Cash Received from Grant Revenue	-	459,340	-
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>22,970</u>	<u>(1,472,792)</u>	<u>101,853</u>
<b>Cash Flows from Investing Activities</b>			
Interest on Investments	6,001	7,741	7,615
Disbursements Made on Coon Rapids Development Loans	-	(20,000)	-
Payments Received on Coon Rapids Development Loans	-	59,146	7,049
Net Cash Provided from Investing Activities	<u>6,001</u>	<u>46,887</u>	<u>14,664</u>
Net Increase (Decrease) in Cash & Cash Equivalents	146,892	(404,458)	202,826
Cash & Cash Equivalents - June 30, 2013	<u>1,125,295</u>	<u>1,745,822</u>	<u>882,767</u>
Cash & Cash Equivalents - June 30, 2014	<u>\$ 1,272,187</u>	<u>\$ 1,341,364</u>	<u>\$ 1,085,593</u>
<b>Reconciliation:</b>			
Cash & Cash Equivalents			
Unrestricted	\$ 1,272,187	\$ 1,229,572	\$ 1,085,593
Restricted	-	111,792	-
	<u>\$ 1,272,187</u>	<u>\$ 1,341,364</u>	<u>\$ 1,085,593</u>

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ 239,387	\$ 115,042	\$ 5,063,487
(81,050)	(43,739)	(2,944,196)
(110,478)	(61,871)	(807,350)
-	-	103,000
251	230	5,635
(22,832)	(8)	(105,396)
(3,785)	(175)	(58,531)
<u>21,493</u>	<u>9,479</u>	<u>1,256,649</u>
(2,020)	(15,208)	(1,746,515)
-	-	11,941
-	79,521	266,223
-	-	(266,223)
-	-	(10,442)
-	-	459,340
<u>(2,020)</u>	<u>64,313</u>	<u>(1,285,676)</u>
723	5,233	27,313
-	-	(20,000)
-	-	66,195
<u>723</u>	<u>5,233</u>	<u>73,508</u>
20,196	79,025	44,481
<u>249,646</u>	<u>900,370</u>	<u>4,903,900</u>
<u>\$ 269,842</u>	<u>\$ 979,395</u>	<u>\$ 4,948,381</u>
\$ 269,842	\$ 979,395	\$ 4,836,589
-	-	111,792
<u>\$ 269,842</u>	<u>\$ 979,395</u>	<u>\$ 4,948,381</u>

**COON RAPIDS MUNICIPAL UTILITIES**  
**(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Communications Utility	Electric Utility	Gas Utility
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities</b>			
Operating Income (Loss)	\$ 100,900	\$ 386,338	\$ 126,584
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	20,738	313,630	48,117
Cash Received from Joint Revenue	-	103,000	-
Cash Received from Miscellaneous Nonoperating Revenue	4,605	480	69
Cash Paid for In-Lieu-of Tax Payments	(5,095)	(42,403)	(35,058)
Cash Paid for Free Community Services	(1,473)	(28,000)	(25,098)
(Increase) Decrease Operating Assets:			
Accounts Receivable	(1,366)	164,622	(17,145)
Inventories	13	314,052	(5,167)
Other Current & Prepaid Assets	917	3,409	336
Increase (Decrease) Operating Liabilities:			
Accounts & Other Payables	(69)	(199,128)	(5,579)
Customer Deposits	-	4,300	-
Compensated Absences Payables	(1,260)	1,145	(750)
Payroll, Sales & Use Taxes Payable	11	2	-
Net Cash Provided by Operating Activities	<u>\$ 117,921</u>	<u>\$ 1,021,447</u>	<u>\$ 86,309</u>

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ 22,866	\$ (65,160)	\$ 571,528
26,879	79,630	488,994
-	-	103,000
251	230	5,635
(22,832)	(8)	(105,396)
(3,785)	(175)	(58,531)
(4,561)	(952)	140,598
(2,596)	-	306,302
638	(61)	5,239
3,526	(3,984)	(205,234)
-	-	4,300
1,107	(41)	201
-	-	13
<u>\$ 21,493</u>	<u>\$ 9,479</u>	<u>\$ 1,256,649</u>

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

Coon Rapids Municipal Utilities (CRMU), a component unit of the City of Coon Rapids, Iowa (the City), is engaged in the activities of providing telephone, cable TV, internet & pager services; electric, natural gas and water utilities services; and wastewater service. CRMU is governed by a five-member Board of Trustees, appointed by the Mayor with the approval of the City Council, who are authorized to establish rates. CRMU is not liable for federal and state income or ad valorem property taxes; however, payments in-lieu-of taxes and other contributions are made to the City.

