

COON RAPIDS MUNICIPAL UTILITIES

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2023

T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants

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**COON RAPIDS MUNICIPAL UTILITIES
OFFICIALS**

JUNE 30, 2023

<u>Board of Trustees</u>	<u>Title</u>	<u>Term Expires</u>
Terry Garnes	Chairperson	June 2027
Mary Schwaller	Vice Chairperson	June 2028
Lee Boeke	Trustee	June 2025
Doris Bass	Trustee	June 2024
Alan Andersen	Trustee	June 2026
 <u>Management</u>		
Bradley Honold	Secretary/General Manager	Indefinite
Kari Woodard	Director of Finance and Accounting	Indefinite
Jesica Leighty	City Clerk/City Treasurer	Indefinite
David Bruner	City Attorney	Indefinite



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Coon Rapids Municipal Utilities
Coon Rapids, IA 51301

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of Coon Rapids Municipal Utilities (the Utilities), a component unit of the City of Coon Rapids, Iowa, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Utilities' financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of June 30, 2023 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that arise substantial doubt about the Utilities' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Utility's Proportionate Share of the Net Pension Liability, and the Schedule of Utility Contributions on pages 4-11 and 33-37 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2023 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 solely 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 the effectiveness of the Utility's 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.

TP Anderson & Company, P.C.

Humboldt, Iowa
December 21, 2023



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, 2023. 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, deferred outflows) and the obligations to creditors (liabilities, deferred inflows), 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.

Required Supplementary information further explains and supports the financial statements with the Utilities’ share of the net pension liability and related contributions.

Communications Utility

Overview:

CRMU’s communication utility provides a variety of products and services to the Coon Rapids community. Services include high speed internet, managed Wi-Fi, cable television, telephone, and long distance. These communication services are provided over a Fiber-to-the-Home (FTTH) network with “home runs” (a direct fiber line from our Network Operations Center) to each resident and business in Coon Rapids. Additionally, we have a redundant fiber transport route for reliability. This network provides CRMU customers with the best technology and reliability available for communication service.

The communications utility continues to see a decrease in cable TV subscribers, which is a common industry trend. As customers continue the transition from traditional cable TV to online streaming, the speed and reliability of CRMU’s internet service becomes essential. CRMU has worked hard to maintain reasonable cable TV rates as networks continue to substantially increase programming fees. A rate adjustment was implemented July 1, 2022 to help cover the rising programming costs.

Communications Utility Financial Highlights:

Dollars in Thousands

	2023	2022
OPERATING		
Revenues	929	959
Expenses.....	632	566
Operating Income (Loss)	297	393
NONOPERATING		
Revenues (Expenses)	(41)	(93)
TRANSFERS	0	0
Change in Net Position.....	256	300
ASSETS		
Current	1,860	1,625
Capital	61	58
Noncurrent Assets	0	7
Total Assets.....	1,921	1,690
DEFERRED OUTFLOWS	38	39
Total Assets & Deferred Outflows	1,959	1,729
LIABILITIES		
Current	46	64
Long-term	31	1
Total Liabilities.....	77	65
DEFERRED INFLOWS	5	43
NET POSITION		
Net Investment in Capital Assets	61	59
Unrestricted	1,816	1,562
Total Net Position	1,877	1,621
Total Liab., Def. Inflows & Net Pos.	1,959	1,729

Management’s Discussion and Analysis

Results of Operations:

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

Revenue from operations decreased 3.2%, while total operating expenses increased 11.6%.

Total operating revenues saw an increase of almost \$5,000 for cable TV (due to the rate increase at the beginning of the fiscal year), a \$20,000 decrease in internet (result of rate restructuring / decrease, as well as lower merchandising revenue), and a decrease of almost \$17,000 in telephone (a combination of CABS and basic telephone revenues).

Total nonoperating revenues increased 980% - for a total of \$52,200, which is all directly attributable to interest income.

Total communications utility expenses increased by more than \$64,000. The primary reason for the increase is the GASB 68 IPERS expense adjustment. Last year, this expense was a negative \$82,000 – compared to this year’s negative \$5,600 (a change of \$76,000).

In-lieu-of tax payments and free community services totaled \$474, compared to \$686 last year.

The communications utility ended the year with a \$256,014 gain, compared to \$300,482 in 2022. Added to the utility’s beginning net position of \$1,620,793, CRMU’s communication total net position as of June 30, 2023 is \$1,876,807.

Financial Position:

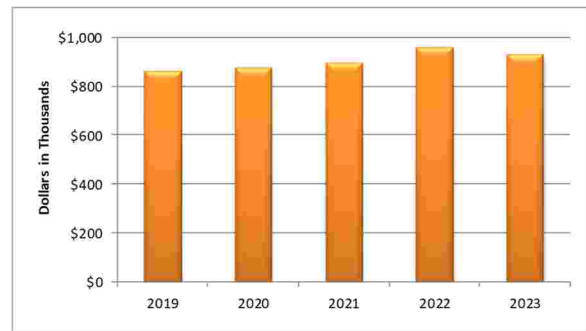
(As reported on the Statement of Net Position)

Total assets increased almost 14% in fiscal year 2023. This can be attributed to an increase in cash and cash equivalents. Total liabilities increased more than 18%, which is a direct result of increased net pension liability (GASB 68). This liability increased almost \$31,000, which CRMU will likely never be required to pay (see Note 10 of the audit report).

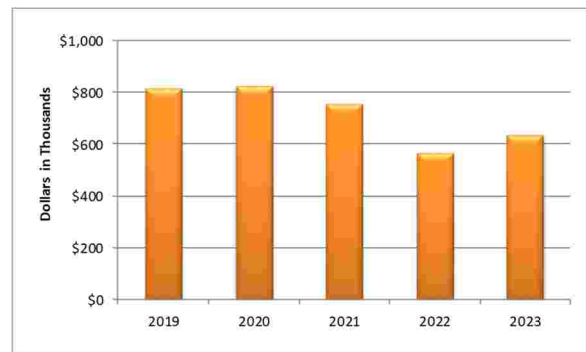
Capital assets, in the form of utility plant, facilities and equipment, account for 3% of total assets and deferred outflows, while current assets comprise 95% of the total assets and deferred outflows. Cash, cash equivalents, and investments account for 91% of total assets and deferred outflows. These funds are designated for equipment replacement, capital improvements, and general savings.

Revenues were higher than budgeted projections – by \$88,000, while expenses were lower than budgeted projections - by \$51,500.

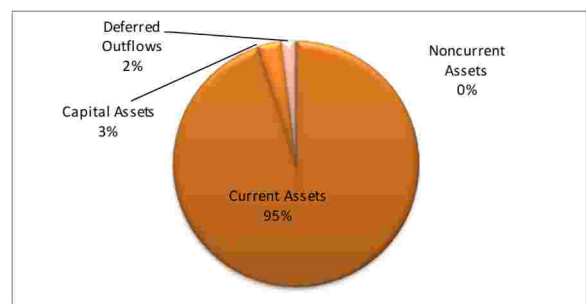
**Communications Utility
Operating Revenues: \$928,652**



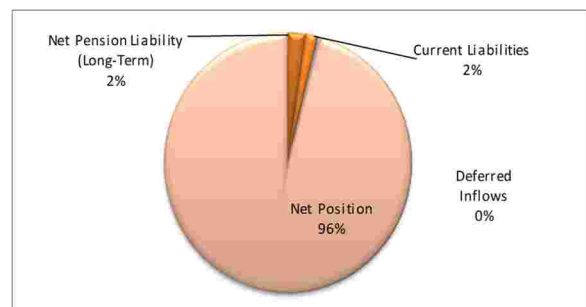
**Communications Utility
Operating Expenses: \$631,984**



**Communication Utility Total Assets and Deferred
Outflows: \$1,958,513**



**Communications Utility Total Liabilities, Deferred
Inflows, and Net Position: \$1,958,513**



Management's Discussion and Analysis

Electric Utility

Overview:

The CRMU electric utility continued its strong financial performance in fiscal year 2023.

CRMU's electric utility continued its several year streak of being 100% renewable. CRMU's WAPA and wind energy sources continue to meet our customer's energy needs.

CRMU completed another segment of overhead to underground conversion, purchased equipment, built new transmission lines to serve new load, and sold its share of the Lehigh-Webster transmission facilities. The new transmission line is serving a new evolving industry customer. This customer's load will have a significant and positive impact on CRMU's financial performance in future years. Additional capital improvements will also take place in coming years to serve this new load.

