

**COON RAPIDS MUNICIPAL UTILITIES  
(A COMPONENT UNIT OF  
THE CITY OF COON RAPIDS)  
INDEPENDENT AUDITORS' REPORT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
JUNE 30, 2012**



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**COON RAPIDS MUNICIPAL UTILITIES**

**OFFICIALS**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
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



## INDEPENDENT AUDITORS' REPORT

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

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, 2012, which collectively comprise the Utilities' basic financial statements as listed in the table of contents. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2012 and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2012, on our consideration of the Utility's internal control over financial reporting and 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 conjunction with this report in considering the results of our audit.

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

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

Spencer, Iowa  
November 10, 2012



## 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, 2012. This should be read in conjunction with the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows, which follow.

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

The Statements 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 Statements 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 Statements 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 and enhancing current services (adding digital and high definition television channels, increasing internet bandwidth) to provide additional revenue to offset costs incurred due to the always-changing nature of the technology industry.

Over the past several years, the communications utility has experienced a break-even financial position. Achieving a positive financial gain will continue to be a challenge, making fiscal management and marketing an ongoing priority for CRMU.

### Communications Utility Financial Highlights:

*Dollars in Thousands*

	2012	2011
<b>OPERATING</b>		
Revenues .....	773	760
Expenses.....	699	676
Operating Gain .....	74	84
<b>NONOPERATING</b>		
Revenues (Expenses) .....	6	8
<b>Total Gain</b> .....	<b>80</b>	<b>92</b>
<b>ASSETS</b>		
Current .....	1,069	895
Capital .....	98	117
Noncurrent.....	151	223
<b>Total Assets</b> .....	<b>1,318</b>	<b>1,235</b>
<b>LIABILITIES</b>		
Current .....	45	41
Noncurrent.....	0	0
<b>Total</b> .....	<b>45</b>	<b>41</b>
<b>NET ASSETS</b>		
Invested in Capital Assets.....	98	117
Unrestricted .....	1,175	1,077
<b>Total</b> .....	<b>1,273</b>	<b>1,194</b>
<b>Total Liabilities &amp; Net Assets</b> .....	<b>1,318</b>	<b>1,235</b>

# Management's Discussion and Analysis

## Results of Operations:

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

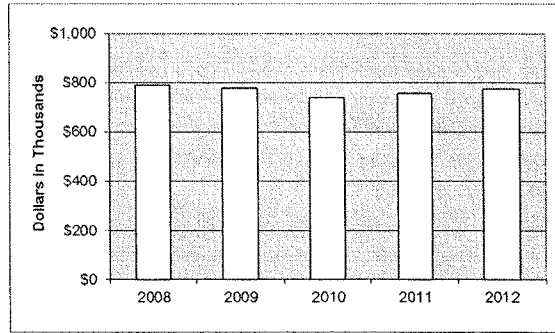
Revenue from operations increased by 1.7%, while total operating expenses increased by 3.4%. The increase in revenue can be attributed to an increase in high definition subscription, internet, and carrier access billing revenues.

The primary reason for the increased expense was higher cable programming fees, which increased more than \$15,000 compared to last fiscal year. Production operations, customer service operations, and depreciation expenses remained relatively unchanged, while distribution operation and administrative / general expenses increased slightly.

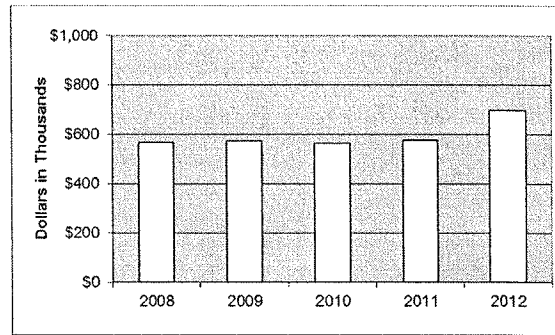
Interest income was only slightly lower in 2012 (\$160). In-Lieu-of tax payments and free community services totaled \$6,725, compared to \$6,800 last year.

The communications utility ended the year with an \$80,000 gain, compared to \$92,000 in 2011.

**Communications Utility  
Operating Revenues: \$772,635**



**Communications Utility  
Operating Expenses: \$699,393**



## Financial Position:

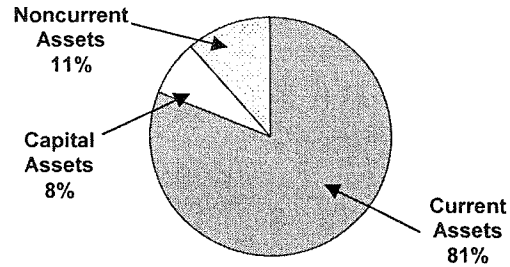
*(As reported on the Statement of Net Assets)*

Total assets increased by almost 7% in fiscal year 2012. This can be attributed to an increase in cash, which is a direct result of the operating gain and receipt of loan payments from the electric utility. Total liabilities increased more than 8% simply because CRMU had higher accounts payable and accrued payables at the end of fiscal year 2012 compared to fiscal year 2011. Total net assets increased almost 7%.

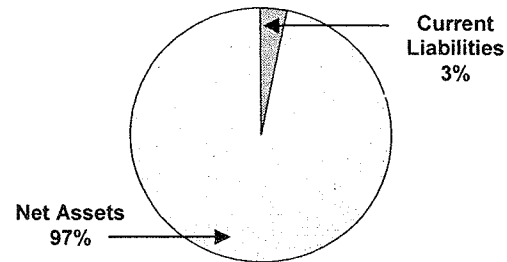
The communication utility's noncurrent assets decreased by \$72,500 due to debt paydown by the electric utility. Capital assets, in the form of utility plant, facilities and equipment, account for 8% of total assets, while current assets comprise 81% of the total assets. Cash and cash equivalents account for over 70% of total assets. These funds are designated for equipment replacement, capital improvements, and general savings.

Both revenues and expenses were higher than budget by \$37,000 and \$19,000, respectively.

**Communications Utility Total Assets: \$1,317,930**



**Communications Utility Total Liabilities and  
Net Assets: \$1,317,930**





# Management's Discussion and Analysis

## Electric Utility

### Overview:

In 2012, CRMU began the mitigation project of converting overhead facilities to underground. This project will continue into fiscal year 2014. Additionally, as an owner of the Neal 4 power plant, the \$1.3 million scrubber / bag house capital improvement project began. This project will continue through fiscal year 2013.

In 2012, CRMU realized a net operating gain of \$509,500 and a nonoperating gain of \$275,000 for a total gain of \$784,000, compared to a gain of \$530,000 in 2011 (an increase of \$254,000). Nonoperating gains alone were \$217,000 higher in 2012 than 2011. This is a direct result of \$215,000 in hazard mitigation grant revenues received in 2012.

