

**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, 2010**

# COON RAPIDS MUNICIPAL UTILITIES

## TABLE OF CONTENTS

		Page
OFFICIALS		1
INDEPENDENT AUDITORS' REPORT		2
MANAGEMENT'S DISCUSSION AND ANALYSIS		4
BASIC FINANCIAL STATEMENTS		
	Exhibit	
Proprietary Funds Financial Statements -		
Statement of Net Assets	A	12
Statement of Revenues, Expenses and Changes in Fund Net Assets	B	16
Statement of Cash Flows	C	18
Notes to Financial Statements		22
REQUIRED SUPPLEMENTARY INFORMATION		
	Schedule	
Budgetary Comparison Schedule - Budget and Actual (Budget Basis)	1	35
Budget to GAAP Reconciliation	2	36
Notes to Required Supplementary Information - Budgetary Reporting		37
OTHER SUPPLEMENTARY INFORMATION		
Schedule of Expenses	3	38
Schedule of Insurance Coverage	4	42
OTHER REPORTS		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		43
Schedule of Findings and Questioned Costs		45

## COON RAPIDS MUNICIPAL UTILITIES

### OFFICIALS

<b>Name</b>	<b>Position</b>	<b>Term Expires</b>
Mike Deeth	Chairman	June, 2012
Ron Brower	Trustee	June, 2014
Dierk Halverson	Trustee	June, 2016
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

# O'Donnell, Ficenec, Wills & Ferdig, LLP

*Certified Public Accountants*

4815 South 107th Avenue

Omaha, Nebraska 68127-1904

402-592-3800

Fax: 402-592-7747

www.ofwf.com

Gerald A. Wills, C.P.A.  
Ronald W. Ferdig, C.P.A.  
Lawrence A. Wolfe, C.P.A.  
Steven M. Povich, C.P.A.  
John Keblesh, C.P.A.  
Gregory A. Harr, C.P.A.

Dwain E. Wulf, C.P.A.  
Daniel R. Holt, C.P.A.  
Daniel A. Dudley, C.P.A.  
Geoffrey F. Schnathorst, C.P.A.  
Catherine T. Kellogg, C.P.A.

## 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, 2010, which collectively comprise the Utilities' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 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, 2010, 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 27, 2010, 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 35 through 37, 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, 2009, (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

December 27, 2010

By  \_\_\_\_\_  
Certified Public Accountant

## **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, 2010. 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 comprise the Basic Financial Statements.

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

	2010	2009
<b>OPERATING</b>		
Revenues .....	739	776
Expenses .....	563	575
Operating Gain (Loss) .....	176	201
<b>NONOPERATING</b>		
Revenues (Expenses) .....	(138)	(153)
Transfers In (Out) .....	(9)	(9)
Nonoperating Gain (Loss) .....	(147)	(162)
<b>Total Gain (Loss) .....</b>	<b>29</b>	<b>39</b>
<b>ASSETS</b>		
Current .....	706	590
Capital .....	137	157
Noncurrent .....	294	363
<b>Total Assets .....</b>	<b>1,137</b>	<b>1,110</b>
<b>LIABILITIES</b>		
Current .....	28	30
Noncurrent .....	0	0
Total .....	28	30
<b>NET ASSETS</b>		
Invested in Capital Assets .....	137	156
Unrestricted .....	972	924
Total .....	1,109	1,080
<b>Total Liabilities &amp; Net Assets .....</b>	<b>1,137</b>	<b>1,110</b>

**Results of Operations:**

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

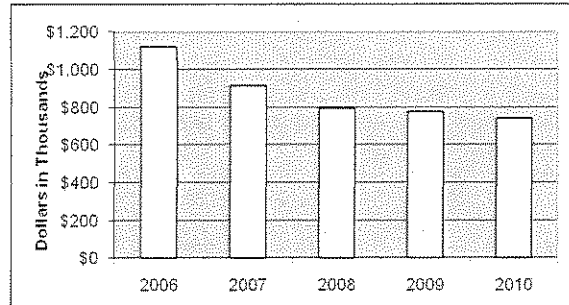
Revenue from operations declined by almost 5%, while total operating expenses declined by just under 2%. The decline in revenue can be attributed to a reduction of telephone service revenues by 15%. Cable television and internet revenues increased by 7%.

Expenses for the communication utility were slightly lower due to decreased telephone switching, long distance, and distribution operation expenses. This decrease outweighed the increase in cable and internet expenses and telephone plant operations and administrative expenses.

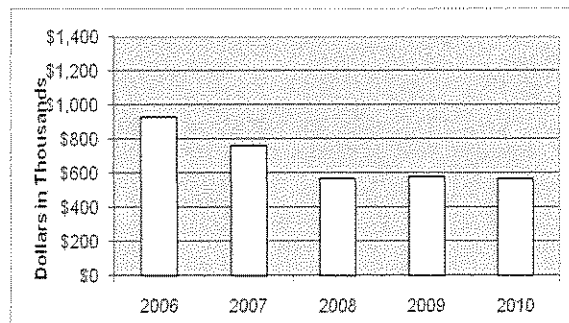
Interest income was lower in 2010 by almost \$7,000. Nonoperating expenses totaled \$138,000. Transfers out to the community and City of Coon Rapids were \$8,500.

Combined with a \$175,000 operating gain, nonoperating expenses and transfers out, the communications utility ended the year with a \$29,000 gain, compared to \$39,000 in 2009.

**Communications Utility  
Operating Revenues: \$739,309**



**Communications Utility  
Operating Expenses: \$563,899**



**Financial Position:**

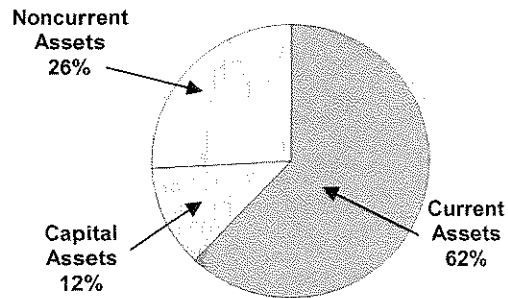
*(As reported on the Statement of Net Assets)*

Total assets increased by more than 2% in fiscal year 2010. This can be attributed to an increase in cash and inventories. Total liabilities decreased 5% simply because CRMU had lower accounts payable at the end of fiscal year 2010 compared to fiscal year 2009. Total net assets increased more than 2%.

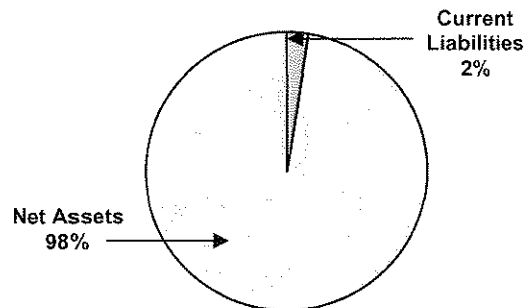
The communication utility's noncurrent assets decreased by \$69,000 due to debt pay down from the electric utility. Capital assets, in the form of utility plant, facilities and equipment, account for 12% of total assets, while current assets comprise 62% of the total assets. Cash and cash equivalents account for over 50% of total assets. These funds are designated for equipment replacement, capital improvements, and general savings.

Both revenues and expenses were lower than budget by \$32,000 and \$75,000, respectively.

**Communication Utility Total Assets: \$1,137,110**



**Communication Utility Total Liabilities and Net Assets: \$1,137,110**





## Electric Utility

### Overview:

In 2010, CRMU realized a net operating gain of \$464,000 and a nonoperating gain of \$60,000 for a total gain of \$524,000. Wholesale and retail sales increased 15% (\$306,000). Operating expenses were actually 11% (\$200,000) higher than 2009.

