

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2009**

COON RAPIDS MUNICIPAL UTILITIES

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COON RAPIDS MUNICIPAL UTILITIES

OFFICIALS

Name	Position	Term Expires
Mike Deeth	Chairman	June, 2012
Ron Brower	Trustee	June, 2014
Dierk Halverson	Trustee	June, 2010
Bradley Honold	Secretary/General Manager	Indefinite
Kari Woodard	Director of Finance and Accounting	Indefinite
Jesica Leighty	City Clerk/City Treasurer	Indefinite
Mark Thomas	Attorney	Indefinite

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INDEPENDENT AUDITORS' REPORT

Coon Rapids Municipal Utilities
Coon Rapids, Iowa

We have audited the accompanying financial statements of the business type activities of each major fund of Coon Rapids Municipal Utilities, a component unit of the City of Coon Rapids, as of and for the year ended June 30, 2009, which collectively comprise the Utilities' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Coon Rapids Municipal Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the financial statements of Coon Rapids Municipal Utilities are intended to present the financial position and results of operations and cash flows of proprietary fund types of only that portion of the financial reporting entity of the City of Coon Rapids, Iowa, that is attributable to the transactions of the Coon Rapids Municipal Utilities.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of each major fund of Coon Rapids Municipal Utilities, a component unit of the City of Coon Rapids, as of June 30, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009, on our consideration of Coon Rapids Municipal Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 38 through 40, respectively, are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Coon Rapids Municipal Utilities' basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008, (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 3 and 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

By  _____
Certified Public Accountant

December 11, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS



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, 2009. This should be read in conjunction with the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Fund Net Assets, and the Statement of Cash Flows, which follow.

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

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

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

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

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

Communications Utility

Overview:

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

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

CRMU continues to work toward expanding offerings (additional digital and high definition television channels, increased internet bandwidth) to provide additional revenue to offset costs incurred due to the always-changing nature of the technology industry.

The communications utility has historically experienced a positive financial position. Maintaining this performance will continue to be a challenge, making close fiscal management and marketing an ongoing priority.

Communications Utility Financial Highlights:

Dollars in Thousands

	2009	2008
OPERATING		
Revenues	776	790
Expenses	575	569
Operating Gain (Loss)	201	221
NONOPERATING		
Revenues (Expenses)	(153)	(139)
Transfers In (Out)	(9)	(7)
Nonoperating Gain (Loss)	(162)	(146)
Total Gain (Loss)	39	75
ASSETS		
Current	590	957
Capital	157	118
Noncurrent	363	0
Total Assets	1,110	1,075
LIABILITIES		
Current	30	34
Noncurrent	0	0
Total	30	34
NET ASSETS		
Invested in Capital Assets	156	118
Unrestricted	924	923
Total	1,080	1,041
Total Liabilities & Net Assets	1,110	1,075

Results of Operations:

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

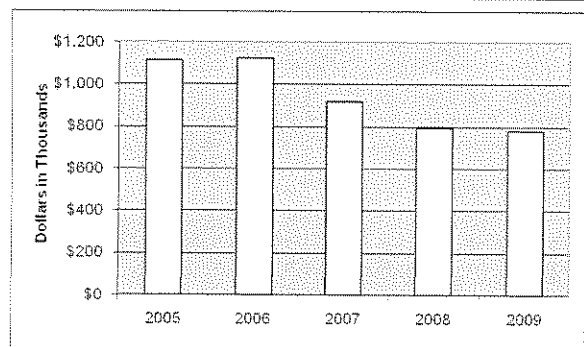
Revenue from operations declined less than 2%, while total operating expenses increased by just over 1%. The decline in revenue can be attributed to a reduction of telephone service revenues by 8%. Cable television and internet revenues increased by 6%.

Expenses for the communication utility were slightly higher due to increased maintenance costs, wages, and cable programming. This increase outweighed the decline in central office switching and administrative and general expenses.

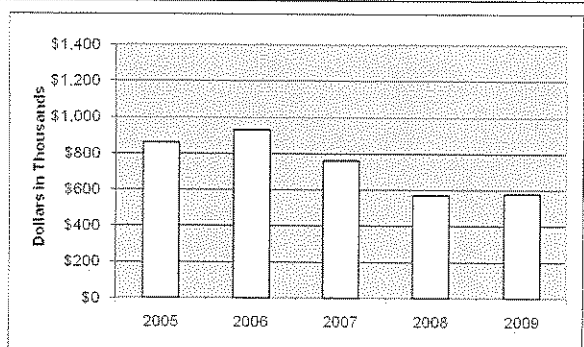
Interest income was lower in 2009 by more than \$18,000. Nonoperating losses totaled \$153,000. Transfers out to the community and City of Coon Rapids were \$9,000.

Combined with the \$200,000 operating gain, nonoperating losses and transfers out, the communications utility ended the year with a \$39,000 gain, compared to \$75,000 in 2008.

**Communications Utility
Operating Revenues: \$775,649**



**Communications Utility
Operating Expenses: \$575,162**



Financial Position:

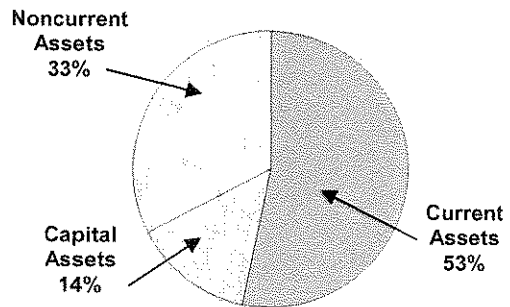
(As reported on the Statement of Net Assets)

Total assets increased by more than 16% in fiscal year 2009. This can be attributed to an increase in inventories and fixed capital assets. Total liabilities decreased 25% simply because CRMU had lower accounts payable at the end of fiscal year 2009 compared to fiscal year 2008. Total net assets increased more than 18%.

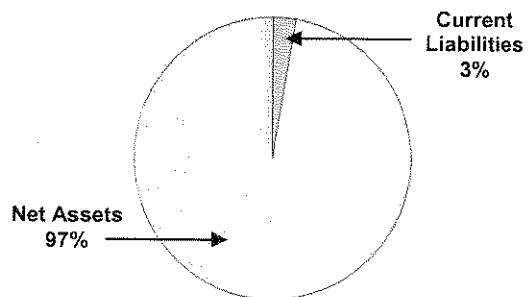
The communication utility's noncurrent assets increased by \$363,000 because of the loan created to the electric utility. Capital assets, in the form of utility plant, facilities and equipment, account for 14% of total assets, while current assets comprise 53% of the total assets. Cash and cash equivalents account for over 40% of total assets. These funds are designated for equipment replacement, capital improvements, and general savings.

Both revenues and expenses were lower than budget by \$5,700 and \$43,000, respectively.

Communication Utility Total Assets: \$1,109,768



Communication Utility Total Liabilities and Net Assets: \$1,109,768



Electric Utility

Overview:

In 2009, CRMU realized a net operating gain of \$351,000 and a nonoperating loss of \$19,000 for a total gain of \$332,000. This is substantially lower than 2008; however, a \$300,000 revolving loan fund grant was received last year. Excluding this, total gains were \$130,000 less than last year.

At the beginning of fiscal year 2009, CRMU had \$2,890,000 in capital loan notes (interest rates of 4.10% and 3.85%). Over the year, as interest rates on cash accounts continued to fall, CRMU determined it would be fiscally beneficial to pay off this debt, saving CRMU customers approximately \$150,000 over the next six years. The electric utility was able to payoff both notes by using electric cash reserves and issuing interutility loans from natural gas (\$650,000), wastewater (\$460,000), and communications (\$430,000). These funds have a six year repayment schedule at a rate of 2.5%.

CRMU's next challenge will be funding large capital projects within our distribution system and as an owner of the Neal 4 Power Plant.

Electric Utility Financial Highlights:

Dollars in Thousands

	2009	2008
OPERATING		
Revenues	2,174	2,273
Expenses	1,823	1,848
Operating Gain (Loss)	351	425
NONOPERATING		
Revenues (Expenses)	135	456
Transfers In (Out)	(154)	(119)
Nonoperating Gain (Loss)	(19)	337
Total Gain (Loss)	332	762
ASSETS		
Current	1,928	2,663
Capital	7,132	7,048
Noncurrent	307	650
Total Assets	9,367	10,361
LIABILITIES		
Current	330	414
Noncurrent	1,299	2,540
Total	1,629	2,954
NET ASSETS		
Invested in Capital Assets	5,592	4,497
Restricted	26	48
Unrestricted	2,120	2,862
Total	7,738	7,407
Total Liabilities & Net Assets	9,367	10,361

Results of Operations:

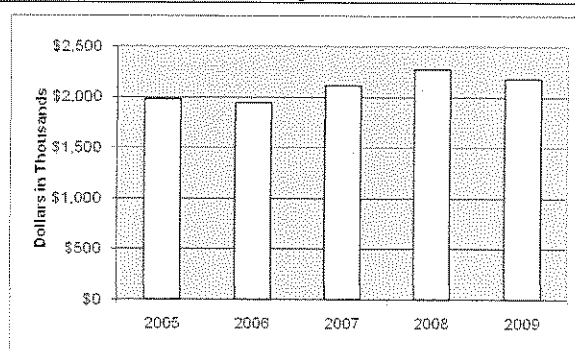
(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Assets)

Revenue from operations declined 4%, while revenue and kilowatt-hours sold to customers declined 6.5% and 8%, respectively. Wholesale kilowatt-hours sold decreased 5.6%; however, revenue from wholesale sales only decreased 1%.

