

**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, 2015

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COON RAPIDS MUNICIPAL UTILITIES

OFFICIALS

(As of June 30, 2015)

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Ron Brower	Chairman	June 2020
Dierk Halverson	Vice Chairman	June 2016
Doris Bass	Trustee	June 2018
Harold Siegler	Trustee	June 2021
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, 2015, 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, 2015 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, Schedule of the Utilities' Proportionate Share of the Net Pension Liability, Schedule of Utilities' Contributions, and Notes to Required Supplementary Information – Pension Liability on pages 4 through 11 and pages 40 through 44 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. Another auditor previously audited, in accordance with the third paragraph of this report, the financial statements for the five years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2015, 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
November 20, 2015



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, 2015. 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 principles 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.

Over the years, CRMU has increased internet bandwidth coming into Coon Rapids, allowing our customers to receive speeds in excess of 100 Mbps download speed and 20 Mbps upload speed. Additionally, customers in our popular "Family Choice Package" now receive 30 Mbps download / 5 Mbps upload, which has proved to be very popular as customers are streaming video content and gaming more than ever.

This year, CRMU has launched several new cable channels. Cable has become increasingly challenging as networks are joining together and requiring cable providers to carry all of their channels, while substantially increasing rates.

CRMU is also now offering wireless internet to rural customers in a limited area around Coon Rapids.

Communications Utility Financial Highlights:

Dollars in Thousands

	2015	2014
OPERATING		
Revenues.....	758	755
Expenses.....	703	654
Operating Income (Loss).....	55	101
NONOPERATING		
Revenues (Expenses).....	3	4
Change in Net Position	58	105
ASSETS		
Current.....	1,422	1,415
Capital.....	150	115
Total Assets.....	1,572	1,530
DEFERRED OUTFLOWS	14	0
Total Assets & Deferred Outflows	1,586	1,530
LIABILITIES		
Current.....	41	52
Long-term.....	67	0
Total Liabilities.....	108	52
DEFERRED INFLOWS	26	0
NET POSITION		
Net Investment in Capital Assets.....	150	115
Unrestricted.....	1,302	1,363
Total Net Position.....	1,452	1,478
Total Liab., Def. Inflows & Net Pos.	1,586	1,530

Management's Discussion and Analysis

Results of Operations:

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

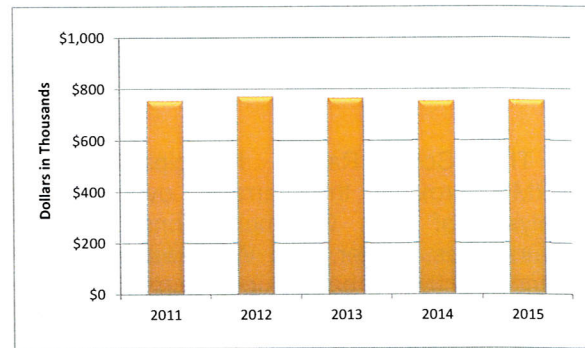
Revenue from operations remained relatively unchanged, while total operating expenses increased by \$49,000 (7.5%).

The primary reasons for the increased expense include production and distribution wages, channel subscription fees, cable and internet depreciation, and purchased internet service. Channel subscription fees alone increased almost \$30,000 (15.5%). As a result of increasing the internet bandwidth pipe coming into Coon Rapids, purchased internet services increased almost \$25,000. Decreased expenses include USAC and IPERS. The IPERS decrease is a direct result of the new GASB 68 requirement (see "Note 11" in the audit).

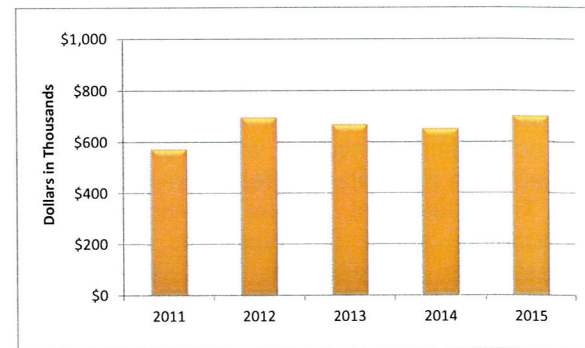
Interest income was lower in 2015 (\$1,600). In-Lieu-of tax payments and free community services totaled \$6,760, compared to \$6,570 last year.

The communications utility ended the year with a \$58,000 gain, compared to \$105,000 in 2014.

Communications Utility
Operating Revenues: \$758,092



Communications Utility
Operating Expenses: \$702,829



Financial Position:

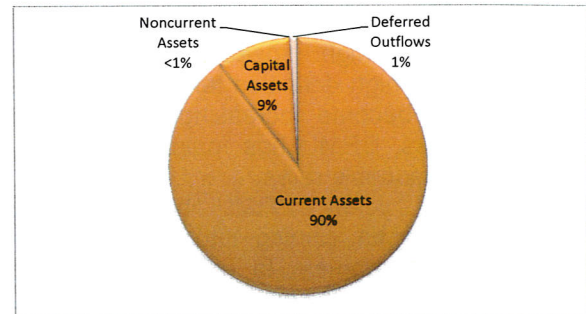
(As reported on the Statement of Net Position)

Total assets increased almost 3% in fiscal year 2015. 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 increased 110% because CRMU is now required to report a "Net Pension Liability" of \$67,000, which CRMU will likely never be required to pay (see Note 11 of the audit report). Total net position decreased less than 2%.

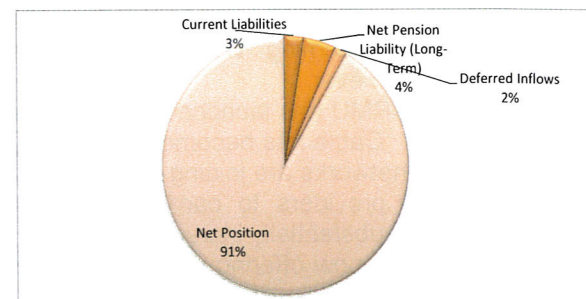
Capital assets, in the form of utility plant, facilities and equipment, account for 9% of total assets, while current assets comprise 90% of the total assets. Cash and cash equivalents account for more than 86% of total assets. These funds are designated for equipment replacement, capital improvements, and general savings.

Revenues were higher than budgeted projections by \$124,000, and expenses were higher than budget by \$144,000.

Communication Utility Total Assets: \$1,586,495



Communication Utility Total Liabilities and Net Position: \$1,586,495



Management's Discussion and Analysis

Electric Utility

Overview:

CRMU's electric utility continued to make capital improvements in fiscal year 2015. Over the last few years, CRMU has completed a mitigation project, which converted distribution overhead facilities to underground, upgraded the Neal 4 power plant with a Scrubber / Bag House system, and completed the mandatory RICE upgrades on our local generation plant. In 2015, CRMU upgraded electric services at the Iron Hills Substation / South Plant, upgraded the South Feeder of the distribution system, and began a study to meet new arc-flash requirements. CRMU has been able to fund these improvements without borrowing money. Additionally, all debt owed by the electric utility was paid off in June, 2015.