Overall, usage (kilowatt hours) increased 3.85% - retail usage decreased 2.47% and wholesale units sold increased 8.49%. Considering the mild winter and decreased retail demand, our relationship with NIMECA proved to be beneficial by selling our excess energy within the group.

## Electric Utility Financial Highlights:

Dollars in Thousands

	2012	2011
<b>OPERATING</b>		
Revenues .....	2,580	2,588
Expenses .....	2,071	2,116
Operating Gain .....	509	472
<b>NONOPERATING</b>		
Revenues (Expenses) .....	275	58
<b>Total Gain</b> .....	<b>784</b>	<b>530</b>
<b>ASSETS</b>		
Current .....	3,617	3,054
Capital .....	7,096	6,688
Noncurrent .....	323	243
<b>Total Assets</b> .....	<b>11,036</b>	<b>9,984</b>
<b>LIABILITIES</b>		
Current .....	939	412
Noncurrent .....	539	799
<b>Total</b> .....	<b>1,478</b>	<b>1,211</b>
<b>NET ASSETS</b>		
Invested in Capital Assets .....	6,297	5,636
Restricted .....	360	360
Unrestricted .....	2,901	2,777
<b>Total</b> .....	<b>9,558</b>	<b>8,773</b>
<b>Total Liabilities &amp; Net Assets</b> .....	<b>11,036</b>	<b>9,984</b>

## Results of Operations:

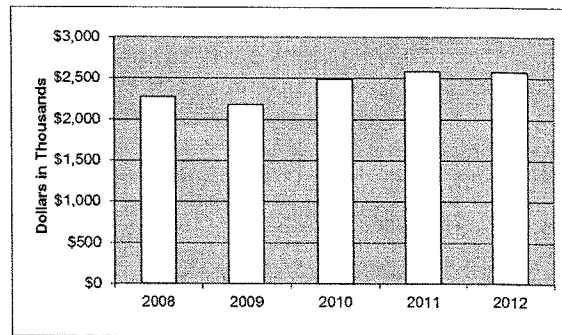
(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Assets)

Revenue from operations decreased just slightly – less than 1%. Sales to customers decreased 1%, while resale revenue increased 2%.

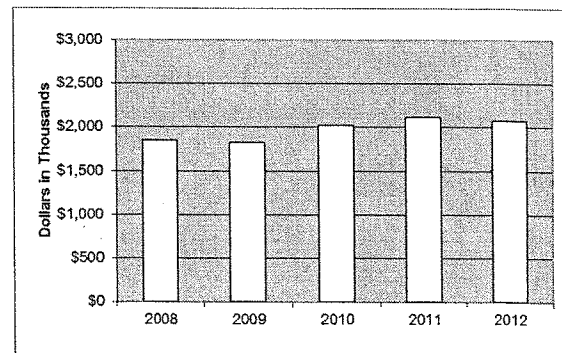
Operating expenses decreased just over 2%. Purchased energy costs, transmission operations, distribution operations, and administrative, and customer service operation expenses decreased. Purchased energy and transmission costs declined as a result of lower retail usage / demand. Plant operations and depreciation expenses increased. Higher operations and maintenance expense of the Neal 4 power plant accounted for the increased expense of plant operations.

Interest income increased by 15% (\$1,457). In-Lieu-of tax payments and free community services totaled \$53,470, compared to \$52,956 last year.

## Electric Utility Operating Revenues: \$2,580,806



## Electric Utility Operating Expenses: \$2,071,314



# Management's Discussion and Analysis

## Financial Position:

(As reported on the Statement of Net Assets)

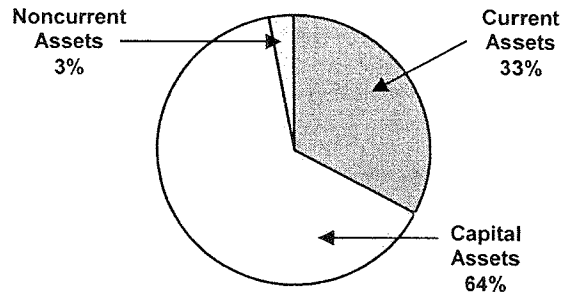
Current assets account for 33% of total assets. CRMU has approximately 23% of its total assets in the form of cash and cash equivalents. Of this amount, the Board of Trustees has allocated the majority for designated uses such as equipment replacement, generation replacement, health fund plan, etc., leaving only a small portion of its current assets undesignated.

Capital assets, in the form of utility plant, facilities and equipment, account for 64% of CRMU's total assets. Noncurrent assets account for 3% of total assets.

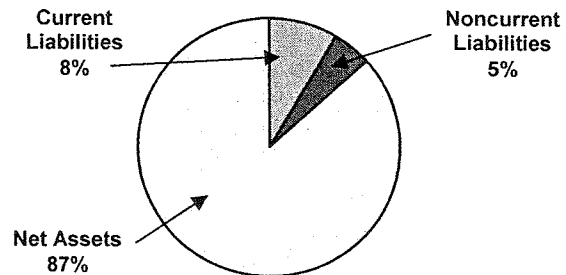
CRMU's total liabilities increased by 22%. Noncurrent liabilities account for 5% of total liabilities and assets, while current liabilities account for 8%. Long-term liabilities decreased from last year due to debt paydown. Current liabilities increased due to payables at year-end related to the hazard mitigation project previously mentioned. Overall, net assets increased about 9% from last year.

Revenues were higher than budget by \$352,000, while expenses were lower than budget by \$147,000.

Electric Utility Total Assets: \$11,035,613



Electric Utility Total Liabilities and Net Assets: \$11,035,613



## Natural Gas Utility

### Overview:

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

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

Fortunately, gas prices remained relatively low during fiscal year 2012. CRMU expects the commodity cost to remain relatively low in the near future.

In 2012, CRMU's natural gas utility experienced an operating loss of \$44,000, compared to a loss of \$51,000 in 2011. Combined with nonoperating revenues / expenses and transfers out, the utility ended the year with an \$88,000 loss.

