

**COON RAPIDS MUNICIPAL UTILITIES
(A COMPONENT UNIT OF
THE CITY OF COON RAPIDS)
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2020

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COON RAPIDS MUNICIPAL UTILITIES

OFFICIALS

(As of June 30, 2020)

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Terry Garnes	Chairman	June 2021
Mary Schwaller	Vice Chairman	June 2022
Lee Boeke	Trustee	June 2025
Doris Bass	Trustee	June 2024
Alan Andersen	Trustee	June 2026
Bradley Honold	Secretary/General Manager	Indefinite
Kari Woodard	Director of Finance and Accounting	Indefinite
Jesica Leighty	City Clerk/City Treasurer	Indefinite
David Bruner	City Attorney	Indefinite



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Coon Rapids Municipal Utilities, a component unit of the City of Coon Rapids, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Coon Rapids Municipal Utilities, a component unit of the City of Coon Rapids, as of June 30, 2020 and the respective changes in

financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 18 to the financial statements, there was a correction between the Water and Wastewater Utilities for a capital asset that resulted in a prior period adjustment. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the Utilities' Proportionate Share of the Net Pension Liability, Schedule of Utilities' Contributions, and Notes to Required Supplementary Information – Pension Liability on pages 4 through 11 and pages 42 through 45 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Coon Rapids Municipal Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utilities' internal control over financial reporting and compliance.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
December 8, 2020



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, 2020. This should be read in conjunction with the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position, and the Statement of Cash Flows, which follow.

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

The Statement of Net Position provides information about the type and amount of investments in resources (assets, deferred outflows) and the obligations to creditors (liabilities, deferred inflows), and also indicate those restricted by the Board of Communications,

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

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

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

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

Communications Utility

Overview:

CRMU’s communication utility provides a variety of products and services to the Coon Rapids community. Services include high speed internet, managed Wi-Fi, cable television, telephone, and long distance. These communication services are provided over a Fiber-to-the-Home (FTTH) network with “home runs” (a direct fiber line from our Network Operations Center) to each resident and business in Coon Rapids. Additionally, we have a redundant fiber route to back-up our system in the event of an outage. This network provides CRMU customers with the best technology and reliability available for communication service. Coupled with our dedication to excellent customer service, this system creates an inherent advantage over competitors, helps attract businesses, and also serves a need in our small, rural community.

CRMU’s Managed Wi-Fi service (with Calix Support Cloud) continues to gain subscribers. We have found this to be a valued service to our customers – allowing CRMU to provide the best wireless experience possible.

Communications Utility Financial Highlights:

Dollars in Thousands

	2020	2019
OPERATING		
Revenues	876	861
Expenses	826	816
Operating Income (Loss)	50	45
NONOPERATING		
Revenues (Expenses)	20	31
TRANSFERS	0	0
Change in Net Position	70	76
ASSETS		
Current	1,159	1,035
Capital	103	118
Noncurrent Assets	48	75
Total Assets	1,310	1,228
DEFERRED OUTFLOWS	38	36
Total Assets & Deferred Outflows	1,348	1,264
LIABILITIES		
Current	62	57
Long-term	104	103
Total Liabilities	166	160
DEFERRED INFLOWS	16	7
NET POSITION		
Net Investment in Capital Assets	103	118
Unrestricted	1,063	979
Total Net Position	1,166	1,097
Total Liab., Def. Inflows & Net Pos.	1,348	1,264

Management’s Discussion and Analysis

Results of Operations:

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

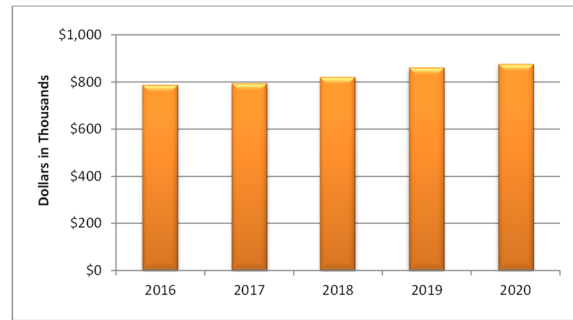
Revenue from operations increased 1.7%, while total operating expenses increased 1.2%.

Excluding operating transfers between communication funds, total operating revenues saw an increase of \$5,600 for cable tv (primarily due to a reallocation of revenue within customer packages), a \$18,500 increase in internet (a combination of higher internet and Managed Wi-Fi subscriber revenue), and a \$13,500 decrease in telephone (a combination of package reallocation and lower long distance revenue). Total expenses among the communications utility increased, but specifically, cable and internet expenses declined slightly, while telephone increased. The telephone increase is a direct result of increased USAC (no longer de minimis), property / liability insurance, and IPERS (as related to GASB 68) expenses.

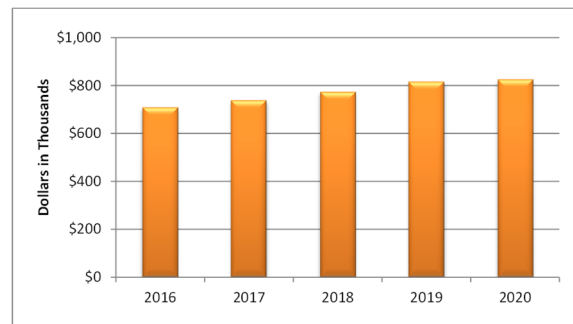
In-Lieu-of tax payments and free community services totaled \$226, compared to \$550 last year.

The communications utility ended the year with a \$69,500 gain, compared to \$76,300 in 2019. Added to the utility’s beginning net position of \$1,096,800, CRMU’s communication total net position as of June 30, 2020 is \$1,166,407.

**Communications Utility
Operating Revenues: \$875,620**



**Communications Utility
Operating Expenses: \$826,183**



Financial Position:

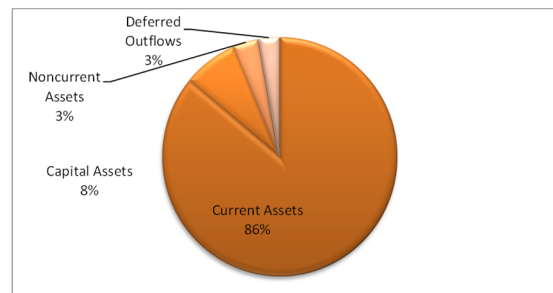
(As reported on the Statement of Net Position)

Total assets increased more than 6% in fiscal year 2020. This can be attributed to an increase in cash. Total liabilities increased almost 4%, which is a direct result of increased accounts payable. It’s important to note the net pension liability for communications totals \$103,400, which CRMU will likely never be required to pay (see Note 12 of the audit report). Total net position increased more than 6% (\$69,500).

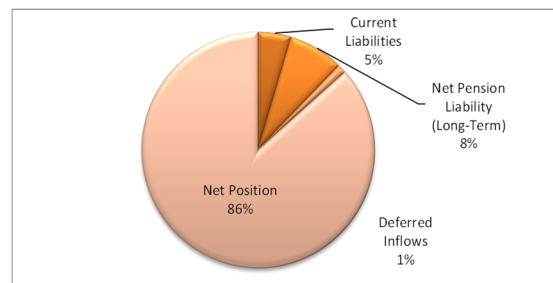
Capital assets, in the form of utility plant, facilities and equipment, account for 8% of total assets and deferred outflows, while current assets comprise 86% of the total assets and deferred outflows. Cash, cash equivalents, and investments account for almost 81% of total assets and deferred outflows. These funds are designated for equipment replacement, capital improvements, and general savings.

Revenues and expenses were both lower than budgeted projections - by \$9,900 and \$13,250, respectively.

**Communication Utility Total Assets and Deferred
Outflows: \$1,347,956**



**Communication Utility Total Liabilities, Deferred
Inflows and Net Position: \$1,347,956**



Management's Discussion and Analysis

Electric Utility

Overview:

The CRMU electric utility completed several projects throughout fiscal year 2020. These projects included the conversion of several areas of overhead to underground lines, replacement of street lights, and the installation of Dry Max equipment at the South substation. CRMU also continued planning for the new town substation transformer – scheduled for completion in fiscal year 2021.

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

In 2020, CRMU realized a net operating gain of almost \$174,000, which is nearly the same operating gain as fiscal year 2019. When combined with nonoperating gains, the electric utility experienced a \$194,000 gain in 2020, compared to a \$888,000 loss last year (when the old HFC communications network was disposed of).

The electric utility's beginning net position was \$13,031,579. The total gain of \$194,117 this fiscal year resulted in an ending net position of \$13,225,696.