In 2015, CRMU realized a net operating gain of almost \$388,000 and a nonoperating loss of more than \$41,000 for a total gain of \$346,500, compared to a gain of \$878,000 in 2014 (a decrease of \$531,500). Nonoperating gains alone were \$533,000 lower in 2015 than 2014. This is a direct result of \$0 mitigation grant revenues received in 2015 compared to 2014 when we received almost \$460,000. The additional decrease is a result of increased contributions to the city and community.

Electric Utility Financial Highlights:

Dollars in Thousands

	2015	2014
OPERATING		
Revenues	2,746	2,643
Expenses	2,358	2,257
Operating Income (Loss)	388	386
NONOPERATING		
Revenues (Expenses)	(41)	492
Change in Net Position	347	878
ASSETS		
Current	2,224	2,382
Capital	10,008	9,732
Noncurrent	141	220
Total Assets	12,373	12,334
DEFERRED OUTFLOWS	35	0
Total Assets & Deferred Outflows	12,408	12,334
LIABILITIES		
Current	212	506
Long-term	167	0
Total Liabilities	379	506
DEFERRED INFLOWS	64	0
NET POSITION		
Net Investment in Capital Assets ..	10,008	9,459
Restricted	377	374
Unrestricted	1,580	1,995
Total Net Position	11,965	11,828
Total Liab., Def. Inflows & Net Pos.	12,408	12,334

Results of Operations:

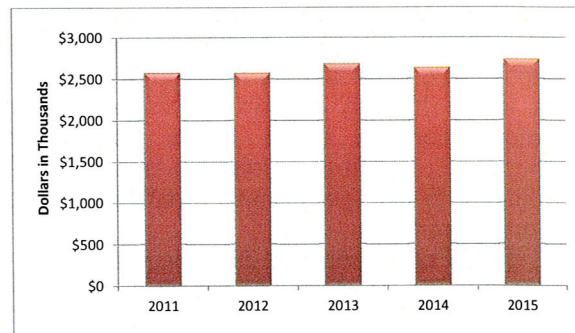
(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Position)

Revenue from operations increased almost \$103,000 (4%). Sales to customers decreased more than 9%, which correlates to the 22% decrease in kwhs sold when comparing fiscal year 2015 to 2014. This is a combination of a 90% decline in industrial kwhs sold, as well as a decline in residential and customer sales. Resale revenue increased almost 25%. Resale revenue varies as a result of our capacity sharing agreement within NIMECA.

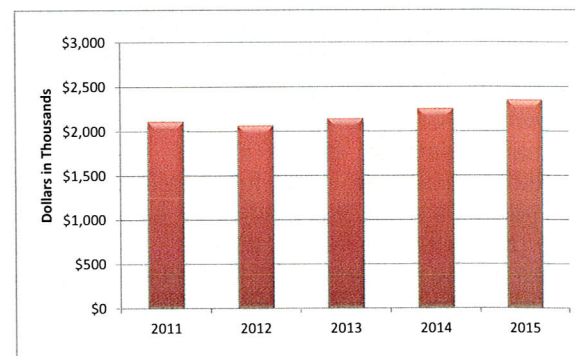
Operating expenses increased \$101,000 (4.5%). Purchased energy and transmission expenses decreased. Plant operations, distribution, customer service, admin / general, and depreciation expenses increased. Specifically, operations & maintenance expenses related to Neal 4 were more than \$107,000 higher than last year (Plant Operations).

In-lieu-of tax payments and free community services totaled \$135,700, compared to \$70,400 last year.

Electric Utility Operating Revenues: \$2,745,479



Electric Utility Operating Expenses: \$2,357,636



Management's Discussion and Analysis

Financial Position:

(As reported on the Statement of Net Position)

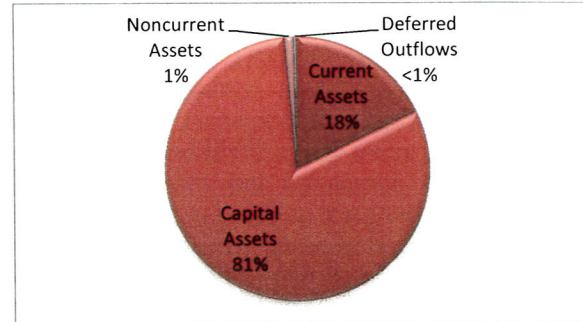
Current assets account for 18% of total assets. CRMU has almost 11% of its total assets in the form of cash and cash equivalents. Of this amount, the Board of Trustees has allocated these funds for designated uses such as capital improvement, equipment replacement, generation replacement, health fund 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 81% of CRMU's total assets. Noncurrent assets account for 1% of total assets.

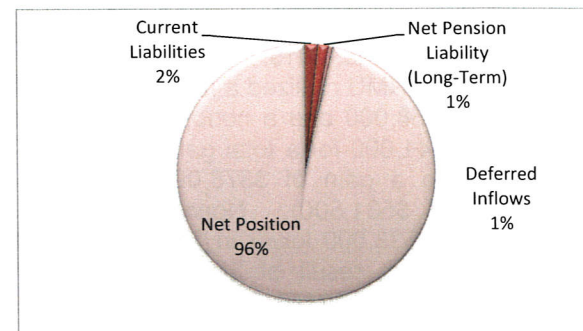
Current liabilities account for 2% of total liabilities and net position. CRMU is now required to report a "Net Pension Liability" of \$167,000 for the electric utility, which CRMU will likely never be required to pay (see Note 11 of the audit report). Overall, the net position increased \$137,000 (1%) from last year.

Revenues and expenses were higher than budget by \$65,000 and \$138,500, respectively.

Electric Utility Total Assets: \$12,407,844



Electric Utility Total Liabilities and Net Position: \$12,407,844



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 2015, the average price for the natural gas commodity was less than \$4.50/Mcf. CRMU's natural gas utility experienced a challenging year financially because of no industrial customer usage (or corresponding revenue). CRMU expects the commodity cost to remain relatively stable in the near future. CRMU's challenge in the future will be whether or not rates need to be adjusted to account for the decrease in usage pattern. Over time, reserves have been used to cover losses, but those have steadily declined over the years.

Natural Gas Utility Financial Highlights:

Dollars in Thousands

	2015	2014
OPERATING		
Revenues	533	1,166
Expenses	701	1,039
Operating Income (Loss)	(168)	127
NONOPERATING		
Revenues (Expenses)	(37)	(53)
Change in Net Position	(205)	74
ASSETS		
Current	1,127	1,320
Capital	833	845
Noncurrent	45	53
Total Assets	2,005	2,218
DEFERRED OUTFLOWS	14	0
Total Assets & Deferred Outflows	2,019	2,218
LIABILITIES		
Current	46	48
Long-term	66	0
Total Liabilities	112	48
DEFERRED INFLOWS	25	0
NET POSITION		
Net Investment in Capital Assets	833	845
Unrestricted	1,049	1,325
Total Net Position	1,882	2,170
Total Liab., Def. Inflows & Net Pos.	2,019	2,218

Management's Discussion and Analysis

Results of Operations:

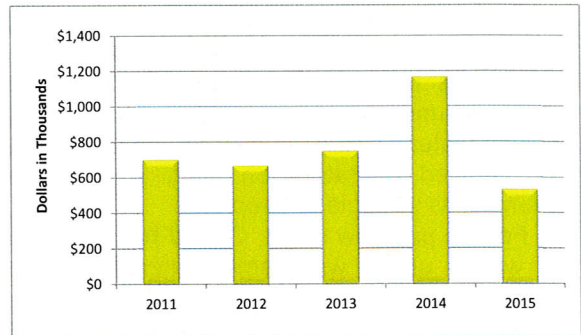
(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Position)

In 2015, CRMU's natural gas utility experienced an operating loss of \$168,000, compared to a gain of \$126,500 in 2014 (a swing of \$294,500). Combined with nonoperating revenues and expenses, the utility ended the year with a \$205,500 loss.