## Natural Gas Utility Financial Highlights:

Dollars in Thousands

	2012	2011
<b>OPERATING</b>		
Revenues .....	669	704
Expenses .....	713	755
Operating (Loss) .....	(44)	(51)
<b>NONOPERATING</b>		
Revenues (Expenses) .....	(44)	(36)
<b>Total (Loss) .....</b>	<b>(88)</b>	<b>(87)</b>
<b>ASSETS</b>		
Current .....	927	1,099
Capital .....	924	803
Noncurrent .....	296	337
<b>Total Assets .....</b>	<b>2,147</b>	<b>2,240</b>
<b>LIABILITIES</b>		
Current .....	34	39
Noncurrent .....	0	0
<b>Total .....</b>	<b>34</b>	<b>39</b>
<b>NET ASSETS</b>		
Invested in Capital Assets .....	924	803
Unrestricted .....	1,189	1,398
<b>Total .....</b>	<b>2,113</b>	<b>2,201</b>
<b>Total Liabilities &amp; Net Assets .....</b>	<b>2,147</b>	<b>2,240</b>

# Management's Discussion and Analysis

## Results of Operations:

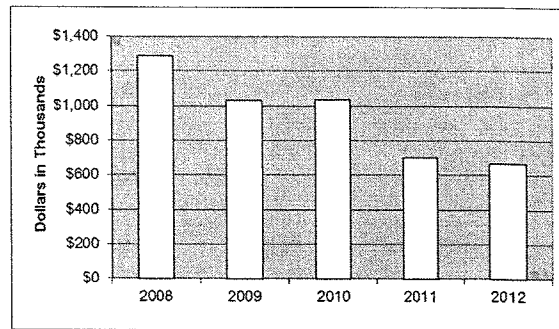
(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Assets)

In 2012, total operating revenues decreased almost 5%. Total usage billed decreased by 2%. Industrial usage increased 87%, while residential and commercial usage decreased 24%.

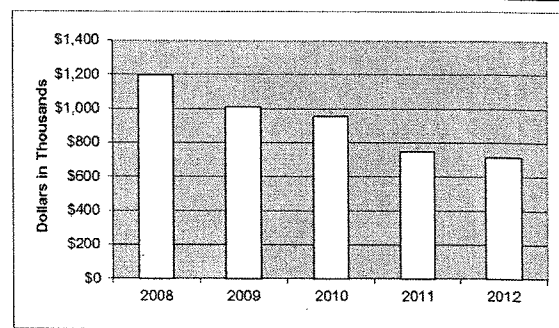
Total operating expenses decreased \$41,500 or 5%. Purchased energy (commodity) costs declined \$27,000 (6%) from the previous year. Excluding commodity costs, other expenses declined by almost 5% compared to fiscal year 2011. Thus, it is important to note that the natural gas utility's performance is dependent on consistent customer usages. Because usages declined in 2012, the utility experienced a less than desirable financial performance.

Nonoperating expenses increased 20% in 2012. This change can be attributed to lower interest income and higher contribution to Coon Rapids and the community. CRMU gave the City of Coon Rapids \$39,000 for in-lieu-of tax payments and \$24,000 in free service to the community for a total of \$63,000, compared to \$59,000 in 2011.

Natural Gas Utility Operating Revenues: \$669,406



Natural Gas Utility Operating Expenses: \$713,134



## Financial Position:

(As reported on the Statement of Net Assets)

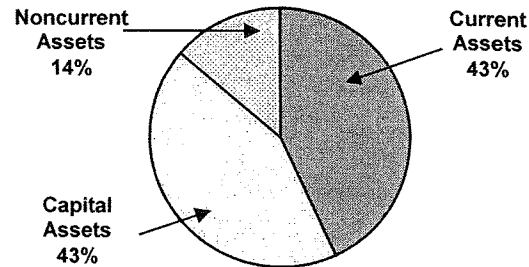
Capital assets, in the form of utility plant, facilities and equipment, account for 43% of CRMU's total assets, while current assets comprise 43% of the total. Cash, cash equivalents, and certificates of deposit account for 34% of total assets. Cash decreased almost 18% from the previous year, while noncurrent assets (loan receivables) decreased 12%. 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 almost \$34,000.

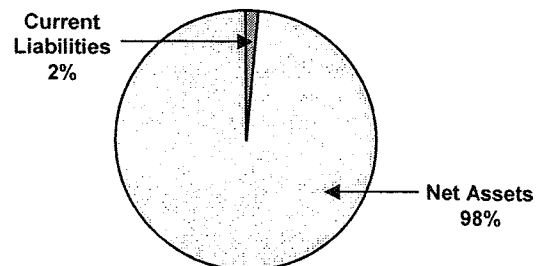
Cash reserves were used this year to cover losses. No capital improvement projects are planned in the near future.

Revenues and expenses were lower than budget by \$377,000 and \$284,000, respectively.

Natural Gas Utility Total Assets: \$2,146,812



Natural Gas Utility Total Liabilities and Net Assets: \$2,146,812



# Management's Discussion and Analysis

## Water Utility

### Overview:

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

For the past few years, CRMU has operated its water utility with very slight margins while continuing to make much needed and necessary system improvements. The result of these activities has put a financial strain on the small reserves of the water utility over the years. In 2012, the water utility ended with an operating gain of \$27,000. Sales to customers increased more than 10% in 2012. This can be attributed to the dry summer months, increasing the demand for irrigation and lawn watering.

### Water Utility Financial Highlights:

*Dollars in Thousands*

	2012	2011
<b>OPERATING</b>		
Revenues .....	220	203
Expenses .....	193	227
Operating Gain (Loss) .....	27	(24)
<b>NONOPERATING</b>		
Revenues (Expenses) .....	(5)	(5)
<b>Total Gain (Loss) .....</b>	<b>22</b>	<b>(29)</b>
<b>ASSETS</b>		
Current .....	242	229
Capital .....	361	352
Noncurrent .....	0	0
<b>Total Assets .....</b>	<b>603</b>	<b>581</b>
<b>LIABILITIES</b>		
Current .....	22	23
Noncurrent .....	0	0
<b>Total .....</b>	<b>22</b>	<b>23</b>
<b>NET ASSETS</b>		
Invested in Capital Assets .....	361	352
Unrestricted .....	220	206
<b>Total .....</b>	<b>581</b>	<b>558</b>
<b>Total Liabilities &amp; Net Assets .....</b>	<b>603</b>	<b>581</b>

### Results of Operations:

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

Revenue from operations increased more than \$17,000 (8.5%).

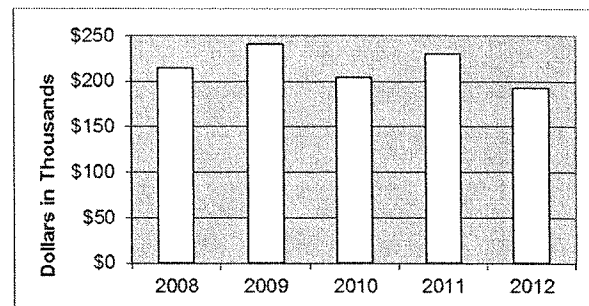
Operating expenses decreased almost 15% (\$33,300), a result of lower plant and distribution operations (lower wages, chemicals, maintenance of plant equipment, and meter expense). CRMU's yearly maintenance contract with Utility Service Company decreased mid fiscal year 2012. Additionally, CRMU did not change out as many meters as was done in 2011.

Nonoperating expenses totaled just over \$5,000. CRMU continued with contributions through payment in-lieu-of tax and donations to the community for a total of \$5,400, which is slightly higher than last year's contribution of \$5,200. Considering the nonoperating losses, the water utility's total gain for 2012 was \$22,000.