In the next few years, CRMU will face significant capital improvement and hazard mitigation projects. From 2011-2013, a scrubber / bag house will be installed onto Neal 4 to help with environmental emissions. CRMU's share of this improvement is approximately \$1.4 million. Additional environmental regulations will force CRMU to upgrade its three diesel generators at an estimated cost of \$270,000. Finally, CRMU will be burying electric lines behind the business district at a cost of \$300,000 to \$500,000. Thus, any gains realized will be put towards these upcoming outlays.

## Electric Utility Financial Highlights:

Dollars in Thousands

	2010	2009
<b>OPERATING</b>		
Revenues .....	2,487	2,174
Expenses .....	2,023	1,823
Operating Gain (Loss) .....	464	351
<b>NONOPERATING</b>		
Revenues (Expenses) .....	121	135
Transfers In (Out) .....	(61)	(154)
Nonoperating Gain (Loss) .....	60	(19)
<b>Total Gain (Loss) .....</b>	<b>524</b>	<b>332</b>
<b>ASSETS</b>		
Current .....	2,512	1,928
Capital .....	6,880	7,132
Noncurrent .....	264	307
<b>Total Assets .....</b>	<b>9,656</b>	<b>9,367</b>
<b>LIABILITIES</b>		
Current .....	342	330
Noncurrent .....	1,052	1,299
<b>Total .....</b>	<b>1,394</b>	<b>1,629</b>
<b>NET ASSETS</b>		
Invested in Capital Assets .....	5,580	5,592
Restricted .....	70	26
Unrestricted .....	2,612	2,120
<b>Total .....</b>	<b>8,262</b>	<b>7,738</b>
<b>Total Liabilities &amp; Net Assets .....</b>	<b>9,656</b>	<b>9,367</b>

## Results of Operations:

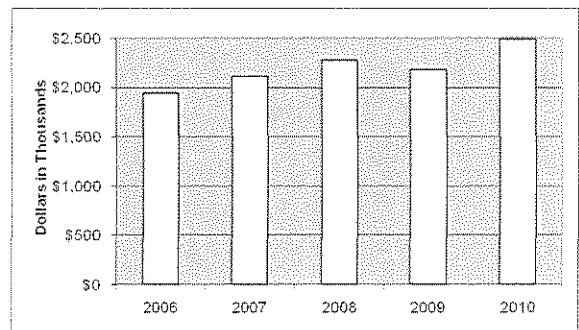
(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Assets)

Revenue from operations increased 14%., Sales to customers increased 12%, while resale revenue increased 19%. One reason for the resale revenue increase is the new agreement with Basin. CRMU now receives more revenue per KW of capacity with the new agreement, which began September 1, 2009.

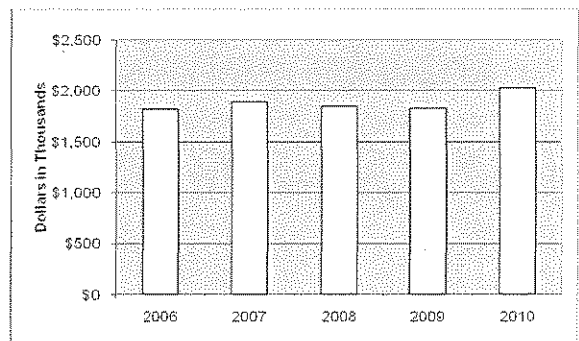
Operating expenses increased almost 11%. Purchased energy costs, plant operations, transmission operations, distribution operations, and administrative expenses increased, while customer service operations decreased. In the future, the electric utility will likely see purchased energy costs continue to increase as new environmental mandates and "green" programs are mandated by the government.

With the upcoming capital improvement projects and new environmental rules, CRMU is in the process of developing a 10-year strategic plan.

## Electric Utility Operating Revenues: \$2,487,137



## Electric Utility Operating Expenses: \$2,022,962



## Financial Position:

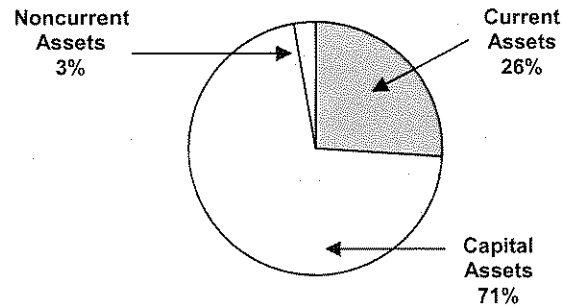
(As reported on the Statement of Net Assets)

Current assets account for 26% of total assets. CRMU has approximately 19% 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.

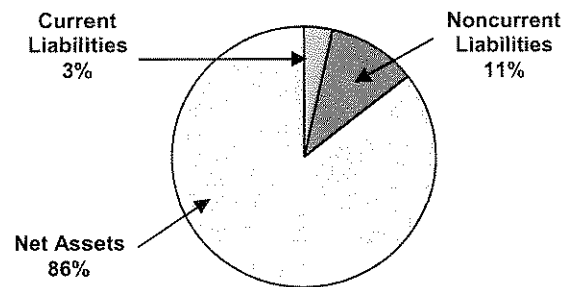
Capital assets, in the form of utility plant, facilities and equipment, account for 71% of CRMU's total assets. Noncurrent assets account for 3% of total assets.

CRMU's total liabilities declined by almost 14% due to debt pay down to the gas, wastewater, and telephone utilities. Noncurrent liabilities account for 11% of total liabilities and assets, while current liabilities account for 3%. Overall, net assets increased about 7% from last year.

Revenues and expenses were higher than budget by \$143,000 and \$19,000, respectively.



Electric Utility Total Liabilities and Net Assets: \$9,655,840



Electric Utility Total Assets: \$9,655,840

### Natural Gas Utility

Overview:

Historically, 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.

Fortunately, gas prices remained relatively low during fiscal year 2010. CRMU expects the commodity cost to remain low in the future, which is a welcomed relief for our customers.

In 2010, CRMU's natural gas utility experienced an operating gain of \$82,000, compared to \$18,000 in 2009. Combined with nonoperating revenues / expenses and transfers out, the utility ended the year with a \$10,000 loss.

### Natural Gas Utility Financial Highlights:

Dollars in Thousands

	2010	2009
<b>OPERATING</b>		
Revenues	1,035	1,029
Expenses	953	1,011
Operating Gain (Loss)	82	18
<b>NONOPERATING</b>		
Revenues (Expenses)	12	33
Transfers In (Out)	(104)	(75)
Nonoperating Gain (Loss)	(92)	(42)
<b>Total Gain (Loss)</b>	<b>(10)</b>	<b>(24)</b>
<b>ASSETS</b>		
Current	1,082	932
Capital	816	824
Noncurrent	456	582
<b>Total Assets</b>	<b>2,354</b>	<b>2,338</b>
<b>LIABILITIES</b>		
Current	66	40
Noncurrent	0	0
<b>Total</b>	<b>66</b>	<b>40</b>
<b>NET ASSETS</b>		
Invested in Capital Assets	815	824
Unrestricted	1,473	1,474
<b>Total</b>	<b>2,288</b>	<b>2,298</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>2,354</b>	<b>2,338</b>

**Results of Operations:**

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

In 2010, total operating revenues increased less than 1%. Total usage billed increased by 16%. Industrial usage increased 43%, while residential and commercial usage remained steady. Lower commodity costs contributed to the small revenue increase.

Total operating expenses decreased \$58,000 or 6%. Purchased energy costs declined almost \$69,000 (9%) from the previous year. Plant operations and customer service expenses also decreased, while distribution operations and administrative / general expenses increased.

Nonoperating revenues declined 65% in 2010. 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 \$104,000 in 2010. CRMU gave the City of Coon Rapids \$64,000 for in-lieu-of tax payments and \$40,000 in free service to the community.