These financial statements are presented in conformity with U.S. generally accepted accounting principles (GAAP) applicable for proprietary funds of governmental entities as prescribed by the Governmental Accounting Standards Board.

**Reporting Entity**

Generally accepted accounting principles require CRMU to consider if it has oversight responsibility or control over any other legal entity. Control or dependence is determined based on budget adoption, taxing authority, funding, or appointment of the respective governing board. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; (c) is obligated in some manner for the debt of the organization. CRMU has no component units itself, but has determined that it is a component unit of the City of Coon Rapids.

**Shared Utility Plants**

Common Transmission System – North Iowa Municipal Electric Cooperative Association (NIMECA), acting as agent for its participating members, including CRMU, has entered into an agreement with Corn Belt Power Cooperative to obtain for the benefit of its participating members a long-term right and access to electric transmission facilities, referred to as Common Transmission System (CTS) necessary to handle the combined needs of the participating members through undivided ownership interest in the capacity of transmission facilities. The costs associated with this agreement are allocated to the members based on their proportionate use of the shared transmission system. CRMU has recorded its share of these costs as capital assets in the Electric Utility Fund. The net book value at June 30, 2014, was \$678,966.

Neal 4 Generating Station – CRMU is one of fourteen owners of Unit 4 George Neal Generating Station which is managed by MidAmerican Energy under terms of the basic generating agreements between MidAmerican Energy and the owners. CRMU owns 0.521 percent as a tenant-in-common of the generating station for generating, purchasing, obtaining by exchange, or otherwise acquiring or transmitting electric power and energy. CRMU's cost of acquiring its share of this generating station was recorded as capital assets in the Electric Utility Fund. The net book value at June 30, 2014, was \$495,140.



**COON RAPIDS MUNICIPAL UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The operators of both the Transmission System and Neal 4 shared utility plants have established accounts to which CRMU is required to pay its pro rata share, net of revenues earned, of operating and maintenance costs. Any disbursements from these accounts for operating and maintenance costs are reflected in the financial statements of CRMU. Separate financial statements for these shared utility plants are available in the offices of CRMU.

**Basis of Presentation**

The accounts of CRMU are organized on the basis of proprietary enterprise funds, each of which is considered to be a separate accounting entity and each reported in a separate column in the financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts, which comprise its assets, liabilities, net positions, revenues and expenses, and debt service of the designated activity. CRMU reports the following major enterprise funds:

- Communications Utility
- Electric Utility
- Natural Gas Utility
- Water Utility
- Wastewater Utility

**Measurement Focus and Basis of Accounting**

Measurement focus refers to what is measured and basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

CRMU's Proprietary Funds financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. As such, the fund measurement objective is the determination of operating income, changes in net positions, financial position, and cash flows. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the related obligation is incurred. The applicable generally accepted accounting principles are those similar to businesses in the private sector.

Proprietary enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing, producing, and delivering goods in connection with an enterprise's principal ongoing operations. The primary operating revenues of the enterprise funds are changes to customers for sales and services. Operating expenses of enterprise funds include the cost of sales, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition**

For all services meters are read and bills are rendered on a cycle basis near the end of each month. Revenues based on meter readings are recorded close to the end of each month and, as such, the revenues earned from utilities delivered after meters are read to the end of the month are minimal and not estimated or recorded.

**Cash and Cash Equivalents**

The various enterprise funds of CRMU combine their cash and invested cash (nonnegotiable certificates of deposits) funds into several shared bank accounts at one financial institution. Interest earned on invested cash is divided among the funds.

For purposes of the statement of cash flows, invested cash and all short-term investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

**Accounts Receivable and Allowances**

An estimate is made for allowances for doubtful accounts based on an analysis of the aging of accounts receivable and on historical write-offs net of recoveries. Additional specific amounts may be included based on credit risk as deemed appropriate by management. Accounts receivable are reported net of the allowance for doubtful accounts of \$16,305 at June 30, 2014.

**Inventories**

Materials, supplies and other consumables are recorded as expense when consumed rather than when purchased. Material, supplies and fuel inventories are stated at cost, which does not exceed market.

Cost is generally determined on a weighted-average basis. Electric Utility inventories include fuel for the local plant and its joint ownership share of the coal pile at the Neal 4 Generating Station. Gas Utility inventories include stored natural gas held for sale.