**Water Utility Operating Revenues: \$220,030**



**Water Utility Operating Expenses: \$193,109**



# Management's Discussion and Analysis

## Financial Position:

(As reported on the Statement of Net Assets)

Current assets account for 40% of total assets. CRMU has approximately 30% 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. The water utility does not have any large capital projects planned in the near future.

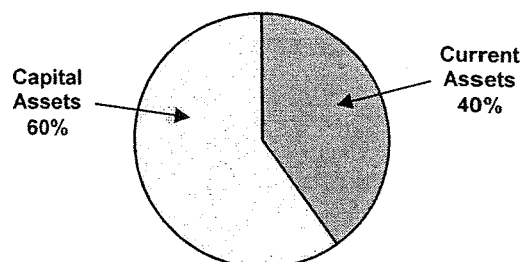
The water utility has no noncurrent assets (loan receivables).

Capital assets, in the form of utility plant, facilities and equipment, account for 60% of CRMU's total assets. CRMU's total assets increased more than \$21,000 (4%) in 2012.

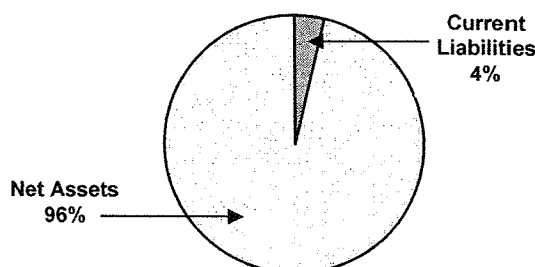
The water utility has no significant liabilities, other than normal payables. These payables account for 4% of total liabilities and net assets. Net assets increased almost 4% in 2012. For the year, total liabilities and net assets increased 4%.

Revenues were higher than budget by \$7,000. Expenses were lower than budget by \$14,500.

Water Utility Total Assets: \$602,648



Water Utility Total Liabilities and Net Assets: \$602,648



## Wastewater Utility

Overview:

In 2012, the wastewater utility realized an operating loss of \$57,000. Including nonoperating revenues (primarily interest income), the utility ended with a total loss of \$47,000, compared to a \$44,000 loss in 2011.

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

The wastewater utility currently has a payable of approximately \$239,000 due from the electric utility, with payment expected to be completed by June, 2015.

## Wastewater Utility Financial Highlights:

Dollars in Thousands

	2012	2011
<b>OPERATING</b>		
Revenues .....	107	105
Expenses .....	164	161
Operating (Loss) .....	(57)	(56)
<b>NONOPERATING</b>		
Revenues (Expenses) .....	10	12
<b>Total (Loss) .....</b>	<b>(47)</b>	<b>(44)</b>
<b>ASSETS</b>		
Current .....	899	951
Capital .....	985	900
Noncurrent .....	161	239
<b>Total Assets .....</b>	<b>2,045</b>	<b>2,090</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 .....	985	900
Unrestricted .....	1,053	1,185
<b>Total .....</b>	<b>2,038</b>	<b>2,085</b>
<b>Total Liabilities &amp; Net Assets .....</b>	<b>2,045</b>	<b>2,090</b>

# Management's Discussion and Analysis

## Results of Operations:

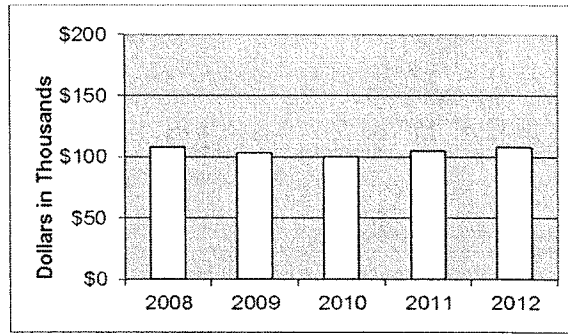
(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Assets)

In 2012, the wastewater utility recorded \$107,500 in revenues. This is higher by \$2,100 compared to 2011. Customer usage was higher by 3%.

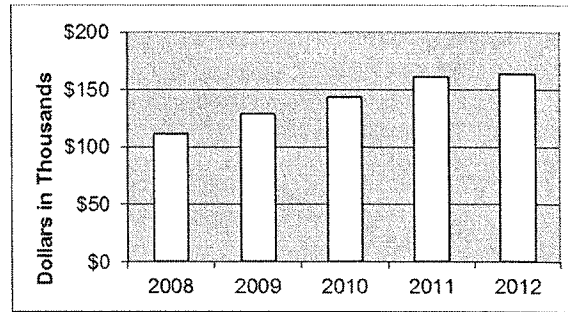
Total operating expenses in 2012 were up almost \$3,000 (1%) compared to 2011. Customer service operations, administrative / general, and depreciation expense increased over the year. The majority of the increase expense can be attributed to depreciation, which increased 19% (\$12,100). Plant and distribution operation expenses decreased.

Nonoperating revenues decreased by \$2,600 in 2012 (21%) due to lower interest income. In-lieu-of tax payments and free service to the community increased to \$400, compared to \$0 in 2011.

Wastewater Utility Operating Revenues: \$107,508



Wastewater Utility Operating Expenses: \$164,014



## Financial Position:

(As reported on the Statement of Net Assets)

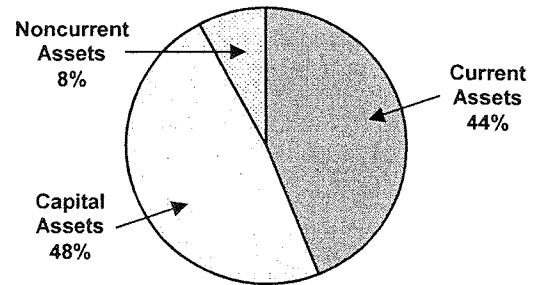
Capital assets, in the form of utility plant, facilities and equipment, account for 48% of CRMU's total assets, while current assets account for 44%. Noncurrent assets account for 8% of total assets.

The wastewater utility has 39% of its total assets in the form of cash, cash equivalents, and certificates of deposit. A portion of this will be used for ongoing improvements previously described. The cash position decreased 3% from last year due to the loss on operations.

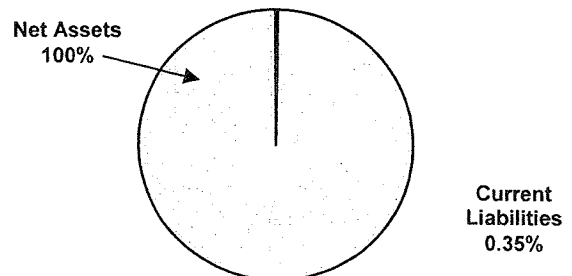
The wastewater utility essentially has no liabilities other than some small payables.

Revenues were \$9,500 lower than budget, and expenses were \$33,000 lower than budget.