**Natural Gas Utility Operating Revenues: \$1,035,460**



**Natural Gas Utility Operating Expenses: \$953,151**



**Financial Position:**

*(As reported on the Statement of Net Assets)*

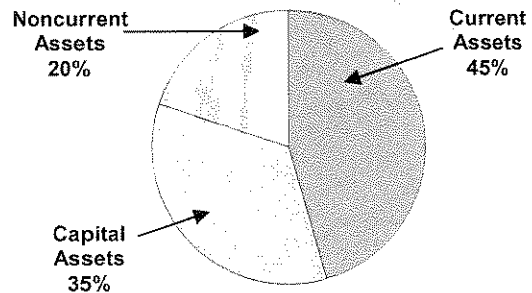
Capital assets, in the form of utility plant, facilities and equipment, account for 35% of CRMU's total assets, while current assets comprise 45% of the total. Cash, cash equivalents, and certificates of deposit account for 37% of total assets. Cash increased 17% from the previous year, while noncurrent assets (loan receivables) decreased 20%. These changes are a direct result of the interutility loan pay down between gas and electric.

The Natural Gas Utility has no significant noncurrent liabilities. CRMU's current liabilities are primarily comprised of payables totaling \$65,000.

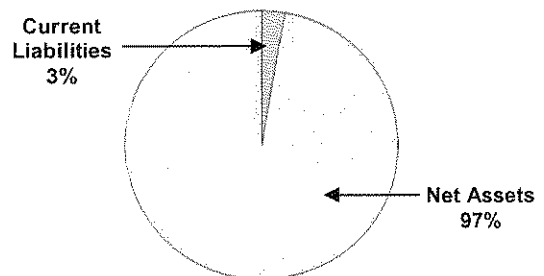
The gas utility maintains a strong financial position. No large capital projects are planned in the near future. After several years of using reserves to cover losses, CRMU restructured rates to allocate fixed costs based on usage, which has proven to be beneficial for both the utility and residential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

Revenues and expenses were lower than budget by \$99,000 and \$87,000, respectively.

**Natural Gas Utility Total Assets: \$2,353,507**



**Natural Gas Utility Total Liabilities and Net Assets: \$2,353,507**



## 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 \$13,000. Sales to customers declined more than 4% in 2010. This can be attributed to the wet summer months, decreasing the demand for irrigation and lawn watering.

### Water Utility Financial Highlights:

Dollars in Thousands

	2010	2009
<b>OPERATING</b>		
Revenues .....	191	227
Expenses .....	204	241
Operating Gain (Loss) .....	(13)	(14)
<b>NONOPERATING</b>		
Revenues (Expenses) .....	(3)	13
Transfers In (Out) .....	(7)	(8)
Nonoperating Gain (Loss) .....	(10)	5
<b>Total Gain (Loss) .....</b>	<b>(23)</b>	<b>(9)</b>
<b>ASSETS</b>		
Current .....	225	235
Capital .....	388	411
Noncurrent .....	0	0
<b>Total Assets .....</b>	<b>613</b>	<b>646</b>
<b>LIABILITIES</b>		
Current .....	26	36
Noncurrent .....	0	0
<b>Total .....</b>	<b>26</b>	<b>36</b>
<b>NET ASSETS</b>		
Invested in Capital Assets .....	388	411
Unrestricted .....	199	199
<b>Total .....</b>	<b>587</b>	<b>610</b>
<b>Total Liabilities &amp; Net Assets .....</b>	<b>613</b>	<b>646</b>

### Results of Operations:

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

Revenue from operations decreased \$36,000 (16%). This decrease is a combination of decreased sales to customers and an adjustment to interdepartmental revenue.

Operating expenses decreased 15%, a result of lower plant and distribution operations (lower utility cost, wages, and chemical expenses).

Nonoperating losses totaled just over \$3,000. CRMU continued with contributions through payment in-lieu-of tax and donations to the community for a total of \$6,800, which is 20% lower than last year. Considering the nonoperating gains and transfers out, the water utility's total loss for 2010 was \$23,000.

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: \$191,237



### Water Utility Operating Expenses: \$204,206



### Financial Position:

(As reported on the Statement of Net Assets)

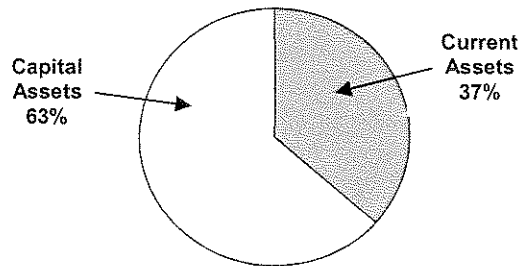
Current assets account for 37% of total assets. CRMU has approximately 29% of its total assets in the form of cash and cash equivalents. Of this amount, the Board of Trustees has designated uses for all of it. As losses are incurred, these funds will continue to decline. Fortunately, the water utility does not have any large capital projects planned in the near future.

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

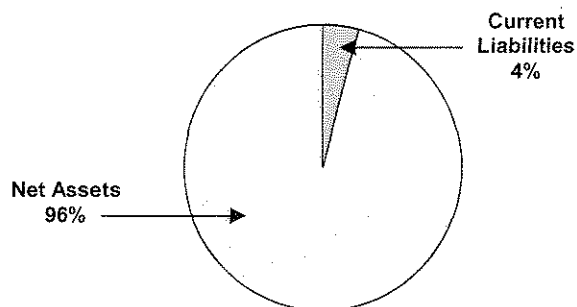
Capital assets, in the form of utility plant, facilities and equipment, account for over 63% of CRMU's total assets. CRMU's total assets declined just under \$34,000 (5%) in 2010.

The water utility has no significant liabilities, other than normal payables. These payables account for 4% of total liabilities and net assets. Net assets declined 4% in 2010. For the year, total liabilities and net assets decreased 5%.

Revenues were lower than budget by \$37,500. Expenses were lower than budget by \$9,700.



Water Utility Total Liabilities and Net Assets: \$612,607



Water Utility Total Assets: \$612,607

## Wastewater Utility

Overview:

In 2010, the wastewater utility realized an operating loss of \$44,000. Including nonoperating revenues (primarily interest income), the utility ended with a total loss of \$29,000, compared to a \$10,000 in 2009.

In fiscal year 2010, CRMU continued its pump station and force main improvement capital project. While the project is still ongoing, 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 of this, a rate adjustment will be made in the next fiscal year (beginning July 1, 2010).

## Wastewater Utility Financial Highlights:

Dollars in Thousands

	2010	2009
<b>OPERATING</b>		
Revenues .....	100	103
Expenses .....	145	129
Operating Gain (Loss) .....	(45)	(26)
<b>NONOPERATING</b>		
Revenues (Expenses) .....	16	36
Transfers In (Out) .....	(2)	(1)
Nonoperating Gain (Loss) .....	14	35
<b>Total Gain (Loss) .....</b>	<b>(31)</b>	<b>9</b>
<b>ASSETS</b>		
Current .....	878	1,089
Capital .....	914	603
Noncurrent .....	344	472
<b>Total Assets .....</b>	<b>2,136</b>	<b>2,164</b>
<b>LIABILITIES</b>		
Current .....	7	5
Noncurrent .....	0	0
<b>Total .....</b>	<b>7</b>	<b>5</b>
<b>NET ASSETS</b>		
Invested in Capital Assets .....	914	603
Unrestricted .....	1,215	1,556
<b>Total .....</b>	<b>2,129</b>	<b>2,159</b>
<b>Total Liabilities &amp; Net Assets .....</b>	<b>2,136</b>	<b>2,164</b>

**Results of Operations:**

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

In 2010, the wastewater utility recorded just over \$100,000 in revenues. Prior to the past two years, wastewater revenues were consistent each year. Due to the decreased water usage in 2009 and 2010, wastewater revenues have been lower.