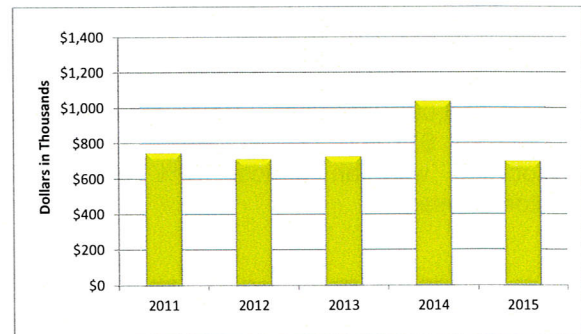
In 2015, total operating revenues declined more than \$632,000 (54%). Total usage billed decreased almost 68,000 mcf (55%). Industrial usage alone declined 52,500 mcf for the year, while all other service classes decreased by almost 22%.

Total operating expenses decreased \$337,500 or 32.5%. This is attributed to purchasing less natural gas commodity associated with the decreased demand from customers, which is designated as "Purchased Energy" on the financial statements. Customer service operations expense also decreased. Increased expenses include distribution operations and admin / general. Nonoperating expenses decreased more than 28% in 2015. This decrease can be attributed to a lower contribution to the City of Coon Rapids and the community, which totaled just over \$45,000 in 2015, compared to \$60,000 last year.

Natural Gas Utility Operating Revenues: \$533,168



Natural Gas Utility Operating Expenses: \$701,289



Financial Position:

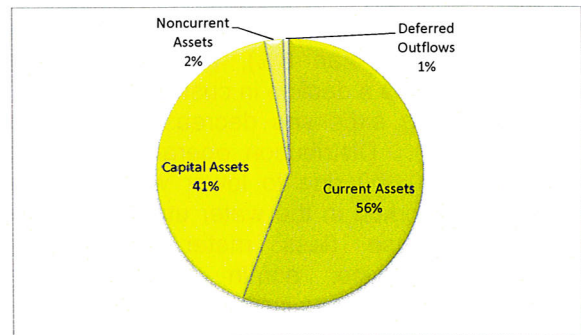
(As reported on the Statement of Net Position)

Capital assets, in the form of utility plant, facilities and equipment, account for 41% of CRMU's total assets, while current assets comprise 56% of the total. Cash and cash equivalents account for 52% of total assets. Cash decreased almost 5% from the previous year, while noncurrent assets (loan receivables) decreased almost 15%. The electric utility paid off all debt owed to the natural gas utility and other economic development loans were paid down. While these loan payments increased cash, the operating and nonoperating losses yielded a net decrease in cash.

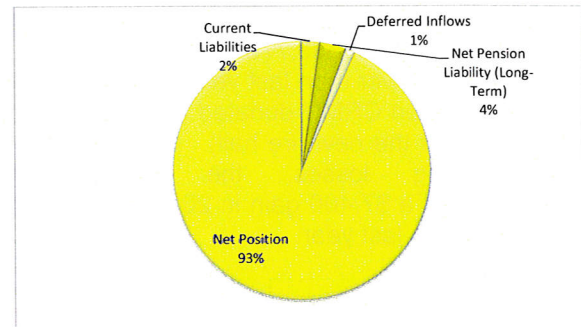
CRMU's current liabilities are primarily comprised of payables totaling almost \$46,000. Total liabilities increased 135% because CRMU is now required to report a "Net Pension Liability" of \$66,000 in the natural gas utility, which CRMU will likely never be required to pay (see Note 11 of the audit report).

Revenues and expenses were lower than budget projections by \$73,000 and \$20,000, respectively.

Natural Gas Utility Total Assets: \$2,019,306



Natural Gas Utility Total Liabilities and Net Position: \$2,019,306



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 small 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 July, 2012.

In 2015, the water utility ended with an operating gain of almost \$8,500, compared to almost \$23,000 last year. Sales to customers decreased \$17,800 (7.5%), which is directly associated with an almost 10% decline in customer usage.

Water Utility Financial Highlights:

Dollars in Thousands

	2015	2014
OPERATING		
Revenues	223	244
Expenses	215	221
Operating Income (Loss)	8	23
NONOPERATING		
Revenues (Expenses)	(1)	(26)
Change in Net Position	7	(3)
ASSETS		
Current	306	339
Capital	341	309
Total Assets	647	648
DEFERRED OUTFLOWS		
	10	0
Total Assets & Deferred Outflows	657	648
LIABILITIES		
Current	21	26
Long-term	47	0
Total Liabilities	68	26
DEFERRED INFLOWS		
	18	0
NET POSITION		
Net Investment in Capital Assets	341	310
Unrestricted	230	312
Total Net Position	571	622
Total Liab., Def. Inflows & Net Pos.	657	648

Results of Operations:

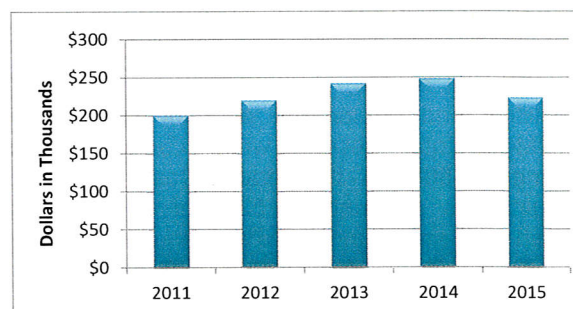
(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Position)

Revenue from operations decreased \$20,500 (more than 8%), which is expected since there was a decline in customer usage.

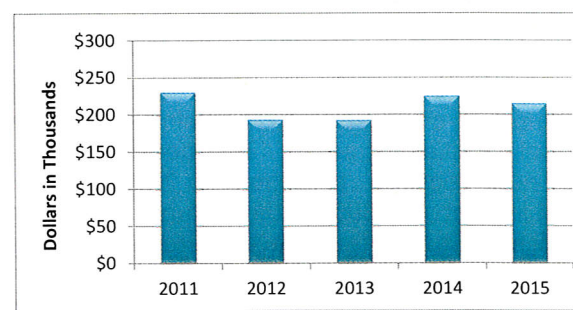
Operating expenses decreased more than \$6,000 (3%). Distribution operations expense declined \$10,000 due to lower wage expense (less time worked in the water utility) and lower meter expense (less meter change-outs). Customer service, admin / general, and depreciation expenses increased slightly.

Nonoperating expenses totaled \$1,000, compared to \$25,600 last year. Within nonoperating expenses, contributions through payment-in-lieu-of-tax and donations to the community totaled \$3,775 this year, which is significantly lower than last year's contribution of \$26,600 (when CRMU donated and installed the water line at the new fire hall). Considering the nonoperating losses, the water utility experienced a \$7,400 gain in 2015 compared to a \$2,800 loss last year.