CRMU continues to prepare for the impact that electric vehicles (EVs) will have in the industry. While CRMU currently has ample capacity and energy to serve these new loads, new infrastructure may also be required depending on customer requirements.

Overall, the electric utility continues to perform well and meet all debt obligations without any rate impact.

Electric Utility Financial Highlights:

Dollars in Thousands

	2023	2022
OPERATING		
Revenues	2,863	2,779
Expenses	2,354	2,235
Operating Income (Loss)	509	544
NONOPERATING		
Revenues (Expenses)	233	27
TRANSFERS	0	0
Change in Net Position	742	571
ASSETS		
Current	6,517	5,791
Capital	10,906	11,176
Noncurrent	314	280
Total Assets	17,737	17,247
DEFERRED OUTFLOWS	53	57
Total Assets & Deferred Outflows	17,790	17,304
LIABILITIES		
Current	427	487
Long-term	1,588	1,576
Total Liabilities	2,015	2,063
DEFERRED INFLOWS	28	236
NET POSITION		
Net Investment in Capital Assets	9,336	9,456
Restricted	857	844
Unrestricted	5,554	4,705
Total Net Position	15,747	15,005
Total Liab., Def. Inflows & Net Pos.	17,790	17,304

Results of Operations:

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

Revenue from operations increased 3% - by almost \$84,000. Revenue from retail sales increased almost 3% (\$41,600), which is a result of increased industrial sales and a small amount of the new evolving industry customer revenue stream. Sales for resale revenue increased \$46,400 (3.7%).

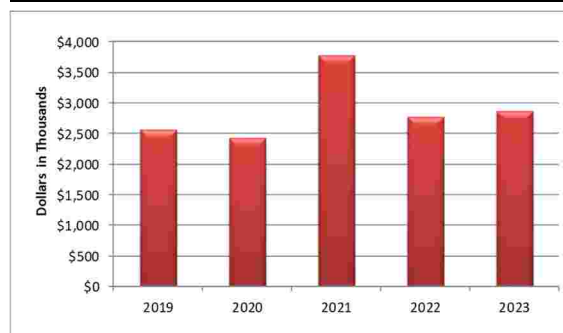
Nonoperating revenue increased more than \$150,000 thanks to increased interest income and insurance proceeds. Additionally, the sale of Lehigh-Webster resulted in a gain of \$35,000.

Operating expenses increased 5% (almost \$120,000). Specifically, purchased energy and customer service costs declined, while plant, transmission, and distribution costs increased.

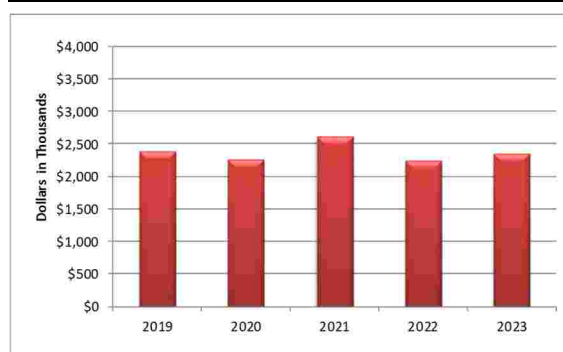
In-lieu-of tax payments and free community services totaled \$78,525 compared to \$74,583 last year (a 5% increase).

The electric utility's beginning net position was \$15,005,164. The total gain of \$742,624 this fiscal year resulted in an ending net position of \$15,747,788.

Electric Utility Operating Revenues: \$2,863,214



Electric Utility Operating Expenses: \$2,353,962



Management's Discussion and Analysis

Financial Position:

(As reported on the Statement of Net Position)

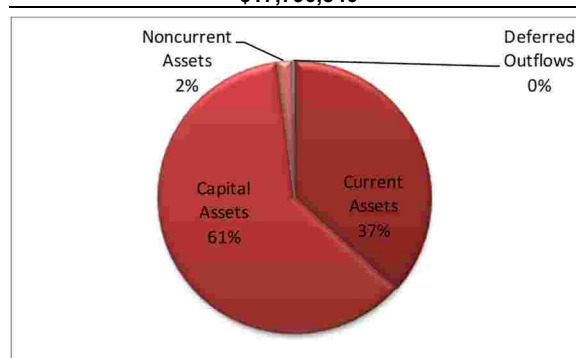
Current assets account for 37% of total assets and deferred outflows. CRMU has 31% of its total assets and deferred outflows in the form of cash and cash equivalents. The Board of Trustees has allocated the funds for designated uses such as capital improvement, equipment replacement, generation replacement, 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 61% of CRMU's total assets and deferred outflows. Noncurrent assets account for 2% of total assets and deferred outflows.

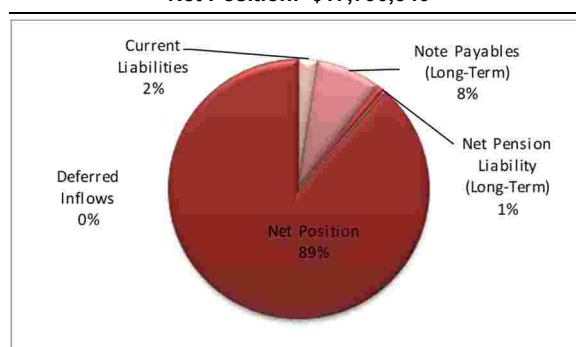
Current liabilities account for 2% of total liabilities and net position (\$155,000 in current notes payable). CRMU is required to report a "Net Pension Liability" of \$173,000 for the electric utility, which CRMU will likely never be required to pay (see Note 10 of the audit report). Finally, the "Note Payables" of 8% (\$1.415MM) represent the FTTH debt.

Revenues were lower than budgeted projections by \$6.7MM, while expenses were \$6.1MM lower. Budgets included the new evolving industry customer impact, but they did not "connect" until June, 2023.

**Electric Utility Total Assets & Deferred Outflows:
\$17,790,340**



Electric Utility Total Liabilities, Deferred Inflows, and Net Position: \$17,790,340



Natural Gas Utility

Overview:

CRMU's natural gas utility follows a commodity purchasing strategy with the goal of forward purchasing the majority 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.

Economically, the actual commodity cost of natural gas is passed through directly to our customers. As those costs change, so does the total rate (and therefore the customer bill). Natural gas prices are trending higher than we have seen in recent history, which affected customer bills, revenue, and expense in fiscal year 2023.

Natural Gas Utility Financial Highlights:

Dollars in Thousands

	2023	2022
OPERATING		
Revenues	1,101	925
Expenses	928	859
Operating Income (Loss)	173	66
NONOPERATING		
Revenues (Expenses)	(10)	(15)
Change in Net Position	163	51
ASSETS		
Current	1,763	1,550
Capital	536	602
Noncurrent	0	10
Total Assets	2,299	2,162
DEFERRED OUTFLOWS	18	17
Total Assets & Deferred Outflows	2,317	2,179
LIABILITIES		
Current	39	48
Long-term	78	4
Total Liabilities	117	52
DEFERRED INFLOWS	39	128
NET POSITION		
Net Investment in Capital Assets	536	602
Unrestricted	1,626	1,397
Total Net Position	2,162	1,999
Total Liab., Def. Inflows & Net Pos.	2,317	2,179

Management’s Discussion and Analysis

Results of Operations:

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

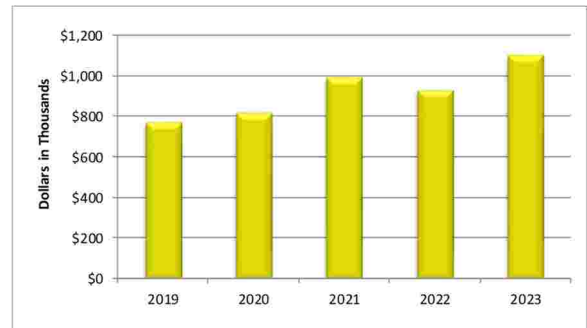
In 2023, CRMU’s natural gas utility experienced an operating gain of \$173,400, compared to a gain of \$65,600 in 2022. Combined with nonoperating revenues and expenses, the utility ended the year with a \$162,750 gain, compared to a gain of \$50,000 last year. Nonoperating interest income revenue increased \$40,000, which helped the overall utility performance.

In 2023, total operating revenues increased more than \$177,000 (19%). Total usage increased more than 8% compared to last year, which was largely impacted by industrial usage.