Total operating expenses in 2010 were up \$15,000 (12%) compared to 2009. Plant operations, administrative / general, and depreciation expense increased over the year, while distribution and customer service operations decreased. Wage expense increased due to additional time spent on utility improvements. This trend is expected to continue while the department is televising the sewer system.

Nonoperating revenues decreased by \$20,000 in 2010 (from \$36,000 to \$16,000) due to much lower interest income. Transfers to the city and community (via in-lieu-of tax payments and free service) increased just over \$1,000 from the previous year.

**Wastewater Utility Operating Revenues: \$100,068**



**Wastewater Utility Operating Expenses: \$144,479**



**Financial Position:**

*(As reported on the Statement of Net Assets)*

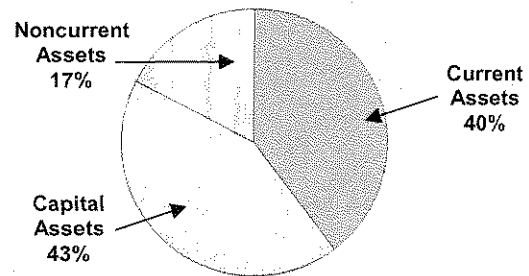
Capital assets, in the form of utility plant, facilities and equipment, account for 43% of CRMU's total assets, while current assets account for 40%. Noncurrent assets account for 17% of total assets.

The wastewater utility has 36% of its total assets in the form of cash, cash equivalents, and certificates of deposit. A large portion of this will be used for ongoing improvements previously described. The cash position declined 24% from last year due to payouts associated with the pump station project. Additionally, the sewer utility purchased a jetter/vac unit for about \$80,000, which lowered the utility's cash.

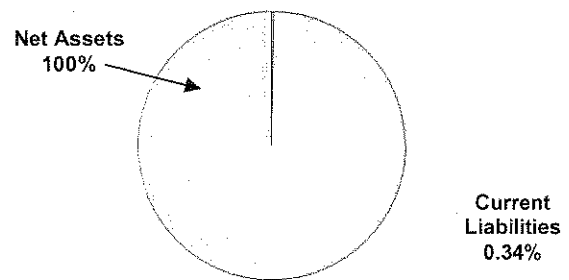
The wastewater utility essentially has no liabilities other than some small payables.

Revenues were \$7,000 lower than budget, and expenses were \$5,000 lower than budget.

**Wastewater Utility Total Assets: \$2,135,934**



**Wastewater Utility Total Liabilities and Net Assets: \$2,135,934**



## **BASIC FINANCIAL STATEMENTS**

**COON RAPIDS MUNICIPAL UTILITIES**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010**

ASSETS	Communications: Telephone Utility	Communications: Cable TV, Internet & Pager Utility
<b>CURRENT ASSETS:</b>		
Cash and Invested Cash	\$ 354,172	\$ 226,990
Accounts Receivable, Net of Allowance -		
Trade	18,926	19,154
Other	11,651	271
Loans Receivable, Current Portion	68,969	-
Inventories	1,063	1,914
Other Current and Prepaid Assets	3,403	-
Total Current Assets	<u>458,184</u>	<u>248,329</u>
<b>CAPITAL ASSETS:</b>		
Utility Plant, Facilities and Equipment, at Cost	42,254	385,557
Accumulated Depreciation	<u>(19,506)</u>	<u>(271,471)</u>
Total Capital Assets, Net	22,748	114,086
<b>NONCURRENT ASSETS:</b>		
NIMECA Patronage Dividend Receivable	-	-
Loans Receivable, Net of Current Portion Above -		
From City of Coon Rapids	-	-
From Electric Fund	293,763	-
Revolving Loans Receivable	<u>-</u>	<u>-</u>
Total Noncurrent Assets	293,763	-
 Total Assets	 <u>\$ 774,695</u>	 <u>\$ 362,415</u>

See Notes to Financial Statements.



---

**Business Type Activities - Enterprise Funds**


---

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 1,817,035	\$ 864,976	\$ 177,246	\$ 763,745	\$ 4,204,164
166,791	15,362	23,789	9,572	253,594
58,473	23,224	2,398	1,934	97,951
44,532	115,481	-	101,844	330,826
396,621	52,923	16,158	175	468,854
28,549	10,383	4,726	1,095	48,156
<u>2,512,001</u>	<u>1,082,349</u>	<u>224,317</u>	<u>878,365</u>	<u>5,403,545</u>
12,421,602	1,758,269	1,376,311	2,104,540	18,088,533
(5,541,394)	(942,825)	(988,021)	(1,190,414)	(8,953,631)
<u>6,880,208</u>	<u>815,444</u>	<u>388,290</u>	<u>914,126</u>	<u>9,134,902</u>
17,476	-	-	-	17,476
-	11,653	-	29,185	40,838
-	444,061	-	314,258	1,052,082
246,155	-	-	-	246,155
<u>263,631</u>	<u>455,714</u>	<u>-</u>	<u>343,443</u>	<u>1,356,551</u>
<u>\$ 9,655,840</u>	<u>\$ 2,353,507</u>	<u>\$ 612,607</u>	<u>\$ 2,135,934</u>	<u>\$ 15,894,998</u>

(Continued)

**COON RAPIDS MUNICIPAL UTILITIES**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010**

<b>LIABILITIES</b>	<b>Communications: Telephone Utility</b>	<b>Communications: Cable TV, Internet &amp; Pager Utility</b>
<b>CURRENT LIABILITIES:</b>		
Accounts Payable - Trade	\$ 9,040	\$ 11,953
Other Payables and Credits	-	-
Payroll, Sales and Use Taxes Payable	-	-
Compensated Absences Payable	1,965	5,473
Customer Deposits	-	-
Loans Payable, Current Portion	-	-
Accrued Interest	-	-
Total Current Liabilities	<u>11,005</u>	<u>17,426</u>
<b>LONG-TERM LIABILITIES, NET OF CURRENT PORTION:</b>		
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>11,005</u>	<u>17,426</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	22,748	114,086
Restricted	-	-
Unrestricted	<u>740,942</u>	<u>230,903</u>
Total Net Assets	<u>763,690</u>	<u>344,989</u>
 Total Liabilities and Net Assets	 <u>\$ 774,695</u>	 <u>\$ 362,415</u>

See Notes to Financial Statements.

---

**Business Type Activities - Enterprise Funds**


---

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 55,270	\$ 58,199	\$ 9,877	\$ 4,858	\$ 149,197
11,437	-	9,995	-	21,432
3,629	186	1,162	77	5,054
16,088	7,131	4,442	2,256	37,355
6,750	-	-	-	6,750
247,005	-	-	-	247,005
1,353	-	-	-	1,353
<u>341,532</u>	<u>65,516</u>	<u>25,476</u>	<u>7,191</u>	<u>468,146</u>
444,061	-	-	-	444,061
314,258	-	-	-	314,258
<u>293,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293,763</u>
<u>1,052,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,052,082</u>
1,393,614	65,516	25,476	7,191	1,520,228
5,579,768	815,444	388,290	914,126	7,834,462
70,046	-	-	-	70,046
<u>2,612,412</u>	<u>1,472,547</u>	<u>198,841</u>	<u>1,214,617</u>	<u>6,470,262</u>
8,262,226	2,287,991	587,131	2,128,743	14,374,770
<u>\$ 9,655,840</u>	<u>\$ 2,353,507</u>	<u>\$ 612,607</u>	<u>\$ 2,135,934</u>	<u>\$ 15,894,998</u>