Water Utility Operating Revenues: \$223,379



Water Utility Operating Expenses: \$214,921



Management's Discussion and Analysis

Financial Position:

(As reported on the Statement of Net Position)

Current assets account for 47% of total assets. CRMU has approximately 37% 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.

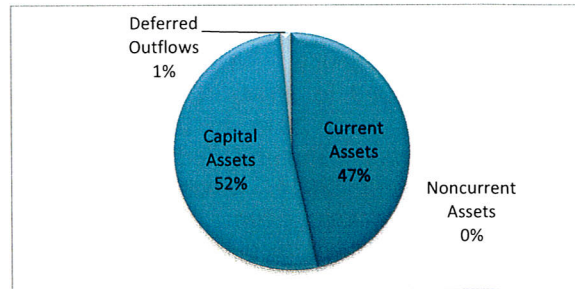
The water utility has no noncurrent assets (loan receivables).

Capital assets, in the form of utility plant, facilities and equipment, account for 52% of CRMU's total assets. CRMU's total assets decreased \$1,000 (less than 1%) in 2015.

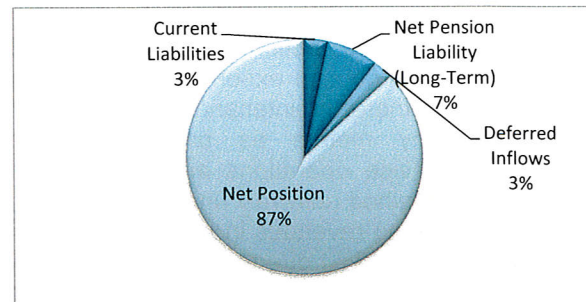
Total liabilities increased 159% because CRMU is now required to report a "Net Pension Liability" of \$47,000 in the water utility, which CRMU will likely never be required to pay (see Note 11 of the audit report). Current liabilities account for 3% of total liabilities, net position, and deferred inflows. Net position decreased 8% in 2015.

Revenues were lower than budget by \$16,000. Expenses were higher than budget by \$6,600.

Water Utility Total Assets: \$657,171



Water Utility Total Liabilities and Net Position: \$657,171



Wastewater Utility

Overview:

In fiscal year 2015, the wastewater utility began significant and necessary improvements to the wastewater lagoons. Only a portion of the \$343,000 dredging project was completed this fiscal year, with the remainder to be completed in fiscal year 2016. CRMU realized an operating loss of just over \$48,000 in fiscal year 2015. Including nonoperating revenues (primarily interest income and sale of assets), the utility ended with a total loss of \$42,000, compared to a \$60,000 loss in 2014.

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.

Previously, the electric utility owed the wastewater utility on an inter-utility loan. As of June 30, 2015, the loan has been paid in full and the wastewater utility has no loan receivables.

Wastewater Utility Financial Highlights:

Dollars in Thousands

	2015	2014
OPERATING		
Revenues	131	116
Expenses	179	181
Operating Income (Loss)	(48)	(65)
NONOPERATING		
Revenues (Expenses)	6	5
Change in Net Position	(42)	(60)
ASSETS		
Current	881	1,082
Capital	1,010	854
Total Assets	1,891	1,936
DEFERRED OUTFLOWS	5	0
Total Assets & Deferred Outflows	1,896	1,936
LIABILITIES		
Current	5	6
Long-term	24	0
Total Liabilities	29	6
DEFERRED INFLOWS	9	0
NET POSITION		
Net Investment in Capital Assets	1,010	854
Unrestricted	848	1,076
Total Net Position	1,858	1,930
Total Liab., Def. Inflows & Net Pos.	1,896	1,936

Management's Discussion and Analysis

Results of Operations:

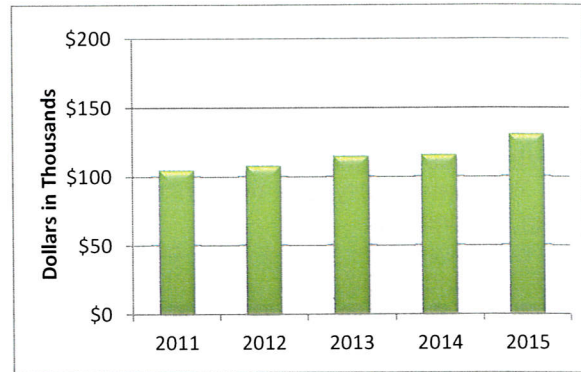
(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Position)

In 2015, the wastewater utility recorded \$130,500 in revenues. This is higher by \$14,500 compared to 2014. Customer usage declined 3.5% from 2014 to 2015. A rate adjustment was implemented on usage beginning July 1, 2014, which explains the increased revenue even though usage decreased. CRMU will also be implementing a small rate increase on usage beginning July 1, 2015 (fiscal year 2016).

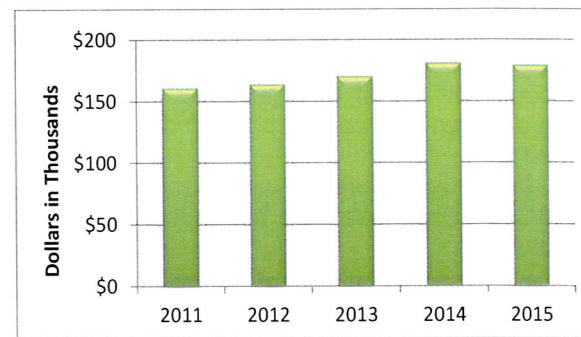
Total operating expenses in 2015 declined \$2,500 (1.5%) compared to 2014. Plant operations and admin / general expenses increased, while distribution operations expense decreased. Distribution expenses declined due to decreased meter maintenance (not changing out as many meters as previous years). Customer service operations and depreciation expenses remained relatively unchanged.

Nonoperating revenues increased by almost \$1,000 in 2015 (17%) due to a gain on disposal of assets. In-lieu-of tax payments and free service to the community was slightly higher at \$640 this year, compared to \$180 last year.

Wastewater Utility Operating Revenues: \$130,452



Wastewater Utility Operating Expenses: \$178,604



Financial Position:

(As reported on the Statement of Net Position)

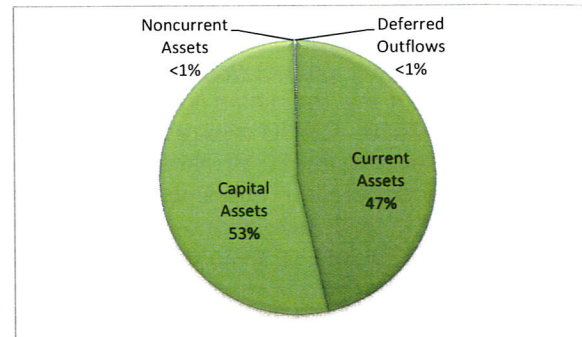
Capital assets, in the form of utility plant, facilities and equipment, account for 53% of CRMU's total assets, while current assets account for 47%.

The wastewater utility has 46% 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 decreased \$119,000 (12%) from last year due to spending reserves on lagoon dredging and operations.