Electric Utility Financial Highlights:

Dollars in Thousands

	2020	2019
OPERATING		
Revenues	2,425	2,559
Expenses	2,251	2,385
Operating Income (Loss)	174	174
NONOPERATING		
Revenues (Expenses)	20	(1,062)
TRANSFERS	0	0
Change in Net Position	194	(888)
ASSETS		
Current	5,039	4,842
Capital	10,344	10,510
Noncurrent	303	231
Total Assets	15,686	15,583
DEFERRED OUTFLOWS	80	72
Total Assets & Deferred Outflows	15,766	15,655
LIABILITIES		
Current	364	339
Long-term	2,135	2,273
Total Liabilities	2,499	2,612
DEFERRED INFLOWS	41	11
NET POSITION		
Net Investment in Capital Assets	8,340	8,365
Restricted	426	412
Unrestricted	4,460	4,255
Total Net Position	13,226	13,032
Total Liab., Def. Inflows & Net Pos.	15,766	15,655

Results of Operations:

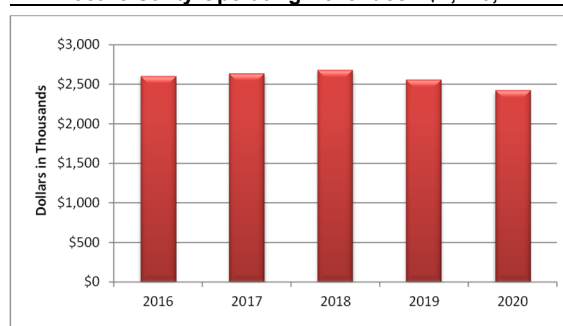
(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Position)

Revenue from operations decreased by \$133,500 (5%). Revenue from sales to customers increased more than 3% (\$45,500). Resale revenue decreased \$176,000 (16%). This revenue varies as a result of Neal 4 operations, our capacity sharing agreement within NIMECA, and our SPP revenue. Forfeited discounts also decreased, while rebates and other operating revenues increased.

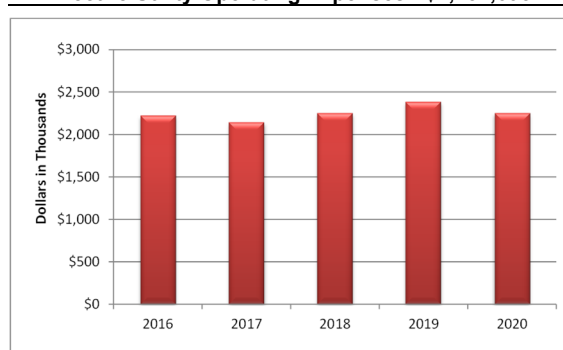
Operating expenses decreased \$133,000 (5.5%). Purchased energy, plant, distribution and customer service operation expenses decreased, while transmission operation, admin/general and depreciation expenses increased.

In-lieu-of tax payments and free community services totaled \$95,900 compared to \$80,650 last year (a 19% increase).

Electric Utility Operating Revenues: \$2,425,471



Electric Utility Operating Expenses: \$2,251,698



Management's Discussion and Analysis

Financial Position:

(As reported on the Statement of Net Position)

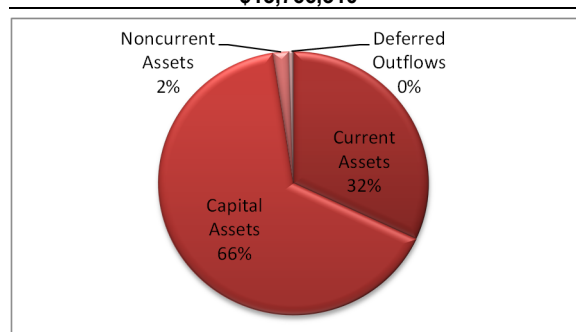
Current assets account for 32% of total assets and deferred outflows. CRMU has 26% of its total assets and deferred outflows in the form of cash and cash equivalents. The Board of Trustees has allocated the funds for designated uses such as capital improvement, equipment replacement, generation replacement, health fund plan, etc., leaving only a small portion of its current assets undesignated.

Capital assets, in the form of utility plant, facilities and equipment, account for 66% of CRMU's total assets and deferred outflows. Noncurrent assets account for 2% of total assets and deferred outflows.

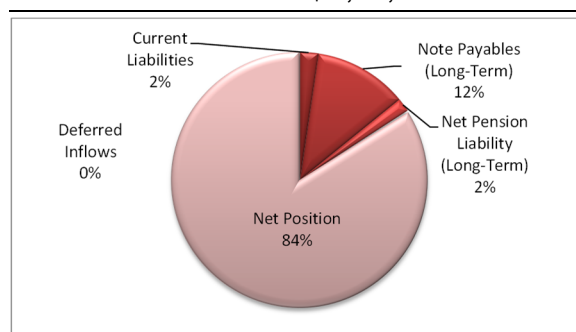
Current liabilities account for 2% of total liabilities and net position (\$140,000 in notes payable). CRMU is now required to report a "Net Pension Liability" of \$270,000 for the electric utility, which CRMU will likely never be required to pay (see Note 12 of the audit report). Finally, the "Note Payables" of 12% (\$1.865 million) represent the FTTH debt.

Revenues and expenses were lower than budgeted projections by almost \$230,000 and \$180,000, respectively.

**Electric Utility Total Assets & Deferred Outflows:
\$15,766,310**



Electric Utility Total Liabilities, Deferred Inflows, and Net Position: \$15,766,310



Natural Gas Utility

Overview:

CRMU's natural gas utility follows a commodity purchasing strategy with the goal of forward purchasing the majority of its annual requirements prior to the winter heating season. This purchasing strategy consists of a mixed portfolio of commodity purchases ranging from futures contracts, to storage, to fixed monthly and spot volume purchases.

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

In fiscal year 2020, CRMU entered into a natural gas prepay transaction via the Public Energy Finance Authority (PEFA). Simply stated, this transaction results in a discount on the natural gas commodity purchased – and therefore a savings to our customers. Coupled with lower commodity costs in general, as well as the prepay discount, the average price for the natural gas commodity was approximately \$2.31/Mcf in 2020, compared to \$3.69/Mcf last year. CRMU expects the commodity cost to remain relatively stable in the near future.

Natural Gas Utility Financial Highlights:

Dollars in Thousands

	2020	2019
OPERATING		
Revenues	817	768
Expenses	661	663
Operating Income (Loss)	156	105
NONOPERATING		
Revenues (Expenses)	(18)	(5)
Change in Net Position	138	100
ASSETS		
Current	1,311	1,084
Capital	639	681
Noncurrent	76	118
Total Assets	2,026	1,883
DEFERRED OUTFLOWS	36	34
Total Assets & Deferred Outflows	2,062	1,917
LIABILITIES		
Current	43	47
Long-term	109	108
Total Liabilities	152	155
DEFERRED INFLOWS	17	6
NET POSITION		
Net Investment in Capital Assets	639	681
Unrestricted	1,254	1,075
Total Net Position	1,893	1,756
Total Liab., Def. Inflows & Net Pos.	2,062	1,917

Management’s Discussion and Analysis

Results of Operations:

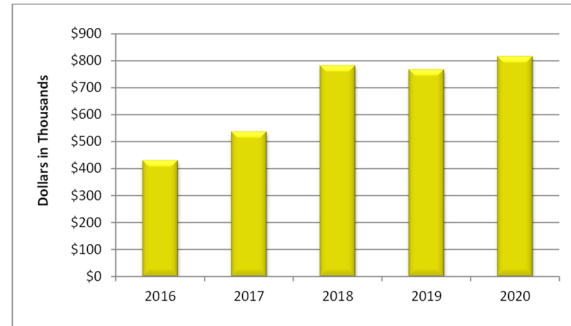
(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Position)

In 2020, CRMU’s natural gas utility experienced an operating gain of \$156,000, compared to a gain of \$105,000 in 2019. Combined with nonoperating revenues and expenses, the utility ended the year with a \$138,000 gain, compared to a gain of \$100,000 last year.

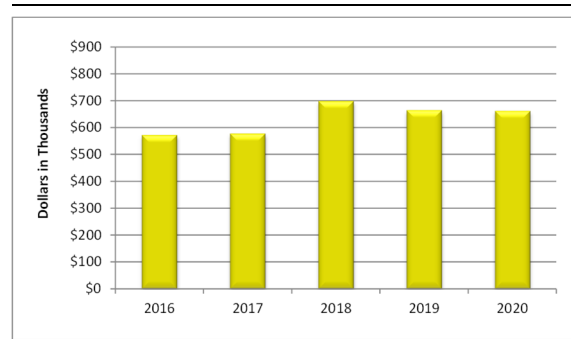
In 2020, total operating revenues increased almost \$49,000 (6%). Total usage billed increased almost 4,000 Mcf (5%). Industrial usage totaled 16,657 Mcf – an increase of 10,769 Mcf (183%) from the previous year.

Total operating expenses decreased \$3,000 (less than 1%). This is a direct result of lower natural gas commodity costs. Payment-in-lieu-of-taxes continued to the City of Coon Rapids – in the amount of \$36,000, compared to \$26,000 in 2019. The \$10,000 increase can be attributed to a donation to the City of Coon Rapids for the Main Street coordinator position.

Natural Gas Utility Operating Revenues: \$816,761



Natural Gas Utility Operating Expenses: \$660,662



Financial Position:

(As reported on the Statement of Net Position)

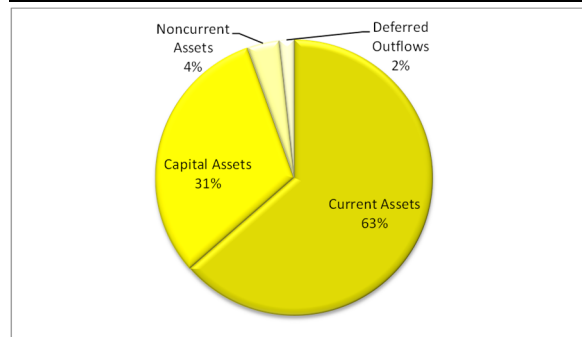
Capital assets, in the form of utility plant, facilities and equipment, account for 31% of CRMU’s total assets and deferred outflows, while current assets comprise 63% of the total assets and deferred outflows. Cash and cash equivalents account for 56% of total assets and deferred outflows. Of the cash on hand, most is designed for specific uses, but has been used to fund losses over the last few years.