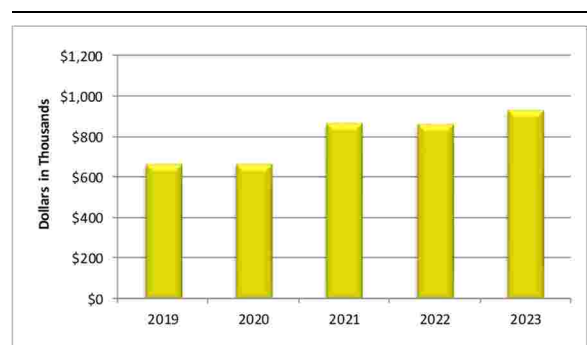
Total operating expenses increased \$69,000 (8%) – mainly due to an increase of purchased energy costs (commodity cost, higher usage, and increased transportation costs).

Payment-in-lieu-of-taxes continued to the City of Coon Rapids – in the amount of \$20,000, which is basically unchanged from 2022. Contributions to the community increased to \$16,500 from \$8,000 in fiscal year 2022.

Natural Gas Utility Operating Revenues: \$1,101,445



Natural Gas Utility Operating Expenses: \$928,007



Financial Position:

(As reported on the Statement of Net Position)

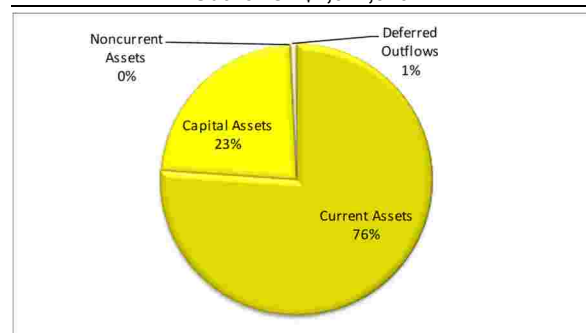
Capital assets, in the form of utility plant, facilities and equipment, account for 23% of CRMU’s total assets and deferred outflows, while current assets comprise 76% of the total assets and deferred outflows. Cash and cash equivalents account for 68% of total assets and deferred outflows. Of the cash on hand, most is designated for specific uses and future improvements.

CRMU’s current liabilities are comprised of payables totaling \$38,970.

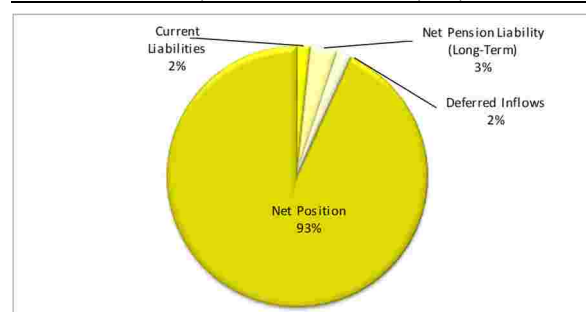
CRMU’s natural gas “Net Pension Liability” accounts for more than 3% of total liabilities and net pension (an increase from less than 1% last year). This equates to almost \$77,600 which CRMU will likely never be required to pay (see Note 10 of the audit report).

Revenues and expenses were higher than budget projections by about \$279,000 and \$135,500, respectively. The natural gas utility’s beginning net position was \$1,999,029, the change in net position was a gain of \$162,756, resulting in an ending net position of \$2,161,785.

Natural Gas Utility Total Assets and Deferred Outflows: \$2,317,316



Natural Gas Utility Total Liabilities, Deferred Liabilities, and Net Position: \$2,317,316



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.

CRMU's water utility has struggled to break-even in years past. Our water infrastructure is aging and requires numerous repairs each year. The level of reserves needed is continuously monitored, with the goal of ensuring future capital improvement needs can be met, while maintaining reasonable rates.

The utility ended this fiscal year with a \$261 change in net position, compared to a negative \$50,500 change in net position in fiscal year 2022. The CRMU Board implemented a rate change in July 1, 2023, which will be seen on next year's financials.

Economically, the water utility is challenging as customer usage (revenue) varies due to weather (wet vs. dry). On the expense side, more regulations typically result in increased expenses (testing, chemicals, etc.). Further, declining infrastructure will require significant capital improvements in the future.

Water Utility Financial Highlights:

Dollars in Thousands

	2023	2022
OPERATING		
Revenues	324	304
Expenses	318	336
Operating Income (Loss)	6	(32)
NONOPERATING		
Revenues (Expenses)	(6)	(18)
Change in Net Position	0	(50)
ASSETS		
Current	254	271
Capital	293	307
Total Assets	547	578
DEFERRED OUTFLOWS		
	7	11
Total Assets & Deferred Outflows	554	589
LIABILITIES		
Current	34	50
Long-term	71	2
Total Liabilities	105	52
DEFERRED INFLOWS		
	(8)	80
NET POSITION		
Net Investment in Capital Assets	293	308
Unrestricted	164	149
Total Net Position	457	457
Total Liab., Def. Inflows & Net Pos.	554	589

Results of Operations:

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

Operating revenues increased more than 6% (\$20,000) compared to 2022. Customer usage increased 8.5% compared to last year.

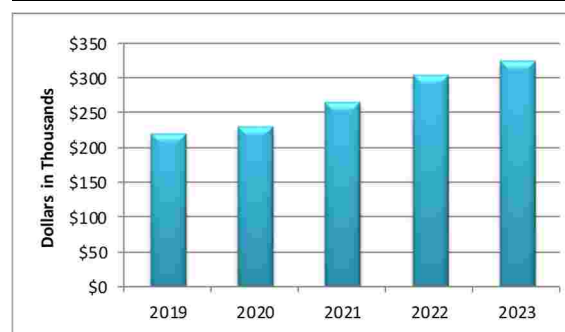
Nonoperating interest income increased about \$5,500 compared to last year.

Operating expenses decreased almost \$18,000 (5%). Specifically, plant and distribution operation and administrative / general expenses decreased. Customer service and depreciation (non-cash) costs increased.

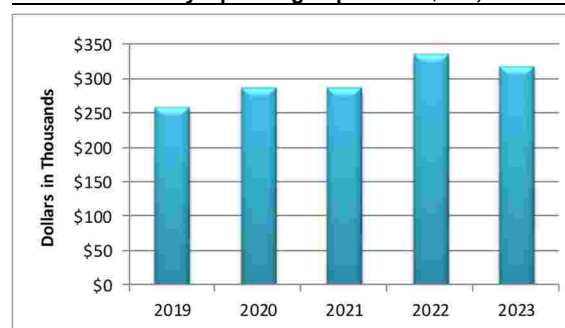
Nonoperating expenses (losses) totaled \$5,800 in fiscal year 2023, compared to \$18,500 in fiscal year 2022.

Contributions through payment-in-lieu-of tax and donations to the community totaled \$4,300 in fiscal year 2023, which is less than last year's contribution of \$7,600.

Water Utility Operating Revenues: \$324,037



Water Utility Operating Expenses: \$317,976



Management's Discussion and Analysis

Financial Position:

(As reported on the Statement of Net Position)

Current assets account for 46% of total assets and deferred outflows. CRMU has approximately 31% of its total assets and deferred outflows in the form of cash and cash equivalents. Of this amount, the Board of Trustees has designated uses for all of it.

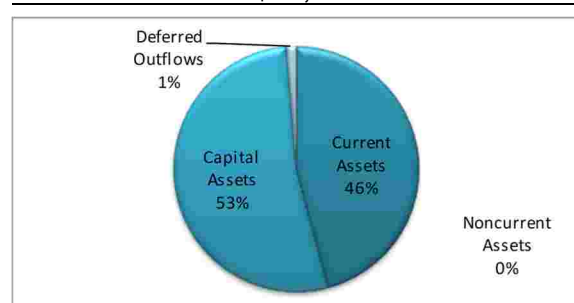
The water utility has no noncurrent assets (loan receivables).

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

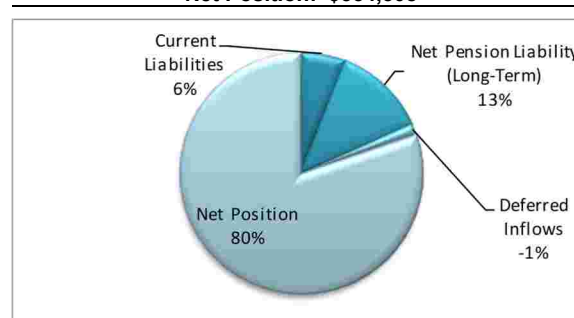
Total liabilities increased almost \$53,000 (100%) because of a significant increase to net pension liabilities. CRMU's water "Net Pension Liability" accounts for almost 13% of the total liabilities and net pension (compared to last year's 1%). The Net Pension Liability totals \$71,100, which CRMU will likely never be required to pay (see Note 10 of the audit report).