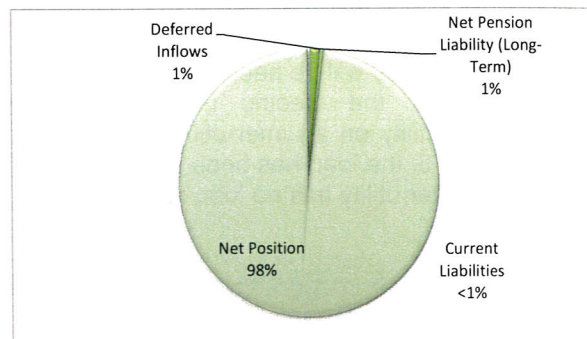
Total liabilities increased 366% because CRMU is now required to report a "Net Pension Liability" of \$24,000 in the wastewater utility, which CRMU will likely never be required to pay (see Note 11 of the audit report).

Revenues were \$1,150 lower than budget, and expenses were \$26,800 lower than budget.

Wastewater Utility Total Assets: \$1,896,764



Wastewater Utility Total Liabilities and Net Position: \$1,896,764



BASIC FINANCIAL STATEMENTS

COON RAPIDS MUNICIPAL UTILITIES
(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)
STATEMENTS OF NET POSITION
JUNE 30, 2015

	Communications Utility	Electric Utility	Gas Utility
Assets			
Current Assets:			
Cash & Cash Equivalents-Unrestricted	\$ 1,355,354	\$ 1,154,322	\$ 1,036,555
Cash & Cash Equivalents-Restricted	-	234,206	-
Accounts Receivable, Net of Allowance -			
Trade	43,560	184,183	19,736
Other	11,137	89,953	4,870
Revolving Loans Receivable - Current Portion	-	21,295	7,266
Inventories	5,190	493,192	49,203
Other Current and Prepaid Assets	6,686	46,887	9,492
Total Current Assets	<u>1,421,927</u>	<u>2,224,038</u>	<u>1,127,122</u>
Capital Assets:			
Land	-	52,312	30,478
Construction in Progress	-	1,956,257	2,393
Utility Plant, Facilities and Equipment, at Cost	372,440	14,229,470	1,853,277
Accumulated Depreciation	(221,938)	(6,230,350)	(1,053,173)
Total Capital Assets	<u>150,502</u>	<u>10,007,689</u>	<u>832,975</u>
Noncurrent Assets:			
NIMECA Patronage Dividend Receivable	-	19,190	-
Revolving Loans Receivable - Net of Current Portion	-	122,056	45,375
Total Noncurrent Assets	<u>-</u>	<u>141,246</u>	<u>45,375</u>
Total Assets	<u>1,572,429</u>	<u>12,372,973</u>	<u>2,005,472</u>
Deferred Outflows of Resources			
Pension Related Deferred Outflows	<u>14,066</u>	<u>34,871</u>	<u>13,834</u>
Liabilities			
Current Liabilities:			
Accounts Payable - Trade	30,222	153,813	35,132
Other Payables and Credits	8	21,292	223
Compensated Absences Payable	10,694	24,980	10,655
Customer Deposits	-	12,000	-
Total Current Liabilities	<u>40,924</u>	<u>212,085</u>	<u>46,010</u>
Long-term Liabilities:			
Net Pension Liability	<u>67,415</u>	<u>167,126</u>	<u>66,300</u>
Total Long-term Liabilities	<u>67,415</u>	<u>167,126</u>	<u>66,300</u>
Total Liabilities	<u>108,339</u>	<u>379,211</u>	<u>112,310</u>
Deferred Inflows of Resources			
Pension Related Deferred Inflows	<u>25,710</u>	<u>63,737</u>	<u>25,285</u>
Net Position			
Net Investment in Capital Assets	150,502	10,007,689	832,975
Restricted	-	377,557	-
Unrestricted	<u>1,301,944</u>	<u>1,579,650</u>	<u>1,048,736</u>
Total Net Position	<u>\$ 1,452,446</u>	<u>\$ 11,964,896</u>	<u>\$ 1,881,711</u>

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ 241,520	\$ 860,512	\$ 4,648,263
-	-	234,206
36,307	18,692	302,478
3,530	522	110,012
-	-	28,561
19,767	566	567,918
4,963	657	68,685
<u>306,087</u>	<u>880,949</u>	<u>5,960,123</u>
33,349	5,980	122,119
-	148,399	2,107,049
1,382,474	2,396,022	20,233,683
(1,074,486)	(1,540,611)	(10,120,558)
<u>341,337</u>	<u>1,009,790</u>	<u>12,342,293</u>
-	-	19,190
-	-	167,431
-	-	186,621
<u>647,424</u>	<u>1,890,739</u>	<u>18,489,037</u>
9,747	5,025	77,543
8,805	1,688	229,660
6,265	-	27,788
6,554	3,226	56,109
-	-	12,000
<u>21,624</u>	<u>4,914</u>	<u>325,557</u>
46,715	24,082	371,638
<u>46,715</u>	<u>24,082</u>	<u>371,638</u>
68,339	28,996	697,195
<u>17,816</u>	<u>9,184</u>	<u>141,732</u>
341,337	1,009,790	12,342,293
-	-	377,557
229,679	847,794	5,007,803
<u>\$ 571,016</u>	<u>\$ 1,857,584</u>	<u>\$ 17,727,653</u>

See Accompanying Notes to Financial Statements

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, 2015

	Communications Utility	Electric Utility	Gas Utility
Operating Revenues			
Sales to Customers	\$ 750,009	\$ 1,446,439	\$ 523,211
Sales for Resale	-	1,171,258	-
Interdepartmental Sales	-	93,079	7,072
Forfeited Discounts	5,298	9,101	1,380
Rebates and Other	2,785	25,602	1,505
Total Operating Revenues	758,092	2,745,479	533,168
Operating Expenses			
Purchased Energy and Programming	336,748	605,946	363,946
Plant Operations	41,789	750,838	18,961
Transmission Operations	-	108,206	-
Distribution Operations	155,878	153,334	97,367
Consumer Service Operations	38,924	84,028	41,844
Administrative & General Expenses	101,421	321,392	128,496
Depreciation	28,069	333,892	50,675
Total Operating Expense	702,829	2,357,636	701,289
Operating Income (Loss)	55,263	387,843	(168,121)
Nonoperating Revenues (Expenses)			
Interest Income	4,371	6,971	4,832
Joint Use Revenue	-	103,000	-
In-Lieu-Of Tax Payments	(6,528)	(76,185)	(35,461)
Free Community Service	(235)	(59,512)	(9,692)
(Loss) on Sale or Disposal of Assets	1,250	(13,511)	(1,851)
Miscellaneous Nonoperating Revenue	4,012	1,296	4,799
Interest Expense	-	(3,426)	-
Net Nonoperating Revenues (Expenses)	2,870	(41,367)	(37,373)
Change in Net Position	58,133	346,476	(205,494)
Total Net Position June 30, 2014	1,478,763	11,827,776	2,170,258
Prior Period Adjustment	(84,450)	(209,356)	(83,053)
Total Net Position July 1, 2014-Restated	1,394,313	11,618,420	2,087,205
Total Net Position June 30, 2015	\$ 1,452,446	\$ 11,964,896	\$ 1,881,711