CRMU’s current liabilities are comprised of payables totaling almost \$43,500.

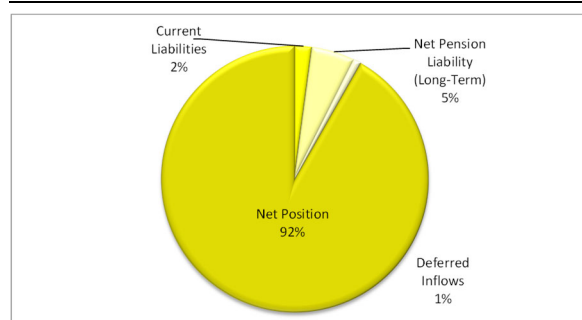
CRMU’s natural gas “Net Pension Liability” accounts for 5% of the total liabilities and net position. This equates to \$108,900, which CRMU will likely never be required to pay (see Note 12 of the audit report).

Revenues were higher than budget projections by almost \$150,000, while expenses were lower than budget projections by about \$6,000. The natural gas utility’s beginning net position was \$1,755,251, the change in net position was a gain of \$137,605, resulting in an ending net position of \$1,892,856.

Natural Gas Utility Total Assets and Deferred Outflows: \$2,061,805



Natural Gas Utility Total Liabilities, Deferred Liabilities, and Net Position: \$2,061,805



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 three certified operators on staff with another in training, while some communities struggle to keep one.

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

Despite a small rate increase in July 1, 2019, the water utility ended with an operating loss of almost \$58,000 this year, compared to a \$39,000 lost last year. Revenues from sales to customers increased almost 3%, while actual customer usage decreased 1.5%.

To help mitigate future losses, CRMU implemented a rate adjustment, effective July 1, 2020 (fiscal year 2021).

Water Utility Financial Highlights:

Dollars in Thousands

	2020	2019
OPERATING		
Revenues	229	220
Expenses	287	259
Operating Income (Loss)	(58)	(39)
NONOPERATING		
Revenues (Expenses)	(7)	(0)
Change in Net Position	(65)	(39)
ASSETS		
Current	271	328
Capital	336	340
Total Assets	607	668
DEFERRED OUTFLOWS	21	18
Total Assets & Deferred Outflows	628	686
LIABILITIES		
Current	29	26
Long-term	69	69
Total Liabilities	98	95
DEFERRED INFLOWS	10	3
NET POSITION		
Net Investment in Capital Assets	337	340
Unrestricted	183	248
Total Net Position	520	588
Total Liab., Def. Inflows & Net Pos.	628	686

Results of Operations:

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

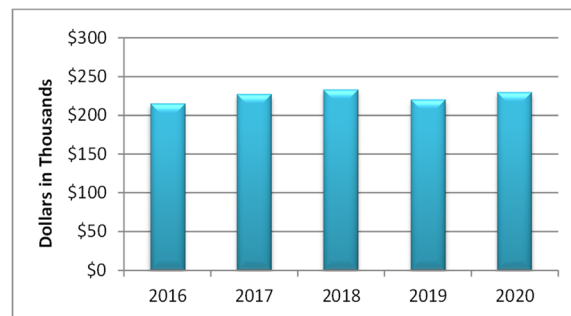
Operating revenues increased \$9,250 due to the rate adjustment previously mentioned.

Operating expenses increased more than \$28,000 (11%). All audit expense categories increased from last year, with the exception of customer service operations. Specifically, production plant maintenance expenses increased almost \$6,000. Wage and benefit costs also increased, primarily due to three employees now working in this utility.

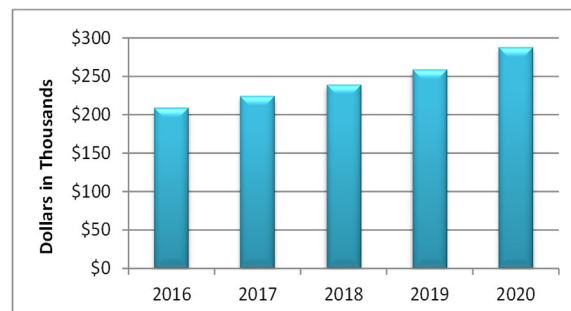
Nonoperating expenses increased from \$0 last year to \$7,000 this year.

Contributions through payment-in-lieu-of tax and donations to the community totaled \$10,800 in fiscal year 2020, which is 66% more than last year's contribution of \$6,500. Specifically, CRMU donated time and materials to the Coon Rapids Golf Course and the Carroll County Conservation for water projects during the year.

Water Utility Operating Revenues: \$229,676



Water Utility Operating Expenses: \$287,416



Management's Discussion and Analysis

Financial Position:

(As reported on the Statement of Net Position)

Current assets account for 43% of total assets and deferred outflows. CRMU has approximately 34% of its total assets and deferred outflows in the form of cash and cash equivalents. Of this amount, the Board of Trustees has designated uses for all of it.

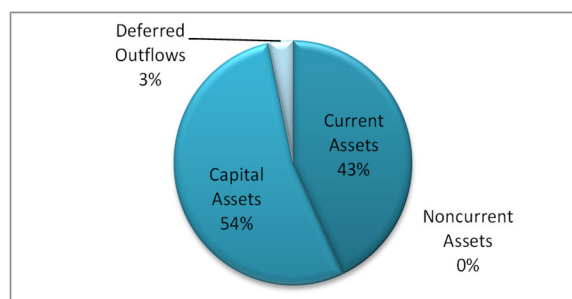
The water utility has no noncurrent assets (loan receivables).

Capital assets, in the form of utility plant, facilities and equipment, account for 54% of CRMU's total assets and deferred outflows. CRMU's total assets decreased \$61,000 in 2020.

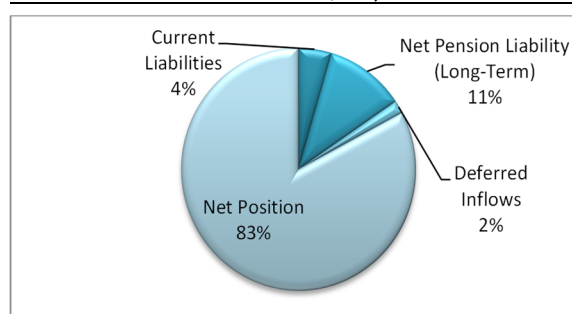
Total liabilities increased about \$3,000 (3%) because of an increase in accrued vacation liability. CRMU's water "Net Pension Liability" accounts for 11% of the total liabilities and net position. This equates to \$69,000, which CRMU will likely never be required to pay (see Note 12 of the audit report).

Revenues were higher than budget by \$4,500. Expenses were also higher than budget by \$42,600. The water utility's beginning net position was \$587,900, the change in net position was a loss of \$64,700 plus a \$3,100 prior period adjustment, resulting in an ending net position of \$520,100.

Water Utility Total Assets and Deferred Outflows: \$628,460



Water Utility Total Liabilities, Deferred Inflows, and Net Position: \$628,460



Wastewater Utility

Overview:

CRMU's wastewater utility experienced an operating loss of almost \$59,000 in 2020, compared to an operating loss of \$55,000 last year.

The wastewater utility's beginning net position was \$1,665,800, the change in net position was a net loss of \$50,100 less a \$3,100 prior period adjustment, resulting in an ending net position of \$1,618,800.

Considering the level of wastewater cash reserves, the utility has been operating at a loss for several years. This will need to change in fiscal year 2021, as CRMU is faced with significant capital improvement projects that must be completed to improve and maintain the integrity of our wastewater system. CRMU is currently in the planning phase of this project, but actual improvements are expected to commence in fiscal year 2021.

Wastewater Utility Financial Highlights:

Dollars in Thousands

	2020	2019
OPERATING		
Revenues	134	135
Expenses	193	190
Operating Income (Loss)	(59)	(55)
NONOPERATING		
Revenues (Expenses)	9	11
Change in Net Position	(50)	(44)
ASSETS		
Current	631	689
Capital	1,054	1,031
Total Assets	1,685	1,720
DEFERRED OUTFLOWS	19	18
Total Assets & Deferred Outflows	1,704	1,738
LIABILITIES		
Current	16	6
Long-term	63	63
Total Liabilities	79	69
DEFERRED INFLOWS	6	3
NET POSITION		
Net Investment in Capital Assets	1,055	1,031
Unrestricted	564	635
Total Net Position	1,619	1,666
Total Liab., Def. Inflows & Net Pos.	1,704	1,738

Management’s Discussion and Analysis

Results of Operations:

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

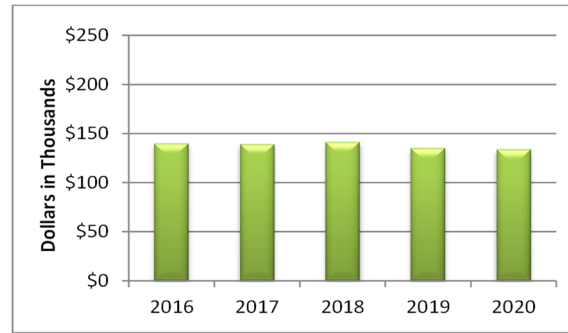
In 2020, the wastewater utility recorded \$134,000 in operating revenues. This is lower by about 1% (\$1,400) compared to 2019. Total customer usage actually increased just slightly – by less than 1% (or 2,100 - hundred gallons) from 2019 to 2020.