**COON RAPIDS MUNICIPAL UTILITIES**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Communications: Telephone Utility</u>	<u>Communications: Cable TV, Internet &amp; Pager Utility</u>
<b>OPERATING REVENUES:</b>		
Sales to Customers	\$ 353,546	\$ 384,026
Sales for Resale	-	-
Interdepartmental Sales	-	-
Forfeited Discounts	1,647	-
Rebates and Other	-	90
Total Operating Revenues	<u>355,193</u>	<u>384,116</u>
<b>OPERATING EXPENSES:</b>		
Purchased Energy and Programming	94,860	197,952
Plant Operations	12,238	15,863
Transmission Operations	-	-
Distribution Operations	14,218	46,269
Consumer Service Operations	11,034	22,993
Administrative and General Expenses	61,811	61,034
Depreciation	5,721	19,906
Total Operating Expenses	<u>199,882</u>	<u>364,017</u>
Operating Income (Loss)	155,311	20,099
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest Income	10,604	277
Joint Use Revenue (Expense)	(148,661)	-
Municipal Building - Rent and Expense Reimbursement	-	-
Merchandise Sales - Net	30	735
Gain (Loss) on Sale or Disposal of Assets	-	(5,309)
Miscellaneous Nonoperating Revenue (Expense)	128	4,337
Interest Expense	-	-
Municipal Building Expense	-	-
Net Nonoperating Revenues (Expenses)	<u>(137,899)</u>	<u>40</u>
Income (Loss) before Transfers	17,412	20,139
<b>TRANSFERS IN (OUT):</b>		
In-Lieu-Of Tax Payments	(5,022)	(524)
Free Community Service	(2,270)	(778)
Net Transfers In (Out)	<u>(7,292)</u>	<u>(1,302)</u>
Change in Net Assets	10,120	18,837
Total Net Assets - July 1, 2009	753,570	326,152
Total Net Assets - June 30, 2010	<u>\$ 763,690</u>	<u>\$ 344,989</u>

See Notes to Financial Statements

---

**Business Type Activities - Enterprise Funds**


---

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 1,501,508	\$ 1,027,161	\$ 198,527	\$ 99,816	\$ 3,564,584
893,821	-	-	-	893,821
83,221	6,551	(8,631)	-	81,141
7,847	1,158	631	252	11,535
740	590	710	-	2,130
<u>2,487,137</u>	<u>1,035,460</u>	<u>191,237</u>	<u>100,068</u>	<u>4,553,211</u>
608,217	665,300	-	-	1,566,329
500,793	19,440	57,407	20,071	625,812
126,201	-	-	-	126,201
142,049	80,584	31,173	29,226	343,519
66,504	32,075	23,134	9,056	164,796
248,604	114,972	55,276	29,451	571,148
330,594	40,780	37,216	56,675	490,892
<u>2,022,962</u>	<u>953,151</u>	<u>204,206</u>	<u>144,479</u>	<u>3,888,697</u>
464,175	82,309	(12,969)	(44,411)	664,514
8,208	17,568	231	14,993	51,881
151,661	-	-	-	3,000
12,216	5,019	3,636	-	20,871
(34)	1,060	(1,546)	515	760
(3,232)	598	-	-	(7,943)
1,204	132	(5,699)	41	143
(36,579)	-	-	-	(36,579)
(12,873)	(12,875)	-	-	(25,748)
<u>120,571</u>	<u>11,502</u>	<u>(3,378)</u>	<u>15,549</u>	<u>6,385</u>
584,746	93,811	(16,347)	(28,862)	670,899
(42,399)	(63,655)	(4,632)	(518)	(116,750)
(18,193)	(40,499)	(2,146)	(1,244)	(65,130)
<u>(60,592)</u>	<u>(104,154)</u>	<u>(6,778)</u>	<u>(1,762)</u>	<u>(181,880)</u>
524,154	(10,343)	(23,125)	(30,624)	489,019
7,738,072	2,298,334	610,256	2,159,367	13,885,751
<u>\$ 8,262,226</u>	<u>\$ 2,287,991</u>	<u>\$ 587,131</u>	<u>\$ 2,128,743</u>	<u>\$ 14,374,770</u>

**COON RAPIDS MUNICIPAL UTILITIES**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Communications: Telephone Utility</b>	<b>Communications: Cable TV, Internet &amp; Pager Utility</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers and Users	\$ 372,746	\$ 381,260
Cash Received from Interdepartmental Sales	-	-
Cash Received (Paid) from Other Revenues (Expenses) - Net	(148,500)	(238)
Cash Paid to Suppliers for Goods and Services	(157,553)	(224,985)
Cash Paid to Employees	(42,805)	(113,132)
Cash Paid for Interdepartmental Services	-	-
Cash Paid for In-Lieu-of-Tax Payments	<u>(5,022)</u>	<u>(524)</u>
Net Cash Flow from Operating Activities	18,866	42,381
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers to City of Coon Rapids - Free Community Service	(2,270)	(781)
Net Municipal Building Expense	-	-
Increase (Decrease) in Customer Deposits	<u>-</u>	<u>-</u>
Net Cash Flow from Noncapital Financing Activities	(2,270)	(781)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital and Construction-in-Progress Expenditures	(546)	(5,254)
Cash Received on Capital Asset Disposals		
Cash Received on Inter-utility loans	67,267	-
Principal Payments on Long-term Debt	-	-
Interest Paid on Debt	<u>-</u>	<u>-</u>
Net Cash Flow from Capital and Related Financing Activities	66,721	(5,254)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on Investments	10,604	277
Principal Received on -		
City of Coon Rapids Loan	-	-
Coon Rapids Development Loans	<u>-</u>	<u>-</u>
Net Cash Flow from Investing Activities	10,604	277
Net Increase in Cash and Cash Equivalents	93,921	36,623
Cash and Cash Equivalents - July 1, 2009	260,251	190,367
Cash and Cash Equivalents - June 30, 2010	<u>\$ 354,172</u>	<u>\$ 226,990</u>

See Notes to Financial Statements.

**Business Type Activities - Enterprise Funds**


---

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 2,395,534	\$ 1,016,184	\$ 219,467	\$ 100,938	\$ 4,486,129
83,221	6,551	(8,631)	-	81,141
171,915	6,805	(3,609)	555	26,928
(1,254,340)	(734,564)	(86,322)	(32,732)	(2,490,496)
(311,340)	(144,713)	(103,000)	(53,434)	(768,424)
(83,221)	(6,551)	8,631	-	(81,141)
(42,399)	(63,655)	(4,632)	(518)	(116,750)
<u>959,370</u>	<u>80,057</u>	<u>21,904</u>	<u>14,809</u>	<u>1,137,387</u>
(18,193)	(40,499)	(2,146)	(1,244)	(65,133)
(12,873)	(12,875)	-	-	(25,748)
(2,550)	-	-	-	(2,550)
<u>(33,616)</u>	<u>(53,374)</u>	<u>(2,146)</u>	<u>(1,244)</u>	<u>(93,431)</u>
(86,742)	(33,433)	(14,650)	(367,996)	(508,621)
-	650	-	-	650
-	101,684	-	71,961	240,912
(240,912)	-	-	-	(240,912)
(35,752)	-	-	-	(35,752)
<u>(363,406)</u>	<u>68,901</u>	<u>(14,650)</u>	<u>(296,035)</u>	<u>(543,723)</u>
8,208	17,568	231	14,993	51,881
-	10,833	-	27,079	37,912
43,868	-	-	-	43,868
<u>52,076</u>	<u>28,401</u>	<u>231</u>	<u>42,072</u>	<u>133,661</u>
614,424	123,985	5,339	(240,398)	633,894
1,202,611	740,991	171,907	1,004,143	3,570,270
<u>\$ 1,817,035</u>	<u>\$ 864,976</u>	<u>\$ 177,246</u>	<u>\$ 763,745</u>	<u>\$ 4,204,164</u>