The inventories at June 30, 2014, are comprised as follows:

All Material and Supplies	\$ 307,620
Electric Fund Fuel Inventories	226,368
Gas Fund Natural Gas Inventory	15,886
SO2 Allowances	77,375
No(X) Allowance	52
Total	<u>\$ 627,301</u>

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

Capital assets, which include utility plants, infrastructures, facilities and equipment, are valued at historical cost. The cost of system renewals and betterments includes engineering, interest and other related costs. Preliminary and construction costs of projects not yet in service, if any, are shown in the financial statements as construction in progress. Maintenance and repairs which do not add to the capacity or efficiency of the asset are charged to operating expense.

Interest costs on debt are capitalized when proceeds are used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowings which are restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount of interest capitalized. No interest costs were capitalized for the year June 30, 2014. CRMU does not have a written policy for capitalizing assets. Management determines capitalization or expensing on an individual basis.

Capital assets are depreciated over the assets estimated useful lives using the straight-line method with one-half year convention. No depreciation is taken on construction in progress. The range of estimated useful lives by capital asset sub-categories is as follows:

Plant and Structures	20 - 50 Years
Sub-Station Improvements	20 - 35 Years
Transmission System Improvements	25 - 35 Years
Distribution System Improvements	25 - 35 Years
Tools and Shop Equipment	5 - 10 Years
Furniture and Office Equipment	5 - 10 Years
Vehicles	5 Years

**Net Positions**

Net positions are shown in three components:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net positions result when constraints placed on net asset use are either externally imposed by outside creditors, others or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net positions consist of net positions not meeting the definition of the two preceding categories. Unrestricted net positions often have constraints on resources imposed by management (designations), which can be removed or modified.

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Amounts shown as restricted net positions and the purpose of the restriction are as follows:  
Restricted for Economic Development Loans \$373,759.

The Utilities' policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

**Expense Allocations**

Expenses, except for those expenses determined to be for a specific fund or funds, are allocated to all funds based on a one-year rolling average of each fund's personnel hours. The rolling average is updated each pay period.

**Note 2 – CASH AND INVESTED CASH AND POOLED INVESTMENTS**

CRMU considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash.

CRMU pool their deposits and investments and maintain records as to the separate utility systems share of the total balance. All deposits in banks at June 30, 2014, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CRMU is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit or savings accounts at federally insured depository institutions approved by the Board of Trustees and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of drainage districts.

Interest Rate Risk – The Utilities' investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utilities.

Monies held for special purposes are limited to the use for which restricted and cannot be used for the general operations of the utility. The funds held for Economic Development Loans are required by covenants of the Grant Agreement with the Federal Government. The purpose of this grant is to establish a Revolving Loan Fund to provide loans that foster rural economic development.

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 3 – COMMUNICATIONS ACCOUNTS RECEIVABLE - OTHER**

Other accounts receivable reported for the Communications Utility includes delayed long distance and CAB's billings of \$13,051 for the telephone system. These amounts are net of an allowance for doubtful collections. Management believes this allowance to be reasonable and appropriate reduction of the CAB's receivables to their net realizable value.

**Note 4 – LOANS RECEIVABLE**

Loans to City of Coon Rapids

On September 28, 2007, CRMU entered into a loan agreement with the City of Coon Rapids for rural economic development. The proceeds of this loan were used solely to finance the Assisted Living Facility in Coon Rapids, Iowa. This loan was made in association with the Federal Grant Agreement for rural economic development made with the Federal government from which the utility received \$300,000 for purposes of making these types of loans. The principal amount of the loan was \$300,000. The promissory note, dated September 28, 2007, specifies monthly installments of \$2,778, without interest, beginning September 1, 2008 with a final payment of \$2,779 on August 1, 2017. The City has the right to prepay principal of the note, in whole or in part, at any time prior to maturity.

Annual amounts receivable in the future for the loan are as follows:

Year Ending June 30,	Electric Utility Principal
2015	\$ 33,333
2016	33,333
2017	33,333
2018	5,557
Total	\$ 105,556

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 4 – LOANS RECEIVABLE (Continued)**

Loan to Coon Rapids Medical Center

On April 30, 2008, CRMU entered into a loan agreement with the Coon Rapids Medical Center. The proceeds of this loan were used to purchase and renovate an office building for a dental practice to start-up in Coon Rapids. This loan was made in association with the Federal Grant Agreement for rural economic development made with the Federal Government. The principal amount of the loan was \$25,000. The promissory note, date April 30, 2008, specifies annual payments of \$2,500 without interest for the first three years, commencing on April 30, 2009 through April 30, 2011, after which a 2% interest rate will be applied, and yearly payments will increase to \$2,704 for the remaining seven years of the loan.