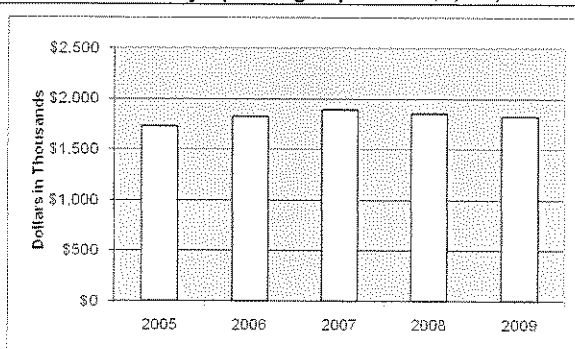
Operating expenses decreased just over 1%. Purchased energy costs and transmission operations declined, while plant operations and customer service operations increased. In the future, the electric utility will likely see increased expenses as new environmental mandates and "green" programs are mandated by the government.

Currently, the electric utility is developing a 10 year capital plan for generation and distribution system improvements based on the Neal 4 capital plan and a study performed by DGR consulting firm. CRMU is hoping to fund these improvements with reserves built up over the next few years. However, depending on the immediacy and cost, a rate adjustment may be necessary in the future.

Electric Utility Operating Revenues: \$2,173,988



Electric Utility Operating Expenses: \$1,822,874



Financial Position:

(As reported on the Statement of Net Assets)

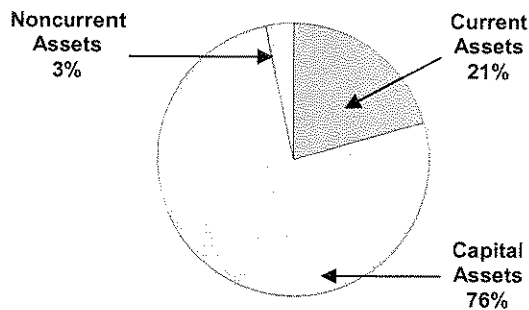
Current assets account for 21% of total assets. CRMU has approximately 13% of its total assets in the form of cash and cash equivalents. Of this amount, the Board of Trustees has allocated the majority for designated uses such as equipment replacement, generation replacement, health fund plan, etc., leaving only a small portion of its current assets undesignated.

Capital assets, in the form of utility plant, facilities and equipment, account for 76% of CRMU's total assets. Noncurrent assets account for 3% of total assets. Two revolving loans were issued in fiscal year 2009. The City of Coon Rapids paid off their TIF note.

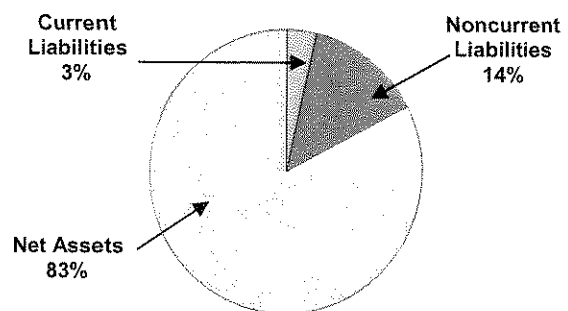
CRMU's total liabilities declined by almost 45% due to the debt pay down using electric cash reserves. Noncurrent liabilities account for 14% of total liabilities and assets, while current liabilities account for 3%. Overall, net assets increased about 5% from last year.

Revenues and expenses were lower than budget by \$210,000 and \$132,000, respectively.

Electric Utility Total Assets: \$9,366,912



Electric Utility Total Liabilities and Net Assets: \$9,366,912



Natural Gas Utility

Overview:

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

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

In August of 2008, CRMU anticipated at least a 15% increase in the commodity price of gas based on market futures. Fortunately, gas prices ended much lower than expected due to the deteriorating economy. This proved to be very beneficial for our customers.

In 2009, CRMU's natural gas utility had an operating gain of \$18,000, compared to \$90,000 in 2008.

Natural Gas Utility Financial Highlights:

Dollars in Thousands

	2009	2008
OPERATING		
Revenues	1,029	1,288
Expenses	1,011	1,198
Operating Gain (Loss)	18	90
NONOPERATING		
Revenues (Expenses)	33	41
Transfers In (Out)	(75)	(71)
Nonoperating Gain (Loss)	(42)	(30)
Total Gain (Loss)	(24)	60
ASSETS		
Current	932	1,478
Capital	824	486
Noncurrent	582	420
Total Assets	2,338	2,384
LIABILITIES		
Current	40	61
Noncurrent	0	0
Total	40	61
NET ASSETS		
Invested in Capital Assets	824	862
Unrestricted	1,474	1,461
Total	2,298	2,323
Total Liabilities & Net Assets	2,338	2,384

Results of Operations:

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

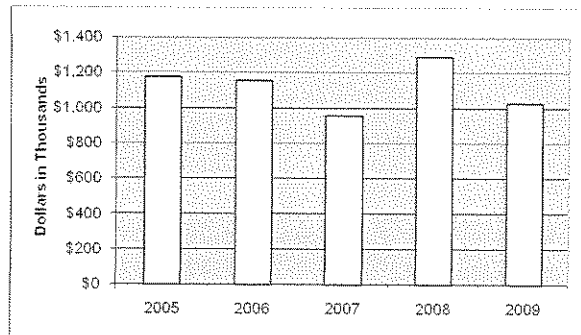
In 2009, total operating revenues decreased 20%. Total usage billed declined by 10%. Syngenta Seeds industrial usage declined 32%, while residential and commercial usage increased 4%. Lower commodity costs also contributed to the revenue decline.

Total operating expenses decreased \$187,000 or 16%. Purchased energy costs declined more than \$200,000 (21%) from the previous year. Plant and distribution operation expenses also decreased. Customer service expenses increased.

Nonoperating revenues declined 20% in 2009. This change can be attributed to lower interest income. CRMU continued with its contributions to the community and City of Coon Rapids by recognizing a net transfer out of \$76,000 in 2009.

Including all operating and nonoperating factors, the gas utility had a net loss of \$24,000 in 2009.

Natural Gas Utility Operating Revenues: \$1,029,048



Natural Gas Utility Operating Expenses: \$1,010,657



Financial Position:

(As reported on the Statement of Net Assets)

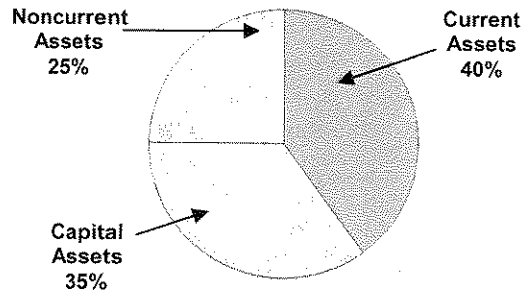
Capital assets, in the form of utility plant, facilities and equipment, account for 35% of CRMU's total assets, while current assets comprise 40% of the total. Cash, cash equivalents, and certificates of deposit account for 32% of total assets. Cash declined 42% from the previous year, while noncurrent assets (loan receivables) increased 39%. These changes are a direct result of the interutility loan between gas and electric.

The Natural Gas Utility has no significant noncurrent liabilities. CRMU's current liabilities are comprised of payables totaling \$40,000.

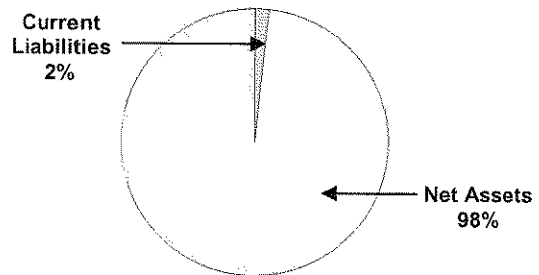
The gas utility maintains a strong financial position. No large capital projects are planned in the near future. After several years of using reserves to cover losses, CRMU restructured rates to allocate fixed costs based on usage, which has proven to be beneficial for both the utility and residential customers.

Revenues and expenses were lower than budget by \$217,000 and \$195,000, respectively.

Natural Gas Utility Total Assets: \$2,338,567



Natural Gas Utility Total Liabilities and Net Assets: \$2,338,567



Water Utility

Overview:

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

For the past few years, CRMU has operated its water utility with very slight margins while continuing to make much needed and necessary system improvements. The result of these activities has put a financial strain on the small reserves of the water utility. In 2009, the water utility ended with an operating loss of \$14,000. Excluding interdepartmental usage (CRMU), sales to customers declined almost 7% in 2009. This can be attributed to the wet summer months, decreasing the demand for irrigation and lawn watering.

CRMU's interdepartmental usage increased significantly this year due to water tower maintenance completed in June. Thus, this usage is reported on financials as both revenue and expense.

Water Utility Financial Highlights:

Dollars in Thousands

	2009	2008
OPERATING		
Revenues	227	225
Expenses	241	215
Operating Gain (Loss)	(14)	10
NONOPERATING		
Revenues (Expenses)	13	9
Transfers In (Out)	(8)	(10)
Nonoperating Gain (Loss)	5	(1)
Total Gain (Loss)	(9)	9
ASSETS		
Current	235	209
Capital	411	445
Noncurrent	0	2
Total Assets	646	656
LIABILITIES		
Current	36	36
Noncurrent	0	0
Total	36	36
NET ASSETS		
Invested in Capital Assets	411	445
Unrestricted	199	175
Total	610	619
Total Liabilities & Net Assets	646	656

Results of Operations:

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

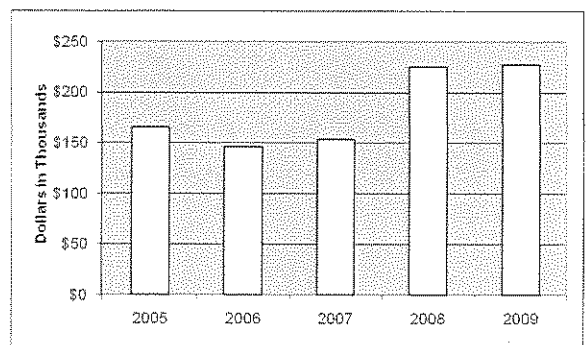
Revenue from operations increased \$2,000 (1%). Again, this increase is a combination of decreased sales to customers and increased interdepartmental sales.