**COON RAPIDS MUNICIPAL UTILITIES**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Communications: Telephone Utility</u>	<u>Communications: Cable TV, Internet &amp; Pager Utility</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating Income (Loss) (Exhibit B)	\$ 155,311	\$ 20,099
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities -		
Depreciation - Capital Assets	5,721	19,906
Other Revenues (Expenses)	(153,522)	4,547
Gain (Loss) on Disposal of Assets	-	(5,309)
(Increase) Decrease in Operating Assets -		
Accounts Receivable	17,553	(2,856)
Inventories	(327)	278
Other Current and Prepaid Assets	1,463	-
Increase (Decrease) in Operating Liabilities -		
Accounts and Other Payables	(7,103)	4,282
Customer Deposits	-	-
Compensated Absences Payables	(230)	1,434
Payroll, Sales and Use Taxes Payable	-	-
	<u>\$ 18,866</u>	<u>\$ 42,381</u>
Net Cash Flows from Operating Activities		
 <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON THE STATEMENT OF NET ASSETS:</b>		
Current Assets - Cash and Cash Equivalents	\$ 354,172	\$ 226,990
	<u>\$ 354,172</u>	<u>\$ 226,990</u>
Cash and Cash Equivalents - June 30, 2010		

See Notes to Financial Statements



**Business Type Activities - Enterprise Funds**


---

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 464,175	\$ 82,309	\$ (12,969)	\$ (44,411)	\$ 664,514
330,594	40,780	37,216	56,675	490,892
132,749	(56,850)	(8,241)	39	(81,278)
(3,232)	598	-	-	(7,943)
12,264	(12,725)	19,599	870	34,705
19,263	1,915	(2,915)	-	18,214
(2,129)	(1,253)	(243)	(566)	(2,728)
4,659	24,652	(10,868)	1,714	17,336
(2,550)	-	-	-	(2,550)
1,870	631	256	482	4,443
1,707	-	69	6	1,782
<u>\$ 959,370</u>	<u>\$ 80,057</u>	<u>\$ 21,904</u>	<u>\$ 14,809</u>	<u>\$ 1,137,387</u>
\$ 1,817,035	\$ 864,976	\$ 177,246	\$ 763,745	\$ 4,204,164
<u>\$ 1,817,035</u>	<u>\$ 864,976</u>	<u>\$ 177,246</u>	<u>\$ 763,745</u>	<u>\$ 4,204,164</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), a component unit of the City of Coon Rapids, Iowa (the City), is 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, 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, 2010, was \$643,477.

## 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, 2010, was \$648,130.

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.

**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 \$11,072 at June 30, 2010.

**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, 2010, are comprised as follows:

All Material and Supplies	\$ 220,015
Electric Fund Fuel Inventories	139,461
Gas Fund Natural Gas Inventory	16,597
SO2 Allowances	77,375
No(X) Allowance	15,406
Total	<u>\$ 468,854</u>

**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, 2010, 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:

<b>Restricted for</b>	<b>Amount</b>
Economic Development Loans	\$ 70,046

## **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, 2010, 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, 2010, 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 \$352,430. 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 \$11,651 for the telephone system. These amounts are net of an allowance for doubtful collections. Management believes this allowance to be a reasonable and appropriate reduction of the CAB's receivables to their net realizable value.

**NOTE 4 - LOANS RECEIVABLE**

Loans to City of Coon Rapids

On 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
2011	\$ 11,226	\$ 799	\$ 28,063	\$ 2,000	\$ 39,289	\$ 2,799
2012	11,653	406	29,185	1,017	40,838	1,423
Totals	<u>\$ 22,879</u>	<u>\$ 1,205</u>	<u>\$ 57,248</u>	<u>\$ 3,017</u>	<u>\$ 80,127</u>	<u>\$ 4,222</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
2011	\$ 33,333
2012	33,333
2013	33,333
2014	33,333
2015	33,333
After	72,224
Total	<u>\$ 238,889</u>

**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:

<b>Year Ending June 30,</b>	<b>Electric Utility</b>	
	<b>Principal</b>	<b>Interest</b>
2011	\$ 2,500	\$ -
2012	2,354	350
2013	2,401	303
2014	2,449	255
2015	2,498	206
2016 and after	7,798	314
Totals	<u>\$ 20,000</u>	<u>\$ 1,428</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:

<b>Year Ending June 30,</b>	<b>Electric Utility</b>	
	<b>Principal</b>	<b>Interest</b>
2011	\$ 4,528	\$ 510
2012	4,677	361
2013	4,832	207
2014	3,729	51
Totals	<u>\$ 17,766</u>	<u>\$ 1,129</u>



**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
2011	\$ 4,171	\$ 383
2012	4,342	243
2013	4,485	100
2014	1,034	2
Totals	<u>\$ 14,032</u>	<u>\$ 728</u>

**NOTE 5 - CAPITAL ASSETS**

Capital asset categories and changes in each cost category and depreciation for the year ended June 30, 2010, are as follows:

	Balances Beginning of Year	Increases	Decreases	Balances End of Year
Utility Plant, Facilities and Equipment, at Cost				
Neal 4 Steam Production	\$ 1,850,249	\$ 8,852	\$ 14,140	\$ 1,844,961
Local Production Facilities	1,814,854	17,458	14,536	1,817,776
Transmission System	1,344,753	35,043	6,774	1,373,022
Distribution System	9,436,062	53,399	-	9,489,461
Municipal Building	1,173,735	-	-	1,173,735
General Facilities Equipment	<u>1,931,287</u>	<u>114,870</u>	<u>32,571</u>	<u>2,013,586</u>
Total Cost	17,550,940	229,622	68,021	17,712,541
Less -				
Accumulated Depreciation	<u>8,519,705</u>	<u>490,892</u>	<u>56,966</u>	<u>8,953,631</u>
Cost Less Depreciation	9,031,235	( 261,270)	11,055	8,758,910
Construction in Progress	95,104	428,765	147,877	375,992
Total Capital Assets, Net	<u>\$ 9,126,339</u>	<u>\$ 167,495</u>	<u>\$ 158,932</u>	<u>\$ 9,134,902</u>

**NOTE 5 - 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:

	<b>Estimated Useful Life</b>	<b>Depreciation Expense</b>
Communications Utility: Telephone - General Facilities and Equipment	5 - 40 Years	\$ 5,721
Total		<u>\$ 5,721</u>
Communications Utility: Cable TV, Internet and Pagers - Local Production Facilities	5 - 40 Years	\$ 17,005
General Facilities and Equipment	5 - 40 Years	2,901
Total		<u>\$ 19,906</u>
Electric Utility - Steam Production Plant - Neal 4	40 Years	\$ 51,425
Transmission Plant System	24 - 40 Years	51,223
Distribution Plant System	5 - 40 Years	168,295
Municipal Office Building and Equipment	5 - 40 Years	14,862
General Facilities and Equipment	5 - 40 Years	44,789
Total		<u>\$ 330,594</u>
Gas Utility - Local Production Facilities	40 Years	\$ 2,785
Distribution Plant System	5 - 40 Years	11,997
Municipal Office Building and Equipment	5 - 50 Years	16,742
General Facilities and Equipment	5 - 40 Years	9,256
Total		<u>\$ 40,780</u>
Water Utility - Local Production Facilities	25 - 20 Years	\$ 7,557
Transmission Plant System	40 Years	2,759
Distribution Plant System	5 - 50 Years	13,770
General Facilities and Equipment	5 - 40 Years	13,130
Total		<u>\$ 37,216</u>
Wastewater Utility - Local Production Facilities	20 - 40 Years	\$ 19,920
Distribution Plant System	4 - 40 Years	19,920
General Facilities and Equipment	5 - 40 Years	16,835
Total		<u>\$ 56,675</u>

**NOTE 6 - MUNICIPAL BUILDING**

The Electric Utility and Gas Utility each provided funds for construction of a municipal building for use as office space by CRMU and by the City for library and general office space. Based on square footage, CRMU utilizes 76.83 percent of the building and the City utilizes 23.17 percent. The City reimburses the Electric Utility and Gas Utility ratably for a share of building operating costs. The public uses 50 percent of the building as a meeting hall and pays a nominal rent for each usage. This public usage area is included in the portion allocated 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 7 - COMPENSATED ABSENCES**

CRMU employees are entitled to certain compensated absences based on length of employment. Vacation hours are accumulated on a calendar year basis with a limited amount of carryover to subsequent years allowed. Earned but unused vacation hours will be paid upon termination, retirement or death. The liability for compensated absences is computed based on rates of pay in effect at June 30, 2010. Sick leave is not paid on termination, retirement or death; therefore, no accrual has been made for accumulated sick leave hours.