Total operating expenses in 2020 increased about \$2,300 (about a 1% change) compared to 2019. Increased expenses include plant and distribution operations, administration and general expenses, while customer service and depreciation costs decreased. Specifically, distribution wages and general plant maintenance expenses increased.

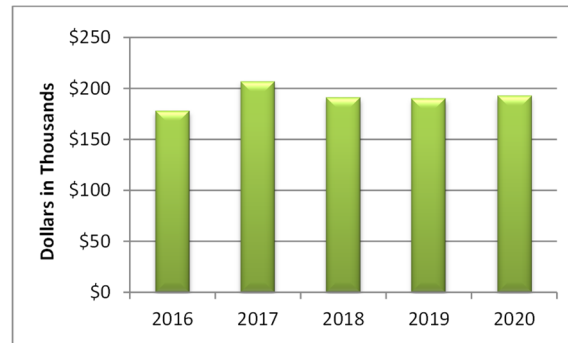
Nonoperating revenues and expenses this year totaled \$8,700 of which \$9,300 was interest income.

Payment-in-lieu-of tax payments and free service to the community totaled \$621, compared to \$715 last year.

Wastewater Utility Operating Revenues: \$133,883



Wastewater Utility Operating Expenses: \$192,646



Financial Position:

(As reported on the Statement of Net Position)

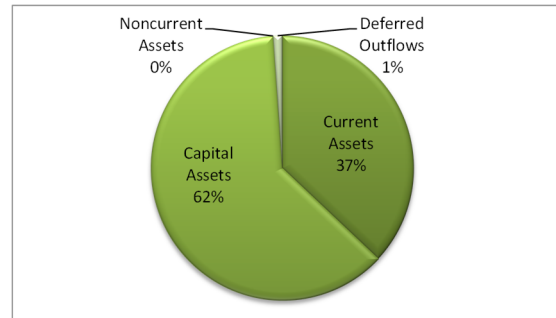
Capital assets, in the form of utility plant, facilities and equipment, account for 62% of CRMU’s total assets and deferred outflows, while current assets account for 37%.

The wastewater utility has 36% of its total assets and deferred outflows in the form of cash, cash equivalents, and certificates of deposit. A portion of this will be used for ongoing improvements.

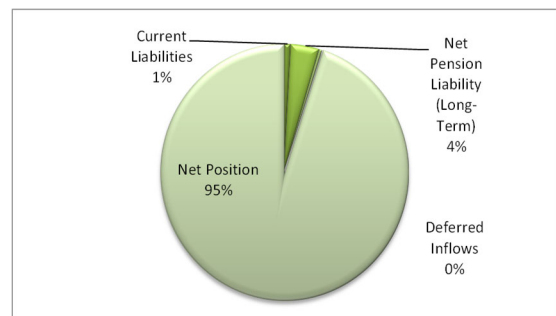
Total liabilities account for \$78,700 (5%) of the total liabilities, deferred inflows, and net position. Of that, \$63,000 are recorded as the net pension liability, which CRMU will likely never be required to pay (see Note 12 of the audit report).

Revenues were \$3,150 lower than budgeted projections, while expenses were \$8,200 higher than budgeted projections.

Wastewater Utility Total Assets and Deferred Outflows: \$1,704,004



Wastewater Utility Total Liabilities, Deferred Inflows, and Net Position: \$1,704,004



BASIC FINANCIAL STATEMENTS

COON RAPIDS MUNICIPAL UTILITIES
(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)
STATEMENTS OF NET POSITION
JUNE 30, 2020

	Communications Utility	Electric Utility	Gas Utility
Assets			
Current Assets:			
Cash & Cash Equivalents-Unrestricted	\$ 781,698	\$ 2,729,037	\$ 842,237
Cash & Cash Equivalents-Restricted	-	659,552	-
Investments	312,552	781,356	312,552
Accounts Receivable, Net of Allowance -			
Trade	20,268	157,081	38,806
Other	10,549	73,534	21,938
Revolving Loans Receivable - Current Portion	-	58,756	8,120
Note Receivable - Current Portion	14,521	-	20,204
Inventories	12,141	522,614	56,393
Other Current and Prepaid Assets	7,567	56,741	10,158
Total Current Assets	<u>1,159,296</u>	<u>5,038,671</u>	<u>1,310,408</u>
Capital Assets:			
Land	-	56,312	30,478
Construction in Progress	-	77,742	-
Utility Plant, Facilities and Equipment, at Cost	394,067	17,768,012	1,888,525
Accumulated Depreciation	<u>(291,390)</u>	<u>(7,557,654)</u>	<u>(1,279,982)</u>
Total Capital Assets	<u>102,677</u>	<u>10,344,412</u>	<u>639,021</u>
Noncurrent Assets:			
NIMECA Patronage Dividend Receivable	-	14,653	-
Revolving Loans Receivable - Net of Current Portion	-	287,977	2,820
Note Receivable - Net of Current Portion	47,937	-	73,503
Total Noncurrent Assets	<u>47,937</u>	<u>302,630</u>	<u>76,323</u>
Total Assets	<u>1,309,910</u>	<u>15,685,713</u>	<u>2,025,752</u>
Deferred Outflows of Resources			
Pension Related Deferred Outflows	<u>38,046</u>	<u>80,597</u>	<u>36,053</u>
Liabilities			
Current Liabilities:			
Accounts Payable - Trade	52,133	144,669	28,568
Other Payables and Credits	-	22,564	274
Payroll, Sales and Use Taxes Payable	-	-	-
Compensated Absences Payable	10,167	37,285	14,613
Customer Deposits	-	15,400	-
Notes Payable	-	140,000	-
Accrued Interest	-	4,439	-
Total Current Liabilities	<u>62,300</u>	<u>364,357</u>	<u>43,455</u>
Long-term Liabilities:			
Notes Payable	-	1,865,000	-
Net Pension Liability	103,375	269,772	108,887
Total Long-term Liabilities	<u>103,375</u>	<u>2,134,772</u>	<u>108,887</u>
Total Liabilities	<u>165,675</u>	<u>2,499,129</u>	<u>152,342</u>
Deferred Inflows of Resources			
Pension Related Deferred Inflows	<u>15,874</u>	<u>41,485</u>	<u>16,607</u>
Net Position			
Net Investment in Capital Assets	102,677	8,339,412	639,021
Restricted	-	426,234	-
Unrestricted	<u>1,063,730</u>	<u>4,460,050</u>	<u>1,253,835</u>
Total Net Position	<u>\$ 1,166,407</u>	<u>\$ 13,225,696</u>	<u>\$ 1,892,856</u>

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ 158,036	\$ 556,827	\$ 5,067,835
-	-	659,552
54,184	52,092	1,512,736
34,259	17,281	267,695
1,703	49	107,773
-	-	66,876
-	-	34,725
15,518	562	607,228
7,164	3,716	85,346
<u>270,864</u>	<u>630,527</u>	<u>8,409,766</u>
33,349	5,980	126,119
-	100,942	178,684
1,485,220	2,909,405	24,445,229
<u>(1,181,914)</u>	<u>(1,961,711)</u>	<u>(12,272,651)</u>
336,655	1,054,616	12,477,381
-	-	14,653
-	-	290,797
-	-	121,440
<u>-</u>	<u>-</u>	<u>426,890</u>
<u>607,519</u>	<u>1,685,143</u>	<u>21,314,037</u>
20,941	18,861	194,498
7,346	8,899	241,615
7,999	-	30,837
1,315	-	1,315
11,867	6,630	80,562
-	-	15,400
-	-	140,000
-	-	4,439
<u>28,527</u>	<u>15,529</u>	<u>514,168</u>
-	-	1,865,000
69,046	63,139	614,219
<u>69,046</u>	<u>63,139</u>	<u>2,479,219</u>
97,573	78,668	2,993,387
10,794	6,539	91,299
336,655	1,054,616	10,472,381
-	-	426,234
<u>183,438</u>	<u>564,181</u>	<u>7,525,234</u>
<u>\$ 520,093</u>	<u>\$ 1,618,797</u>	<u>\$ 18,423,849</u>

See Accompanying Notes to Financial Statements

COON RAPIDS MUNICIPAL UTILITIES
(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2020