Operating expenses increased 12%, a result of higher utility costs (from the water tower maintenance), wages, maintenance of meters, chemicals, and office supplies.

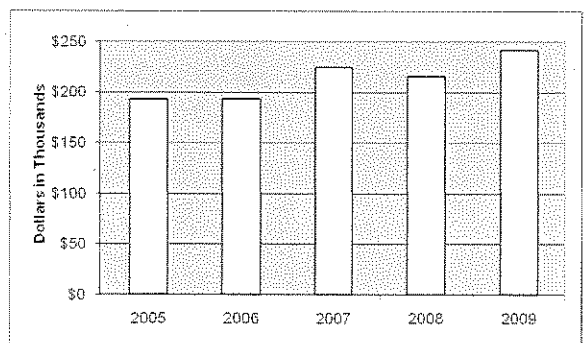
Nonoperating gains totaled \$13,000. CRMU continued with contributions through payment in-lieu-of tax and donations to the community for a total of \$8,500, which is 17% lower than last year. Considering the nonoperating gains and transfers out, the water utility's total loss for 2009 was \$9,000.

As increased testing requirements are mandated, a rate adjustment may be likely. However, CRMU works hard to control expenses and make much needed improvements to provide quality drinking water to Coon Rapids.

Water Utility Operating Revenues: \$227,406



Water Utility Operating Expenses: \$241,234



Financial Position:

(As reported on the Statement of Net Assets)

Current assets account for 36% of total assets. CRMU has approximately 26% of its total assets in the form of cash and cash equivalents. Of this amount, the Board of Trustees has designated uses for all of it. As losses are incurred, these funds will continue to decline. Fortunately, the water utility does not have any large capital projects planned in the near future.

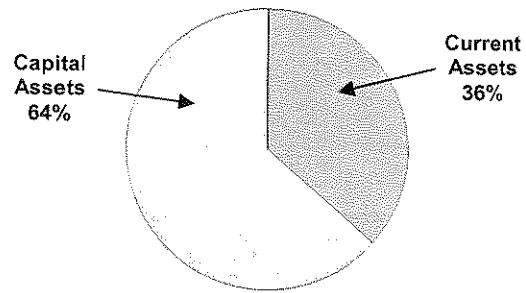
Noncurrent assets declined to \$0 in 2009 due to the payoff of the City of Coon Rapid's TIF note.

Capital assets, in the form of utility plant, facilities and equipment, account for over 64% of CRMU's total assets. CRMU's total assets declined \$9,500 in 2009.

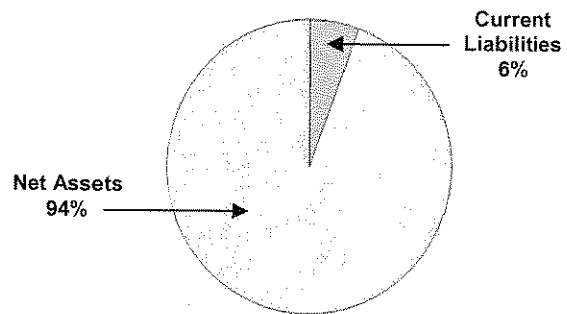
The water utility has no significant liabilities, other than normal payables. These payables account for 6% of total liabilities and net assets. Net assets declined 1.5% in 2009. For the year, total liabilities and net assets increased 1.5%.

Revenues were lower than budget by \$13,000. Expenses were higher than budget by \$21,000.

Water Utility Total Assets: \$646,275



Water Utility Total Liabilities and Net Assets: \$646,275



Wastewater Utility

Overview:

In 2009, the wastewater utility realized an operating loss of \$26,000. Including nonoperating revenues (primarily interest income), the utility ended with a total gain of \$9,000, compared to \$69,000 in 2008.

In fiscal year 2009, CRMU began a pump station and force main improvement capital project. The total capital outlay of this project will be just under \$300,000. CRMU will also be televising the wastewater collection system over the next few years. This may indicate areas of needed improvements, resulting in additional capital outlays.

As CRMU uses wastewater reserves to make these necessary improvements, interest income will decline. CRMU will have to rely on operating revenues instead of nonoperating revenues. Because operating revenues are not currently enough to cover expenses, a rate adjustment may be necessary.

Wastewater Utility Financial Highlights:

Dollars in Thousands

	2009	2008
OPERATING		
Revenues	103	108
Expenses	129	112
Operating Gain (Loss)	(26)	(4)
NONOPERATING		
Revenues (Expenses)	36	78
Transfers In (Out)	(1)	(5)
Nonoperating Gain (Loss)	35	73
Total Gain (Loss)	9	69
ASSETS		
Current	1,089	1,452
Capital	603	614
Noncurrent	472	91
Total Assets	2,164	2,157
LIABILITIES		
Current	5	7
Noncurrent	0	0
Total	5	7
NET ASSETS		
Invested in Capital Assets	603	614
Unrestricted	1,556	1,536
Total	2,159	2,150
Total Liabilities & Net Assets	2,164	2,157

Results of Operations:

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

In 2009, the wastewater utility recorded just under \$103,000 in revenues. Prior to this year, wastewater revenues were extremely consistent each year. Due to the decreased water usage, wastewater revenues were lower this year.

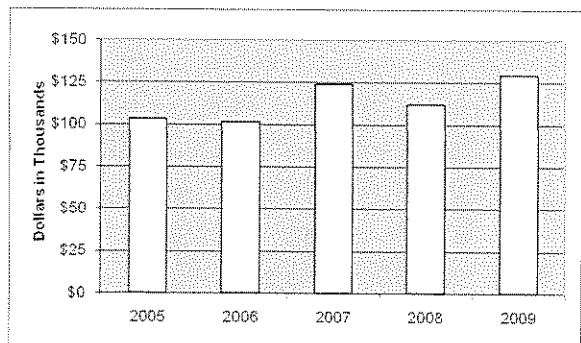
Total operating expenses in 2009 were up \$17,000 compared to 2008. Maintenance expenses increased more than \$9,000. Specifically, maintenance of meter expense increased \$7,000. Wages increased due to the additional time spent on utility improvements. Safety and customer service expense also increased, while administrative and general expenses declined.

Nonoperating revenues decreased by \$41,000 in 2009 (from 77,000 to \$36,000) due to much lower interest income. Transfers to the city and community (via in-lieu-of tax payments and free service) declined \$4,000 from the previous year.

Wastewater Utility Operating Revenues: \$102,941



Wastewater Utility Operating Expenses: \$129,154



Financial Position:

(As reported on the Statement of Net Assets)

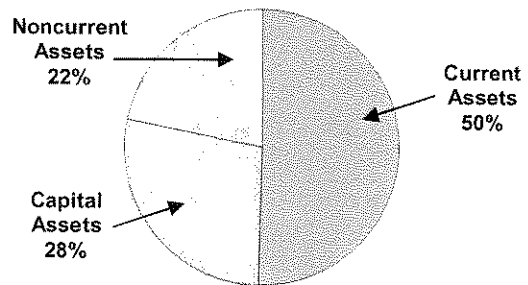
Capital assets, in the form of utility plant, facilities and equipment, account for 28% of CRMU's total assets, while current assets account for 50%. Noncurrent assets account for 22% of total assets, compared to 4% last year. This increase is a result of the wastewater utility loaning the electric utility \$460,000 through debt restructuring.

The wastewater utility has 46% of its total assets in the form of cash, cash equivalents, and certificates of deposit. A large portion of this will be used for improvements previously explained. The cash position declined 28% from last year due to the loan made to the electric utility. This loan will be repaid in 6 years.

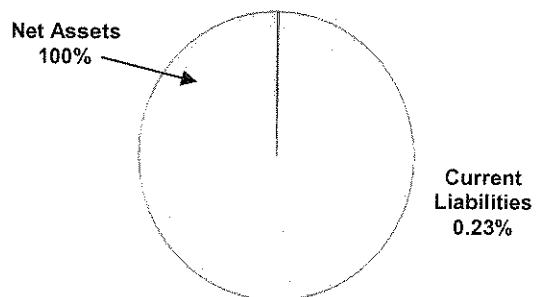
The wastewater utility essentially has no liabilities other than some small payables.

Revenues were \$11,000 lower than budget, and expenses were \$11,000 lower than budget.

Wastewater Utility Total Assets: \$2,164,356



Wastewater Utility Total Liabilities and Net Assets: \$2,164,356



BASIC FINANCIAL STATEMENTS

COON RAPIDS MUNICIPAL UTILITIES

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009**

ASSETS	Communications: Telephone Utility	Communications: Cable TV, Internet & Pager Utility
CURRENT ASSETS:		
Cash and Invested Cash	\$ 260,251	\$ 190,367
Accounts Receivable, Net of Allowance -		
Trade	22,819	16,147
Other	25,311	422
Loans Receivable, Current Portion	67,268	-
Inventories	736	2,192
Other Current and Prepaid Assets	4,866	-
Total Current Assets	<u>381,251</u>	<u>209,128</u>
CAPITAL ASSETS:		
Utility Plant, Facilities and Equipment, at Cost	41,965	383,338
Accumulated Depreciation	<u>(14,041)</u>	<u>(254,605)</u>
Total Capital Assets, Net	27,924	128,733
NONCURRENT ASSETS:		
NIMECA Patronage Dividend Receivable	-	-
Loans Receivable, Net of Current Portion Above -		
From City of Coon Rapids	-	-
From Electric Fund	362,732	-
Revolving Loans Receivable	-	-
Total Noncurrent Assets	<u>362,732</u>	<u>-</u>
Total Assets	<u>\$ 771,907</u>	<u>\$ 337,861</u>

See Independent Auditors' Report and Notes to Financial Statements.