Annual amounts receivable in the future for the loan are as follows:

Year Ending	Electric Utility	
June 30,	Principal	Interest
2015	\$ 2,498	\$ 206
2016	2,548	156
2017	2,599	105
2018	2,642	53
Totals	\$ 10,287	\$ 520

Loan to Guthrie Center Family Dentistry

On July 24, 2008, CRMU entered into a loan agreement with Guthrie Center Family Dentistry. The proceeds of this loan were used to purchase dental equipment to be used at a dental office in Coon Rapids, Iowa. This loan was made in association with the Federal Grant Agreement for rural economic development made with the Federal Government. The principal amount of the loan was \$21,000. The promissory note, dated July 24, 2008, specifies monthly payments of \$382 for five years including interest at 3.5% per annum. This loan was paid off during the year ending June 30, 2014.

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 4 – LOANS RECEIVABLE (Continued)**

Loan to Lewis Chiropractic, P.C.

On July 22, 2010, CRMU entered into a loan agreement with Lewis Chiropractic P.C. The proceeds of this loan were used to purchase equipment to be used at a chiropractic office in Coon Rapids, Iowa. This loan was made in association with the Federal Grant Agreement for rural economic development made with the Federal Government. The principal amount of the loan was \$27,237. The promissory note, dated July 22, 2010, specifies monthly payments of \$300, starting September 1, 2010, for three years with a final balloon payment of \$18,765 with interest at 3% per annum. On July 19, 2013, the terms of the loan were modified with a new principal amount of \$18,812. The note specifies monthly payments of \$809, starting August 1, 2013, for two years with interest at 3% per annum.

Annual amounts receivable in the future for the loan are as follows:

Year Ending	Electric Utility	
June 30,	Principal	Interest
2015	\$ 9,524	\$ 178
2016	759	2
Totals	\$ 10,283	\$ 180

Loan to Sperry One Stop Shop

On June 8, 2012, CRMU entered into a loan agreement with Sperry One Stop Shop. The proceeds of this loan were used to purchase new underground tanks and blender pumps in Coon Rapids. This loan was made in association with the Federal Grant Agreement for rural economic development made with the Federal Government. The principal amount of the loan was \$142,000. The promissory note, dated June 8, 2012, specifies monthly payments of \$1,307 for ten years including interest at 2.00% per annum.

Annual amounts receivable in the future for the loan are as follows:

Year Ending	Electric Utility	
June 30,	Principal	Interest
2015	\$ 13,486	\$ 2,193
2016	13,758	1,921
2017	14,036	1,643
2018	14,319	1,360
2019	14,608	1,071
2020-2022	45,634	1,418
Totals	\$ 115,841	\$ 9,606

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 4 – LOANS RECEIVABLE (Continued)**

Loan to Alfa Valley, Inc

On June 15, 2012, CRMU entered into a loan agreement with Alfa Valley, Inc. The proceeds of this loan were used to finance a new office building in Coon Rapids. This loan was made for economic development. The principal amount of the loan was \$75,000. The promissory note, dated June 15, 2012, specifies monthly payments of \$690 for ten years including interest at 2.00% per annum.

Annual amounts receivable in the future for the loan are as follows:

Year Ending	Gas Utility	
June 30,	Principal	Interest
2015	\$ 7,123	\$ 1,158
2016	7,267	1,015
2017	7,413	868
2018	7,563	718
2019	7,716	566
2020-2022	23,376	749
Totals	\$ 60,458	\$ 5,074

Loan to Resurrection Rides, LLC

On June 26, 2014, CRMU entered into a loan agreement with Resurrection Rides, LLC. The proceeds of this loan were used to finance the purchase of equipment for their car restoration business. This loan was made for economic development. The principal amount of the loan was \$20,000. The promissory note, dated June 26, 2014, specifies monthly payments of \$359 for five years including interest at 3.00% per annum.

Annual amounts receivable in the future for the loan are as follows:

Year Ending	Electric Utility	
June 30,	Principal	Interest
2015	\$ 3,387	\$ 566
2016	3,859	453
2017	3,980	333
2018	4,102	210
2019	4,229	84
2020	443	1
Totals	\$ 20,000	\$ 1,647



**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 5 – CAPITAL ASSETS**

Capital asset categories and changes in each cost category and depreciation for the year ended June 30, 2014 are as follows:

	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets not being depreciated:				
Land	\$ 122,119	\$ -	\$ -	\$ 122,119
Construction in progress	2,184,540	1,598,548	16,271	3,766,817
Total capital assets not being depreciated	<u>2,306,659</u>	<u>1,598,548</u>	<u>16,271</u>	<u>3,888,936</u>
Capital Assets being depreciated:				
Neal 4 Steam Production	1,891,740	1,211	75,222	1,817,729
Local Production Facilities	1,794,408	62,127	4,096	1,852,439
Transmission System	1,531,998	52,213	8,372	1,575,839
Distribution System	9,781,038	23,446	47,911	9,756,573
Municipal Building	1,161,310	-	-	1,161,310
General Facilities Equipment	2,376,193	18,599	-	2,394,792
Total capital assets being depreciated	<u>18,536,687</u>	<u>157,596</u>	<u>135,601</u>	<u>18,558,682</u>
Less -				
Accumulated Depreciation	10,234,569	488,995	131,990	10,591,574
Total capital assets being depreciated- net	<u>8,302,118</u>	<u>(331,399)</u>	<u>3,611</u>	<u>7,967,108</u>
Total Capital Assets, Net	<u>\$ 10,608,777</u>	<u>\$ 1,267,149</u>	<u>\$ 19,882</u>	<u>\$ 11,856,044</u>

**Reconciliation of Net Investment in Capital Assets:**

Capital Assets (Net of Accumulated)	\$ 11,856,044
Less: Inter-Utility Loans	<u>(272,955)</u>
Net Investment in Capital Assets	<u>\$ 11,583,089</u>

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 5 – CAPITAL ASSETS (Continued)**

Capital asset categories and changes in each cost category and depreciation for the year ended June 30, 2014 for each major fund are as follows:

**Communications:**

	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets being depreciated:				
Local Production Facilities	373,156	52,459	4,095	421,520
General Facilities Equipment	71,636	-	-	71,636
Total capital assets being depreciated	<u>444,792</u>	<u>52,459</u>	<u>4,095</u>	<u>493,156</u>
Less -				
Accumulated Depreciation	<u>360,210</u>	<u>20,738</u>	<u>3,000</u>	<u>377,948</u>
Total Capital Assets, Net	<u>\$ 84,582</u>	<u>\$ 31,721</u>	<u>\$ 1,095</u>	<u>\$ 115,208</u>

**Electric:**

	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets not being depreciated:				
Land	\$ 52,312	\$ -	\$ -	\$ 52,312
Construction in progress	2,184,540	1,596,542	16,271	3,764,811
Total capital assets not being depreciated	<u>2,236,852</u>	<u>1,596,542</u>	<u>16,271</u>	<u>3,817,123</u>
Capital Assets being depreciated:				
Neal 4 Steam Production	1,891,740	1,211	75,223	1,817,728
Transmission System	1,421,647	52,213	8,372	1,465,488
Distribution System	7,312,445	16,957	47,911	7,281,491
Municipal Building	539,822	-	-	539,822
General Facilities Equipment	1,312,615	9,020	-	1,321,635
Total capital assets being depreciated	<u>12,478,269</u>	<u>79,401</u>	<u>131,506</u>	<u>12,426,164</u>
Less -				
Accumulated Depreciation	<u>6,326,567</u>	<u>313,630</u>	<u>128,990</u>	<u>6,511,207</u>
Total capital assets being depreciated- net	<u>6,151,702</u>	<u>(313,630)</u>	<u>2,516</u>	<u>5,914,957</u>
Total Capital Assets, Net	<u>\$ 8,388,554</u>	<u>\$ 1,282,912</u>	<u>\$ 16,271</u>	<u>\$ 9,732,080</u>

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 5 – CAPITAL ASSETS (Continued)**

**Reconciliation of Net Investment in Capital Assets:**

Capital Assets (Net of Accumulated)	\$ 9,732,080
Less: Inter-Utility Loans	<u>(272,955)</u>
Net Investment in Capital Assets	<u><u>\$ 9,459,125</u></u>

**Gas:**

	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets not being depreciated:				
Land	\$ 30,478	\$ -	\$ -	\$ 30,478
Construction in progress	<u>-</u>	<u>2,006</u>	<u>-</u>	<u>2,006</u>
Total capital assets not being depreciated	<u>30,478</u>	<u>2,006</u>	<u>-</u>	<u>32,484</u>
Capital Assets being depreciated:				
Local Production Facilities	330,452	-	-	330,452
Distribution System	557,025	6,489	-	563,514
Municipal Building	621,488	-	-	621,488
General Facilities Equipment	<u>405,463</u>	<u>2,020</u>	<u>-</u>	<u>407,483</u>
Total capital assets being depreciated	<u>1,914,428</u>	<u>8,509</u>	<u>-</u>	<u>1,922,937</u>
Less -				
Accumulated Depreciation	<u>1,062,468</u>	<u>48,117</u>	<u>-</u>	<u>1,110,585</u>
Total capital assets being depreciated- net	<u>851,960</u>	<u>(48,117)</u>	<u>-</u>	<u>812,352</u>
Total Capital Assets, Net	<u><u>\$ 882,438</u></u>	<u><u>\$ (46,111)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 844,836</u></u>