Revenues were higher than budget by \$28,850. Expenses were higher than budget by \$17,800. The water utility's beginning net position was \$456,910, the change in net position was a loss of \$261, resulting in an ending net position of \$457,171.

Water Utility Total Assets and Deferred Outflows: \$554,308



Water Utility Total Liabilities, Deferred Inflows, and Net Position: \$554,308



Wastewater Utility

Overview:

CRMU's wastewater utility experienced an operating gain of almost \$66,000 in 2023, compared to an operating loss of \$35,000 last year.

The wastewater utility's beginning net position was \$1,731,620, the change in net position was a gain of \$244,796, resulting in an ending net position of \$1,976,416.

CRMU began a comprehensive improvement plan in 2021. Manhole rehabilitation was the first priority, followed by slip-lining many of our wastewater mains. This was done to ensure long-term structural integrity and to potentially resolve inflow and infiltration issues. This project is still ongoing and shown as "Construction in Progress" under Capital Assets on the Statement of Net Position.

CRMU is currently implementing the scheduled rate changes, as recommended by Public Financial Management (PFM).

Wastewater Utility Financial Highlights:

Dollars in Thousands

	2023	2022
OPERATING		
Revenues	280	172
Expenses.....	214	207
Operating Income (Loss)	66	(35)
NONOPERATING		
Revenues (Expenses)	179	184
Change in Net Position.....	245	149
ASSETS		
Current	511	565
Capital	3,223	2,200
Total Assets.....	3,734	2,765
DEFERRED OUTFLOWS	6	7
Total Assets & Deferred Outflows	3,740	2,772
LIABILITIES		
Current	205	154
Long-term	1,551	820
Total Liabilities.....	1,756	974
DEFERRED INFLOWS	7	66
NET POSITION		
Net Investment in Capital Assets	1,538	1,334
Unrestricted	439	398
Total Net Position	1,977	1,732
Total Liab., Def. Inflows & Net Pos.	3,740	2,772

Management’s Discussion and Analysis

Results of Operations:

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

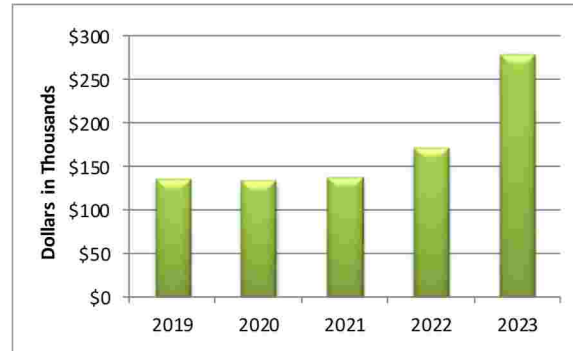
In 2023, the wastewater utility recorded \$279,537 in operating revenues. This is higher by about 63% (\$107,700) compared to 2022. This increase is a direct result of the rate restructuring implemented at the beginning of the fiscal year. The estimated 65% rate increase is the largest increase in the 6-year plan.

Total operating expenses in 2023 increased \$7,000 (about a 3% change) compared to 2022. Plant and transmission operation expenses decreased, while customer service, administrative / general, and depreciation costs increased.

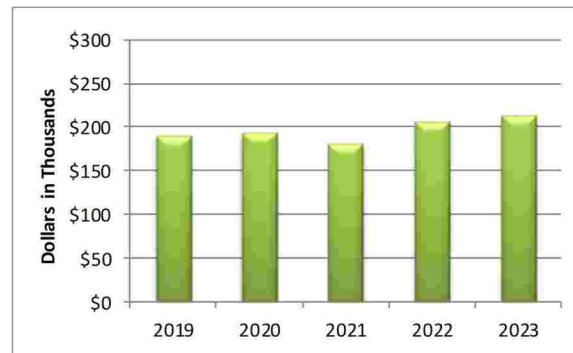
Nonoperating revenues and expenses this year totaled a gain of \$178,800, compared to last year’s gain of \$183,923. CDBG grant revenue of \$193,500 accounts for much of the gain. This revenue source will go away when the capital improvement project is complete.

Payment-in-lieu-of tax payments and free service to the community totaled \$273, compared to \$474 last year.

Wastewater Utility Operating Revenues: \$279,537



Wastewater Utility Operating Expenses: \$213,576



Financial Position:

(As reported on the Statement of Net Position)

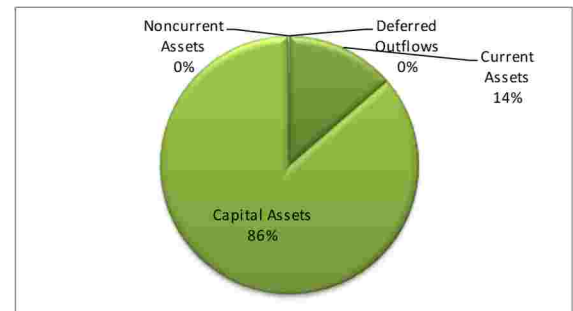
Capital assets, in the form of utility plant, facilities and equipment, account for 86% of CRMU’s total assets and deferred outflows, while current assets account for 14%.

The wastewater utility has 12% of its total assets and deferred outflows in the form of cash, cash equivalents, and certificates of deposit. A portion of this will be used for ongoing improvements.

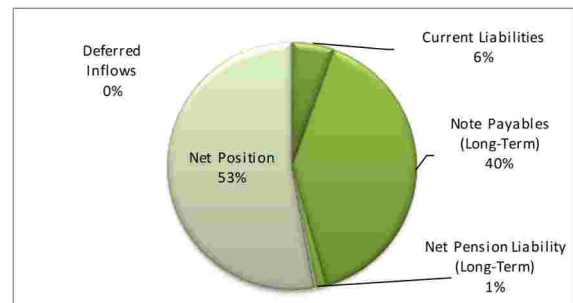
Total liabilities account for 47% of the total liabilities, deferred inflows, and net position. Of that, \$1.5MM is recorded as a note payable for the SRF debt incurred with the wastewater project. Another \$50,000 is net pension liability, which CRMU will like never be required to pay (see Note 10 of the audit report).

Revenues and expenses were lower than budgeted projections by \$1.8MM and \$34,500, respectively.

Wastewater Utility Total Assets and Deferred Outflows: \$3,739,447



Wastewater Utility Total Liabilities, Deferred Inflows, and Net Position: \$3,739,447



COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
STATEMENTS OF NET POSITION
JUNE 30, 2023

	Electric Utility	Gas Utility	Water Utility
Assets			
Current Assets:			
Cash and Cash Equivalents			
Unrestricted	\$ 4,546,853	1,585,828	172,458
Restricted	988,026	-	-
Accounts Receivable, Net of Allowance -			
Trade	193,610	49,284	52,300
Other	123,083	31,544	2,793
Revolving Loans Receivable - Current Portion	61,344	-	-
Notes Receivable - Current Portion	-	10,232	-
Inventories	531,271	72,147	15,963
Other Current and Prepaid Assets	72,766	14,360	10,484
Total Current Assets	<u>6,516,953</u>	<u>1,763,395</u>	<u>253,998</u>
Capital Assets:			
Land	56,312	30,478	32,349
Construction in Progress	96,758	-	-
Utility Plant, Facilities and Equipment, at Cost	19,548,967	1,720,294	1,389,848
Accumulated Depreciation	<u>(8,795,547)</u>	<u>(1,214,677)</u>	<u>(1,129,154)</u>
Total Capital Assets	<u>10,906,490</u>	<u>536,095</u>	<u>293,043</u>
Noncurrent Assets:			
NIMECA Patronage Dividend Receivable	15,885	-	-
Revolving Loans Receivable - Net of Current Portion	297,829	-	-
Note Receivable - Net of Current Portion	-	-	-
Total Noncurrent Assets	<u>313,714</u>	<u>-</u>	<u>-</u>
Total Assets	<u>17,737,157</u>	<u>2,299,490</u>	<u>547,041</u>
Deferred Outflows of Resources			
Pension Related Deferred Outflows	<u>53,183</u>	<u>17,826</u>	<u>7,267</u>

See notes to financial statements.