Business Type Activities - Enterprise Funds

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 1,202,611	\$ 740,991	\$ 171,907	\$ 1,004,143	\$ 3,570,270
143,494	20,829	42,840	12,351	258,480
94,034	5,032	2,946	25	127,770
45,557	101,684	-	71,961	286,470
415,884	54,838	13,243	175	487,068
26,420	9,130	4,483	529	45,428
<u>1,928,000</u>	<u>932,504</u>	<u>235,419</u>	<u>1,089,184</u>	<u>4,775,486</u>
12,374,717	1,745,165	1,363,956	1,736,904	17,646,045
<u>(5,242,733)</u>	<u>(921,129)</u>	<u>(953,100)</u>	<u>(1,134,098)</u>	<u>(8,519,706)</u>
7,131,984	824,036	410,856	602,806	9,126,339
17,931	-	-	-	17,931
-	33,711	-	84,327	118,038
-	548,316	-	388,039	1,299,087
288,997	-	-	-	288,997
<u>306,928</u>	<u>582,027</u>	<u>-</u>	<u>472,366</u>	<u>1,724,053</u>
<u>\$ 9,366,912</u>	<u>\$ 2,338,567</u>	<u>\$ 646,275</u>	<u>\$ 2,164,356</u>	<u>\$ 15,625,878</u>

(Continued)

COON RAPIDS MUNICIPAL UTILITIES

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009**

LIABILITIES	Communications: Telephone Utility	Communications: Cable TV, Internet & Pager Utility
CURRENT LIABILITIES:		
Accounts Payable - Trade	\$ 16,131	\$ 7,671
Other Payables and Credits	11	-
Payroll, Sales and Use Taxes Payable	-	-
Compensated Absences Payable	2,195	4,038
Customer Deposits	-	-
Loans Payable, Current Portion	-	-
Accrued Interest	-	-
Total Current Liabilities	<u>18,337</u>	<u>11,709</u>
LONG-TERM LIABILITIES, NET OF CURRENT PORTION:		
Loans Payable, Net of Current Portion Above -		
To Gas Fund	-	-
To Wastewater Fund	-	-
To Telephone Fund	-	-
Total Long-term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>18,337</u>	<u>11,709</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	27,924	127,997
Restricted	-	-
Unrestricted	<u>725,646</u>	<u>198,155</u>
Total Net Assets	753,570	326,152
Total Liabilities and Net Assets	<u>\$ 771,907</u>	<u>\$ 337,861</u>

See Independent Auditors' Report and Notes to Financial Statements.

Business Type Activities - Enterprise Funds

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 51,117	\$ 33,547	\$ 20,745	\$ 3,144	\$ 132,355
10,931	-	9,995	-	20,937
2,749	186	1,093	71	4,099
14,218	6,500	4,186	1,774	32,911
9,300	-	-	-	9,300
240,912	-	-	-	240,912
526	-	-	-	526
<u>329,753</u>	<u>40,233</u>	<u>36,019</u>	<u>4,989</u>	<u>441,040</u>
548,316	-	-	-	548,316
388,039	-	-	-	388,039
<u>362,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>362,732</u>
<u>1,299,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,299,087</u>
1,628,840	40,233	36,019	4,989	1,740,127
5,591,458	824,036	410,856	602,806	7,585,077
26,178	-	-	-	26,178
<u>2,120,436</u>	<u>1,474,298</u>	<u>199,400</u>	<u>1,556,561</u>	<u>6,274,496</u>
<u>7,738,072</u>	<u>2,298,334</u>	<u>610,256</u>	<u>2,159,367</u>	<u>13,885,751</u>
<u>\$ 9,366,912</u>	<u>\$ 2,338,567</u>	<u>\$ 646,275</u>	<u>\$ 2,164,356</u>	<u>\$ 15,625,878</u>

COON RAPIDS MUNICIPAL UTILITIES

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Communications: Telephone Utility	Communications: Cable TV, Internet & Pager Utility
OPERATING REVENUES:		
Sales to Customers	\$ 414,765	\$ 359,028
Sales for Resale	-	-
Interdepartmental Sales	-	-
Forfeited Discounts	1,566	-
Rebates and Other	-	290
Total Operating Revenues	<u>416,331</u>	<u>359,318</u>
OPERATING EXPENSES:		
Purchased Energy and Programming	145,873	185,177
Plant Operations	9,673	14,018
Transmission Operations	-	-
Distribution Operations	21,159	40,226
Consumer Service Operations	11,899	22,316
Administrative and General Expenses	52,373	50,680
Depreciation	6,305	15,463
Total Operating Expenses	<u>247,282</u>	<u>327,880</u>
Operating Income (Loss)	169,049	31,438
NONOPERATING REVENUES (EXPENSES):		
Interest Income	15,208	2,387
Joint Use Revenue (Expense)	(172,992)	-
Municipal Building - Rent and Expense Reimbursement	-	-
Merchandise Sales - Net	282	(486)
Gain (Loss) on Sale or Disposal of Assets	-	-
Miscellaneous Nonoperating Revenue (Expense)	(19,918)	22,671
Interest Expense	-	-
Municipal Building Expense	-	-
Net Nonoperating Revenues (Expenses)	<u>(177,420)</u>	<u>24,572</u>
Income (Loss) before Transfers	(8,371)	56,010
TRANSFERS IN (OUT):		
In-Lieu-Of Tax Payments	(5,428)	(179)
Free Community Service	(2,132)	(812)
Net Transfers In (Out)	<u>(7,560)</u>	<u>(991)</u>
Change in Net Assets	(15,931)	55,019
Total Net Assets - July 1, 2008	769,501	271,133
Total Net Assets - June 30, 2009	<u>\$ 753,570</u>	<u>\$ 326,152</u>

See Independent Auditors' Report and Notes to Financial Statements

Business Type Activities - Enterprise Funds

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 1,336,749	\$ 1,016,822	\$ 207,464	\$ 102,627	\$ 3,437,455
753,039	-	-	-	753,039
78,478	9,824	18,292	-	106,594
4,632	1,622	680	314	8,814
1,090	780	970	-	3,130
<u>2,173,988</u>	<u>1,029,048</u>	<u>227,406</u>	<u>102,941</u>	<u>4,309,032</u>
562,384	734,119	-	-	1,627,553
400,117	23,104	79,694	15,704	542,310
84,718	-	-	-	84,718
135,415	66,370	47,396	30,872	341,438
73,210	39,315	25,423	10,296	182,459
227,291	103,412	51,617	22,940	508,313
339,739	44,337	37,104	49,342	492,290
<u>1,822,874</u>	<u>1,010,657</u>	<u>241,234</u>	<u>129,154</u>	<u>3,779,081</u>
351,114	18,391	(13,828)	(26,213)	529,951
51,122	34,336	3,620	35,799	142,472
175,992	-	-	-	3,000
12,470	5,270	3,636	-	21,376
2,531	813	6,052	161	9,353
(3,301)	-	-	-	(3,301)
2,771	293	8	4	5,829
(98,085)	-	-	-	(98,085)
<u>(8,685)</u>	<u>(7,793)</u>	<u>-</u>	<u>-</u>	<u>(16,478)</u>
<u>134,815</u>	<u>32,919</u>	<u>13,316</u>	<u>35,964</u>	<u>64,166</u>
485,929	51,310	(512)	9,751	594,117
(141,005)	(45,664)	(6,644)	(21)	(198,941)
<u>(13,452)</u>	<u>(29,924)</u>	<u>(1,823)</u>	<u>(449)</u>	<u>(48,592)</u>
<u>(154,457)</u>	<u>(75,588)</u>	<u>(8,467)</u>	<u>(470)</u>	<u>(247,533)</u>
331,472	(24,278)	(8,979)	9,281	346,584
7,406,600	2,322,612	619,235	2,150,086	13,539,167
<u>\$ 7,738,072</u>	<u>\$ 2,298,334</u>	<u>\$ 610,256</u>	<u>\$ 2,159,367</u>	<u>\$ 13,885,751</u>

COON RAPIDS MUNICIPAL UTILITIES

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Communications: Telephone Utility	Communications: Cable TV, Internet & Pager Utility
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers and Users	\$ 406,949	\$ 359,501
Cash Received from Interdepartmental Sales	-	-
Cash Received (Paid) from Other Revenues (Expenses) - Net	(192,628)	22,185
Cash Paid to Suppliers for Goods and Services	(210,831)	(246,778)
Cash Paid to Employees	(32,181)	(71,655)
Cash Paid for Interdepartmental Services	-	-
Cash Paid for In-Lieu-of-Tax Payments	(5,428)	(179)
Net Cash Flow from Operating Activities	<u>(34,119)</u>	<u>63,074</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers to City of Coon Rapids - Free Community Service	(2,132)	(812)
Net Municipal Building Expense	-	-
Increase (Decrease) in Customer Deposits	-	-
Net Cash Flow from Noncapital Financing Activities	<u>(2,132)</u>	<u>(812)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital and Construction in Progress Expenditures	(4,589)	(56,260)
Cash Received on Inter-utility loans	-	-
Principal Payments on Long-term Debt	-	-
Interest Paid on Debt	-	-
Net Cash Flow from Capital and Related Financing Activities	<u>(4,589)</u>	<u>(56,260)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on Investments	15,208	2,387
Cash Loaned to Electric Utility	(430,000)	-
Principal Received on -		
City of Coon Rapids Loan	-	-
Coon Rapids Development Loans	-	-
Tax Increment Financing	-	-
Coon Rapids Development Loans made	-	-
Net Cash Flow from Investing Activities	<u>(414,792)</u>	<u>2,387</u>
Net Increase in Cash and Cash Equivalents	(455,632)	8,389
Cash and Cash Equivalents - July 1, 2008	715,883	181,978
Cash and Cash Equivalents - June 30, 2009	<u>\$ 260,251</u>	<u>\$ 190,367</u>

See Independent Auditors' Report and Notes to Financial Statements.