**NOTE 8 - INTER-UTILITY LOANS PAYABLE**

On June 25, 2009, CRMU issued \$1,540,000 of Promissory Notes from the Electric Utility to the Gas (\$650,000), Communications (\$430,000), and Wastewater (\$460,000) Utilities to refund both the 2003 and 2006 Electric Capital Loan Notes. These loans were originally taken out to make improvements and extensions to the Electric Utility, including the purchase of three caterpillar engines, as well as to finance construction of a distribution system and construction of a new building. The outstanding balances of the Inter-utility loans were \$1,299,087 as of June 30, 2010.

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
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>\$ 126,534</u>	<u>\$ 8,205</u>	<u>\$ 421,782</u>	<u>\$ 27,349</u>	<u>\$ 362,732</u>	<u>\$ 23,520</u>	<u>\$ 388,039</u>	<u>\$ 25,161</u>	<u>\$ 1,299,087</u>	<u>\$ 84,235</u>

**NOTE 8 - INTER-UTILITY LOANS PAYABLE (Continued)**

A summary of changes in long-term liabilities for the year ended June 30, 2010, is as follows:

	<b>Balances July 1,</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances June 30,</b>
Inter-Utility Loan Notes	\$ 1,540,000	\$ -	\$ 240,913	\$ 1,299,087
Totals	<u>\$ 1,540,000</u>	<u>\$ -</u>	<u>\$ 240,913</u>	<u>\$ 1,299,087</u>

**NOTE 9 - JOINT USE AGREEMENT**

On April 19, 2002, the Board of Trustees adopted and approved an intra-fund resolution between the Electric Utility and Communications: 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.

**NOTE 10 - 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, 2010, was \$116,750.

**NOTE 11 - PENSION AND RETIREMENT BENEFITS**

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

Plan members are required to contribute 4.30% of their annual covered salary and CRMU is required to contribute 6.65% of annual covered payroll. Contribution requirements are established by state statute. CRMU's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008, were \$37,049, \$34,190 and \$30,160, respectively, equal to the required contributions for each year.

## NOTE 12 - HEALTH INSURANCE SELF-INSURED

CRMU has a group health insurance policy which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. CRMU self-insures certain employee eligible medical costs that are not reimbursed by the health insurance provider because the medical cost does not exceed the deductible and maximum out-of-pocket policy provision. CRMU had eleven covered employees as of June 30, 2010.

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	\$ 2,500	\$ 7,500	\$ 5,000	\$15,000

## NOTE 13 - 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 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 \$289,545 of which \$254,400 has been paid by June 30, 2010. The project will likely be completed during the next fiscal year.
4. 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 14 - MAJOR CUSTOMERS

A significant portion of the Electric Utility and Gas Utility revenue is derived from a single customer. This customer generated approximately 22% of the Electric Utility total sales to customers and 35% of the Gas Utility total sales to customers for the year ended June 30, 2010.

## NOTE 15 - 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 16 - RISK MANAGEMENT**

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

**NOTE 17 - 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.

**NOTE 18 - 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 2010, no new loans were made for economic development, and payments were received on all of the loans totaling \$43,868, leaving \$70,046 of funds restricted for purposes of this revolving loan program.

**NOTE 19 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 27, 2010, which is the date the financial statements were available to be used, and believes that no events have occurred that require adjustment of, or disclosure in, the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

## COON RAPIDS MUNICIPAL UTILITIES

BUDGET COMPARISON SCHEDULE  
BUDGET AND ACTUAL (BUDGET BASIS)  
PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2010

	Actual on Budget Basis	Budgeted Amounts Original and Final	Final Budget to Actual Variance
<b>RECEIPTS:</b>			
Use of Money and Property	\$ 51,881		
Charges for Service	4,594,198		
Repayment on Economic Development Loans	43,868		
Miscellaneous	16,831		
Total Receipts	4,706,778	\$ 5,188,531	\$ (481,753)
<b>DISBURSEMENTS:</b>			
Business Type Activities -			
Operating Expenses	3,250,977		
Transfers to City of Coon Rapids	65,130		
Capital Outlay	229,622		
Interest Payments	36,579		
Total Disbursements	3,582,308	5,201,577	1,619,269
Excess (Deficiency) of Receipts			
Over Disbursements	1,124,470	(13,046)	\$ 1,137,516
Balance, Beginning of Year	6,090,416	421,620	
Balance, End of Year	\$ 7,214,886	\$ 408,574	



COON RAPIDS MUNICIPAL UTILITIES

BUDGET TO GAAP RECONCILIATION  
 PROPRIETY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2010

	Budget Basis	Enterprise Funds Accrual Adjustments	GAAP Basis
Receipts/Revenues	\$ 4,706,778	\$ 71,749	\$ 4,778,527
Disbursements/Expense	<u>3,582,308</u>	<u>707,200</u>	<u>4,289,508</u>
Net	1,124,470	(635,451)	489,019
Beginning Net Assets	6,090,416	7,795,335	13,885,751
Ending Net Assets	<u>\$ 7,214,886</u>	<u>\$ 7,159,884</u>	<u>\$ 14,374,770</u>

## **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 amended twice for the year ended June 30, 2010. The Utilities' budget was not affected by those amendments.

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, 2010**

	<b>Communications: Telephone Utility</b>	<b>Communications: Cable TV, Internet &amp; Pager Utility</b>
<b>PURCHASED ENERGY AND PROGRAMMING:</b>		
Purchased Energy	\$ -	\$ -
Purchased Cable	-	146,384
Purchased Internet	-	51,568
Central Office Switching and Transmission	53,037	-
Purchase Telephone and Long Distance	41,823	-
Neal 4 Purchased Energy	-	-
Fuel	-	-
	\$ 94,860	\$ 197,952
<b>PLANT OPERATIONS:</b>		
Salaries and Wages	\$ 425	\$ 6,442
Utilities	11,813	6,185
Chemicals and Testing	-	-
Maintenance and Generators	-	3,236
Disaster Recovery Costs	-	-
Maintenance of Plant	-	-
	\$ 12,238	\$ 15,863
<b>TRANSMISSION OPERATIONS:</b>		
Maintenance Neal 4 Transmission	\$ -	\$ -
	\$ -	\$ -
<b>DISTRIBUTION OPERATIONS:</b>		
Salaries and Wages	\$ 13,780	\$ 40,088
Line and Station Supplies	152	120
Safety Expense	182	409
Maintenance	104	5,652
Miscellaneous	-	-
	\$ 14,218	\$ 46,269

**SCHEDULE 3**  
(Continued)

**Business Type Activities - Enterprise Funds**

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 377,461	\$ 665,300	\$ -	\$ -	\$ 1,042,761
-	-	-	-	146,384
-	-	-	-	51,568
-	-	-	-	53,037
-	-	-	-	41,823
228,462	-	-	-	228,462
2,294	-	-	-	2,294
<u>\$ 608,217</u>	<u>\$ 665,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,566,329</u>
\$ 7,037	\$ 504	\$ 14,945	\$ 3,448	\$ 32,801
22,113	18,936	8,944	13,038	81,029
-	-	10,465	856	11,321
-	-	-	-	3,236
10,545	-	-	-	10,545
461,098	-	23,053	2,729	486,880
<u>\$ 500,793</u>	<u>\$ 19,440</u>	<u>\$ 57,407</u>	<u>\$ 20,071</u>	<u>\$ 625,812</u>
\$ 126,201	\$ -	\$ -	\$ -	\$ 126,201
<u>\$ 126,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,201</u>
\$ 104,722	\$ 55,264	\$ 26,611	\$ 22,180	\$ 262,645
2,252	4,541	92	328	7,485
2,541	2,865	366	159	6,522
32,534	17,914	4,104	3,933	64,241
-	-	-	2,626	2,626
<u>\$ 142,049</u>	<u>\$ 80,584</u>	<u>\$ 31,173</u>	<u>\$ 29,226</u>	<u>\$ 343,519</u>