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ 217,021	\$ 128,740	\$ 3,065,420
-	-	1,171,258
2,517	483	103,151
917	614	17,310
2,924	615	33,431
<u>223,379</u>	<u>130,452</u>	<u>4,390,570</u>
-	-	1,306,640
56,423	13,516	881,527
-	-	108,206
48,779	29,692	485,050
26,368	13,303	204,467
56,129	42,007	649,445
27,222	80,086	519,944
<u>214,921</u>	<u>178,604</u>	<u>4,155,279</u>
8,458	(48,152)	235,291
702	3,408	20,284
-	-	103,000
(2,529)	(588)	(121,291)
(1,245)	(51)	(70,735)
1,937	3,398	(8,777)
118	10	10,235
-	-	(3,426)
<u>(1,017)</u>	<u>6,177</u>	<u>(70,710)</u>
7,441	(41,975)	164,581
622,094	1,929,726	18,028,617
(58,519)	(30,167)	(465,545)
<u>563,575</u>	<u>1,899,559</u>	<u>17,563,072</u>
<u>\$ 571,016</u>	<u>\$ 1,857,584</u>	<u>\$ 17,727,653</u>

See Accompanying Notes to Financial Statements

COON RAPIDS MUNICIPAL UTILITIES
(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Communications Utility	Electric Utility	Gas Utility
Cash Flows from Operating Activities:			
Cash Received from Customers & Users	\$ 758,057	\$ 2,847,910	\$ 558,925
Cash Paid to Suppliers for Goods and Services	(522,225)	(1,627,610)	(481,241)
Cash Paid to Employees	(168,387)	(367,645)	(173,557)
Cash Received from Joint Revenue	-	103,000	-
Cash Received from Miscellaneous Nonoperating Revenue	4,012	1,296	4,799
Cash Paid for In-Lieu-of Tax Payments	(6,528)	(76,185)	(35,461)
Cash Paid for Free Community Services	(235)	(59,512)	(9,692)
Net Cash Provided (Used) by Operating Activities	<u>64,694</u>	<u>821,254</u>	<u>(136,227)</u>
Cash Flows from Capital & Related Financing Activities			
Acquisition & Construction of Property and Equipment	(63,362)	(625,354)	(42,605)
Proceeds from Sale of Capital Asset	1,250	2,342	1,938
Payments Received on Inter-Utility Loans	76,215	-	115,208
Principal Payments Paid on Inter-Utility Loans	-	(272,954)	-
Interest Paid	-	(3,710)	-
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>14,103</u>	<u>(899,676)</u>	<u>74,541</u>
Cash Flows from Investing Activities			
Interest on Investments	4,370	6,971	4,832
Disbursements Made on Coon Rapids Development Loans	-	(25,000)	-
Payments Received on Coon Rapids Development Loans	-	143,615	7,816
Net Cash Provided from Investing Activities	<u>4,370</u>	<u>125,586</u>	<u>12,648</u>
Net Increase (Decrease) in Cash & Cash Equivalents	83,167	47,164	(49,038)
Cash & Cash Equivalents - June 30, 2014	<u>1,272,187</u>	<u>1,341,364</u>	<u>1,085,593</u>
Cash & Cash Equivalents - June 30, 2015	<u>\$ 1,355,354</u>	<u>\$ 1,388,528</u>	<u>\$ 1,036,555</u>
Reconciliation:			
Cash & Cash Equivalents			
Unrestricted	\$ 1,355,354	\$ 1,154,322	\$ 1,036,555
Restricted	-	234,206	-
	<u>\$ 1,355,354</u>	<u>\$ 1,388,528</u>	<u>\$ 1,036,555</u>

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ 230,628	\$ 130,735	\$ 4,526,255
(79,532)	(40,353)	(2,750,961)
(119,560)	(61,302)	(890,451)
-	-	103,000
118	10	10,235
(2,529)	(588)	(121,291)
(1,245)	(51)	(70,735)
<u>27,880</u>	<u>28,451</u>	<u>806,052</u>
(58,842)	(235,672)	(1,025,835)
1,938	3,398	10,866
-	81,532	272,955
-	-	(272,954)
-	-	(3,710)
<u>(56,904)</u>	<u>(150,742)</u>	<u>(1,018,678)</u>
702	3,408	20,283
-	-	(25,000)
-	-	151,431
<u>702</u>	<u>3,408</u>	<u>146,714</u>
(28,322)	(118,883)	(65,912)
<u>269,842</u>	<u>979,395</u>	<u>4,948,381</u>
<u>\$ 241,520</u>	<u>\$ 860,512</u>	<u>\$ 4,882,469</u>
\$ 241,520	\$ 860,512	\$ 4,648,263
-	-	234,206
<u>\$ 241,520</u>	<u>\$ 860,512</u>	<u>\$ 4,882,469</u>

See Accompanying Notes to Financial Statements

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, 2015

	Communications Utility	Electric Utility	Gas Utility
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities			
Operating Income (Loss)	\$ 55,263	\$ 387,843	\$ (168,121)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	28,069	333,892	50,675
Cash Received from Joint Revenue	-	103,000	-
Cash Received from Miscellaneous Nonoperating Revenue	4,012	1,296	4,799
Cash Paid for In-Lieu-of Tax Payments	(6,528)	(76,185)	(35,461)
Cash Paid for Free Community Services	(235)	(59,512)	(9,692)
(Increase) Decrease Operating Assets:			
Accounts Receivable	(35)	102,431	25,757
Inventories	(2,525)	62,163	2,699
Other Current & Prepaid Assets	2,714	787	107
Deferred Outflows	(4,133)	(10,246)	(4,065)
Increase (Decrease) Operating Liabilities:			
Accounts & Other Payables	(11,547)	(19,890)	(2,708)
Customer Deposits	-	(1,900)	-
Compensated Absences Payables	897	693	1,020
Net Pension Liability	(26,968)	(66,855)	(26,522)
Deferred Inflows	25,710	63,737	25,285
Net Cash Provided (Used) by Operating Activities	<u>\$ 64,694</u>	<u>\$ 821,254</u>	<u>\$ (136,227)</u>

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ 8,458	\$ (48,152)	\$ 235,291
27,222	80,086	519,944
-	-	103,000
118	10	10,235
(2,529)	(588)	(121,291)
(1,245)	(51)	(70,735)
7,249	283	135,685
(2,953)	-	59,384
38	92	3,738
(2,864)	(1,477)	(22,785)
(4,508)	(1,028)	(39,681)
-	-	(1,900)
(235)	(274)	2,101
(18,687)	(9,634)	(148,666)
17,816	9,184	141,732
\$ 27,880	\$ 28,451	\$ 806,052

See Accompanying Notes to Financial Statements

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015, was \$777,726.

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, 2015, was \$600,283.

COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015**

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. Cash investments not meeting the definition of cash equivalents at June 30, 2015 were \$0.

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 \$17,476 at June 30, 2015.

Inventories

Materials, supplies and other consumables are recorded as expenses 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, 2015, are comprised as follows:

All Material and Supplies	\$ 296,507
Electric Fund Fuel Inventories	186,006
Gas Fund Natural Gas Inventory	8,030
SO2 Allowances	<u>77,375</u>
Total	<u><u>\$ 567,918</u></u>

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015.