Business Type Activities - Enterprise Funds

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 2,066,974	\$ 1,071,481	\$ 206,254	\$ 108,255	\$ 4,219,414
78,478	9,824	18,292	-	106,594
193,763	6,376	9,696	165	39,557
(1,156,154)	(837,545)	(87,015)	(35,307)	(2,573,630)
(282,121)	(134,371)	(101,414)	(46,083)	(667,825)
(78,478)	(9,824)	(18,292)	-	(106,594)
<u>(141,005)</u>	<u>(45,664)</u>	<u>(6,644)</u>	<u>(21)</u>	<u>(198,941)</u>
681,457	60,277	20,877	27,009	818,575
(13,452)	(29,924)	(1,823)	(449)	(48,592)
-	(7,802)	-	-	(7,802)
<u>(650)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(650)</u>
(14,102)	(37,726)	(1,823)	(449)	(57,044)
(69,630)	(6,869)	(3,710)	(38,221)	(179,279)
1,539,999	-	-	-	1,539,999
(2,890,000)	-	-	-	(2,890,000)
<u>(102,297)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(102,297)</u>
(1,521,928)	(6,869)	(3,710)	(38,221)	(1,631,577)
51,122	34,336	3,620	35,799	142,472
	(650,000)		(460,000)	(1,540,000)
1,610	10,446	-	26,104	38,160
35,400	-	-	-	35,400
8,716	44,730	10,506	28,728	92,680
<u>(44,222)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(44,222)</u>
<u>52,626</u>	<u>(560,488)</u>	<u>14,126</u>	<u>(369,369)</u>	<u>(1,275,510)</u>
(801,947)	(544,806)	29,470	(381,030)	(2,145,556)
2,004,558	1,285,797	142,437	1,385,173	5,715,826
<u>\$ 1,202,611</u>	<u>\$ 740,991</u>	<u>\$ 171,907</u>	<u>\$ 1,004,143</u>	<u>\$ 3,570,270</u>

COON RAPIDS MUNICIPAL UTILITIES

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Communications: Telephone Utility	Communications: Cable TV, Internet & Pager Utility
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income (Loss) (Exhibit B)	\$ 169,049	\$ 31,438
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities -		
Depreciation - Capital Assets	6,305	15,463
Other Revenues (Expenses)	(198,056)	22,006
Gain (Loss) on Disposal of Assets	-	-
(Increase) Decrease in Operating Assets -		
Accounts Receivable	(9,382)	183
Inventories	72	(1,552)
Other Current and Prepaid Assets	(2,526)	-
Increase (Decrease) in Operating Liabilities -		
Accounts and Other Payables	1,243	(4,209)
Customer Deposits	-	-
Compensated Absences Payables	(824)	(256)
Payroll, Sales and Use Taxes Payable	-	1
Net Cash Flows from Operating Activities	<u>\$ (34,119)</u>	<u>\$ 63,074</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON THE STATEMENT OF NET ASSETS:		
Current Assets - Cash and Cash Equivalents	\$ 260,251	\$ 190,367
Cash and Cash Equivalents - June 30, 2009	<u>\$ 260,251</u>	<u>\$ 190,367</u>

See Independent Auditors' Report and Notes to Financial Statements

Business Type Activities - Enterprise Funds

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 351,114	\$ 18,391	\$ (13,828)	\$ (26,213)	\$ 529,951
339,739	44,337	37,104	49,342	492,290
29,211	(39,288)	3,052	144	(182,931)
(3,301)	-	-	-	(3,301)
(28,536)	52,257	(2,860)	5,314	16,976
(73,107)	5,761	(1,422)	-	(70,248)
41,816	(84)	(711)	(53)	38,442
29,175	(21,032)	(509)	(1,669)	2,999
(650)	-	-	-	(650)
44	36	118	142	(740)
(4,048)	(101)	(67)	2	(4,213)
<u>\$ 681,457</u>	<u>\$ 60,277</u>	<u>\$ 20,877</u>	<u>\$ 27,009</u>	<u>\$ 818,575</u>
\$ 1,202,611	\$ 740,991	\$ 171,907	\$ 1,004,143	\$ 3,570,270
<u>\$ 1,202,611</u>	<u>\$ 740,991</u>	<u>\$ 171,907</u>	<u>\$ 1,004,143</u>	<u>\$ 3,570,270</u>

COON RAPIDS MUNICIPAL UTILITIES

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Organization and Nature of Activities* -

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

These financial statements are presented in conformity with U.S generally accepted accounting principles (GAAP) applicable for proprietary funds of governmental entities. In reporting financial activities, CRMU applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as Financial Accounting Standards Board (FASB) statements and interpretations, including statements and interpretations of the FASB issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

B. *Reporting Entity* -

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

C. *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, 2009, was \$659,655.

See Independent Auditors' Report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 agreement between MidAmerican Energy and the owners. CRMU owns 0.521 percent, as a tenant-in-common, of the generating station for generating, purchasing, obtaining by exchange, or otherwise acquiring or transmitting electric power and energy. CRMU's cost of acquiring its share of this generating station was recorded as capital assets in the Electric Utility Fund. The net book value at June 30, 2009, was \$690,658.

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

D. ***Basis of Presentation -***

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

- Communication: Telephone Utility
- Communications: Cable TV, Internet & Pager Utility
- Electric Utility
- Natural Gas Utility
- Water Utility
- Wastewater Utility

E. ***Measurement Focus and Basis of Accounting -***

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

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

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

See Independent Auditors' Report.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Revenue Recognition -

For all services except communication 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 telephone communication services, unbilled receivables for services delivered between scheduled billing dates are estimated and shown in the Communications: Telephone Utility column as other accounts receivable. For other communication services, unbilled services delivered between scheduled billing dates are minimal and not estimated or recorded.

H. Cash and Cash Equivalents -

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

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

I. Accounts Receivable and Allowances -

An estimate is made for allowances for doubtful accounts based on an analysis of the aging of accounts receivable and on historical write-offs net of recoveries. Additional specific amounts may be included based on credit risk as deemed appropriate by management. Accounts receivable are reported net of the allowance for doubtful accounts of \$10,300 at June 30, 2009.

J. Inventories -

Materials, supplies and other consumables are recorded as expense when consumed rather than when purchased. Material, supplies and fuel inventories are stated at cost, which does not exceed market. Cost is generally determined on a weighted-average basis. Electric Utility inventories include fuel for the local plant and its joint ownership share of the coal pile at the Neal 4 Generating Station. Gas Utility inventories include stored natural gas held for sale.

The inventories at June 30, 2009, are comprised as follows:

All Material and Supplies	\$ 228,945
Electric Fund Fuel Inventories	161,848
Gas Fund Natural Gas Inventory	16,540
SO2 Allowances	77,375
No(X) Allowance	2,360
Total	<u>\$ 487,068</u>

See Independent Auditors' Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets -

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

Interest costs on debt are capitalized when proceeds are used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowings which are restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount of interest capitalized. No interest costs were capitalized for the year ended June 30, 2009, as no qualifying assets were constructed or acquired.

CRMU does not have a written policy for capitalizing assets. Management determines capitalization or expensing on an individual basis.

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

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

L. Net Assets -

Net assets are shown in three components:

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

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

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

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

Restricted for	Amount
Economic Development Loans	\$ 26,178

See Independent Auditors' Report

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. *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.

N. *Budgets and Budgetary Accounting* -

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2 - CASH AND INVESTED CASH AND POOLED INVESTMENTS

CRMU considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash. The Utilities consider any non-negotiable certificates of deposits to be cash equivalents.

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, 2009, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2009, the Electric Utility had investments in the Iowa Public Agency Investment Trust (IPAIT) held in the NIMECA CTS Improvement Fund, which are valued at an amortized cost of \$293,184. Deposits with IPAIT are not FDIC insured as it is not considered a financial institution. Instead, IPAIT is a common law trust established under Iowa law pursuant to Chapter 28E and Sections 331, 555 and 384.21, Iowa Code (1987), as amended, which authorizes Iowa public agencies to jointly invest monies pursuant to a joint investment agreement. IPAIT is registered under the Investment Company Act of 1940. Investments in IPAIT are not classified as to custodial credit risk.

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

NOTE 3 - COMMUNICATIONS: TELEPHONE ACCOUNTS RECEIVABLE - OTHER

Other accounts receivable reported for the Communications: Telephone Utility includes delayed long distance and CAB's billings of \$25,311 for the telephone system. These amounts are net of an allowance for doubtful collections in the amount of \$11. Management believes the \$11 allowance to be a reasonable and appropriate reduction of the CAB's receivables to their net realizable value.

See Independent Auditors' Report

NOTE 4 - LOANS RECEIVABLE

Loans to City of Coon Rapids

On April 11, 2002, the Board of Trustees of CRMU approved a resolution to provide financing from the Gas Utility and Wastewater Utility to the City of Coon Rapids to pay the cost of construction of a new bridge and reconstruction of the roadway approaching the bridge. CRMU is financing the loan pursuant to the provisions of Section 384.24A of the Code of Iowa.

The principal amount of the loan was \$350,000, with \$100,000 financed by the Gas Utility and \$250,000 financed by the Wastewater Utility. The general obligation note, dated May 31, 2002, specifies annual installments of \$42,088, including interest at 3.50% beginning June 1, 2003, with a final payment of \$42,093 on June 1, 2012. The City has the right to prepay principal of the note, in whole or in part, at any time prior to and in inverse order of maturity on terms of par and accrued interest.