	Communications Utility	Electric Utility	Gas Utility
Operating Revenues			
Sales to Customers	\$ 870,753	\$ 1,420,827	\$ 804,239
Sales for Resale	-	934,727	-
Interdepartmental Sales	-	56,834	8,936
Forfeited Discounts	4,643	8,945	1,408
Rebates and Other	224	4,138	2,178
Total Operating Revenues	875,620	2,425,471	816,761
Operating Expenses			
Purchased Energy and Programming	434,457	530,328	302,066
Plant Operations	17,291	305,604	12,550
Transmission Operations	-	118,248	-
Distribution Operations	169,761	214,452	107,387
Consumer Service Operations	35,591	105,382	48,158
Administrative & General Expenses	143,248	434,858	139,015
Depreciation	25,835	542,826	51,486
Total Operating Expense	826,183	2,251,698	660,662
Operating Income (Loss)	49,437	173,773	156,099
Nonoperating Revenues (Expenses)			
Interest Income	16,586	69,684	18,572
Joint Use Revenue	-	100,000	-
In-Lieu-Of Tax Payments	-	(69,902)	(20,581)
Free Community Service	(226)	(25,969)	(15,612)
Gain (Loss) on Sale or Disposal of Assets	-	(1,474)	-
Miscellaneous Nonoperating Revenue	3,516	5,364	(873)
Merchandise Sales - Net	223	-	-
Interest Expense	-	(57,359)	-
Net Nonoperating Revenues (Expenses)	20,099	20,344	(18,494)
Change in Net Position	69,536	194,117	137,605
Total Net Position June 30, 2019	1,096,871	13,031,579	1,755,251
Prior Period Adjustment	-	-	-
Total Net Position June 30, 2019, as Restated	1,096,871	13,031,579	1,755,251
Total Net Position June 30, 2020	\$ 1,166,407	\$ 13,225,696	\$ 1,892,856

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ 220,356	\$ 132,523	\$ 3,448,698
-	-	934,727
3,912	430	70,112
716	560	16,272
4,692	370	11,602
<u>229,676</u>	<u>133,883</u>	<u>4,481,411</u>
-	-	1,266,851
70,793	11,233	417,471
-	-	118,248
66,358	48,267	606,225
28,863	13,857	231,851
88,204	53,918	859,243
33,198	65,371	718,716
<u>287,416</u>	<u>192,646</u>	<u>4,218,605</u>
(57,740)	(58,763)	262,806
3,799	9,266	117,907
-	-	100,000
(1,075)	(132)	(91,690)
(9,736)	(489)	(52,032)
-	-	(1,474)
34	17	8,058
-	-	223
-	-	(57,359)
<u>(6,978)</u>	<u>8,662</u>	<u>23,633</u>
(64,718)	(50,101)	286,439
587,881	1,665,828	18,137,410
(3,070)	3,070	-
<u>584,811</u>	<u>1,668,898</u>	<u>18,137,410</u>
<u>\$ 520,093</u>	<u>\$ 1,618,797</u>	<u>\$ 18,423,849</u>

See Accompanying Notes to Financial Statements

COON RAPIDS MUNICIPAL UTILITIES
(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

	Communications Utility	Electric Utility	Gas Utility
Cash Flows from Operating Activities:			
Cash Received from Customers & Users	\$ 878,458	\$ 2,482,709	\$ 804,655
Cash Paid to Suppliers for Goods and Services	(618,501)	(1,228,797)	(414,584)
Cash Paid to Employees	(167,023)	(511,591)	(201,951)
Cash Received from Joint Revenue	-	100,000	-
Cash Received from Miscellaneous Nonoperating Revenue	3,739	5,364	(873)
Cash Paid for Free Community Services	(226)	(25,969)	(15,612)
Net Cash Provided (Used) by Operating Activities	<u>96,447</u>	<u>821,716</u>	<u>171,635</u>
Cash Flows from Capital & Related Financing Activities			
Acquisition & Construction of Property and Equipment	(10,317)	(379,091)	(9,991)
Cash Received From (Paid to) Other Funds	-	-	-
Revenue Bond Principal Repayment	-	(140,000)	-
Interest Paid	-	(57,556)	-
Net Cash (Used) by Capital & Related Financing Activities	<u>(10,317)</u>	<u>(576,647)</u>	<u>(9,991)</u>
Cash Flows from Noncapital Financing Activities			
Payments In-Lieu-of Tax Payments	-	(69,902)	(20,581)
Net Cash (Used) by Noncapital Financing Activities	<u>-</u>	<u>(69,902)</u>	<u>(20,581)</u>
Cash Flows from Investing Activities			
Interest on Investments	19,515	75,993	21,553
Redemption of Investments	303,780	759,452	303,781
Purchase of Investments	(312,552)	(781,356)	(312,552)
Disbursements Made on Coon Rapids Development Loans	-	(138,000)	-
Payments Received on Coon Rapids Development Loans	26,046	52,970	40,621
Net Cash Provided (Used) from Investing Activities	<u>36,789</u>	<u>(30,941)</u>	<u>53,403</u>
Net Increase (Decrease) in Cash & Cash Equivalents	122,919	144,226	194,466
Cash & Cash Equivalents - June 30, 2019	<u>658,779</u>	<u>3,244,363</u>	<u>647,771</u>
Cash & Cash Equivalents - June 30, 2020	<u>\$ 781,698</u>	<u>\$ 3,388,589</u>	<u>\$ 842,237</u>
Reconciliation:			
Cash & Cash Equivalents			
Unrestricted	\$ 781,698	\$ 2,729,037	\$ 842,237
Restricted	-	659,552	-
	<u>\$ 781,698</u>	<u>\$ 3,388,589</u>	<u>\$ 842,237</u>

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ 232,703	\$ 136,220	\$ 4,534,745
(86,588)	(30,163)	(2,378,633)
(162,915)	(85,388)	(1,128,868)
-	-	100,000
34	17	8,281
<u>(9,736)</u>	<u>(489)</u>	<u>(52,032)</u>
(26,502)	20,197	1,083,493
(2,585)	(116,664)	(518,648)
(30,700)	30,700	-
-	-	(140,000)
<u>-</u>	<u>-</u>	<u>(57,556)</u>
(33,285)	(85,964)	(716,204)
<u>(1,075)</u>	<u>(132)</u>	<u>(91,690)</u>
(1,075)	(132)	(91,690)
4,778	9,727	131,566
101,260	50,630	1,518,903
(54,181)	(52,092)	(1,512,733)
-	-	(138,000)
<u>-</u>	<u>-</u>	<u>119,637</u>
51,857	8,265	119,373
(9,005)	(57,634)	394,972
<u>167,041</u>	<u>614,461</u>	<u>5,332,415</u>
<u>\$ 158,036</u>	<u>\$ 556,827</u>	<u>\$ 5,727,387</u>
\$ 158,036	\$ 556,827	\$ 5,067,835
-	-	659,552
<u>\$ 158,036</u>	<u>\$ 556,827</u>	<u>\$ 5,727,387</u>

See Accompanying Notes to Financial Statements

COON RAPIDS MUNICIPAL UTILITIES
(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

	Communications Utility	Electric Utility	Gas Utility
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 49,437	\$ 173,773	\$ 156,099
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	25,835	542,826	51,484
Cash Received from Joint Revenue	-	100,000	-
Cash Received from Miscellaneous Nonoperating Revenue	3,516	5,364	(873)
Cash Received from Merchandise Sales	223	-	-
Cash Paid for Free Community Services	(226)	(25,969)	(15,612)
(Increase) Decrease Operating Assets:			
Accounts Receivable	2,838	57,240	(12,107)
Inventories	1,212	(71,263)	(11,535)
Other Current & Prepaid Assets	1,259	(9,487)	(992)
Deferred Outflows	(2,047)	(8,265)	(2,319)
Increase (Decrease) Operating Liabilities:			
Accounts & Other Payables	5,860	23,299	(4,941)
Customer Deposits	-	1,400	-
Compensated Absences Payables	(256)	1,104	1,841
Net Pension Liability	368	1,278	451
Deferred Inflows	8,428	30,416	10,139
Net Cash Provided (Used) by Operating Activities	<u>\$ 96,447</u>	<u>\$ 821,716</u>	<u>\$ 171,635</u>

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ (57,740)	\$ (58,763)	\$ 262,806
33,198	65,371	718,714
-	-	100,000
34	17	8,058
-	-	223
(9,736)	(489)	(52,032)
3,027	2,337	53,335
(2,575)	24	(84,137)
(505)	(59)	(9,784)
(2,375)	(977)	(15,983)
(846)	6,702	30,074
-	-	1,400
2,714	2,170	7,573
323	157	2,577
7,979	3,707	60,669
\$ (26,502)	\$ 20,197	\$ 1,083,493

See Accompanying Notes to Financial Statements

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

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

These financial statements are presented in conformity with U.S. generally accepted accounting principles (GAAP) applicable for proprietary funds of governmental entities as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

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

Shared Utility Plants

Common Transmission System – North Iowa Municipal Electric Cooperative Association (NIMECA), acting as agent for its participating members, including CRMU, has entered into an agreement with Corn Belt Power Cooperative to obtain for the benefit of its participating members a long-term right and access to electric transmission facilities, referred to as Common Transmission System (CTS) necessary to handle the combined needs of the participating members through undivided ownership interest in the capacity of transmission facilities. The costs associated with this agreement are allocated to the members based on their proportionate use of the shared transmission system. CRMU has recorded its share of these costs as capital assets in the Electric Utility Fund. The net book value at June 30, 2020 was \$760,693.

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, 2020, was \$1,710,233.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, deferred outflows, liabilities, deferred inflows, net positions, revenues and expenses, and debt service of the designated activity. CRMU reports the following major enterprise funds:

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

Measurement Focus and Basis of Accounting

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

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

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

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

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

Cash and Cash Equivalents

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

For purposes of the statement of cash flows, invested cash and all short-term investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2020 were \$1,512,736. Investments consist of certificates of deposits, which are recorded at amortized cost.