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, 2015**

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 \$377,557.

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 CASH EQUIVALENTS

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, 2015, 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, 2015**

Note 3 – COMMUNICATIONS ACCOUNTS RECEIVABLE - OTHER

Other accounts receivable reported for the Communications Utility includes delayed long distance and CABS billings of \$11,137 for the telephone system. These amounts are net of an allowance for doubtful collections of \$2,429. 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 paid off this loan during the year ending June 30, 2015.

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

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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
2016	\$ 759	\$ 2

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
2016	\$ 13,758	\$ 1,921
2017	14,036	1,643
2018	14,319	1,360
2019	14,608	1,071
2020	14,903	776
2021-2022	30,762	641
Totals	\$ 102,386	\$ 7,412

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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
2016	\$ 7,267	\$ 1,015
2017	7,413	868
2018	7,563	718
2019	7,716	566
2020	7,871	410
2021-2022	14,812	339
Totals	\$ 52,642	\$ 3,916

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
2016	\$ 3,859	\$ 453
2017	3,980	333
2018	4,102	210
2019	4,229	84
2020	443	1
Totals	\$ 16,613	\$ 1,081

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 5 – CAPITAL ASSETS

Capital asset categories and changes in each cost category and depreciation for the year ended June 30, 2015 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	3,766,817	590,119	(2,249,887)	2,107,049
Total capital assets not being depreciated	<u>3,888,936</u>	<u>590,119</u>	<u>(2,249,887)</u>	<u>2,229,168</u>
Capital assets being depreciated:				
Neal 4 Steam Production	1,817,729	160,994	(6,330)	1,972,393
Local Production Facilities	1,852,439	65,550	(182,232)	1,735,757
Transmission System	1,575,839	144,637	(10,448)	1,710,028
Distribution System	9,756,573	2,078,526	(599,741)	11,235,358
Municipal Building	1,161,310	11,165	(2,804)	1,169,671
General Facilities Equipment	2,394,792	222,174	(206,490)	2,410,476
Total capital assets being depreciated	<u>18,558,682</u>	<u>2,683,046</u>	<u>(1,008,045)</u>	<u>20,233,683</u>
Less -				
Accumulated Depreciation	10,591,574	519,944	(990,960)	10,120,558
Total capital assets being depreciated- net	<u>7,967,108</u>	<u>2,163,101</u>	<u>(17,085)</u>	<u>10,113,125</u>
Total Capital Assets, Net	<u>\$ 11,856,044</u>	<u>\$ 2,753,220</u>	<u>\$ (2,266,972)</u>	<u>\$ 12,342,293</u>

Capital asset categories and changes in each cost category and depreciation for the year ended June 30, 2015 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	\$ 421,520	\$ 62,028	\$ 182,232	\$ 301,316
General Facilities Equipment	71,637	1,334	1,847	71,124
Total capital assets being depreciated	<u>493,157</u>	<u>63,362</u>	<u>184,079</u>	<u>372,440</u>
Less -				
Accumulated Depreciation	377,948	28,069	184,079	221,938
Total Capital Assets, Net	<u>\$ 115,209</u>	<u>\$ 35,293</u>	<u>\$ -</u>	<u>\$ 150,502</u>

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 5 – CAPITAL ASSETS (Continued)

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	3,764,811	435,750	2,244,304	1,956,257
Total capital assets not being depreciated	<u>3,817,123</u>	<u>435,750</u>	<u>2,244,304</u>	<u>2,008,569</u>
Capital Assets being depreciated:				
Neal 4 Steam Production	1,817,728	160,995	6,330	1,972,393
Transmission System	1,465,488	144,637	10,448	1,599,677
Distribution System	7,281,491	2,058,744	562,494	8,777,741
Municipal Building	539,822	5,583	2,804	542,601
General Facilities Equipment	1,321,635	50,893	35,470	1,337,058
Total capital assets being depreciated	<u>12,426,164</u>	<u>2,420,852</u>	<u>617,546</u>	<u>14,229,470</u>
Less -				
Accumulated Depreciation	<u>6,511,207</u>	<u>333,892</u>	<u>614,749</u>	<u>6,230,350</u>
Total capital assets being depreciated- net	<u>5,914,957</u>	<u>(333,892)</u>	<u>2,797</u>	<u>7,999,120</u>
Total Capital Assets, Net	<u>\$ 9,732,080</u>	<u>\$ 101,858</u>	<u>\$ 2,244,304</u>	<u>\$ 10,007,689</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	2,006	5,969	5,582	2,393
Total capital assets not being depreciated	<u>32,484</u>	<u>5,969</u>	<u>5,582</u>	<u>32,871</u>
Capital Assets being depreciated:				
Local Production Facilities	330,452	-	-	330,452
Distribution System	563,514	18,065	37,247	544,332
Municipal Building	621,488	5,582	-	627,070
General Facilities Equipment	407,483	29,068	85,128	351,423
Total capital assets being depreciated	<u>1,922,937</u>	<u>52,715</u>	<u>122,375</u>	<u>1,853,277</u>
Less -				
Accumulated Depreciation	<u>1,110,585</u>	<u>50,675</u>	<u>108,087</u>	<u>1,053,173</u>
Total capital assets being depreciated- net	<u>812,352</u>	<u>(50,675)</u>	<u>14,288</u>	<u>800,104</u>
Total Capital Assets, Net	<u>\$ 844,836</u>	<u>\$ (44,706)</u>	<u>\$ 5,582</u>	<u>\$ 832,975</u>

COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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	3,521	-	304,612
Transmission System	110,351	-	-	110,351
Distribution System	771,154	1,717	-	772,871
General Facilities Equipment	200,283	53,604	59,247	194,640
Total capital assets being depreciated	<u>1,382,879</u>	<u>58,842</u>	<u>59,247</u>	<u>1,382,474</u>
Less -				
Accumulated Depreciation	<u>1,106,511</u>	<u>27,222</u>	<u>59,247</u>	<u>1,074,486</u>
Total capital assets being depreciated- net	<u>276,368</u>	<u>(27,222)</u>	<u>-</u>	<u>307,988</u>
Total Capital Assets, Net	<u>\$ 309,717</u>	<u>\$ (27,222)</u>	<u>\$ -</u>	<u>\$ 341,337</u>

Wastewater:				
	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,980	\$ -	\$ -	\$ 5,980
Construction in progress	-	148,399	-	148,399
Total capital assets not being depreciated	<u>5,980</u>	<u>148,399</u>	<u>-</u>	<u>154,379</u>
Capital Assets being depreciated:				
Local Production Facilities	799,377	-	-	799,377
Distribution System	1,140,413	-	-	1,140,413
General Facilities Equipment	393,756	87,274	24,798	456,232
Total capital assets being depreciated	<u>2,333,546</u>	<u>87,274</u>	<u>24,798</u>	<u>2,396,022</u>
Less -				
Accumulated Depreciation	<u>1,485,323</u>	<u>80,086</u>	<u>24,798</u>	<u>1,540,611</u>
Total capital assets being depreciated- net	<u>848,223</u>	<u>(80,086)</u>	<u>-</u>	<u>855,411</u>
Total Capital Assets, Net	<u>\$ 854,203</u>	<u>\$ 68,313</u>	<u>\$ -</u>	<u>\$ 1,009,790</u>

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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, 2015 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 loans were paid off during the year ending June 30, 2015.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 electric 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 \$121,291 for the year ended June 30, 2015.