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

Year Ending June 30,	Gas Utility		Wastewater Utility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 10,847	\$ 1,178	\$ 27,114	\$ 2,949	\$ 37,961	\$ 4,127
2011	11,226	799	28,063	2,000	39,289	2,799
2012	11,638	406	29,150	1,017	40,788	1,423
Totals	<u>\$ 33,711</u>	<u>\$ 2,383</u>	<u>\$ 84,327</u>	<u>\$ 5,966</u>	<u>\$ 118,038</u>	<u>\$ 8,349</u>

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

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

Year Ending June 30,	Electric Utility
2010	\$ 33,333
2011	33,333
2012	33,333
2013	33,333
2014	33,333
After	105,557
Total	<u>\$ 272,222</u>

See Independent Auditors' Report

NOTE 4 - LOANS RECEIVABLE (Continued)

Loan to Coon Rapids Medical Center

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

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

Year Ending June 30,	Electric Utility	
	Principal	Interest
2010	\$ 2,500	\$ -
2011	2,500	-
2012	2,150	350
2013	2,193	307
2014	2,237	263
2015 and after	10,920	596
Totals	<u>\$ 22,500</u>	<u>\$ 1,516</u>

Loan to Downing Seeds

On March 6, 2009, CRMU entered into a loan agreement with Downing Seeds. The proceeds of this loan were used to purchase equipment in Coon Rapids, Iowa. This loan was made in association with the Federal Grant Agreement for rural economic development made with the Federal Government. The principal amount of the loan was \$23,222. The promissory note, dated March 6, 2009, specifies monthly payments of \$420 for five years including interest at 3.25% per annum.

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

Year Ending June 30,	Electric Utility	
	Principal	Interest
2010	\$ 4,383	\$ 655
2011	4,528	510
2012	4,677	361
2013	4,832	207
2014	3,728	51
Totals	<u>\$ 22,148</u>	<u>\$ 1,784</u>

See Independent Auditors' Report.

NOTE 4 - LOANS RECEIVABLE (Continued)

Loan to Guthrie Center Family Dentistry

On July 24, 2008, CRMU entered into a loan agreement with Guthrie Center Family Dentistry. The proceeds of this loan were used to dental equipment to be used at a dental office in Coon Rapids, Iowa. This loan was made in association with the Federal Grant Agreement for rural economic development made with the Federal Government. The principal amount of the loan was \$21,000.00. The promissory note, dated July 24, 2008, specifies monthly payments of \$382 for five years including interest at 3.5% per annum.

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

Year Ending June 30,	Electric Utility	
	Principal	Interest
2010	\$ 4,051	\$ 533
2011	4,174	411
2012	4,322	262
2013	4,476	108
2014	660	2
Totals	<u>\$ 17,683</u>	<u>\$ 1,316</u>

NOTE 6 - CAPITAL ASSETS

Capital asset categories and changes in each cost category and depreciation for the year ended June 30, 2009, are as follows:

	Balances Beginning of Year	Increases	Decreases	Balances End of Year
Utility Plant, Facilities and Equipment, at Cost				
Neal 4 Steam Production	\$ 1,847,374	\$ 5,585	\$ 2,710	\$ 1,850,249
Local Production Facilities	1,757,509	57,345	-	1,814,854
Transmission System	1,307,636	53,460	16,343	1,344,753
Distribution System	9,435,135	927	-	9,436,062
Municipal Building	1,173,735	-	-	1,173,735
General Facilities Equipment	<u>1,890,313</u>	<u>40,974</u>	<u>-</u>	<u>1,931,287</u>
Total Cost	17,411,702	158,291	19,053	17,550,940
Less -				
Accumulated Depreciation	<u>8,046,468</u>	<u>492,290</u>	<u>19,053</u>	<u>8,519,705</u>
Cost Less Depreciation	9,365,234	(333,999)	-	9,031,235
Construction in Progress	55,175	39,929	-	95,104
Total Capital Assets, Net	<u>\$ 9,420,409</u>	<u>(\$ 294,070)</u>	<u>\$ -</u>	<u>\$ 9,126,339</u>

See Independent Auditors' Report

NOTE 6 - CAPITAL ASSETS (Continued)

Depreciation expense charged to operations and the estimated useful lives for each cost category of depreciable property by fund are as follows:

	Estimated Useful Life	Depreciation Expense
Communications Utility: Telephone - General Facilities and Equipment	5 - 40 Years	\$ 6,305
Total		<u>\$ 6,305</u>
Communications Utility: Cable TV, Internet and Pagers -		
Local Production Facilities	5 - 40 Years	\$ 12,778
General Facilities and Equipment	5 - 40 Years	2,685
Total		<u>\$ 15,463</u>
Electric Utility -		
Steam Production Plant - Neal 4	40 Years	\$ 50,623
Transmission Plant System	24 - 40 Years	49,764
Distribution Plant System	5 - 40 Years	171,986
Municipal Office Building and Equipment	5 - 40 Years	14,914
General Facilities and Equipment	5 - 40 Years	52,452
Total		<u>\$ 339,739</u>
Gas Utility -		
Local Production Facilities	40 Years	\$ 2,785
Distribution Plant System	5 - 40 Years	11,994
Municipal Office Building and Equipment	5 - 50 Years	16,727
General Facilities and Equipment	5 - 40 Years	12,831
Total		<u>\$ 44,337</u>
Water Utility -		
Local Production Facilities	25 - 20 Years	\$ 7,448
Transmission Plant System	40 Years	2,759
Distribution Plant System	5 - 50 Years	13,918
General Facilities and Equipment	5 - 40 Years	12,979
Total		<u>\$ 37,104</u>
Wastewater Utility -		
Local Production Facilities	20 - 40 Years	\$ 19,702
Distribution Plant System	4 - 40 Years	19,920
General Facilities and Equipment	5 - 40 Years	9,720
Total		<u>\$ 49,342</u>

See Independent Auditors' Report.

NOTE 7 - MUNICIPAL BUILDING

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

For financial reporting purposes, all assets, liabilities, income and expenses of this building are prorated 43.16% to the Electric Utility and 56.84% to the Gas Utility. These percentages represent each Utility's share of the original capital contributed for construction of the building.

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

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

NOTE 8 - 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, 2009. Sick leave is not paid on termination, retirement or death; and therefore, no accrual has been made for accumulated sick leave hours.

NOTE 9 - NOTES PAYABLE

Subordinate Series 2000 and 2003 Electric Revenue Capital Loan Notes

On August 5, 2003, CRMU issued \$1,925,000 of Subordinate Series 2003 Electric Revenue Capital Loan Notes to refund a previous electric capital loan note issuance.

The previous issuance, Subordinate Series 2000 Capital Loan Notes issued on June 15, 2000, provided funds to pay the costs of improvements and extensions to the Electric Utility, including the purchase of three 1860 - kilowatt caterpillar engines. This loan was paid off during the year end June 30, 2009, and replaced with inter-utility loans. See Note 10.

Subordinate Series 2006 Electric Revenue Capital Loan Notes

On May 4, 2006, CRMU issued \$2,000,000 of Series 2006 Electric Revenue Capital Loan Notes to refund Series 1998 Electric Revenue Bonds issued on May 15, 1998. The 1998 Series Bonds provided funds to finance the construction of a hybrid fiber coaxial distribution system, tools and equipment; the construction of a new building, and to refund the final maturity of a previous electric revenue bond issuance. This loan was paid off during the year end June 30, 2009 and replaced with inter-utility loans. See Note 10.

See Independent Auditors' Report.

NOTE 10 - INTER-UTILITY LOANS PAYABLE

On June 25, 2009, CRMU issued \$1,540,000 of Promissory Notes from the Electric Utility to the Gas (\$650,000), Communications (\$430,000), and Wastewater (\$460,000) Utilities to refund both the 2003 and 2006 Electric Capital Loan Notes. These loans were originally taken out to make improvements and extensions to the Electric Utility, including the purchase of three caterpillar engines, as well as to finance construction of a distribution system and construction of a new building. The outstanding balances of the Inter-utility loans were \$1,540,000 as of June 30, 2009.

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

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

Year Ending June 30,	Gas Utility		Gas Utility		Communications Utility		Wastewater Utility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 23,466	\$ 3,482	\$ 78,218	\$ 11,608	\$ 67,268	\$ 9,983	\$ 71,961	\$ 10,679	\$ 240,913	\$ 35,752
2011	24,059	2,889	80,196	9,630	68,969	8,282	73,781	8,859	247,005	29,660
2012	24,667	2,281	82,224	7,602	70,713	6,537	75,646	6,994	253,250	23,414
2013	25,291	1,657	84,304	5,522	72,501	4,749	77,559	5,081	259,655	17,009
2014	25,931	1,017	86,436	3,390	74,335	2,916	79,521	3,119	266,223	10,442
2015	26,586	361	88,622	1,205	76,214	1,036	81,532	1,108	272,954	3,710
Totals	<u>\$ 150,000</u>	<u>\$ 11,687</u>	<u>\$ 500,000</u>	<u>\$ 38,957</u>	<u>\$ 430,000</u>	<u>\$ 33,503</u>	<u>\$ 460,000</u>	<u>\$ 33,840</u>	<u>\$1,1540,000</u>	<u>\$117,987</u>

A summary of changes in long-term liabilities for the year ended June 30, 2009, is as follows:

	Balances July 1,	Increases	Decreases	Balances June 30,
Series 2003 Capital Loan Notes	\$ 1,280,000	\$ -	\$(1,280,000)	\$ -
Series 2006 Capital Loan Notes	1,610,000	-	(1,610,000)	-
Inter-Utility Loan Notes	-	1,540,000	-	1,540,000
Totals	<u>\$ 2,890,000</u>	<u>\$ 1,540,000</u>	<u>\$(2,890,000)</u>	<u>\$ 1,540,000</u>

NOTE 11 - JOINT USE AGREEMENT

On April 19, 2002, the Board of Trustees adopted and approved an intra-fund resolution between the Electric Utility and Communications: Telephone 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: Telephone 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: Telephone Utility will pay to the Electric Utility, the sum of \$173,000 on or before the last day of June each year beginning June 30, 2002. 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: Telephone Utility. The Communications: Telephone Utility is obligated to comply with all property tax filing requirements imposed under Iowa Code Chapter 433.