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 \$34,320 at June 30, 2020.

Inventories

Materials, supplies and other consumables are recorded as expenses when consumed rather than when purchased. Material, supplies and fuel inventories are stated at cost, which does not exceed market.

Cost is generally determined on a weighted-average basis. Electric Utility inventories include fuel for the local plant and its joint ownership share of the coal pile at the Neal 4 Generating Station. Gas Utility inventories include stored natural gas held for sale.

The inventories at June 30, 2020, are comprised as follows:

All Material and Supplies	\$	312,407
Electric Fund Fuel Inventories		219,285
Gas Fund Natural Gas Inventory		15,502
SO2 Allowances		60,018
No(X) Allowance		16
		16
Total	\$	607,228

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Pension related deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Pension related deferred inflows of resources in the Statements of Net Position consist of unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Positions

Net positions are shown in three components:

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

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

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

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

Restricted for Economic Development Loans \$426,234.

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

Expense Allocations

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

Note 2 – CASH AND CASH EQUIVALENTS

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

CRMU pool their deposits and investments and maintain records as to the separate utility systems share of the total balance. All deposits in banks at June 30, 2020, 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.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 2 – CASH AND CASH EQUIVALENTS (Continued)

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

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

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

Note 3 – COMMUNICATIONS ACCOUNTS RECEIVABLE - OTHER

Other accounts receivable reported for the Communications Utility includes delayed long distance and CABS billings of \$1,938 for the telephone system. These amounts are net of an allowance for doubtful collections of \$106. Management believes this allowance to be reasonable and appropriate reduction of the CAB’s receivables to their net realizable value.

Note 4 –REVOLVING LOANS RECEIVABLE

CRMU received a federal Rural Economic Development Grant for \$300,000, which required a local match of \$60,000 making a total of \$360,000 available to establish a revolving loan fund during 2008. During the current year, three new loans were issued totaling \$138,000 and payments were received on all of the loans totaling \$52,970, leaving \$79,501 available for purposes of this revolving loan program.

Loan to Acklin Properties, LLC

On December 31, 2014, CRMU entered into a loan agreement with Acklin Property, LLC. The proceeds of this loan were used to finance the purchase of a building for a daycare center in Coon Rapids. The principal amount of the loan was \$18,000. The promissory note, dated December 31, 2014, specifies monthly payments of \$174 for ten years including interest at 3.00% per annum.

Loan to Country Stores of Carroll, LTD

On June 8, 2012, CRMU entered into a loan agreement with Sperry One Stop Shop. The proceeds of this loan were used to purchase new underground tanks and blender pumps in Coon Rapids. This loan was made in association with the Federal Grant Agreement for rural economic development made with the Federal Government. The principal amount of the loan was \$142,000. The promissory note, dated June 8, 2012, specifies monthly payments of \$1,307 for ten years including interest at 2.00% per annum.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 4 – REVOLVING LOANS RECEIVABLE (Continued)

Loan to Resurrection Rides, LLC

On June 26, 2014, CRMU entered into a loan agreement with Resurrection Rides, LLC. The proceeds of this loan were used to finance the purchase of equipment for their car restoration business. This loan was made for economic development. The principal amount of the loan was \$20,000. The promissory note, dated June 26, 2014, specifies monthly payments of \$359 for five years including interest at 3.00% per annum. The final payment was received during the year ended June 30, 2020.

Loan to Joel & Tammy Roetman

On April 6, 2016, CRMU entered into a loan agreement with Joel & Tammy Roetman. The proceeds of this loan were used to finance the construction of residential housing in Coon Rapids, Iowa. The principal amount of the loan was \$60,000. The promissory note, dated April 6, 2016, specifies monthly payments of \$552 for ten years including interest at 3.00% per annum.

Loan to Beautifully Me Salon & Spa

On September 8, 2015, CRMU entered into a loan agreement with Beautifully Me Salon & Spa. The proceeds of this loan were used to finance the renovations, capital, and inventory of Beautifully Me Salon & Spa. The principal amount of the loan was \$20,000. The promissory note, dated September 8, 2015, specifies monthly payments of \$359 for five years including interest at 3.00% per annum.

Loan to D.R.A.A.H

On November 24, 2015, CRMU entered into a loan agreement with D.R.A.A.H. The proceeds of this loan were used to finance the purchase of buildings and expansion of current retail business. The principal amount of the loan was \$50,000. The promissory note, dated November 24, 2015, specifies monthly payments of \$483 for ten years including interest at 3.00% per annum.

Loan to Robbie Lyons and Nancy Bruening

On September 7, 2016, CRMU entered into a loan agreement with Robbie Lyons and Nancy Bruening. The proceeds of this loan were used to finance the purchase of a building. The principal amount of the loan was \$30,000. The promissory note, dated September 7, 2016, specifies monthly payments of \$290 for ten years including interest at 3.00% per annum.

Loan to Reis Seeds - Building

On December 15, 2017, CRMU entered into a loan agreement with Reis Seeds. The proceeds of this loan were used to finance the purchase of a building. The principal amount of the loan was \$34,500. The promissory note, dated December 15, 2017, specifies monthly payments of \$353 for ten years including interest at 4.25% per annum.

Loan to Reis Seeds - Equipment

On December 15, 2017, CRMU entered into a loan agreement with Reis Seeds. The proceeds of this loan were used to finance the purchase of business machinery and equipment. The principal amount of the loan was \$30,000. The promissory note, dated December 15, 2017, specifies monthly payments of \$414 for ten years including interest at 4.25% per annum.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 4 – REVOLVING LOANS RECEIVABLE (Continued)

Loan to NMLewis

On April 6, 2018, CRMU entered into a loan agreement with NMLewis. The proceeds of this loan were used to finance the purchase of a building. The principal amount of the loan was \$35,000. The promissory note, dated April 6, 2018, specifies monthly payments of \$363 for ten years including interest at 4.50% per annum.

Loan to Stacy's Studio & Boutique

On May 10, 2018, CRMU entered into a loan agreement with Stacy's Studio & Boutique. The proceeds of this loan were used to finance the purchase of business equipment. The principal amount of the loan was \$12,000. The promissory note, dated May 10, 2018, specifies monthly payments of \$169 for ten years including interest at 4.75% per annum.

Loan to Alfa Valley, Inc

On June 15, 2012, CRMU entered into a loan agreement with Alfa Valley, Inc. The proceeds of this loan were used to finance a new office building in Coon Rapids. This loan was made for economic development. The principal amount of the loan was \$75,000. The promissory note, dated June 15, 2012, specifies monthly payments of \$690 for ten years including interest at 2.00% per annum.

Loan to Reis Seeds - Expansion

On August 9, 2019, CRMU entered into a loan agreement with Reis Seeds. The proceeds of this loan were used to finance the building expansion of current business/property. This loan was made for economic development. The principal amount of the loan was \$84,000. The promissory note dated August 9, 2019 specifies monthly payments of \$905 for ten years including interest at 5.25% per annum.

Loan to Resurrection Rides

On August 13, 2019, CRMU entered into a loan agreement with Resurrection Rides. The proceeds of this loan were used to finance the purchase of equipment. This loan was made for economic development. The principal amount of the loan was \$18,000. The promissory note, dated August 13, 2019, specifies monthly payments of \$343 for five years including interest at 5.25% per annum.

Loan to Nature Ammil

On November 29, 2019, CRMU entered into a loan agreement with Nature Ammil. The proceeds of this loan were used to finance the purchase of a building. This loan was made for economic development. The principal amount of the loan was \$36,000. The promissory note, dated November 29, 2019, specifies monthly payments of \$380 for ten years including interest at 4.75% per annum.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 5 – NOTE RECEIVABLE (Continued)

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

Year Ending 6/30	Electric Utility		Gas Utility		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 58,756	\$ 11,525	\$ 8,120	\$ 161	\$ 66,876	\$ 11,686
2022	58,146	9,573	2,820	18	60,966	9,591
2023	46,122	7,788	-	-	46,122	7,788
2024	46,137	6,188	-	-	46,137	6,188
2025	41,483	4,563	-	-	41,483	4,563
2026-2030	96,089	7,039	-	-	96,089	7,039
Total	<u>\$ 346,733</u>	<u>\$ 46,676</u>	<u>\$ 10,940</u>	<u>\$ 179</u>	<u>\$ 357,673</u>	<u>\$ 46,855</u>

Loan to Coon Rapids Development Group

On July 1, 2015, CRMU entered into a loan agreement with Coon Rapids Development Group. The proceeds of this loan were used to finance the construction of a new subdivision. The principal amount of the loan was \$340,000. The promissory note, dated July 1, 2015, specifies yearly payments in the amount of \$39,858 for ten years including interest at 3.00% per annum.