Communications		
Utility	Wastewater Utility	Total
1,780,642	449,878	8,535,659
-	-	988,026
22,399	38,820	356,413
4,968	16,360	178,748
-	-	61,344
6,471	-	16,703
27,678	638	647,697
17,830	5,107	120,547
<u>1,859,988</u>	<u>510,803</u>	<u>10,905,137</u>
-	5,980	125,119
-	2,263,927	2,360,685
401,004	3,038,784	26,098,897
<u>(339,926)</u>	<u>(2,085,973)</u>	<u>(13,565,277)</u>
<u>61,078</u>	<u>3,222,718</u>	<u>15,019,424</u>
-	-	15,885
-	-	297,829
-	-	-
<u>-</u>	<u>-</u>	<u>313,714</u>
<u>1,921,066</u>	<u>3,733,521</u>	<u>26,238,275</u>
<u>37,447</u>	<u>5,926</u>	<u>121,649</u>

COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
STATEMENTS OF NET POSITION - continued
JUNE 30, 2023

	Electric Utility	Gas Utility	Water Utility
Liabilities			
Current Liabilities:			
Accounts Payable - Trade	81,983	22,292	9,400
Other Payables and Credits	21,759	-	8,895
Payroll, Sales and Use Taxes Payable	-	-	1,735
Compensated Absences Payable	34,242	16,678	13,883
Customer Deposits	131,180	-	-
Notes Payable - Current Portion	155,000	-	-
Accrued Interest	2,529	-	-
Total Current Liabilities	<u>426,693</u>	<u>38,970</u>	<u>33,913</u>
Noncurrent Liabilities:			
Notes Payable	1,415,000	-	-
Net Pension Liability	173,163	77,617	71,116
Total Noncurrent Liabilities	<u>1,588,163</u>	<u>77,617</u>	<u>71,116</u>
Total Liabilities	<u>2,014,856</u>	<u>116,587</u>	<u>105,029</u>
Deferred Inflows of Resources			
Pension Related Deferred Inflows	<u>27,696</u>	<u>38,944</u>	<u>(7,892)</u>
Net Position			
Net Investment in Capital Assets	9,336,490	536,095	293,043
Restricted	856,846	-	-
Unrestricted	5,554,452	1,625,690	164,128
Total net position	<u><u>\$ 15,747,788</u></u>	<u><u>2,161,785</u></u>	<u><u>457,171</u></u>

See notes to financial statements.

Communications		
Utility	Wastewater Utility	Total
39,054	107,203	259,932
-	-	30,654
-	-	1,735
6,950	10,204	81,957
-	-	131,180
-	85,000	240,000
-	2,354	4,883
<u>46,004</u>	<u>204,761</u>	<u>750,341</u>
-	1,501,150	2,916,150
31,058	50,101	403,055
<u>31,058</u>	<u>1,551,251</u>	<u>3,319,205</u>
<u>77,062</u>	<u>1,756,012</u>	<u>4,069,546</u>
<u>4,644</u>	<u>7,019</u>	<u>70,411</u>
61,078	1,537,896	11,764,602
-	-	856,846
1,815,729	438,520	9,598,519
<u>1,876,807</u>	<u>1,976,416</u>	<u>22,219,967</u>

COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	Electric Utility	Gas Utility	Water Utility
Operating Revenues:			
Sales to Customers	\$ 1,484,381	1,083,509	308,410
Sales for Resale	1,306,919	-	-
Interdepartmental Sales	54,419	10,801	5,634
Forfeited Discounts	10,328	2,061	944
Rebates and Other	7,167	5,074	9,049
Total operating revenues	2,863,214	1,101,445	324,037
Operating expenses:			
Purchase Energy and Programming	551,353	566,448	-
Plant Operations	418,490	11,754	63,793
Transmission Operations	160,672	-	-
Distribution Operations	235,291	119,217	74,380
Consumer Service Operations	100,144	55,354	47,061
Administrative & General Expenses	312,910	123,558	103,527
Depreciation	575,102	51,676	29,215
Total operating expenses	2,353,962	928,007	317,976
Income from operations	509,252	173,438	6,061
Nonoperating income (expense):			
Interest Income	179,054	45,302	6,034
Joint Use Payments	100,000	-	-
In-Lieu-Of Tax Payments	(54,653)	(20,279)	(3,703)
Free Community Service	(23,872)	(16,473)	(584)
Gain (Loss) on Sale or Disposal of Assets	29,068	(18,966)	(7,679)
Grant Revenue	-	-	-
Miscellaneous Nonoperating Revenue	37,930	(266)	132
Merchandise Sales - Net	-	-	-
Interest Expense	(34,155)	-	-
Net nonoperating income (expense)	233,372	(10,682)	(5,800)
Change in net position	742,624	162,756	261
Net position, beginning	15,005,164	1,999,029	456,910
Net position, ending	\$ 15,747,788	2,161,785	457,171

See Notes to Financial Statements

Communication Utility	Wastewater Utility	Total
927,099	277,007	\$ 4,080,406
-	-	1,306,919
-	1,058	71,912
6,251	917	20,501
(4,698)	555	17,147
<u>928,652</u>	<u>279,537</u>	<u>5,496,885</u>
420,019	-	1,537,820
24,271	9,097	527,405
-	-	160,672
30,390	48,949	508,227
29,298	32,176	264,033
105,082	69,183	714,260
22,924	54,171	733,088
<u>631,984</u>	<u>213,576</u>	<u>4,445,505</u>
<u>296,668</u>	<u>65,961</u>	<u>1,051,380</u>
57,327	12,857	300,574
(100,000)	-	-
-	(80)	(78,715)
(474)	(193)	(41,596)
-	-	2,423
-	193,480	193,480
2,493	91	40,380
-	-	-
-	(27,320)	(61,475)
<u>(40,654)</u>	<u>178,835</u>	<u>355,071</u>
256,014	244,796	1,406,451
<u>1,620,793</u>	<u>1,731,620</u>	<u>20,813,516</u>
<u>1,876,807</u>	<u>1,976,416</u>	<u>\$ 22,219,967</u>

COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023

	Electric Utility	Gas Utility	Water Utility
Cash Flows from Operating Activities:			
Cash Received from Customers & Users	\$ 2,940,093	1,079,369	323,781
Cash Paid to Suppliers for Goods and Services	(1,555,487)	(723,111)	(137,954)
Cash Paid to Employees	(420,691)	(195,863)	(187,990)
Net Cash Provided by Operating Activities	<u>963,915</u>	<u>160,395</u>	<u>(2,163)</u>
Cash Flows from Capital & Related Financing Activities:			
Acquisition & Construction of Capital Assets	(381,309)	(6,805)	(22,268)
Proceeds from Sale of Capital Assets	104,477	2,000	-
Cash (Paid)/Received from Joint Use	100,000	-	-
Proceeds from Note Payable	-	-	-
Revenue Bond Principal Repayment	(150,000)	-	-
Interest Paid	(34,397)	-	-
Cash Received from Grant Revenue	-	-	-
Cash Received from Other Capital & Financing Activities	33,584	-	-
Net Cash (Used) by Capital & Related Financing Activities	<u>(327,645)</u>	<u>(4,805)</u>	<u>(22,268)</u>
Cash Flows from Noncapital Financing Activities:			
Payments for Free Community Service	(23,872)	(16,473)	(584)
Payments In-Lieu-of Tax Payment	(54,653)	(20,279)	(3,703)
Net Cash (Used) by Noncapital Financing Activities	<u>(78,525)</u>	<u>(36,752)</u>	<u>(4,287)</u>
Cash Flows from Investing Activities:			
Interest on Investments	179,054	45,302	6,034
Disbursements Made on Revolving Loans	(100,000)	-	-
Payments Received on Revolving Loans	57,361	-	-
Payments Received on CRDL	-	22,372	-
Cash (Paid)/Received from Other Investing Activities	4,346	(266)	132
Net Cash Provided by Investing Activities	<u>140,761</u>	<u>67,408</u>	<u>6,166</u>
Net Increase (Decrease) in Cash and Cash Equivalents	698,506	186,246	(22,552)
Cash and Cash Equivalents-June 30, 2022	<u>4,836,373</u>	<u>1,399,582</u>	<u>195,010</u>
Cash and Cash Equivalents-June 3, 2023	<u><u>\$ 5,534,879</u></u>	<u><u>1,585,828</u></u>	<u><u>172,458</u></u>

