

**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, 2021

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COON RAPIDS MUNICIPAL UTILITIES

OFFICIALS

(As of June 30, 2021)

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Terry Garnes	Chairman	June 2027
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, 2021, 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, 2021 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.

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 12 and pages 44 through 48 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 November 30, 2021, 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
November 30, 2021



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, 2021. 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 using the accrual method of accounting. The Financial Statements conform to accounting principles which are generally accepted in the United States of America.

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

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

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

Communications Utility

Overview:

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

The communications utility continues to see a decrease in cable TV subscribers, which is a common industry trend. As customers continue the transition from traditional cable TV to online streaming, the speed and reliability of CRMU’s internet service becomes essential. CRMU has worked hard to maintain reasonable cable TV rates as networks continue to substantially increase programming fees. While no rate increase was implemented in fiscal year 2021, an increase will be unavoidable in fiscal year 2022.

Communications Utility Financial Highlights:

Dollars in Thousands

	2021	2020
OPERATING		
Revenues	897	876
Expenses.....	753	826
Operating Income (Loss).....	144	50
NONOPERATING		
Revenues (Expenses)	10	20
TRANSFERS	0	0
Change in Net Position	154	70
ASSETS		
Current	1,371	1,159
Capital	79	103
Noncurrent Assets.....	21	48
Total Assets.....	1,471	1,310
DEFERRED OUTFLOWS	39	38
Total Assets & Deferred Outflows	1,510	1,348
LIABILITIES		
Current	63	62
Long-term	120	104
Total Liabilities.....	183	166
DEFERRED INFLOWS	7	16
NET POSITION		
Net Investment in Capital Assets	79	103
Unrestricted	1,241	1,063
Total Net Position	1,320	1,166
Total Liab., Def. Inflows & Net Pos.	1,510	1,348

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 2.4%, while total operating expenses decreased 8.8%.

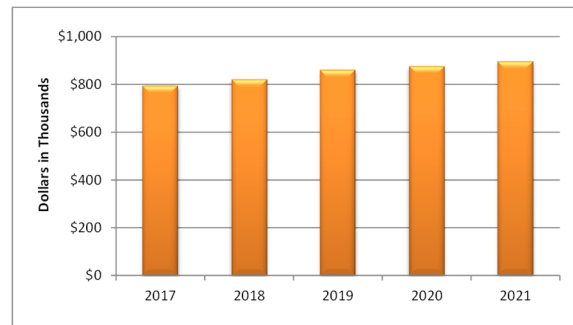
Excluding operating transfers between communication funds, total operating revenues saw a decrease of about \$8,000 for cable TV (due to a decline in cable TV subscribers), a \$38,500 increase in internet (a combination of higher internet and Managed Wi-Fi subscriber revenue), and a decrease of \$8,000 in telephone (a combination of declining CABS and long distance revenues).

Excluding operating transfers, total communications utility expenses decreased by more than \$71,000. The primary reason for the decrease is a decline in outside wages. Following the installation and completion of the FTTH system, which is much less labor intensive than the old HFC system, CRMU chose to not replace a long-time CRMU employee following retirement.

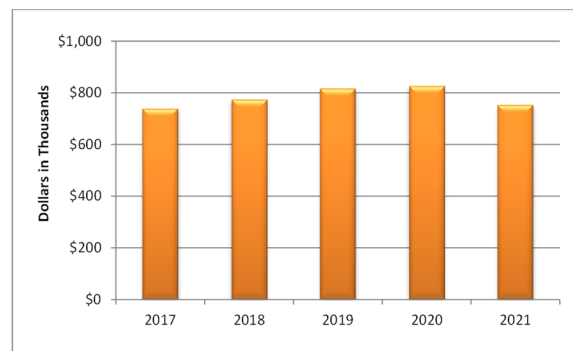
In-lieu-of tax payments and free community services totaled \$340, compared to \$226 last year.

The communications utility ended the year with a \$153,904 gain, compared to \$69,500 in 2020. Added to the utility’s beginning net position of \$1,166,407, CRMU’s communication total net position as of June 30, 2021 is \$1,320,311.

**Communications Utility
Operating Revenues: \$897,256**



**Communications Utility
Operating Expenses: \$753,286**



Financial Position:

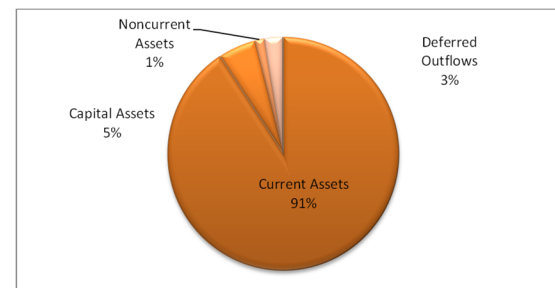
(As reported on the Statement of Net Position)

Total assets increased more than 12% in fiscal year 2021. This can be attributed to an increase in cash. Total liabilities increased almost 11%, which is a direct result of increased net pension liability. This liability increased 16% and totals \$119,926, which CRMU will likely never be required to pay (see Note 11 of the audit report).