Wastewater Utility Total Assets: \$2,045,392



Wastewater Utility Total Liabilities and Net Assets: \$2,045,392



**BASIC FINANCIAL STATEMENTS**

**COON RAPIDS MUNICIPAL UTILITIES**  
**(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)**  
**STATEMENTS OF NET ASSETS**  
**JUNE 30, 2012**

	Communications Utility	Electric Utility	Gas Utility
<b>Assets</b>			
<b>Current Assets:</b>			
Cash & Cash Equivalents-Unrestricted	\$ 928,689	\$ 2,497,185	\$ 735,005
Cash & Cash Equivalents-Restricted	-	2,370	-
Accounts Receivable, Net of Allowance -			
Trade	40,447	169,265	15,158
Other	14,878	246,501	6,813
Loans Receivable, Current Portion	72,501	56,122	116,439
Inventories	2,310	603,100	44,075
Other Current and Prepaid Assets	10,233	41,731	9,100
Total Current Assets	<u>1,069,058</u>	<u>3,616,274</u>	<u>926,590</u>
<b>Capital Assets:</b>			
Land	-	52,312	30,478
Construction in Progress	-	662,000	-
Utility Plant, Facilities and Equipment, at Cost	434,563	12,534,051	1,908,144
Accumulated Depreciation	<u>(336,240)</u>	<u>(6,152,190)</u>	<u>(1,014,130)</u>
Total Capital Assets	<u>98,323</u>	<u>7,096,173</u>	<u>924,492</u>
<b>Noncurrent Assets:</b>			
NIMECA Patronage Dividend Receivable	-	21,658	-
Loans Receivable, Net of Current Portion			
From Electric Fund	150,549	-	227,574
Revolving Loans Receivable	<u>-</u>	<u>301,508</u>	<u>68,156</u>
Total Noncurrent Assets	<u>150,549</u>	<u>323,166</u>	<u>295,730</u>
Total Assets	<u>1,317,930</u>	<u>11,035,613</u>	<u>2,146,812</u>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable - Trade	35,532	629,715	24,348
Other Payables and Credits	-	15,739	195
Payroll, Sales and Use Taxes Payable	-	3,342	120
Compensated Absences Payable	9,036	19,011	9,031
Customer Deposits	-	10,400	-
Loans Payable, Current Portion	-	259,655	-
Accrued Interest	<u>-</u>	<u>832</u>	<u>-</u>
Total Current Liabilities	<u>44,568</u>	<u>938,694</u>	<u>33,694</u>
<b>Long-term Liabilities:</b>			
Loans Payable - Net of Current Portion			
To Gas Fund	-	227,574	-
To Wastewater Fund	-	161,053	-
To Telephone Fund	<u>-</u>	<u>150,549</u>	<u>-</u>
Total Long-term Liabilities	<u>-</u>	<u>539,176</u>	<u>-</u>
Total Liabilities	<u>44,568</u>	<u>1,477,870</u>	<u>33,694</u>
<b>Net Assets</b>			
Invested in Capital Assets - Net of Related Debt	98,323	6,297,342	924,492
Restricted	-	360,000	-
Unrestricted	<u>1,175,039</u>	<u>2,900,401</u>	<u>1,188,626</u>
Total Net Assets	<u>\$ 1,273,362</u>	<u>\$ 9,557,743</u>	<u>\$ 2,113,118</u>

See Accompanying Notes to Financial Statements



Water Utility	Wastewater Utility	Total
\$ 181,446	\$ 805,783	\$ 5,148,108
-	-	2,370
40,133	14,420	279,423
2,816	22	271,030
-	77,559	322,621
12,703	569	662,757
5,060	768	66,892
<u>242,158</u>	<u>899,121</u>	<u>6,753,201</u>
33,349	5,980	122,119
-	-	662,000
1,379,079	2,306,479	18,562,316
<u>(1,051,938)</u>	<u>(1,327,241)</u>	<u>(9,881,739)</u>
360,490	985,218	9,464,696
-	-	21,658
-	161,053	539,176
-	-	369,664
<u>-</u>	<u>161,053</u>	<u>930,498</u>
<u>602,648</u>	<u>2,045,392</u>	<u>17,148,395</u>
10,783	3,673	704,051
5,644	11	21,589
1,172	66	4,700
4,822	3,505	45,405
-	-	10,400
-	-	259,655
-	-	832
<u>22,421</u>	<u>7,255</u>	<u>1,046,632</u>
-	-	227,574
-	-	161,053
-	-	150,549
<u>-</u>	<u>-</u>	<u>539,176</u>
<u>22,421</u>	<u>7,255</u>	<u>1,585,808</u>
360,490	985,218	8,665,865
-	-	360,000
<u>219,737</u>	<u>1,052,919</u>	<u>6,536,722</u>
<u>\$ 580,227</u>	<u>\$ 2,038,137</u>	<u>\$ 15,562,587</u>

**COON RAPIDS MUNICIPAL UTILITIES**  
**(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Communications		
	Utility	Electric Utility	Gas Utility
<b>Operating Revenues</b>			
Sales to Customers	\$ 769,268	\$ 1,533,558	\$ 660,634
Sales for Resale	-	961,171	-
Interdepartmental Sales	-	73,228	5,203
Forfeited Discounts	1,591	7,902	961
Rebates and Other	1,776	4,947	2,608
Total Operating Revenues	<u>772,635</u>	<u>2,580,806</u>	<u>669,406</u>
<b>Operating Expenses</b>			
Purchased Energy and Programming	317,861	601,115	430,815
Plant Operations	28,327	548,913	17,665
Transmission Operations	-	114,286	-
Distribution Operations	163,404	127,375	60,980
Consumer Service Operations	34,357	69,346	37,849
Administrative & General Expenses	130,791	275,215	120,244
Depreciation	24,653	335,064	45,581
Total Operating Expense	<u>699,393</u>	<u>2,071,314</u>	<u>713,134</u>
Operating Income (Loss)	<u>73,242</u>	<u>509,492</u>	<u>(43,728)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest Income	8,479	10,853	12,163
Joint Use Revenue	-	103,000	-
In-Lieu-Of Tax Payments	(5,120)	(42,241)	(39,108)
Free Community Service	(1,605)	(11,229)	(23,836)
(Loss) on Sale or Disposal of Assets	-	-	-
Miscellaneous Nonoperating Revenue	4,662	22,830	7,014
Grant Revenue	-	214,756	-
Interest Expense	-	(23,149)	-
Net Nonoperating Revenues (Expenses)	<u>6,416</u>	<u>274,820</u>	<u>(43,767)</u>
Change in Net Assets	<u>79,658</u>	<u>784,312</u>	<u>(87,495)</u>
Total Net Assets June 30, 2011	<u>1,193,704</u>	<u>8,773,431</u>	<u>2,200,613</u>
Total Net Assets June 30, 2012	<u>\$ 1,273,362</u>	<u>\$ 9,557,743</u>	<u>\$ 2,113,118</u>