Note 11 – PENSION AND RETIREMENT BENEFITS

Plan Description. IPERS membership is mandatory for employees of the Utility, except for those covered by another retirement system. Employees of the Utility are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member’s first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 11 – PENSION AND RETIREMENT BENEFITS (Continued)

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 11 – PENSION AND RETIREMENT BENEFITS (Continued)

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Utility contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent of pay and the Utility contributed 10.14 percent for a total rate of 16.80 percent.

The Utilities' total contributions to IPERS for the year ended June 30, 2015 were \$57,447.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Utilities reported a liability of \$371,638 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportion of the net pension liability was based on the Utilities' share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Utilities' collective proportion was .009183 percent which was a decrease of .000006 percent from their proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Utilities recognized pension expense of \$27,816. At June 30, 2015, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,039	\$ -
Changes of assumptions	16,401	-
Net difference between projected and actual earnings on pension plan investments	-	141,732
Changes in proportion and differences between Utility contributions and proportionate share of contributions	(344)	-
Utility contributions subsequent to the measurement date	57,447	-
Total	\$ 77,543	\$ 141,732

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 11 – PENSION AND RETIREMENT BENEFITS (Continued)

\$57,447 reported as deferred outflows of resources related to pensions resulting from the Utilities' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2016	\$ (30,738)
2017	(30,738)
2018	(30,738)
2019	(30,738)
2020	1,316
Total	\$ (121,636)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Note 11 – PENSION AND RETIREMENT BENEFITS (Continued)

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	1%	-0.69
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utility will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Utilities' proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Utilities' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Utilities' proportionate share of the net pension liability	\$ 702,200	\$ 371,638	\$ 92,610

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the Utilities reported \$0 of payables related to the defined benefit pension plan.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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
2015	\$ 3,028	\$ 31,460	\$ 29,783	\$ 4,705

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, 2015**

Note 13 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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 \$148,399 has been paid as of June 30, 2015. The project is expected to be completed in the Fall of 2015.

CRMU committed the utility to engineering services for Iron Hills improvements. The contracted amount with DGR Engineering is \$27,600, of which \$26,592 has been paid as of June 30, 2015. CRMU has also committed the utility to construction services related to this project. The contracted amount with Schoon Construction is \$137,747, of which \$110,024 has been paid as of June 30, 2015. The services are expected to be completed in the Summer of 2015.

CRMU committed the utility to engineering services for Arc-Flash Regulations. The contracted amount is \$21,700, of which \$8,786 has been paid as of June 30, 2015.

Note 14 – 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.

Note 15 – 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 16 – 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, two new loans were made for economic development totaling \$25,000, and payments were received on all of the loans totaling \$143,615, leaving \$216,649 available for purposes of this revolving loan program.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 17 – ACCOUNTING CHANGE / RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Communications Utility</u>	<u>Electric Utility</u>	<u>Gas Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
Net Position June 30, 2014, as previously reported	\$ 1,478,763	\$11,827,776	\$ 2,170,258	\$ 622,094	\$ 1,929,726
Net Pension Liability at June 30, 2014	(94,383)	(233,981)	(92,822)	(65,402)	(33,716)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>9,933</u>	<u>24,625</u>	<u>9,769</u>	<u>6,883</u>	<u>3,549</u>
Net Position June 30, 2014, as restated	<u><u>\$ 1,394,313</u></u>	<u><u>\$11,618,420</u></u>	<u><u>\$ 2,087,205</u></u>	<u><u>\$ 563,575</u></u>	<u><u>\$ 1,899,559</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

**COON RAPIDS MUNICIPAL UTILITIES
 (A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)
 SCHEDULE OF THE UTILITIES' PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE LAST FISCAL YEAR**

	2015
Utilities' collection proportion of the net pension liability (asset)	0.09183%
Utilities' collective proportionate share of the net pension liability (asset)	\$ 371,638
Utilities' covered employee payroll	\$ 613,191
Utilities' collective proportionate share of the net pension liability as a percentage of its covered employee payroll	60.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Utilities will present information for those years for which information is available.

COON RAPIDS MUNICIPAL UTILITIES
(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)
SCHEDULE OF THE UTILITIES' PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEE'S RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
LAST 10 FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 57,447	\$ 54,758	\$ 51,529	\$ 46,003
Contributions in relation to the statutorily required contribution	\$ (57,447)	\$ (54,758)	\$ (51,529)	\$ (46,003)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utilities' covered-employee payroll	\$ 643,303	\$ 613,191	\$ 594,337	\$ 570,050
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

See Accompanying Independent Auditors' Report

2011	2010	2009	2008	2007	2006
\$ 39,212	\$ 37,049	\$ 34,190	\$ 30,160	\$ 28,933	\$ 27,904
\$ (39,212)	\$ (37,049)	\$ (34,190)	\$ (30,160)	\$ (28,933)	\$ (27,904)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 564,201	\$ 557,128	\$ 538,425	\$ 498,512	\$ 503,183	\$ 485,287
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See Accompanying Independent Auditors' Report

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

Changes of Benefit Terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015**

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.



**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 *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, 2015, 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 November 20, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified a deficiency in internal control that we considered to be a material weakness.

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. We consider the deficiency in internal control described in Part II of the accompanying schedule of findings as item 2015-001 to be a material weakness.

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*.

Coon Rapids Municipal Utilities' Response to Findings

Coon Rapids Municipal Utilities' response to the finding identified in our audit is described in the accompanying schedule of findings. CRMU's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
November 20, 2015

**COON RAPIDS MUNICIPAL UTILITIES
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015**

PART I – SUMMARY OF AUDITORS’ RESULTS

- (A) An unmodified opinion was issued on the financial statements.
- (B) A material weakness in internal control over financial reporting was 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

MATERIAL WEAKNESS:

2015-001 Financial Reporting

Criteria – The Utility is responsible for the accuracy of the financial statements.

Condition – During the audit, we identified material and immaterial adjustments which could result in material misstatements of accounts payable, revenue and expense that were not initially identified by Coon Rapids Municipal Utilities’ internal control. These amounts were either not recorded or not properly recorded in the financial statements.

Effect – As a result of these misstatements, there was a potential for the financial statements to be materially misstated.

Recommendation –The Utility should review its’ procedures to ensure all accounts are properly identified, classified, and included in the Utility’s financial statements.

Response – We will continue to improve procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE: No matters were reported.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

IV-A-15: 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, 2015.

IV-B-15: Certified Budget – Expenditures for the year ended June 30, 2015, did not exceed the amounts budgeted.

IV-C-15: 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.

**COON RAPIDS MUNICIPAL UTILITIES
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2015**

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

IV-D-15: Travel Expense – No disbursements of the Utilities’ money for travel expenses of spouses of Utilities’ officials or employees were noted.

IV-E-15: 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 and miscellaneous small jobs	\$ 11,119

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. The bid process was for the cabinets which make up \$10,437 of the amount paid to Mr. Brower.

IV-F-15: 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.

V-G-15: Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-H-15: 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-15: Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.