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 5 – CAPITAL ASSETS (Continued)**

**Water:**

	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets not being depreciated:				
Land	\$ 33,349	\$ -	\$ -	\$ 33,349
Total capital assets not being depreciated	<u>33,349</u>	<u>-</u>	<u>-</u>	<u>33,349</u>
Capital Assets being depreciated:				
Local Production Facilities	301,091	-	-	301,091
Transmission System	110,351	-	-	110,351
Distribution System	771,154	-	-	771,154
General Facilities Equipment	198,263	2,020	-	200,283
Total capital assets being depreciated	<u>1,380,859</u>	<u>2,020</u>	<u>-</u>	<u>1,382,879</u>
Less -				
Accumulated Depreciation	<u>1,079,632</u>	<u>26,879</u>	<u>-</u>	<u>1,106,511</u>
Total capital assets being depreciated- net	<u>301,227</u>	<u>(26,879)</u>	<u>-</u>	<u>276,368</u>
Total Capital Assets, Net	<u>\$ 334,576</u>	<u>\$ (26,879)</u>	<u>\$ -</u>	<u>\$ 309,717</u>

**Wastewater:**

	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,980	\$ -	\$ -	\$ 5,980
Total capital assets not being depreciated	<u>5,980</u>	<u>-</u>	<u>-</u>	<u>5,980</u>
Capital Assets being depreciated:				
Local Production Facilities	789,708	9,669	-	799,377
Distribution System	1,140,413	-	-	1,140,413
General Facilities Equipment	388,217	5,539	-	393,756
Total capital assets being depreciated	<u>2,318,338</u>	<u>15,208</u>	<u>-</u>	<u>2,333,546</u>
Less -				
Accumulated Depreciation	<u>1,405,693</u>	<u>79,630</u>	<u>-</u>	<u>1,485,323</u>
Total capital assets being depreciated- net	<u>912,645</u>	<u>(79,630)</u>	<u>-</u>	<u>848,223</u>
Total Capital Assets, Net	<u>\$ 918,625</u>	<u>\$ (79,630)</u>	<u>\$ -</u>	<u>\$ 854,203</u>

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 6 – MUNICIPAL BUILDING**

The Electric Utility and Gas Utility each provided funds for construction of a municipal building for use as office space by CRMU and by the City for library and general office space. Based on square footage, CRMU utilizes 76.83 percent of the building and the City utilizes 23.17 percent. The City reimburses the Electric Utility and Gas Utility ratably for a share of building operating costs. The public uses 50 percent of the building as a meeting hall and pays a nominal rent for each usage. This public usage area is included in the portion allocated CRMU.

For financial reporting purposes, all assets, liabilities, income and expenses of this building are prorated 50% to the Electric Utility and 50% to the Gas Utility. These percentages represent each Utility's share of the original capital contributed for construction of the building.

Municipal building assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 - 50 Years
Equipment	5 - 40 Years

**Note 7 – COMPENSATED ABSENCES**

CRMU employees are entitled to certain compensated absences based on length of employment. Vacation hours are accumulated on a calendar year basis with a limited amount of carryover to subsequent years allowed. Earned but unused vacation hours will be paid upon termination, retirement or death. The liability for compensated absences is computed based on rates of pay in effect at June 30, 2014 and includes related employee benefits. Sick leave is not paid on termination, retirement or death; therefore, no accrual has been made for accumulated sick leave hours.

**Note 8 – INTER-UTILITY LOANS PAYABLE**

On June 25, 2009, CRMU issued \$1,540,000 of Promissory Notes from the Electric Utility to the Gas (\$650,000), Communications (\$430,000), and Wastewater (\$460,000) Utilities to refund both the 2003 and 2006 Electric Capital Loan Notes. These loans were originally taken out to make improvements and extensions to the Electric Utility, including the purchase of three caterpillar engines, as well as to finance construction of a distribution system and construction of a new building.

The outstanding balances of the Inter-utility loans were \$272,955 as of June 30, 2014.

The interest rate on the Inter-utility loans is 2.5% per annum. Monthly principal and interest payments are \$23,055. The final payment is scheduled for June 15, 2015.