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ 212,966	\$ 106,710	\$ 3,283,136
-	-	961,171
3,173	426	82,030
937	315	11,706
2,954	57	12,342
<u>220,030</u>	<u>107,508</u>	<u>4,350,385</u>
-	-	1,349,791
57,483	14,351	666,739
-	-	114,286
35,461	24,690	411,910
20,385	11,262	173,199
50,835	38,781	615,866
28,945	74,930	509,173
<u>193,109</u>	<u>164,014</u>	<u>3,840,964</u>
26,921	(56,506)	509,421
301	9,998	41,794
-	-	103,000
(4,843)	(411)	(91,723)
(534)	(16)	(37,220)
-	-	-
57	33	34,596
-	-	214,756
-	-	(23,149)
<u>(5,019)</u>	<u>9,604</u>	<u>242,054</u>
21,902	(46,902)	751,475
<u>558,325</u>	<u>2,085,039</u>	<u>14,811,112</u>
<u>\$ 580,227</u>	<u>\$ 2,038,137</u>	<u>\$ 15,562,587</u>

**COON RAPIDS MUNICIPAL UTILITIES**  
**(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Communications Utility	Electric Utility	Gas Utility
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers & Users	\$ 771,240	\$ 2,418,344	\$ 680,116
Cash Paid to Suppliers for Goods and Services	(517,980)	(1,104,460)	(534,594)
Cash Paid to Employees	(158,772)	(306,882)	(137,513)
Cash Received from Joint Revenue	-	103,000	-
Cash Received from Miscellaneous Nonoperating Revenue	4,662	22,830	7,014
Cash Received from Grant Revenue	-	214,756	-
Cash Paid for In-Lieu-of Tax Payments	(5,120)	(42,241)	(39,108)
Cash Paid for Free Community Services	(1,605)	(11,229)	(23,836)
Net Cash Provided (Used) by Operating Activities	<u>92,425</u>	<u>1,294,118</u>	<u>(47,921)</u>
<b>Cash Flows from Capital &amp; Related Financing Activities</b>			
Acquisition & Construction of Property and Equipment	(6,438)	(743,039)	(166,698)
Payments Received on Inter-Utility Loans	70,713	-	106,892
Principal Payments Paid on Inter-Utility Loans	-	(253,251)	-
Interest Paid	-	(23,413)	-
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>64,275</u>	<u>(1,019,703)</u>	<u>(59,806)</u>
<b>Cash Flows from Investing Activities</b>			
Interest on Investments	8,479	10,853	12,182
Payments Received on City of Coon Rapids Loan	-	-	11,621
Disbursements Made on Coon Rapids Development Loans	-	(142,000)	(75,000)
Payments Received on Coon Rapids Development Loans	-	56,190	-
Net Cash Provided (Used) from Investing Activities	<u>8,479</u>	<u>(74,957)</u>	<u>(51,197)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	165,179	199,458	(158,924)
Cash & Cash Equivalents - June 30, 2011	<u>763,510</u>	<u>2,300,097</u>	<u>893,929</u>
Cash & Cash Equivalents - June 30, 2012	<u>\$ 928,689</u>	<u>\$ 2,499,555</u>	<u>\$ 735,005</u>
<b>Reconciliation:</b>			
Cash & Cash Equivalents	\$ 928,689	\$ 2,497,185	\$ 735,005
Unrestricted	-	2,370	-
Restricted	<u>\$ 928,689</u>	<u>\$ 2,499,555</u>	<u>\$ 735,005</u>

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ 210,179	\$ 106,825	\$ 4,186,704
(75,198)	(33,673)	(2,265,905)
(91,419)	(53,486)	(748,072)
-	-	103,000
57	33	34,596
-	-	214,756
(4,843)	(411)	(91,723)
(534)	(16)	(37,220)
<u>38,242</u>	<u>19,272</u>	<u>1,396,136</u>
(37,251)	(160,182)	(1,113,608)
-	75,646	253,251
-	-	(253,251)
-	-	(23,413)
<u>(37,251)</u>	<u>(84,536)</u>	<u>(1,137,021)</u>
302	10,045	41,861
-	29,107	40,728
-	-	(217,000)
-	-	56,190
<u>302</u>	<u>39,152</u>	<u>(78,221)</u>
1,293	(26,112)	180,894
<u>180,153</u>	<u>831,895</u>	<u>4,969,584</u>
<u>\$ 181,446</u>	<u>\$ 805,783</u>	<u>\$ 5,150,478</u>
\$ 181,446	\$ 805,783	\$ 5,148,108
-	-	2,370
<u>\$ 181,446</u>	<u>\$ 805,783</u>	<u>\$ 5,150,478</u>

**COON RAPIDS MUNICIPAL UTILITIES**  
**(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Communications Utility	Electric Utility	Gas Utility
<b>Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities</b>			
Operating Income (Loss)	\$ 73,242	\$ 509,492	\$ (43,728)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	24,653	335,064	45,581
Cash Received from Joint Revenue	-	103,000	-
Cash Received from Miscellaneous Nonoperating Revenue	4,662	22,830	7,014
Cash Received from Grant Revenue	-	214,756	-
Cash Paid for In-Lieu-of Tax Payments	(5,120)	(42,241)	(39,108)
Cash Paid for Free Community Services	(1,605)	(11,229)	(23,836)
(Increase) Decrease Operating Assets:			
Accounts Receivable	(1,395)	(162,462)	10,710
Inventories	(182)	(188,551)	1,015
Other Current & Prepaid Assets	(5,394)	(7,083)	107
Increase (Decrease) Operating Liabilities:			
Accounts & Other Payables	2,448	521,583	(7,125)
Customer Deposits	-	(2,700)	-
Compensated Absences Payables	1,076	1,735	1,515
Payroll, Sales & Use Taxes Payable	40	(76)	(66)
Net Cash Provided (Used) by Operating Activities	<u>\$ 92,425</u>	<u>\$ 1,294,118</u>	<u>\$ (47,921)</u>

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ 26,921	\$ (56,506)	\$ 509,421
28,945	74,930	509,173
-	-	103,000
57	33	34,596
-	-	214,756
(4,843)	(411)	(91,723)
(534)	(16)	(37,220)
(9,851)	(683)	(163,681)
(1,752)	(394)	(189,864)
(211)	34	(12,547)
(766)	1,445	517,585
-	-	(2,700)
256	842	5,424
20	(2)	(84)
<u>\$ 38,242</u>	<u>\$ 19,272</u>	<u>\$ 1,396,136</u>

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

**Organization and Nature of Activities**

Coon Rapids Municipal Utilities (CRMU), a component unit of the City of Coon Rapids, Iowa (the City), is engaged in the activities of providing telephone, cable TV, internet & pager services; electric, natural gas and water utilities services; and wastewater service. CRMU is governed by a 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 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 applicable for proprietary funds of governmental entities. In reporting the financial activity of its enterprise fund, CRMU applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Boards Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

**Reporting Entity**

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

**Shared Utility Plants**

Common Transmission System – North Iowa Municipal Electric Cooperative Association (NIMECA), acting as agent for its participating members, including CRMU, has entered into an agreement with Corn Belt Power Cooperative to obtain for the benefit of its participating members a long-term right and access to electric transmission facilities, referred to as Common Transmission System (CTS) necessary to handle the combined needs of the participating members through undivided ownership interest in the capacity of transmission facilities. The costs associated with this agreement are allocated to the members based on their proportionate use of the shared transmission system. CRMU has recorded its share of these costs as capital assets in the Electric Utility Fund. The net book value at June 30, 2012, was \$645,748.