See Independent Auditors' Report.

NOTE 12 - PAYMENT TO THE CITY

CRMU provides utility and other services to the City of Coon Rapids. CRMU contributes an amount equal to these utilities and services back to the City as in-lieu-of-tax payments. The total amount paid to the City for the year ended June 30, 2009, was \$198,941.

NOTE 13 - PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 4.10% of their annual covered salary and CRMU is required to contribute 6.35% of annual covered payroll. Contribution requirements are established by state statute. CRMU's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007, were \$34,190, \$30,160 and \$28,933, respectively, equal to the required contributions for each year.

NOTE 14 - HEALTH INSURANCE SELF-INSURED

CRMU has a group health insurance policy which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. CRMU self-insures certain employee eligible medical costs that are not reimbursed by the health insurance provider because the medical cost does not exceed the deductible and maximum out-of-pocket policy provision. CRMU had eleven covered employees as of June 30, 2009.

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

	Deductible		Maximum Out-of-Pocket	
	Single	Family	Single	Family
Employee	\$ 3,000	\$ 6,000	\$ 6,000	\$12,000

NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES

1. CRMU has a contract, effective to December 31, 2020, with the United States Department of Energy to provide CRMU firm electric power up to 2,395 kilowatts during any winter season month and up to 2,666 kilowatts during any summer season month, through December 31, 2010. This contract provides that the contract rate of delivery for firm power will be recalculated January 2011 for the kilowatts to be provided during the subsequent winter and summer seasons.
2. CRMU entered into a contract with its major transporter of natural gas in August 1993 that requires a capacity demand payment of approximately \$127,000 annually. The initial expiration date of the contract was through October 31, 1996, which was subsequently extended through October 31, 2013.
3. CRMU entered into a contract with Veenstra & Kimm, Inc. to provide professional engineering services related to a lift station and force main improvements for the Water system. The services which are contracted to cost \$39,350, for which \$23,012 has been paid by June 30, 2009, will likely be paid in the next fiscal year.

See Independent Auditors' Report.

NOTE 15 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

4. CRMU entered into a contract with King Construction, LLC for the construction of certain public improvements described in general as the Wastewater Pumping Station and Force Main Improvements project. The contracted bid amount was \$287,045. The project will start and likely be paid in the next fiscal year.
5. 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 \$19,991 per year until 2012 when it becomes \$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 16 - MAJOR CUSTOMERS

A significant portion of the Electric Utility and Gas Utility revenue is derived from a single customer. This customer generated approximately 23.7% of the Electric Utility total sales to customers and 31.0% of the Gas Utility total sales to customers for the year ended June 30, 2009.

NOTE 17 - CONCENTRATIONS

CRMU provides utility services to commercial and residential customers in a specified service area in and around the 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 18 - 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 19 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reflected in the balance sheets for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments. Management estimates that there are no significant differences between the fair value of financial instruments and the amounts shown as assets and liabilities on the statement of net assets.

See Independent Auditors' Report.

NOTE 20 - CASH FLOW INFORMATION

Non-cash investing transactions occurred in relation to the discount of the Tax Increment Financing Receivable. The amount of the original discount and discount earned (reported as interest income) for each fund is as follows:

	Original Discount	2009 Discount Earned
Electric Utility	\$ 4,171	\$ 927
Gas Utility	21,433	4,846
Water Utility	5,026	1,108
Wastewater Utility	13,810	3,246
Totals	<u>\$ 44,440</u>	<u>\$ 10,127</u>

NOTE 21 - GRANT AGREEMENT

CRMU received a federal Rural Economic Development Grant for \$300,000, which required a local match of \$60,000 making a total of \$360,000 available to establish a revolving loan fund during 2008. During 2009, two additional loans were made for economic development totaling \$44,222 and payments were received on all of the loans totaling \$35,400, leaving \$26,178 of funds restricted for purposes of this revolving loan program.

NOTE 22 - RESTATEMENT

Coon Rapids Municipal Utilities changed how the ownership of the Municipal building is presented on the Statement of Net Assets during the year ended June 30, 2009. The building was previously reported as a noncurrent asset, net of accumulated depreciation. Management determined that it is more accurate to report the building as a capital asset. This presentation change has no effect on the previous reporting of Net Assets.

NOTE 23 - NONCOMPLIANCE

CRMU exceeded the budgeted expenditures in the combined proprietary funds for 2009 by \$811,972.

See Independent Auditors' Report.

REQUIRED SUPPLEMENTARY INFORMATION

COON RAPIDS MUNICIPAL UTILITIES

**SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGET BASIS)
PROPRIETARY FUNDS**

**REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009**

	Actual on Budget Basis	Budgeted Amounts Original and Final	Final Budget to Actual Variance
RECEIPTS:			
Use of Money and Property	\$ 142,472		
Charges for Service	4,365,565		
Debt Proceeds	1,540,000		
Repayment on Economic Development Loan	35,400		
Miscellaneous	<u>36,256</u>		
Total Receipts	6,119,693	\$ 5,762,376	\$ 357,317
DISBURSEMENTS:			
Business Type Activities -			
Operating Expenses	3,238,154		
Transfers to City of Coon Rapids	48,592		
Capital Outlay	158,342		
Economic Development Loans	44,222		
Principal Redemption	2,890,000		
Interest Payments	<u>98,085</u>		
Total Disbursements	<u>6,477,395</u>	<u>5,665,423</u>	(811,972)
Excess (Deficiency) of Receipts			
Over Disbursements	(357,702)	96,953	<u>\$ (454,655)</u>
Balance, Beginning of Year	6,448,118	324,667	
Balance, End of Year	<u>\$ 6,090,416</u>	<u>\$ 421,620</u>	

See Independent Auditors' Report.

COON RAPIDS MUNICIPAL UTILITIES

BUDGET TO GAAP RECONCILIATION
 PROPRIETY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED JUNE 30, 2009

	Budget Basis	Enterprise Funds Accrual Adjustments	GAAP Basis
Receipts/Revenues	\$ 6,119,693	\$ (1,455,640)	\$ 4,664,053
Disbursements/Expense	<u>6,477,395</u>	<u>(2,159,925)</u>	<u>4,317,470</u>
Net	(357,702)	704,285	346,583
Beginning Net Assets	6,448,118	7,091,049	13,539,167
Ending Net Assets	<u>\$ 6,090,416</u>	<u>\$ 7,795,334</u>	<u>\$ 13,885,750</u>

See Independent Auditors' Report.

COON RAPIDS MUNICIPAL UTILITIES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY REPORTING

In accordance with the Code of Iowa, the Coon Rapids City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds of the primary government and component units, including the operations of Coon Rapids Municipal Utilities (CRMU). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The budget for the City of Coon Rapids was not amended for the year ended June 30, 2009.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund or fund type. These nine 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. CRMU's budget is included in the business type activities function. Functional disbursements required to be budgeted include disbursements for the primary government funds and enterprise funds, which would include CRMU's disbursements. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

OTHER SUPPLEMENTARY INFORMATION

COON RAPIDS MUNICIPAL UTILITIES
SCHEDULE OF EXPENSES
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Communications: Telephone Utility	Communications: Cable TV, Internet & Pager Utility
PURCHASED ENERGY AND PROGRAMMING:		
Purchased Energy	\$ -	\$ -
Purchased Cable	-	133,583
Purchased Internet	-	51,594
Central Office Switching and Transmission	65,943	-
Purchase Telephone and Long Distance	79,930	-
Neal 4 Purchased Energy	-	-
Fuel	-	-
	<hr/>	<hr/>
Total Purchased Energy and Programming	\$ 145,873	\$ 185,177
PLANT OPERATIONS:		
Salaries and Wages	\$ 202	\$ 6,052
Utilities	9,471	4,994
Chemicals and Testing	-	-
Maintenance and Generators	-	2,972
Maintenance of Plant	-	-
	<hr/>	<hr/>
Total Plant Operations	\$ 9,673	\$ 14,018
TRANSMISSION OPERATIONS:		
Maintenance Neal 4 Transmission	\$ -	\$ -
	<hr/>	<hr/>
Total Transmission Operations	\$ -	\$ -
DISTRIBUTION OPERATIONS:		
Salaries and Wages	\$ 17,349	\$ 37,421
Line and Station Supplies	684	143
Safety Expense	553	1,018
Maintenance	2,573	1,644
Miscellaneous	-	-
	<hr/>	<hr/>
Total Distribution Operations	\$ 21,159	\$ 40,226

See Independent Auditors' Report.