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 8 – INTER-UTILITY LOANS PAYABLE (Continued)**

A summary of the annual inter-utility loans and note principal and interest requirements to maturity is as follows:

Year Ending June 30.	Gas Utility		Gas Utility		Communications Utility		Wastewater Utility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	26,587	361	88,622	1,205	76,214	1,036	81,532	1,108	272,955	3,710
Total	\$ 26,587	\$ 361	\$ 88,622	\$ 1,205	\$ 76,214	\$ 1,036	\$ 81,532	\$ 1,108	\$ 272,955	\$ 3,710

**Note 9 – JOINT USE AGREEMENT**

On April 19, 2002, the Board of Trustees adopted and approved an intra-fund resolution between the Electric Utility and Communications Utility titled “A Joint Use Agreement Under Iowa Code Chapter 28E”.

The Electric Utility financed and installed a communications distribution system for the use and support of electronic operations. This communications distribution system is the sole property of the Electric Utility. Through the joint use agreement, the Communications Utility is granted the right to use the three networks of the Electric Utility communications distribution system in varying percentages as specified in the agreement.

The term of the agreement is forty years, expiring June 30, 2041. For the term of the agreement, the Communications Utility will pay to the Electric Utility, the sum of \$100,000 on or before the last day of June each year. The arrangements and terms of the agreement were based upon applicable market value and economic conditions at that time, in sole reference to the joint use of the communications distribution system by the Electric Utility and Communications Utility. The Communications Utility is obligated to comply with all property tax filing requirements imposed under Iowa Code Chapter 433.

**Note 10 – PAYMENT TO THE CITY**

CRMU made voluntary in-lieu-of-tax payments to the City in the amount of \$105,396 for the year ended June 30, 2014.

**Note 11 – PENSION AND RETIREMENT BENEFITS**

CRMU contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and CRMU is required to contribute 8.93% of annual covered payroll. Contribution requirements are established by state statute. CRMU’s contribution to IPERS for the years ended June 30, 2014, 2013, and 2012, were \$54,758, \$51,529, and \$46,003, respectively, equal to the required contributions for each year.

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 12 – HEALTH INSURANCE SELF-INSURED**

CRMU has a group health insurance policy which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. CRMU self-insures certain employee eligible medical costs that are not reimbursed by the health insurance provider because the medical cost does not exceed the deductible and maximum out-of-pocket policy provision. Beginning January 1, 2014, employees pay out of pocket maximum of \$1,000 for single coverage or \$2,000 for family coverage. CRMU has eleven covered employees as of June 30, 2014.

The amount of the deductibles and maximum out-of-pocket expenses self-insured are as follows:

	Deductible		Maximum Out-of-Pocket	
	<u>Single</u>	<u>Family</u>	<u>Single</u>	<u>Family</u>
Employee	\$2,500	\$7,500	\$5,000	\$15,000

CRMU risk is limited to the difference between the out of pocket maximums of the two plans. The claims payable, including claims incurred but not yet reported, have been determined by the CRMU's management and have not been recorded in the accompanying financial statements. Changes in the claim's liability amount were as follows:

Year Ended June 30	Beginning Balance Liability	Claims and Changes in Estimates	Claim Payments	Ending Balance
2014	\$ 8,580	\$ 22,112	\$ 27,664	\$ 3,028

**Note 13 – COMMITMENTS AND CONTINGENT LIABILITIES**

CRMU has a contract, effective to December 31, 2020, with the United States Department of Energy to provide CRMU firm electric power up to 2,395 kilowatts during any winter season month and up to 2,666 kilowatts during any summer season month. This contract provides that the contract rate of delivery for firm power maybe adjusted after January 2011 for the kilowatts to be provided during the subsequent winter and summer seasons.

CRMU entered into a contract with its major transporter of natural gas in August 1993 that requires a capacity demand payment of approximately \$100,000 annually. The initial expiration date of the contract was through October 31, 1996, which was subsequently extended through January 1, 2019.

CRMU entered into a contract July 27, 2006, with Utility Service Co., Inc., engaging them to provide the professional service needed to maintain CRMU's 250,000 gallon water storage tank. The annual fee is \$11,288. Beginning in 2015 and each third year thereafter, the annual fee will be adjusted to reflect the current cost of service, and may be adjusted up or down by a maximum of 5% annually. This contract may be cancelled by CRMU if notification is received 90 days prior to the anniversary date. Unless a cancellation notice is received, the contract automatically renews each year.

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 13 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)**

CRMU ownership in Unit 4 George Neal Generating Station has committed the utility to a construction project to reduce the annual sulfur dioxide and nitrogen oxide emission emitted by the station. CRMU's approximate share of the project is \$1,266,609 of which \$1,141,604 has been paid as of June 30, 2014. The project will likely be completed during the 2014 calendar year.