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

	Communications Utility		Gas Utility		Total	
	CRDG Financing					
	Interest Rate 3.00%					
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 14,521	\$ 2,161	\$ 20,204	\$ 3,189	\$ 34,725	\$ 5,350
2022	14,966	1,466	21,241	2,205	36,207	3,671
2023	15,415	997	21,878	1,568	37,293	2,565
2024	16,412	492	22,532	914	38,944	1,406
2025	1,144	42	7,852	236	8,996	278
Total	<u>\$ 62,458</u>	<u>\$ 5,158</u>	<u>\$ 93,707</u>	<u>\$ 8,112</u>	<u>\$ 156,165</u>	<u>\$ 13,270</u>

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 6 – CAPITAL ASSETS

Capital asset categories and changes in each cost category and depreciation for the year ended June 30, 2020 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	\$ 4,000	\$ -	\$ 126,119
Construction in progress	65,951	325,054	(212,321)	178,684
Total capital assets not being depreciated	<u>188,070</u>	<u>329,054</u>	<u>(212,321)</u>	<u>304,803</u>
Capital assets being depreciated:				
Neal 4 Steam Production	3,669,325	54,767	(21,182)	3,702,910
Local Production Facilities	2,153,042	49,887	(43,481)	2,159,448
Transmission System	1,847,181	66,597	(13,460)	1,900,318
Distribution System	12,741,890	166,529	-	12,908,419
Municipal Building	1,207,496	3,734	-	1,211,230
General Facilities Equipment	2,542,718	97,220	(77,034)	2,562,904
Total capital assets being depreciated	<u>24,161,652</u>	<u>438,734</u>	<u>(155,157)</u>	<u>24,445,229</u>
Less -				
Accumulated Depreciation	11,670,799	721,784	(119,932)	12,272,651
Total capital assets being depreciated- net	<u>12,490,853</u>	<u>(283,050)</u>	<u>(35,225)</u>	<u>12,172,578</u>
Total Capital Assets, Net	<u>\$ 12,678,923</u>	<u>\$ 46,004</u>	<u>\$ (247,546)</u>	<u>\$ 12,477,381</u>

Reconciliation of Net Investment in Capital Assets

	<u>Communications</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Capital Assets (Net of A/D)	\$ 102,677	\$10,344,412	\$ 639,021	\$ 336,655	\$ 1,054,616	\$ 12,477,381
Less: Notes Payable	-	(2,005,000)	-	-	-	(2,005,000)
	<u>\$ 102,677</u>	<u>\$ 8,339,412</u>	<u>\$ 639,021</u>	<u>\$ 336,655</u>	<u>\$ 1,054,616</u>	<u>\$ 10,472,381</u>

Capital asset categories and changes in each cost category and depreciation for the year ended June 30, 2020 for each major fund are as follows:

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 6 – CAPITAL ASSETS (Continued)

Communications:

	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets being depreciated:				
Local Production Facilities	\$ 314,736	\$ 7,987	\$ (4,530)	\$ 318,193
General Facilities Equipment	78,303	2,330	(4,759)	75,874
Total capital assets being depreciated	<u>393,039</u>	<u>10,317</u>	<u>(9,289)</u>	<u>394,067</u>
Less -				
Accumulated Depreciation	<u>274,844</u>	<u>25,835</u>	<u>(9,289)</u>	<u>291,390</u>
Total Capital Assets, Net	<u>\$ 118,195</u>	<u>\$ (15,518)</u>	<u>\$ -</u>	<u>\$ 102,677</u>

Electric:

	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets not being depreciated:				
Land	\$ 52,312	\$ 4,000	\$ -	\$ 56,312
Construction in progress	65,951	224,112	(212,321)	77,742
Total capital assets not being depreciated	<u>118,263</u>	<u>228,112</u>	<u>(212,321)</u>	<u>134,054</u>
Capital Assets being depreciated:				
Neal 4 Steam Production	3,669,325	54,767	(21,182)	3,702,910
Transmission System	1,736,830	66,597	(13,460)	1,789,967
Distribution System	10,048,878	162,465	-	10,211,343
Municipal Building	561,810	3,734	-	565,544
General Facilities Equipment	1,441,732	74,059	(17,543)	1,498,248
Total capital assets being depreciated	<u>17,458,575</u>	<u>361,622</u>	<u>(52,185)</u>	<u>17,768,012</u>
Less -				
Accumulated Depreciation	<u>7,067,218</u>	<u>542,826</u>	<u>(52,390)</u>	<u>7,557,654</u>
Total capital assets being depreciated- net	<u>10,391,357</u>	<u>(181,204)</u>	<u>205</u>	<u>10,210,358</u>
Total Capital Assets, Net	<u>\$ 10,509,620</u>	<u>\$ 46,908</u>	<u>\$ (212,116)</u>	<u>\$ 10,344,412</u>

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 6 – CAPITAL ASSETS (Continued)

Gas:

	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets not being depreciated:				
Land	\$ 30,478	\$ -	\$ -	\$ 30,478
Total capital assets not being depreciated	<u>30,478</u>	<u>-</u>	<u>-</u>	<u>30,478</u>
Capital Assets being depreciated:				
Local Production Facilities	330,452	-	-	330,452
Distribution System	544,968	-	-	544,968
Municipal Building	645,686	-	-	645,686
General Facilities Equipment	367,709	17,788	(18,078)	367,419
Total capital assets being depreciated	<u>1,888,815</u>	<u>17,788</u>	<u>(18,078)</u>	<u>1,888,525</u>
Less -				
Accumulated Depreciation	<u>1,238,776</u>	<u>51,484</u>	<u>(10,278)</u>	<u>1,279,982</u>
Total capital assets being depreciated- net	<u>650,039</u>	<u>(33,696)</u>	<u>(7,800)</u>	<u>608,543</u>
Total Capital Assets, Net	<u>\$ 680,517</u>	<u>\$ (33,696)</u>	<u>\$ (7,800)</u>	<u>\$ 639,021</u>

Water:

	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets not being depreciated:				
Land	\$ 33,349	\$ -	\$ -	\$ 33,349
Total capital assets not being depreciated	<u>33,349</u>	<u>-</u>	<u>-</u>	<u>33,349</u>
Capital Assets being depreciated:				
Local Production Facilities	334,421	30,700	(6,029)	359,092
Transmission System	110,351	-	-	110,351
Distribution System	841,276	539	-	841,815
General Facilities Equipment	202,947	2,046	(31,031)	173,962
Total capital assets being depreciated	<u>1,488,995</u>	<u>33,285</u>	<u>(37,060)</u>	<u>1,485,220</u>
Less -				
Accumulated Depreciation	<u>1,182,706</u>	<u>36,268</u>	<u>(37,060)</u>	<u>1,181,914</u>
Total capital assets being depreciated- net	<u>306,289</u>	<u>(36,268)</u>	<u>-</u>	<u>303,306</u>
Total Capital Assets, Net	<u>\$ 339,638</u>	<u>\$ (2,983)</u>	<u>\$ -</u>	<u>\$ 336,655</u>

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 6 – CAPITAL ASSETS (Continued)

Wastewater:

	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets not being depreciated:				
Land	\$ 5,980	\$ -	\$ -	\$ 5,980
Construction in progress	-	100,942	-	100,942
Total capital assets not being depreciated	<u>5,980</u>	<u>100,942</u>	<u>-</u>	<u>106,922</u>
Capital Assets being depreciated:				
Local Production Facilities	1,173,433	11,200	(32,922)	1,151,711
Distribution System	1,306,768	3,525	-	1,310,293
General Facilities Equipment	452,027	997	(5,623)	447,401
Total capital assets being depreciated	<u>2,932,228</u>	<u>15,722</u>	<u>(38,545)</u>	<u>2,909,405</u>
Less -				
Accumulated Depreciation	<u>1,907,255</u>	<u>65,371</u>	<u>(10,915)</u>	<u>1,961,711</u>
Total capital assets being depreciated- net	<u>1,024,973</u>	<u>(49,649)</u>	<u>(27,630)</u>	<u>947,694</u>
Total Capital Assets, Net	<u>\$ 1,030,953</u>	<u>\$ 51,293</u>	<u>\$ (27,630)</u>	<u>\$ 1,054,616</u>

Note 7 – MUNICIPAL BUILDING

The Electric Utility and Gas Utility each provided funds for construction of a municipal building for use as office space by CRMU and by the City for library and general office space. Based on square footage, CRMU utilizes 76.83 percent of the building and the City utilizes 23.17 percent. The City reimburses the Electric Utility and Gas Utility ratably for a share of building operating costs. The public uses 50 percent of the building as a meeting hall and pays a nominal rent for each usage. This public usage area is included in the portion allocated 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, 2020**

Note 8 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2020 are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable from					
Direct Borrowings	\$ 2,145,000	\$ -	\$ 140,000	\$ 2,005,000	\$ 140,000
Net Pension Liability	611,641	2,578		614,219	-
Total	<u>\$ 2,756,641</u>	<u>\$ 2,578</u>	<u>\$ 140,000</u>	<u>\$ 2,619,219</u>	<u>\$ 140,000</u>

Notes Payable

Notes payable activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Iowa Savings Bank					
from Direct Borrowings	\$ 2,145,000	\$ -	\$ 140,000	\$ 2,005,000	\$ 140,000
Total	<u>\$ 2,145,000</u>	<u>\$ -</u>	<u>\$ 140,000</u>	<u>\$ 2,005,000</u>	<u>\$ 140,000</u>

Electric Utility – The Utility adopted a resolution on January 26, 2017 providing for the issuance of \$2,400,000 in Electric Revenue Capital Loan Notes from direct borrowings.