SCHEDULE 3
(Continued)

Business Type Activities - Enterprise Funds

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 316,589	\$ 734,119	\$ -	\$ -	\$ 1,050,708
-	-	-	-	133,583
-	-	-	-	51,594
-	-	-	-	65,943
-	-	-	-	79,930
242,145	-	-	-	242,145
3,650	-	-	-	3,650
<u>\$ 562,384</u>	<u>\$ 734,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,627,553</u>
\$ 7,153	\$ 407	\$ 13,835	\$ 2,758	\$ 30,407
23,943	22,697	32,951	9,081	103,137
-	-	12,195	694	12,889
-	-	-	-	2,972
369,021	-	20,713	3,171	392,905
<u>\$ 400,117</u>	<u>\$ 23,104</u>	<u>\$ 79,694</u>	<u>\$ 15,704</u>	<u>\$ 542,310</u>
\$ 84,718	\$ -	\$ -	\$ -	\$ 84,718
<u>\$ 84,718</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,718</u>
\$ 96,521	\$ 48,566	\$ 30,851	\$ 18,977	\$ 249,685
2,668	4,233	204	3	7,935
6,585	3,661	1,066	1,171	14,054
29,641	9,910	15,275	8,551	67,594
-	-	-	2,170	2,170
<u>\$ 135,415</u>	<u>\$ 66,370</u>	<u>\$ 47,396</u>	<u>\$ 30,872</u>	<u>\$ 341,438</u>

COON RAPIDS MUNICIPAL UTILITIES

**SCHEDULE OF EXPENSES
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

	Communications: Telephone Utility	Communications: Cable TV, Internet & Pager Utility
CONSUMER SERVICE EXPENSES:		
Salaries and Wages	\$ 9,563	\$ 17,598
Office Supplies	2,347	3,389
Provision for Uncollectible Accounts	(11)	1,329
	<hr/>	<hr/>
Total Consumer Service Operations	\$ 11,899	\$ 22,316
ADMINISTRATIVE AND GENERAL EXPENSES:		
Salaries and Wages	\$ 5,891	\$ 10,840
Telephone	544	1,042
Outside Professional Services	5,787	11,392
Legal and Public Notices	128	235
Property Insurance	3,476	(64)
Regulatory Commission Expense	3,383	128
Advertising	7,971	345
Trustee Salaries	293	540
Travel and Training	183	278
Dues and Assessments	4,246	237
Energy Conservation Expense	-	-
Miscellaneous	-	-
Vehicle Operating Expense	655	1,193
General Maintenance	1,326	499
Property Taxes	6,014	-
Employer Payroll Taxes	2,612	5,636
Employee Benefits	9,864	18,379
	<hr/>	<hr/>
Total Administrative and General Expenses	\$ 52,373	\$ 50,680
DEPRECIATION:		
Depreciation Neal 4 Plant	\$ -	\$ -
Depreciation Transmission System	-	-
Depreciation Distribution System	-	1
Depreciation General Plant	6,305	2,685
Depreciation Production Plant	-	12,777
Depreciation Municipal Building	-	-
	<hr/>	<hr/>
Total Depreciation Expense	\$ 6,305	\$ 15,463

See Independent Auditors' Report

SCHEDULE 3

Business Type Activities - Enterprise Funds

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 61,740	\$ 29,934	\$ 20,456	\$ 7,895	\$ 147,186
8,954	5,760	3,844	1,847	26,141
2,516	3,621	1,123	554	9,132
<u>\$ 73,210</u>	<u>\$ 39,315</u>	<u>\$ 25,423</u>	<u>\$ 10,296</u>	<u>\$ 182,459</u>
\$ 38,247	\$ 17,485	\$ 11,264	\$ 4,857	\$ 88,584
3,622	1,656	1,113	456	8,433
12,629	6,529	3,716	1,194	41,247
828	699	244	188	2,322
27,550	8,924	5,566	506	45,958
1,354	619	183	400	6,067
2,729	1,306	306	158	12,815
1,901	869	560	237	4,400
1,947	2,623	1,074	1,251	7,356
6,815	1,975	550	-	13,823
3,755	12,738	-	-	16,493
3,322	3,120	-	-	6,442
4,563	2,331	1,379	639	10,760
13,924	5,045	1,265	1,839	23,898
23,542	318	-	-	29,874
17,343	8,474	5,785	2,687	42,537
63,220	28,701	18,612	8,528	147,304
<u>\$ 227,291</u>	<u>\$ 103,412</u>	<u>\$ 51,617</u>	<u>\$ 22,940</u>	<u>\$ 508,313</u>
\$ 50,674	\$ -	\$ 7,448	\$ 19,702	\$ 77,824
49,764	-	2,759	-	52,523
171,987	11,994	13,918	19,920	217,820
52,452	12,844	12,979	9,720	96,985
-	2,785	-	-	15,562
14,862	16,714	-	-	31,576
<u>\$ 339,739</u>	<u>\$ 44,337</u>	<u>\$ 37,104</u>	<u>\$ 49,342</u>	<u>\$ 492,290</u>

COON RAPIDS MUNICIPAL UTILITIES

SCHEDULE OF INSURANCE COVERAGE
FOR THE YEAR ENDED JUNE 30, 2009

TYPE OF COVERAGE - ALL UTILITY SYSTEMS	Expiration Date	Limits of Coverage (Each Occurrence/Aggregate)
Property Coverage (Replacement Costs) - Fire and Extended Coverage (\$5,000 Deductible, 90% Co-Insurance) -	4/1/2010	
Peak Shaving Plant and Contents		\$ 111,804
Water Treatment Plant and Contents		275,339
Water Tower and Contents		759,764
Cable Television Building and Contents		170,740
Maintenance Garage Building, Contents and Equipment		1,048,804
Municipal Building - Building and Contents		1,509,330
Telecommunications Building - Building and Contents		1,405,990
Telecommunications Building - Generator Plant		3,909,003
Gas Shop Building and Contents		58,582
Switch Gear Transformers Building and Contents		530,746
Iron Hill Sub Station Building		176,705
Inland Marine -	4/1/2010	
Contractors Equipment (\$250 Deductible)		449,877
Electronic Data Processing (\$500 Deductible)		2,000
Scheduled Property Floater (\$250 Deductible)		123,000
Comprehensive General Liability -	4/1/2010	
Bodily Injury, Personal Injury and/or Property Damage		1,000,000/2,000,000
Fire Damage		100,000
Medical Expense		5,000
Employee Benefits		100,000
Products and Completed Operations		2,000,000/2,000,000
Comprehensive Auto Policy -	4/1/2010	
Bodily Injury and/or Property Damage		1,000,000
Uninsured/Underinsured Motorists		50,000
Collision (\$1,000 Universal Motorists Deductible)		ACV
Comprehensive (No Deductible)		ACV
Workmen's Compensation	4/1/2010	Statutory
Umbrella (Wrongful Act) Liability (\$10,000 Deductible)	4/1/2010	3,000,000/3,000,000
Linebacker Liability (\$1,500 Deductible)	4/1/2010	1,000,000/1,000,000
Boiler and Machinery Breakdown	4/1/2010	2,000,000
Crime -		
Employee Theft per Person (\$500 Deductible)		2,000/200,000
Computer Fraud (\$500 Deductible)		500/50,000
Manager		400,000
Assistant Manager		200,000
Comptroller		200,000

See Independent Auditors' Report.

COON RAPIDS MUNICIPAL UTILITIES

**SCHEDULE OF INSURANCE COVERAGE
FOR THE YEAR ENDED JUNE 30, 2009**

TYPE OF COVERAGE - ALL UTILITY SYSTEMS	Expiration Date	Limits of Coverage (Each Occurrence/ Aggregate)
Commercial Output -		
Personal Property (\$5,000 Deductible)	4/1/2010	\$ 20,808
Electric Generating and Switchgear (\$5,000 Deductible)	4/1/2010	3,811,548
Extra Expense	4/1/2010	50,000

See Independent Auditors' Report.

OTHER REPORTS

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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

Coon Rapids Municipal Utilities
Coon Rapids, Iowa

We have audited the accompanying financial statements of Coon Rapids Municipal Utilities, a component unit of the City of Coon Rapids, Iowa, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 11, 2009. We conducted our audit in accordance U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coon Rapids Municipal Utilities' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utilities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Coon Rapids Municipal Utilities' internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Utilities' ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Utilities' financial statements that is more than inconsequential will not be prevented or detected by the Utilities' internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Utilities' internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coon Rapids Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of non-compliance required to be reported under *Government Auditing Standards* and discussed as item B-09 of Part III of the Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Coon Rapids Municipal Utilities' operations for the year ended June 30, 2009, 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 tests and samples, not all transactions that might have had 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' responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Utilities' responses, we did not audit Coon Rapids Municipal Utilities' responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the trustees, officials, employees and customers of Coon Rapids Municipal Utilities, and other parties to whom the Coon Rapids Municipal Utilities may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

December 11, 2009

By  _____
Certified Public Accountant

COON RAPIDS MUNICIPAL UTILITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2009

PART I: SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:

- (a) An unqualified opinion was issued on the financial statements.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which could have a material effect on the financial statement amounts.
- (d) No material weaknesses in internal control were noted.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Instances of Non-Compliance:

No Matters were noted.

Significant Deficiencies:

No Matters were noted.

PART III: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

- III-A-09 **Official Depositories** - The Board of Trustees has approved a resolution naming official depositories. The maximum deposit amount stated in the resolution was not exceeded during the year ended June 30, 2009.
- III-B-09 **Certified Budget** - Disbursements during the year ended June 30, 2009, exceeded the amounts budgeted for in the electric fund. This overspend was caused entirely by calling and paying the \$2,890,000 balance of the capital loan notes which balance was not included in the budget; \$1,540,000 of this balance was funded by proceeds on the Inter-Utility loans. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.
- III-C-09 **Questionable Disbursements** - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-D-09 **Travel Expenses** - No disbursement of Utilities' money for travel expenses of spouses of Utilities' officials or employees were noted.
- III-E-09 **Business Transactions** - Business transactions between Coon Rapids Municipal Utilities and Utilities' officials are immaterial and meet the guidelines of the Code of Iowa.

COON RAPIDS MUNICIPAL UTILITIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

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

- III-F-09 **Bond Coverage** - Surety bond coverage of Coon Rapids Municipal Utilities' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- III-G-09 **Trustee Minutes** - No transactions were found that we believe should have been approved in the Board of Trustees minutes but were not.
- III-H-09 **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Coon Rapids Municipal Utilities' investment policy were noted.
- III-I-09 **Revenue Bonds and Notes** - No instances of non-compliance with the electric revenue bond and capital loan note requirements for the year ended June 30, 2009, were noted.
- III-J-09 **Telecommunication Services** - No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.