See Notes to Financial Statements

Communications Utility	Wastewater Utility	Total
927,094	263,269	5,533,606
(565,579)	(11,311)	(2,993,442)
<u>(82,233)</u>	<u>(114,235)</u>	<u>(1,001,012)</u>
<u>279,282</u>	<u>137,723</u>	<u>1,539,152</u>
(25,513)	(1,076,734)	(1,512,629)
-	-	106,477
(100,000)	-	-
-	768,569	768,569
-	(81,000)	(231,000)
-	(25,975)	(60,372)
-	480,779	480,779
-	-	33,584
<u>(125,513)</u>	<u>65,639</u>	<u>(414,592)</u>
(474)	(193)	(41,596)
-	(80)	(78,715)
<u>(474)</u>	<u>(273)</u>	<u>(120,311)</u>
57,327	12,857	300,574
-	-	(100,000)
-	-	57,361
15,682	-	38,054
2,493	91	6,796
<u>75,502</u>	<u>12,948</u>	<u>295,989</u>
228,797	216,037	1,307,034
<u>1,551,845</u>	<u>233,841</u>	<u>8,216,651</u>
<u>1,780,642</u>	<u>449,878</u>	<u>9,523,685</u>

COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
STATEMENTS OF CASH FLOWS - continued
FOR THE YEAR ENDED JUNE 30, 2023

	Electric Utility	Gas Utility	Water Utility
Reconciliation:			
Cash and Cash Equivalents			
Unrestricted	4,546,853	1,585,828	172,458
Restricted	988,026	-	-
	\$ 5,534,879	1,585,828	172,458
Reconciliation of operating income (loss) to net cash flows provided by operating activities:			
Income from operations	509,252	173,438	6,061
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	575,102	51,676	29,215
(Increase)/decrease in the following:			
Accounts Receivable	67,858	(22,076)	(256)
Inventories	(75,039)	(14,326)	(3,652)
Other Current & Prepaid Assets	(11,933)	(2,518)	(1,955)
Deferred Patronage Dividend	694	-	-
Deferred Outflows	4,446	(1,314)	3,263
Accounts Payable	(73,389)	(10,344)	(13,556)
Customer Deposits	8,327	-	-
Compensated Absences Payables	146	1,012	(2,710)
Net Pension Liability	167,145	74,178	68,967
Deferred Inflows	(208,694)	(89,331)	(87,540)
	\$ 963,915	160,395	(2,163)
Net Cash Provided by Operating Activities	\$ 963,915	160,395	(2,163)

See Notes to Financial Statements

Communications Utility	Wastewater Utility	Total
1,780,642	449,878	8,535,659
-	-	988,026
<u>1,780,642</u>	<u>449,878</u>	<u>9,523,685</u>
296,668	65,961	1,051,380
22,924	54,171	733,088
(1,558)	(16,268)	27,700
(15,005)	(132)	(108,154)
1,218	(357)	(15,545)
-	-	694
1,776	743	8,914
(17,839)	46,172	(68,956)
-	-	8,327
(423)	(1,116)	(3,091)
30,198	48,238	388,726
<u>(38,677)</u>	<u>(59,689)</u>	<u>(483,931)</u>
<u>279,282</u>	<u>137,723</u>	<u>1,539,152</u>

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE COON RAPIDS
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Coon Rapids Municipal Utilities (CRMU) is engaged in the activities providing electric, natural gas, water, wastewater and communications utilities services. CRMU operates independent of the City of Coon Rapids and is governed by a five-member Board of Trustees, appointed by the Mayor with the approval of the City Council. The Communications Utility was formed to engage in the development and operation of a broadband communications system and the marketing of related services such as cable, television, telephone, high-speed data communications and other communication products. CRMU's rates are set by its governing board.

The Utility's financial statements are prepared in conformity with U.S. generally accepted accounting principles applicable to proprietary funds of governmental entities as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, CRMU has included all funds, organizations, agencies, boards, commissions and authorities. CRMU has also considered all other potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with CRMU are such that exclusion would cause CRMU's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of CRMU to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on CRMU. CRMU has no component units which meet the Governmental Accounting Standards Board criteria.

The Utility is not presented as a component unit of the City of Coon Rapid's financial statements. The Utility is a legally separate entity from the City, but it is financially accountable to the City.

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 by providing a separate set self-balancing account, which comprise of its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses, and debt service of the designated activity. CRMU reports the following major enterprise funds:

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

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE COON RAPIDS
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2023

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 Fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. As such, the fund measurement objective is 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 business in the private sector.

CRMU distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of CRMU are charges to customers for sales and services. Operating expenses include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is CRMU's policy to use restricted resources first, and then unrestricted resources as they are needed.

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, 2023 was \$881,942.

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 other 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, 2023, was \$1,451,247.

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

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE COON RAPIDS
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2023

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.

Budgetary Information

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. During the year ended June 30, 2023, disbursements did not exceed the amounts budgeted.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The various 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 the 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. Investments consist of certificates of deposits, which are recorded at amortized costs.

Accounts Receivable and Allowance for Doubtful Accounts – Accounts receivable are stated at the amount CRMU expects to collect from outstanding balances. CRMU provides for probable uncollectible amounts through a charge to earnings and a credit to valuation allowance based on an assessment of the current status of individual accounts. Balances that are still outstanding after CRMU has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2023, the allowance for uncollectible accounts was \$31,550.

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.

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The inventories at June 30, 2023, are comprised as follows:

All Material and Supplies	\$ 378,217
Electric Fund Fuel Inventories	184,021
Gas Fund Natural Gas Inventory	21,739
SO2 Allowances	57,466
REC Inventory	6,240
NO(X) Allowances	14
Total	\$ 647,697

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.

Capital assets are depreciated over the assets estimated useful lives using the straight-line method. No depreciation is taken on construction in progress.

The estimated useful lives used to depreciate assets by class are as follows:

Infrastructure	20-40 years
Building and improvements	20 years
Equipment and Vehicles	5-10 years

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Pension related deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer’s reporting period. OPEB related deferred outflows of resources consist of changes of assumptions that have not been recognized in the OPEB expense.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Pension related deferred inflows of resources in the Statements of Net Position consist of the unamortized portion of the net difference between projected and actual earnings and on pension plan investments. OPEB related deferred inflows of resources consist of the differences between expected and actual experience that have not been recognized.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized

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when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Revenue Recognition

For electric, water, gas and wastewater 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. For communication services, CRMU recognizes sales and service charge revenue in the period in which the service is provided.

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

Net Position

Net position is reported in the following categories:

- *Net Investment in Capital Assets* – This category consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances for bonds, notes, and other borrowings attributable to the acquisition, construction, or improvement of those assets and increased by unspent debt when there are limitations imposed on their use through external restrictions imposed by credits, grantors, or laws or regulations of other governments.
- *Restricted* – This category results when constraints are placed on net position by external groups such as creditors, grantors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- *Unrestricted* – This category consists of all other net position not meeting the definition of “restricted” or “net investment in capital assets.”

CRMU’s policy is to first apply restricted resources when expense is incurred for purposes for which both restricted and unrestricted net position is available.

Amounts shown as restricted net position and the purpose of the restriction are as follows:

- Restricted for Revenue Bonds \$745,972
- Restricted for Revolving Fund \$110,874

NOTE 2 – CASH AND INVESTMENTS

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

CRMU pool their deposits and investments and maintain records as to the separate utility systems share of the total balance. All deposits in banks at June 30, 2023 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.

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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 account 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 invested companies; certain joint investment trusts; and warrants or improvements 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 operation 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.

The Utility had no investments meeting the disclosure requirement of Governmental Accounting Standards Board Statement No. 72.