The Iowa Savings Bank note from direct borrowings matures and bears interest as follows:

Iowa Savings Bank from Direct Borrowings

	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2021	\$ 140,000	\$ 55,106	2.000
2022	145,000	52,306	2.125
2023	150,000	49,225	2.375
2024	155,000	45,663	2.5
2025	160,000	41,788	2.625
2026-2030	865,000	141,262	2.750-3.125
2031-2032	390,000	18,938	3.125-3.250
	<u>\$ 2,005,000</u>	<u>\$ 404,288</u>	

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 9 – 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, 2020 and includes related employee benefits. Sick leave is not paid on termination, retirement or death; therefore, no accrual has been made for accumulated sick leave hours.

Note 10 – JOINT USE AGREEMENT

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

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

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

Note 11 – PAYMENT TO THE CITY

CRMU made voluntary in-lieu-of-tax payments to the City in the amount of \$91,690 for the year ended June 30, 2020.

Note 12 – PENSION AND RETIREMENT BENEFITS

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

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

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 12 – PENSION AND RETIREMENT BENEFITS (Continued)

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

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

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

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

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

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

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29 percent of pay and the Utilities contributed 9.44 percent for a total rate of 15.73 percent.

The Utilities’ total contributions to IPERS for the year ended June 30, 2020 were \$79,492.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 12 – PENSION AND RETIREMENT BENEFITS (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the Utilities reported a liability of \$614,219 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportion of the net pension liability was based on the Utilities' share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2019, the Utilities' collective proportion was .0106071 percent, which was an increase of .000942 percent from their proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Utilities recognized pension expense of \$126,759. At June 30, 2020, the Utilities reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,703	\$ 22,084
Changes of assumptions	65,792	-
Net difference between projected and actual earnings on pension plan investments	-	69,215
Changes in proportion and differences between Utility contributions and proportionate share of contributions	47,511	-
Utility contributions subsequent to the measurement date	79,492	-
Total	\$ 194,498	\$ 91,299

\$79,492 reported as deferred outflows of resources related to pensions resulting from the Utilities' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 12 – PENSION AND RETIREMENT BENEFITS (Continued)

Year Ending	June 30,	Total
2021	\$	25,944
2022		(3,488)
2023		(253)
2024		(1,744)
2025		3,248
Total	\$	23,707

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 12 – PENSION AND RETIREMENT BENEFITS (Continued)

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	22.0%	5.60%
International Equity	15.0	6.08
Global Smart Beta Equity	3.0	5.82
Core Plus Fixed Income	27.0	1.71
Public Credit	3.5	3.32
Public Real Assets	7.0	2.81
Cash	1.0	-0.21
Private Equity	11.0	10.13
Private Real Assets	7.5	4.76
Private Credit	3.0	3.01
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Utilities will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Utilities' Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Utilities' proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Utilities' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Utilities' proportionate share of the net pension liability	\$ 1,090,654	\$ 614,219	\$ 214,590

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

Payables to the Pension Plan - At June 30, 2020, the Utilities reported \$10,310 of payables related to the defined benefit pension plan.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 13 – HEALTH INSURANCE SELF-INSURED

CRMU has a group health insurance policy which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. CRMU self-insures certain employee eligible medical costs that are not reimbursed by the health insurance provider because the medical cost does not exceed the deductible and maximum out-of-pocket policy provision. Beginning January 1, 2017, employees pay out of pocket maximum of \$1,000 for single coverage or \$2,000 for family coverage. CRMU has nine covered employees as of June 30, 2020.

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	\$4,000	\$8,000	\$8,150	\$16,300

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
2020	\$ 3,354	\$ 40,494	\$ 37,746	\$ 6,102

The ending liability balance is included in the current liabilities.

Note 14 – COMMITMENTS AND CONTINGENT LIABILITIES

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

CRMU entered into a contract with its major transporter of natural gas in August 1993 that requires a capacity demand payment of approximately \$100,000 annually. The initial expiration date of the contract was through October 31, 1996, which was subsequently extended through January 1, 2020.

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, 2020**

Note 14 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

During February 2018, the Electric Utility entered into a contract with DGR Engineering for engineering services for the substation transformer project at an estimated cost of \$46,000. As of June 30, 2020, the remaining balance was \$20,700. The final payment is expected to be made in 2021.

During February 2020, the Electric Utility entered into a contract with WEG Transformers USA, LLC. for equipment for the substation transformer project at an estimated cost of \$626,933. As of June 30, 2020, the remaining balance was \$626,933. The final payment is expected to be made in 2021.

During December 2019, the Wastewater Utility entered into a contract with Veenstra & Kimm, Inc. for engineering services for sanitary sewer evaluation at an estimated cost of \$38,700. As of June 30, 2020, the remaining balance was \$10,583. The final payment is expected to be made in 2021.

Note 15 – LEASES

Copier Lease – The Utility began leasing a copier machine from Access Systems in December 2016. The lease required 60 payments of \$298 plus applicable fees. The final lease payment is December 2021. Payments totaled \$3,576 in 2020.

Postage Meter Lease- The Utility began leasing a machine from Pitney Bowes in September 2016. The lease required 60 payments of \$114 plus applicable fees. The final lease payment is September 2021. Payments totaled \$1,372 in 2020.

Future lease payments are summarized as follows:

2021	\$ 4,948
2022	<u>2,131</u>
	<u>\$ 7,079</u>

Note 16 – 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 17 – 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.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 18 – PRIOR PERIOD ADJUSTMENTS

A prior period adjustment of \$3,070 was made between the Water and Wastewater Utilities for accumulated depreciation on a capital asset that was originally recorded in the Wastewater Utility during the year ending June 30, 2019, but should have been recorded to the Water Utility. The correction was made during the year ending June 30, 2020.

	Water Utility	Wastewater Utility
Net Position June 30, 2019, as previously reported	\$ 587,881	\$ 1,665,828
Accumulated Depreciation on capital asset transferred	(3,070)	3,070
Net Position June 30, 2019, as restated	\$ 584,811	\$ 1,668,898

Note 19 – SUBSEQUENT EVENTS

Coon Rapids Municipal Utilities amended their outstanding Electric Revenue Capital Loan Notes, Series 2017 totaling \$2,005,000 with an interest rate of 2.0%, effective July 1, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Utilities' collective proportion of the net pension liability (asset)	0.010607%	0.009665%	0.009533%	0.009402%	0.009390%	0.009371%
Utilities' collective proportionate share of the net pension liability	\$ 614,219	\$ 611,642	\$ 634,999	\$ 591,681	\$ 463,916	\$ 371,638
Utilities' covered payroll	\$ 807,237	\$ 726,433	\$ 711,570	\$ 674,705	\$ 643,303	\$ 613,191
Utilities' collective proportionate share of the net pension liability as a percentage of its covered payroll	76.09%	84.20%	89.24%	87.69%	72.11%	60.61%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 79,492	\$ 76,203	\$ 64,871	\$ 63,543
Contributions in relation to the statutorily required contribution	<u>(79,492)</u>	<u>(76,203)</u>	<u>(64,871)</u>	<u>(63,543)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utilities' covered payroll	\$ 842,078	\$ 807,237	\$ 726,433	\$ 711,570
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%

See Accompanying Independent Auditors' Report

2016	2015	2014	2013	2012	2011
\$ 60,251	\$ 57,447	\$ 54,758	\$ 51,529	\$ 46,003	\$ 39,212
(60,251)	(57,447)	(54,758)	(51,529)	(46,003)	(39,212)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 674,705	\$ 643,303	\$ 613,191	\$ 594,337	\$ 570,050	\$ 564,201
8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

See Accompanying Independent Auditors' Report

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2020**

Changes of Benefit Terms:

There are no significant changes in benefit terms.

Changes of Assumptions

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

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

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

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

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

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Coon Rapids Municipal Utilities, a component unit of the City of Coon Rapids, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the table of contents, and have issued our report thereon dated December 8, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Coon Rapids Municipal Utilities' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williams E. Company, P.C.
Certified Public Accountants

Spencer, Iowa
December 8, 2020

**COON RAPIDS MUNICIPAL UTILITIES
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020**

PART I – SUMMARY OF AUDITORS’ RESULTS

- (A) An unmodified 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 non-compliance which is material to the financial statements.

PART II – FINDING RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

INSTANCES OF NONCOMPLIANCE: No matters were reported.

INSTANCES OF SIGNIFICANT DEFICIENCIES: No matters were reported.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

III-A-20: Official Depositories – The Board of Trustees has approved a resolution naming official depositories. The maximum amount stated in the resolution was not exceeded during the year ended June 30, 2020.

III-B-20: Questionable Disbursements – No expenditures we believe did not meet the requirement of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

III-C-20: Travel Expense – No disbursements of the Utilities’ money for travel expenses of spouses of Utilities’ officials or employees were noted.

III-D-20: Business Transactions – No business transactions between Coon Rapids Municipal Utilities and the Utilities’ officials and employees were noted.

III-E-20: Restricted Donor Activity – No transactions were noted between the Utilities, Utilities’ officials, Utilities’ employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

III-F-20: Bond Coverage – Surety bond coverage of Coon Rapids Municipal Utilities’ officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-G-20: Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

III-H-20: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12(B) and 12(C) of the Code of Iowa and the Coon Rapids Municipal Utilities’ investment policy were noted.

III-I-20: Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.