Neal 4 Generating Station – CRMU is one of fourteen owners of Unit 4 George Neal Generating Station which is managed by MidAmerican Energy under terms of the basic generating agreements between MidAmerican Energy and the owners. CRMU owns 0.521 percent as a tenant-in-common of the generating station for generating, purchasing, obtaining by exchange, or otherwise acquiring or transmitting electric power and energy. CRMU's cost of acquiring its share of this generating station was recorded as capital assets in the Electric Utility Fund. The net book value at June 30, 2012, was \$588,736.



**COON RAPIDS MUNICIPAL UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

**Basis of Presentation**

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

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

**Measurement Focus and Basis of Accounting**

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

CRMU's Proprietary Funds financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. As such, the fund measurement objective is the determination of operating income, changes in net 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 changes to customers for sales and services. Operating expenses of enterprise funds include the cost of sales, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

**Revenue Recognition**

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

**Cash and Cash Equivalents**

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

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

**Accounts Receivable and Allowances**

An estimate is made for allowances for doubtful accounts based on an analysis of the aging of accounts receivable and on historical write-offs net of recoveries. Additional specific amounts may be included based on credit risk as deemed appropriate by management. Accounts receivable are reported net of the allowance for doubtful accounts of \$12,128 at June 30, 2012.

**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, 2012, are comprised as follows:

All Material and Supplies	\$ 408,920
Electric Fund Fuel Inventories	169,995
Gas Fund Natural Gas Inventory	4,743
SO2 Allowances	77,375
No(X) Allowance	1,724
Total	<u>\$ 662,757</u>

**COON RAPIDS MUNICIPAL UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**Capital Assets**

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

Interest costs on debt are capitalized when proceeds are used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowings which are restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount of interest capitalized. No interest costs were capitalized for the year June 30, 2012. 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

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

**Net Assets**

Net assets are shown in three components:

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

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

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

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

Restricted for Economic Development Loans \$360,000

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

**Expense Allocations**

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

**Budgets and Budgetary Accounting**

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end. Formal and legal budgetary control is based on the total of all five utilities as a whole. During the year 2012 there were no budget amendments.

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

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

CRMU pool their deposits and investments and maintain records as to the separate utility systems share of the total balance. All deposits in banks at June 30, 2012, 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.

**COON RAPIDS MUNICIPAL UTILITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**Note 2 – CASH AND INVESTED CASH AND POOLED INVESTMENTS (Continued)**

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.

During the year, the Electric Utility had investments in the Iowa Public Agency Investment Trust (IPAIT) held in the NIMECA CTS Improvement Fund, Emission Allowances and Whelan #2 Reserve Fund. At June 30, 2012, the Electric Utility had investments in IPAIT of \$0. 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.

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

Credit Risk – The Utilities’ investment in the Iowa Public Agency Investment Trust is unrated. The remaining investments consisted of Certificate of Deposits are protected per Chapter 12C of the Iowa code, and credit risk concentration risks do not apply.

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 ACCOUNTS RECEIVABLE - OTHER**

Other accounts receivable reported for the Communications Utility includes delayed long distance and CAB’s billings of \$14,878 for the telephone system. These amounts are net of an allowance for doubtful collections. Management believes this allowance to be reasonable and appropriate reduction of the CAB’s receivables to their net realizable value.

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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 \$42,728 on June 1, 2012.

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
2013	\$ 33,333
2014	33,333
2015	33,333
2016	33,333
2017	33,333
2018	5,557
Total	\$ 172,222

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

Loan to Coon Rapids Medical Center

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

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

Year Ending June 30,	Electric Utility	
	Principal	Interest
2013	\$ 2,401	\$ 303
2014	2,449	255
2015	2,498	206
2016	2,548	156
2017	2,599	105
2018	2,631	73
Totals	<u>\$ 15,126</u>	<u>\$ 1,098</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. During the year Downing Seeds paid off the remaining balance of the loan.

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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 purchase dental equipment to be used at a dental office in Coon Rapids, Iowa. This loan was made in association with the Federal Grant Agreement for rural economic development made with the Federal Government. The principal amount of the loan was \$21,000. The promissory note, dated July 24, 2008, specifies monthly payments of \$382 for five years including interest at 3.5% per annum.

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

Year Ending June 30,	Electric Utility	
	Principal	Interest
2013	4,450	137
2014	1,831	16
Totals	\$ 6,281	\$ 153

Loan to Lewis Chiropractic, P.C.

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

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

Year Ending June 30,	Electric Utility	
	Principal	Interest
2013	2,981	619
2014	19,018	47
Totals	\$ 21,999	\$ 666



**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

Loan to Sperry One Stop Shop

On June 8, 2012, CRMU entered into a loan agreement with the Sperry One Stop Shop. The proceeds of this loan were used to purchase new underground tanks and blender pumps in Coon Rapids. This loan was made in association with the Federal Grant Agreement for rural economic development made with the Federal Government. The principal amount of the loan was \$142,000. The promissory note, dated June 8, 2012, specifies monthly payments of \$1,306.59 for ten years including interest at 2.00% per annum.

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

Year Ending June 30,	Electric Utility	
	Principal	Interest
2013	\$ 12,957	\$ 2,722
2014	13,219	2,460
2015	13,486	2,193
2016	13,758	1,921
2017	14,036	1,643
2018-2022	74,544	3,849
Totals	<u>\$ 142,000</u>	<u>\$ 14,788</u>

Loan to Alfa Valley, Inc

On June 15, 2012, CRMU entered into a loan agreement with the Alfa Valley, Inc. The proceeds of this loan were used to finance a new office building in Coon Rapids. This loan was made for economic development. The principal amount of the loan was \$75,000. The promissory note, dated June 15, 2012, specifies monthly payments of \$690.10 for ten years including interest at 2.00% per annum.