**COON RAPIDS MUNICIPAL UTILITIES**

**SCHEDULE OF EXPENSES  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<b>Communications: Telephone Utility</b>	<b>Communications: Cable TV, Internet &amp; Pager Utility</b>
<b>CONSUMER SERVICE EXPENSES:</b>		
Salaries and Wages	\$ 8,590	\$ 19,049
Office Supplies	2,270	3,842
Provision for Uncollectible Accounts	174	102
	<hr/>	<hr/>
Total Consumer Service Operations	\$ 11,034	\$ 22,993
<b>ADMINISTRATIVE AND GENERAL EXPENSES:</b>		
Salaries and Wages	\$ 6,554	\$ 14,536
Telephone	587	1,253
Outside Professional Services	13,049	11,221
Legal and Public Notices	111	246
Property Insurance	5,728	(735)
Regulatory Commission Expense	2,580	228
Advertising	7,057	461
Trustee Salaries	233	517
Travel and Training	468	286
Dues and Assessments	4,403	126
Energy Conservation Expense	-	-
Miscellaneous	-	-
Vehicle Operating Expense	720	1,572
General Maintenance	778	257
Property Taxes	6,090	-
Employer Payroll Taxes	2,302	6,166
Employee Benefits	11,151	24,900
	<hr/>	<hr/>
Total Administrative and General Expenses	\$ 61,811	\$ 61,034
<b>DEPRECIATION:</b>		
Depreciation Neal 4 Plant	\$ -	\$ -
Depreciation Transmission System	-	-
Depreciation Distribution System	-	-
Depreciation General Plant	5,721	2,901
Depreciation Production Plant	-	17,005
Depreciation Municipal Building	-	-
	<hr/>	<hr/>
Total Depreciation Expense	\$ 5,721	\$ 19,906

SCHEDULE 3

Business Type Activities - Enterprise Funds

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 58,390	\$ 26,735	\$ 19,674	\$ 7,643	\$ 140,081
8,064	5,419	3,644	1,721	24,960
50	(79)	(184)	(308)	(245)
<u>\$ 66,504</u>	<u>\$ 32,075</u>	<u>\$ 23,134</u>	<u>\$ 9,056</u>	<u>\$ 164,796</u>
\$ 43,215	\$ 18,388	\$ 13,004	\$ 5,803	\$ 101,500
3,908	1,634	1,141	502	9,025
18,635	6,864	3,307	1,450	54,526
860	695	220	98	2,230
24,116	8,811	4,956	549	43,425
1,838	1,118	296	295	6,355
1,739	1,614	368	162	11,401
1,534	653	462	202	3,601
2,619	1,780	1,528	1,679	8,360
6,899	3,222	225	-	14,875
6,792	7,143	-	-	13,935
3,202	3,120	-	-	6,322
5,339	2,932	1,420	621	12,604
11,107	14,148	370	4,420	31,080
23,109	312	-	-	29,511
18,534	9,256	5,670	3,096	45,024
75,158	33,282	22,309	10,574	177,374
<u>\$ 248,604</u>	<u>\$ 114,972</u>	<u>\$ 55,276</u>	<u>\$ 29,451</u>	<u>\$ 571,148</u>
\$ 51,425	\$ -	\$ 7,557	\$ 19,920	\$ 78,902
51,223	-	2,759	-	53,982
168,295	11,997	13,770	19,920	213,982
44,789	9,256	13,130	16,835	92,632
-	2,785	-	-	19,790
14,862	16,742	-	-	31,604
<u>\$ 330,594</u>	<u>\$ 40,780</u>	<u>\$ 37,216</u>	<u>\$ 56,675</u>	<u>\$ 490,892</u>

COON RAPIDS MUNICIPAL UTILITIES

SCHEDULE OF INSURANCE COVERAGE  
FOR THE YEAR ENDED JUNE 30, 2010

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) - Blanket Building Coverages	4/1/2011	\$ 9,065,380
Inland Marine - Contractors Equipment (\$250 Deductible) Electronic Data Processing (\$500 Deductible) Scheduled Property Floater (\$250 Deductible)	4/1/2011	424,877 2,500 110,300
Comprehensive General Liability - Bodily Injury, Personal Injury and/or Property Damage Fire Damage Medical Expense Employee Benefits Products and Completed Operations	4/1/2011	1,000,000/2,000,000 100,000 5,000 100,000 2,000,000/2,000,000
Comprehensive Auto Policy - Bodily Injury and/or Property Damage Uninsured/Underinsured Motorists Collision (\$1,000 Universal Motorists Deductible) Comprehensive (No Deductible)	4/1/2011	1,000,000 50,000 ACV ACV
Workmen's Compensation Umbrella (Wrongful Act) Liability (\$10,000 Deductible) Linebacker Liability (\$1,500 Deductible) Boiler and Machinery Breakdown	4/1/2011 4/1/2011 4/1/2011 4/1/2011	Statutory 3,000,000/3,000,000 1,000,000/1,000,000 2,000,000
Crime - Employee Theft per Person (\$500 Deductible) Computer Fraud (\$500 Deductible) Manager Assistant Manager Comptroller	4/1/2011 4/1/2011 4/1/2011 4/1/2011 4/1/2011	2,000/200,000 500/50,000 400,000 200,000 200,000
Commercial Output - Personal Property (\$5,000 Deductible) Electric Generating and Switchgear (\$5,000 Deductible) Extra Expense	4/1/2011 4/1/2011 4/1/2011	\$ 22,081 4,163,812 50,000



## OTHER REPORTS

# O'Donnell, Ficenec, Wills & Ferdig, LLP

*Certified Public Accountants*

4815 South 107th Avenue

Omaha, Nebraska 68127-1904

402-592-3800

Fax: 402-592-7747

www.ofwf.com

Gerald A. Wills, C.P.A.  
Ronald W. Ferdig, C.P.A.  
Lawrence A. Wolfe, C.P.A.  
Steven M. Povich, C.P.A.  
John Keblesh, C.P.A.  
Gregory A. Harr, C.P.A.

Dwain E. Wulf, C.P.A.  
Daniel R. Holt, C.P.A.  
Daniel A. Dudley, C.P.A.  
Geoffrey F. Schnathorst, C.P.A.  
Catherine T. Kellogg, C.P.A.

## 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, 2010, and have issued our report thereon dated December 27, 2010. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Utilities' financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be significant deficiencies, 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 no instances of non-compliance required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Coon Rapids Municipal Utilities' operations for the year ended June 30, 2010, 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

By  \_\_\_\_\_  
Certified Public Accountant

December 27, 2010

**COON RAPIDS MUNICIPAL UTILITIES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2010**

**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-10 **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, 2010.
- III-B-10 **Certified Budget** - 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. Disbursements did not exceed the certified budget during the fiscal year.
- III-C-10 **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-10 **Travel Expenses** - No disbursement of Utilities' money for travel expenses of spouses of Utilities' officials or employees were noted.
- III-E-10 **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, 2010

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

- III-F-10 **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-10 **Trustee Minutes** - No transactions were found that we believe should have been approved in the Board of Trustees minutes but were not.
- III-H-10 **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-10 **Telecommunication Services** - No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.