NOTE 3 – REVOLVING LOAN RECEIVABLE

The Utility implemented a revolving loan program that began with funding of \$300,000 from a USDA Rural Development Grant and a \$60,000 local match. This program has made several loans to local organizations in furthering economic development in the Coon Rapids area. The ending balance of these loans was \$359,173 at June 30, 2023, with interest rates ranging from 2-4.75%. Annual principal and interest requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2024	61,344	13,941
2025	58,435	11,408
2026	51,032	9,185
2027	43,353	6,529
2028	38,725	4,946
Thereafter	106,284	8,078
	359,173	54,087

NOTE 4– NOTE RECEIVABLE

On July 1, 2015, CRMU entered into a loan agreement with Coon Rapids Development Group for \$340,000 to finance the construction of a new subdivision. The promissory note specifies yearly

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payments in the amount of \$39,858 for ten years, which includes interest at 3.00% per annum. The balance of this note at June 30, 2023 was \$16,703. Annual principal and interest requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2024	16,703	506
	16,703	506

NOTE 5 – CAPITAL ASSETS

Capital assets categories and changes in each cost category and depreciation for the year ended June 30, 2023 was as follows:

Total Utility	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 126,119	-	1,000	\$ 125,119
Construction in progress	1,291,237	1,183,452	114,004	2,360,685
Total capital assets not being depreciated	1,417,356	1,183,452	115,004	2,485,804
Capital assets being depreciated:				
Neal 4 Steam Production	3,731,410	53,726	3,072	3,782,064
Local Production Facilities	2,066,492	52,098	27,378	2,091,212
Transmission System	2,104,641	136,091	179,208	2,061,524
Distribution System	14,024,444	62,916	202,671	13,884,689
Municipal Building	1,335,142	-	1,498	1,333,644
General Facilities Equipment	2,940,243	137,261	131,740	2,945,764
Total capital assets being depreciated	26,202,372	442,092	545,567	26,098,897
Less accumulated depreciation:	13,275,792	733,088	443,603	13,565,277
Net capital assets being depreciated	12,926,580			12,533,620
Total capital assets - net	\$14,343,936			\$15,019,424

Capital asset categories and changes in each category and depreciation for the year ended June 30, 2023 for each major fund are as follows:

Electric	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 56,312	\$ -	\$ -	\$ 56,312
Construction in progress	63,364	147,398	114,004	96,758
Total capital assets not being depreciated	119,676	147,398	114,004	153,070
Capital assets being depreciated:				
Neal 4 Steam Production	3,731,410	53,726	3,072	3,782,064
Transmission System	1,994,290	136,091	179,208	1,951,173

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Distribution System	11,319,549	61,196	81,395	11,299,350
Municipal Building	627,500	-	-	627,500
General Facilities Equipment	1,870,413	95,805	77,338	1,888,880
Total capital assets being depreciated	<u>19,543,162</u>	<u>346,818</u>	<u>341,013</u>	<u>19,548,967</u>
Less accumulated depreciation:	<u>8,487,147</u>	<u>575,102</u>	<u>266,702</u>	<u>8,795,547</u>
Net capital assets being depreciated	<u>11,056,015</u>			<u>10,753,420</u>
Electric utility, net capital assets	<u>\$11,175,691</u>			<u>\$10,906,490</u>

Gas	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 30,478	\$ -	\$ -	\$ 30,478
Total capital assets not being depreciated	<u>30,478</u>	<u>-</u>	<u>-</u>	<u>30,478</u>
Capital assets being depreciated:				
Local Productions Facilities	153,490	-	-	153,490
Distribution System	552,787	-	50,359	502,428
Municipal Building	707,642	-	1,498	706,144
General Facilities Equipment	371,203	6,800	19,771	358,232
Total capital assets being depreciated	<u>1,785,122</u>	<u>6,800</u>	<u>71,628</u>	<u>1,720,294</u>
Less accumulated depreciation:	<u>1,213,668</u>	<u>51,676</u>	<u>50,667</u>	<u>1,214,677</u>
Net capital assets being depreciated	<u>571,454</u>			<u>505,617</u>
Gas utility, net capital assets	<u>\$ 601,932</u>			<u>\$ 536,095</u>

Water	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 33,349	\$ -	\$ 1,000	\$ 32,349
Total capital assets not being depreciated	<u>33,349</u>	<u>-</u>	<u>1,000</u>	<u>32,349</u>
Capital assets being depreciated:				
Local Production Facilities	326,720	19,218	27,378	318,560
Transmission System	110,351	-	-	110,351
Distribution System	841,815	1,720	48,804	794,731
General Facilities Equipment	174,256	1,330	9,380	166,206
Total capital assets being depreciated	<u>1,453,142</u>	<u>17,521</u>	<u>41,505</u>	<u>1,389,848</u>
Less accumulated depreciation:	<u>1,178,822</u>	<u>29,215</u>	<u>78,883</u>	<u>1,129,154</u>
Net capital assets being depreciated	<u>274,320</u>			<u>260,694</u>
Communications utility, net capital assets	<u>\$ 307,669</u>			<u>\$ 293,043</u>

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Communications	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Local Production Facilities	\$ 317,667	\$ -	\$ -	\$ 317,667
General Facilities Equipment	75,939	25,526	18,128	83,337
Total capital assets being depreciated	<u>\$ 393,606</u>	<u>25,526</u>	<u>18,128</u>	<u>\$ 401,004</u>
Less accumulated depreciation:	<u>335,117</u>	<u>22,924</u>	<u>18,115</u>	<u>339,926</u>
Communications Utility, net capital assets	<u>\$ 58,489</u>			<u>\$ 61,078</u>

Wastewater	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,980	\$ -	\$ -	\$ 5,980
Construction in progress	1,227,873	1,036,054	-	2,263,927
Total capital assets not being depreciated	<u>1,233,853</u>	<u>1,036,054</u>	<u>-</u>	<u>2,269,907</u>
Capital assets being depreciated:				
Local Production Facilities	1,268,615	32,880	-	1,301,495
Distribution System	1,310,293	-	22,113	1,288,180
General Facilities Equipment	448,432	7,800	7,123	449,109
Total capital assets being depreciated	<u>3,027,340</u>	<u>40,680</u>	<u>29,236</u>	<u>3,038,784</u>
Less accumulated depreciation:	<u>2,061,038</u>	<u>54,171</u>	<u>29,236</u>	<u>2,085,973</u>
Net capital assets being depreciated	<u>966,302</u>			<u>952,811</u>
Communications utility, net capital assets	<u>\$ 2,200,155</u>			<u>\$ 3,222,718</u>

Reconciliation of Net Investment in Capital Assets:

	Electric	Gas	Water	Communications	Wastewater	Total
Capital Assets (Net of A/D)	10,906,490	536,095	293,043	61,078	3,222,718	15,019,424
Less:						
Bonds Payable	1,570,000	-	-	-	1,586,150	3,156,150
Retainage Payable	-	-	-	-	98,672	98,672
	<u>9,336,490</u>	<u>536,095</u>	<u>293,043</u>	<u>61,078</u>	<u>1,537,896</u>	<u>11,764,602</u>

NOTE 6 – LONG TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2023 are summarized as follows:

LT Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable	\$ 2,618,581	768,569	231,000	3,156,150	240,000
Net Pension Liability	14,329	388,726	-	403,055	-

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Total	\$ 2,632,910	1,157,295	231,000	3,559,205	240,000
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Notes Payable

Notes Payable activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Electric Utility:					
Iowa Savings Bank	\$ 1,720,000	\$ -	\$ 150,000	\$ 1,570,000	\$ 155,000
Wastewater Utility:					
State Revolving Fund Loan	898,581	768,569	81,000	1,586,150	85,000
Total	\$ 2,618,581	\$768,569	\$ 231,000	\$ 3,156,150	\$ 240,000

Electric Utility - The Utility pledged future electric customer receipts net of specific operating disbursements to repay \$2,400,000 of revenue bonds issued in January 2017 and refinanced in 2020. The note is payable solely from electric customer net receipts, bears interest at 2% and is payable through 2032. During the year ended June 30, 2023 the Utility paid principal of \$150,000 and interest of \$34,397. The total principal and interest remaining to be paid on the notes is \$1,733,700. For the current year, principal and interest paid and total customer net receipts were \$184,397 and \$509,252, respectively.

The Electric's Iowa Savings Bank note matures and bears interest as follows:

	Principal	Interest
2024	\$ 155,000	\$ 31,400
2025	160,000	28,300
2026	160,000	25,100
2027	165,000	21,900
2028	175,000	18,600
2029-2032	755,000	38,400
	\$ 1,570,000	\$ 163,700

Wastewater Utility – The Utility pledged future sewer customer receipts net of specific operating disbursements to repay \$2,076,000 of revenue bonds issued in May 2021. The note is payable solely from sewer customer net receipts, bears interest at 2% and is payable through 2042. During the year ended June 30, 2023 the Utility paid principal of \$81,000 and interest of \$25,975. The total principal and interest remaining to be paid on the notes is \$1,943,327. For the current year, principal and interest paid and total customer net receipts were \$106,975 and \$65,961, respectively.