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

Year Ending June 30,	Electric Utility	
	Principal	Interest
2013	\$ 6,844	\$ 1,437
2014	6,982	1,299
2015	7,123	1,158
2016	7,267	1,015
2017	7,413	868
2018-2022	39,371	2,033
Totals	<u>\$ 75,000</u>	<u>\$ 7,810</u>

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note 5 – CAPITAL ASSETS**

Capital asset categories and changes in each cost category and depreciation for the year ended June 30, 2012 are as follows:

	Beginning <u>Balance</u>	Additions and <u>Transfers In</u>	Deletions and <u>Transfers Out</u>	Ending <u>Balance</u>
Capital assets not being depreciated:				
Land	\$ 122,119	\$ -	\$ -	\$ 122,119
Construction in progress	35,145	999,266	372,411	662,000
Total capital assets not being depreciated	<u>157,264</u>	<u>999,266</u>	<u>372,411</u>	<u>784,119</u>
Capital Assets being depreciated:				
Neal 4 Steam Production	1,883,672	5,018	5,366	1,883,324
Local Production Facilities	1,777,518	-	-	1,777,518
Transmission System	1,449,968	29,205	7,609	1,471,564
Distribution System	9,852,363	70,431	-	9,922,794
Municipal Building	1,154,569	6,741	-	1,161,310
General Facilities Equipment	2,028,744	375,634	58,572	2,345,806
Total capital assets being depreciated	<u>18,146,834</u>	<u>487,029</u>	<u>71,547</u>	<u>18,562,316</u>
Less -				
Accumulated Depreciation	<u>9,444,113</u>	<u>509,173</u>	<u>71,547</u>	<u>9,881,739</u>
Total capital assets being depreciated- net	<u>8,702,721</u>	<u>(22,144)</u>	<u>-</u>	<u>8,680,577</u>
Total Capital Assets, Net	<u>\$ 8,859,985</u>	<u>\$ 977,122</u>	<u>\$ 372,411</u>	<u>\$ 9,464,696</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 CRMU.

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

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

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

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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, 2012. 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 \$798,831 as of June 30, 2012.

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
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	266,222	10,443
2015	26,587	361	88,622	1,205	76,214	1,036	81,532	1,108	272,954	3,710
<b>Total</b>	<b>\$ 77,808</b>	<b>\$ 3,035</b>	<b>\$ 259,361</b>	<b>\$ 10,117</b>	<b>\$ 223,050</b>	<b>\$ 8,701</b>	<b>\$ 238,612</b>	<b>\$ 9,308</b>	<b>\$ 798,832</b>	<b>\$ 31,162</b>

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**Note 9 – JOINT USE AGREEMENT**

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

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

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

**Note 10 – PAYMENT TO THE CITY**

CRMU made volunteer in-lieu-of-tax payments to the City in the amount of \$91,723 for the year ended June 30, 2012.

**Note 11 – PENSION AND RETIREMENT BENEFITS**

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

Plan members are required to contribute 5.38% of their annual covered salary and CRMU is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by state statute. CRMU’s contribution to IPERS for the years ended June 30, 2012, 2011, and 2010, were \$46,003, \$39,212, and \$37,049, respectively, equal to the required contributions for each year.

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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 has eleven covered employees as of June 30, 2012.

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

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

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

Year Ended June 30	Beginning Balance Liability	Claims and Changes in Estimates	Claim Payments	Ending Balance
2012	\$ 2,829	\$ 48,683	\$ 51,512	\$ 8,368

**Note 13 – COMMITMENTS AND CONTINGENT LIABILITIES**

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

CRMU entered into a contract with its major transporter of natural gas in August 1993 that requires a capacity demand payment of approximately \$100,000 annually. The initial expiration date of the contract was through October 31, 1996, which was subsequently extended through October 31, 2013.

CRMU entered into a contract with Andrew's Roofing to replace a building roof. The contracted bid amount was \$6,245. The project was completed in August 2012.

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

**COON RAPIDS MUNICIPAL UTILITIES  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

CRMU ownership in Unit 4 George Neal Generating Station has committed the utility to a construction project to reduce the annual sulfur dioxide and nitrogen oxide emission emitted by the station. CRMU's approximate share of the project is \$1,254,526 of which \$133,451 has been paid by June 30, 2012. The project will likely be completed during 2014.

CRMU committed the utility to a construction project to upgrade the electrical infrastructure. CRMU's approximate cost of the project is \$1,709,664 of which \$94,506 has been paid by June 30, 2012. The project will likely be completed during 2013.

**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 13% of the Electric Utility total sales to customers and 37% of the Gas Utility total sales to customers for the year ended June 30, 2012.

**Note 15 – CONCENTRATIONS**

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

**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 – 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 2012, a new loan was made for economic development totaling \$142,000, and payments were received on all of the loans totaling \$56,190, leaving \$2,370 available for purposes of this revolving loan program.



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

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

We have audited the accompanying financial statements of Coon Rapids Municipal Utilities, a component unit of the City of Coon Rapids, (Coon Rapids Municipal Utilities) as of and for the year ended June 30, 2012, which collectively comprise the Utilities' basic financial statements listed in the table of contents, and have issued our report thereon dated November 10, 2012. 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.

Internal Control Over Financial Reporting

Management of Coon Rapids Municipal Utilities' is responsible for establishing and maintaining effective 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 opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Coon Rapids Municipal Utilities' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Coon Rapids Municipal Utility's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, 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 grants, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Coon Rapids Municipal Utilities and other parties to whom 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.

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

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

Spencer, Iowa  
November 10, 2012



**COON RAPIDS MUNICIPAL UTILITIES  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012**

**PART I – SUMMARY OF INDEPENDENT AUDITOR’S 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 accounts.

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

**SIGNIFICANT DEFICIENCIES:**

No matters were reported.

**INSTANCES OF NONCOMPLIANCE:**

No matters were reported.

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

- III-A-12: 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, 2012.
- III-B-12: 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-12: 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-12: Travel Expenses – No disbursements of Utilities’ money for travel expenses of spouses of Utilities’ officials or employees were noted.

**COON RAPIDS MUNICIPAL UTILITIES  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2012**

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

III-E-12: Business Transactions: - Business transactions between Coon Rapids Municipal Utilities and Utilities’ officials and employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mike Deeth, Board Trustee Part owner of Coon Bowl III, Inc.	Appreciation Meal	\$ 1,030 (1)
Ron Brower, Board Trustee Owner of Brower Built	Cabinets for shop	\$ 11,275 (2)

(1) The transaction does not appear to represent a conflict of interest since the total transaction was less than \$2,500 during the year, per Chapter 362.5(11) of Code of Iowa.

(2) This transaction may represent a conflict of interest and Coon Rapids Municipal Utilities should contact legal council for determination.

III-F-12: 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-12: Trustee Minutes – No transactions were found that we believe should have been approved in the Board of Trustees minutes but were not.

III-H-12: 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-12: Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.