CRMU committed the utility to a project to upgrade it's generators to meet the EPA's hazardous air pollutant emission standards for Reciprocating Internal Combustion Engines (RICE). The contracted amount with Ziegler Power Systems is \$205,529, of which \$184,976 has been paid as of June 30, 2014. The Project is expected to be completed around September 2014.

CRMU committed the utility to distribution construction from overhead to underground related to the Hazard Mitigation Grant project. The contracted amount with Midplains Power LLC is \$534,587, of which \$507,714 has been paid as of June 30, 2014. The project is expected to be completed in the Fall of 2014.

CRMU committed the utility to a project for lagoon cleaning and land application. The contracted amount with Nutri-Ject Systems is \$343,355, of which \$0 has been paid as of June 30, 2014. The project is expected to be completed in the Fall of 2014.

CRMU committed the utility to engineering services for Iron Hills improvements. The contracted amount with DGR Engineering is \$27,600, of which \$1,575 has been paid as of June 30, 2014. The services are expected to be completed in the Summer of 2015.

**Note 14 – MAJOR CUSTOMERS**

A significant portion of the Electric Utility and Gas Utility revenue is derived from a single customer. This customer generated approximately 15% of the Electric Utility total sales to customers and 34% of the Gas Utility total sales to customers for the year ended June 30, 2014.

**Note 15 – CONCENTRATIONS**

CRMU provides utility services to commercial and residential customers in a specified service area in and around City of Coon Rapids, Iowa. Credit is granted to substantially all customers, all of whom are local business or residents. All new customers of CRMU are required to pay a meter deposit. The deposit is refundable, within twelve months, if their account balances have been paid on time during that period.



**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014**

**Note 16 – RISK MANAGEMENT**

CRMU is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks, except for loss of infrastructure, are covered by the purchase of commercial insurance. CRMU assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 17 – REVOLVING LOAN AGREEMENT**

CRMU received a federal Rural Economic Development Grant for \$300,000, which required a local match of \$60,000 making a total of \$360,000 available to establish a revolving loan fund during 2008. During the current year, a new loan was made for economic development totaling \$20,000, and payments were received on all of the loans totaling \$59,146, leaving \$111,792 available for purposes of this revolving loan program.

**This page intentionally left blank.**



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Coon Rapids Municipal Utilities  
Coon Rapids, IA 50058

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the business-type activities and each major fund of Coon Rapids Municipal Utilities, a component unit of the City of Coon Rapids, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the table of contents, and have issued our report thereon dated October 10, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Coon Rapids Municipal Utilities' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Coon Rapids Municipal Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of Coon Rapids Municipal Utilities' internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Coon Rapids Municipal Utilities' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Williams & Company, P.C.*  
Certified Public Accountants

Spencer, Iowa  
October 10, 2014

**COON RAPIDS MUNICIPAL UTILITIES  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014**

**PART I – SUMMARY OF AUDITORS’ RESULTS**

- (A) An unmodified opinion was issued on the financial statements.
- (B) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (C) The audit did not disclose any non-compliance which is material to the financial statements.

**PART II – FINDING RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

SIGNIFICANT DEFICIENCIES:                      No matters were reported

INSTANCES OF NON-COMPLIANCE:              No matters were reported.

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

IV-A-14: Official Depositories – The Board of Trustees has approved a resolution naming official depositories. The maximum amount stated in the resolution was not exceeded during the year ended June 30, 2014.

IV-B-14: Certified Budget – Expenditures for the year ended June 30, 2014, did not exceed the amounts budgeted.

IV-C-14: Questionable Disbursements – No expenditures we believe did not meet the requirement of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-D-14: Travel Expense – No disbursements of the Utilities’ money for travel expenses of spouses of Utilities’ officials or employees were noted.

IV-E-14: Business Transactions – Business transactions between Coon Rapids Municipal Utilities and Utilities’ officials and employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ron Brower, Board Trustee Owner of Brower Built	Cabinets for basement kitchen	\$ 4,012

In accordance with Chapter 362.5(3)(d) of the Code of Iowa, the transactions with the Board Member do not appear to represent a conflict of interest since CRMU followed a bid process and Mr. Brower was not involved in approving the bid.

IV-F-14: Bond Coverage – Surety bond coverage of Coon Rapids Municipal Utilities’ officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

**COON RAPIDS MUNICIPAL UTILITIES  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING  
(Continued)**

- V-G-14: Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-14: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12(B) and 12(C) of the Code of Iowa and the Coon Rapids Municipal Utilities' investment policy were noted.
- IV-I-14: Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.