The Wastewater's SRF note matures and bears interest as follows:

	Principal	Interest
2024	\$ 85,000	\$ 34,913
2025	90,000	33,425

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2026	90,000	31,850
2027	95,000	30,275
2028	95,000	28,613
2029-2033	500,000	117,600
2034-2038	555,000	72,013
2039-2042	76,150	8,488
	\$ 1,586,150	\$ 357,177

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, 2023 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 – 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 9 – PAYMENT TO THE CITY

CRMU made voluntary in-lieu-of-tax payments to the City in the amount of \$78,715 for the year ended June 30, 2023.

NOTE 10 – PENSION AND RETIREMENT BENEFITS

Plan Description – IPERS membership is mandatory for employees of CRMU. Employees of CRMU are provided with pensions through a cost-sharing multiple employer defined benefit

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pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO 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, any time 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:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-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% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month 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 – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be

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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.

For the year ended June 30, 2023, pursuant to the required rate, regular members contributed 6.29% of covered payroll and CRMU contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Utilities’ total contributions to IPERS for the year ended June 30, 2023 were \$85,616.

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions – At June 30, 2023, CRMU reported a liability of \$403,055 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. CRMU’s proportion of the net pension liability was based on CRMU’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2023, CRMU’s proportion was 0.010668% percent, which was an increase of 0.014819% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, CRMU recognized pension income of \$435. CRMU 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	\$ 17,869	5,521
Changes of assumptions	342	11
Net difference between projected and actual earnings on IPERS investments	-	43,146
Changes in proportion and differences between Utility contributions and the Utility’s proportionate share of contributions	17,822	21,733
Utility contributions subsequent to the measurement date	85,616	-
	<u>\$ 121,649</u>	<u>70,411</u>

Deferred outflows of resources related to pensions of \$85,616 represents the amount CRMU contributed subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. 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 ending June 30,	Total
2024	\$ (33,823)
2025	(29,185)
2026	(57,600)
2027	85,629

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2028

	601
	\$ (34,378)

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	3.57 %
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
	100.0%	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from Utilities will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE COON RAPIDS
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2023

active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of CRMU's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents CRMU's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what CRMU's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Utility's proportionate share of the net pension liability	\$ 750,938	403,055	96,473

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – At June 30, 2023, CRMU reported payables to IPERS of \$12,406 for legally required contributions from employee wages which had not yet been remitted to IPERS.

NOTE 11 – EMPLOYEE HEALTH INSURANCE PLAN

CRMU has a group health insurance policy which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. CRMU partially self-insures certain eligible medical costs that exceed the established amounts approved in CRMU's policy. The insurance policies provided by CRMU have deductibles and out of pocket maximums of \$4,000 and \$9,000 for single coverage and \$8,000 and \$18,000 for family coverage, respectively. Under the program, employees are only required to pay a maximum of \$1,000 for single coverage and \$2,000 for family coverage towards these provisions, with CRMU covering the remainder.

CRMU's contributions for the year ended June 30, 2023 was \$17,800. CRMU has estimated unpaid claims for the current year as follows:

Unpaid claims, beginning of year	\$ 8,594
Incurred claims (including claims incurred but not reported at June 30, 2023)	14,779
Payments on claims during the year	<u>(17,800)</u>
Unpaid claims, end of year	<u>\$ 5,573</u>

NOTE 12 – COMMITMENTS AND CONTINGENT LIABILITIES

CRMU has a contract 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.

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE COON RAPIDS
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2023

This contract provides that the contract rate of delivery for firm power maybe adjusted 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. Unless a cancellation notice is received, the contract automatically renews each year.

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.

NOTE 13 – 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 14 – 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 15 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 21, 2023, the date the financial statements were available to be issued.

Required Supplementary Information

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, EXPENDITURES
AND CHANGES IN NET POSITION- BUDGET AND ACTUAL
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			Budget to
	Original	Amended	Actual	Actual Variance
Receipts:				
Municipal Electric Utility			3,209,266	
Municipal Gas Utility			1,146,747	
Municipal Water Utility			330,203	
Municipal Communications Utility			988,472	
Municipal Waste Water Utility			485,965	
	\$ 12,951,430	12,951,430	6,160,653	6,790,777
Expenditures:				
Municipal Electric Utility			2,466,642	
Municipal Gas Utility			983,991	
Municipal Water Utility			329,942	
Municipal Communications Utility			732,458	
Municipal Waste Water Utility			241,169	
	12,615,141	12,615,141	4,754,202	7,860,939
Excess (Deficiency) of Revenues Over Expenditures	336,289	336,289	1,406,451	
Net Position at beginning of year	20,813,516	20,813,516	20,813,516	
Net Position at end of year	\$ 21,149,805	21,149,805	22,219,967	

See accompanying independent auditor's report.

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2023

In accordance with the Code of Iowa, Coon Rapids Municipal Utilities annually adopts a combined budget on the cash basis for the City of Coon Rapids, Iowa following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized and appropriations lapse at year-end.

Formal and legal budgetary control is based upon nine major classes of expenditures, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. All Utility expenditures are included in business type activities and are required to be budgeted.

Disbursements during the year ended June 30, 2023 did not exceed the amounts budgeted.

COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
SCHEDULE OF THE UTILITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST NINE YEARS*
REQUIRED SUPPLEMENTARY INFORMATION

	2023	2022	2021	2020	2019
Utility's proportion of the net net pension liability	0.010668%	-0.004151%	0.010611%	0.010607%	0.009665%
Utility's proportionate share of the of the net pension liability	403,055	14,329	745,367	614,219	611,642
Utility's covered payroll	856,833	829,583	842,078	807,237	726,433
Utility's proportionate share of the pension liability as a percentage of its covered-employee payroll	47.04%	1.73%	88.52%	76.09%	84.20%
Plan fiduciary net position as a percentage of the total pension liability	91.40%	100.81%	82.90%	85.45%	83.62%

In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

2018	2017	2016	2015
0.009533%	0.009402%	0.009390%	0.009371%
634,999	591,681	463,916	371,638
711,570	674,705	643,303	613,191
89.24%	87.69%	72.11%	60.61%
82.21%	81.82%	85.19%	87.61%

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
SCHEDULE OF UTILITY CONTRIBUTIONS**

**FOR THE LAST 10 YEARS
REQUIRED SUPPLEMENTARY INFORMATION**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 85,616	\$ 80,885	\$ 78,313	\$ 79,492
Contributions in relation to the statutorily required contribution	<u>(85,616)</u>	<u>(80,885)</u>	<u>(78,313)</u>	<u>(79,492)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 906,949	\$ 856,833	\$ 829,583	\$ 842,078
Contributions as a percentage of covered-employee payroll	9.44%	9.44%	9.44%	9.44%

See accompanying independent auditor's report.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 76,203	\$ 64,871	\$ 63,543	\$ 60,251	\$ 57,447	\$ 54,758
<u>(76,203)</u>	<u>(64,871)</u>	<u>(63,543)</u>	<u>(60,251)</u>	<u>(57,447)</u>	<u>(54,758)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 807,237	\$ 726,433	\$ 711,570	\$ 674,705	\$ 643,303	\$ 613,191
9.44%	8.93%	8.93%	8.93%	8.93%	8.93%

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY**

FOR THE YEAR ENDED JUNE 30, 2023

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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.



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Board of Trustees of
Coon Rapids Municipal Utilities:

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 financial statements of Coon Rapids Municipal Utilities, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the Utilities' basic financial statements, and have issued our report thereon dated December 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utilities' internal control over financial reporting (internal control) as a basis for designing the audit procedures 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 the Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Utilities' internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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.

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The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which is described in Part II of the accompanying schedule of findings.

Comments involved statutory and other legal matters about the Utilities' operations for the year ended June 30, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on test and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Coon Rapids Municipal Utilities' Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Utilities' responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The Utilities' responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Coon Rapids Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

TP Anderson & Company, PC

Humboldt, Iowa

December 21, 2023

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2023**

Part I: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

- II-A-23 Certified Budget – Disbursements during the year ended June 30, 2023 did not exceed the amounts budgeted.

- II-B-23 Questionable Disbursement – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-C-23 Travel Expense – No disbursements of Utility money for travel expenses of spouses of Utility officials or employees were noted.

- II-D-23 Business Transactions – No business transactions between Coon Rapids Municipal Utilities and the Utilities' officials and employees were noted.

- II-E-23 Bond Coverage – Surety bond coverage of Utility 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.

- II-F-23 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

- II-G-23 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities' investment policy.

- II-H-23 Telecommunication Services – No instance of noncompliance with Chapter 388.10 of the Code of Iowa were noted.