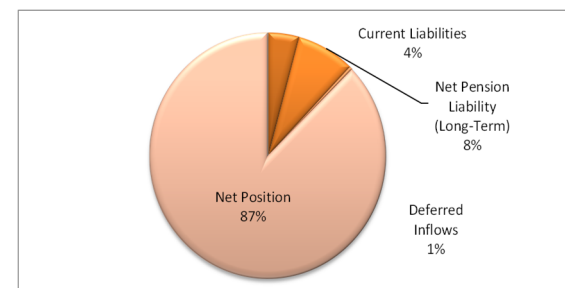
Capital assets, in the form of utility plant, facilities and equipment, account for 5% of total assets and deferred outflows, while current assets comprise 91% of the total assets and deferred outflows. Cash, cash equivalents, and investments account for more than 84% of total assets and deferred outflows. These funds are designated for equipment replacement, capital improvements, and general savings.

Revenues were higher than budgeted projections – by \$27,000, while expenses were lower than budgeted projections - by \$68,800.

Communication Utility Total Assets and Deferred Outflows: \$1,510,684



Communication Utility Total Liabilities, Deferred Inflows and Net Position: \$1,510,684



Management's Discussion and Analysis

Electric Utility

Overview:

The CRMU electric utility continued to make significant capital improvements in fiscal year 2021. The new substation transformer was delivered, with final installation taking place in fiscal year 2022. CRMU also completed the installation of an electric vehicle charging station. Finally, CRMU was also able to make necessary upgrades to the electric shop and municipal building.

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 2021, CRMU realized a net operating gain of almost \$1,171,400 which is almost a million dollars more than last year. CRMU was able to contribute to the February 2021 cold weather event by generating power into the market. When other areas in the Midwest were without power, CRMU was generating and benefited from the strong financial market during the one-week period. Combined with nonoperating gains, the electric utility experienced a \$1.2MM gain in 2021, compared to a \$194,000 gain last year.

Economically, the electric utility will see significant impacts as electric vehicles (EVs) take the place of gas-powered vehicles over the next 10+ years. While CRMU currently has ample capacity and energy to serve these new loads, new infrastructure may also be required.

Electric Utility Financial Highlights:

Dollars in Thousands

	2021	2020
OPERATING		
Revenues	3,779	2,425
Expenses	2,608	2,251
Operating Income (Loss)	1,171	174
NONOPERATING		
Revenues (Expenses)	37	20
TRANSFERS		
	0	0
Change in Net Position	1,208	194
ASSETS		
Current	5,850	5,039
Capital	10,681	10,344
Noncurrent	248	303
Total Assets	16,779	15,686
DEFERRED OUTFLOWS		
	85	80
Total Assets & Deferred Outflows	16,864	15,766
LIABILITIES		
Current	371	364
Long-term	2,051	2,135
Total Liabilities	2,422	2,499
DEFERRED INFLOWS		
	8	41
NET POSITION		
Net Investment in Capital Assets	8,785	8,340
Restricted	440	426
Unrestricted	5,209	4,460
Total Net Position	14,434	13,226
Total Liab., Def. Inflows & Net Pos.	16,864	15,766

Results of Operations:

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

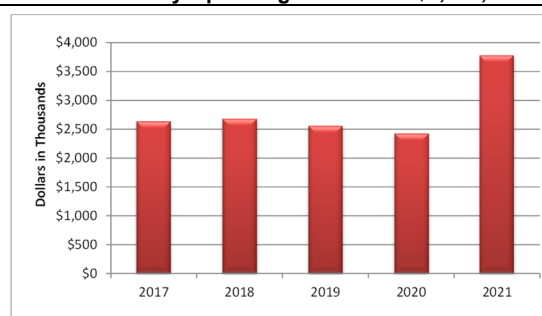
Revenue from operations increased 56% - by \$1.35MM. Revenue from sales to customers increased about 2% (\$30,000). Resale revenue increased \$1.32MM (142%). The significant increase this year was the result of the February, 2021 cold weather event previously discussed.

Operating expenses increased \$357,000 (16%), which is also a direct result of the cold weather event (power plant generation expenses).

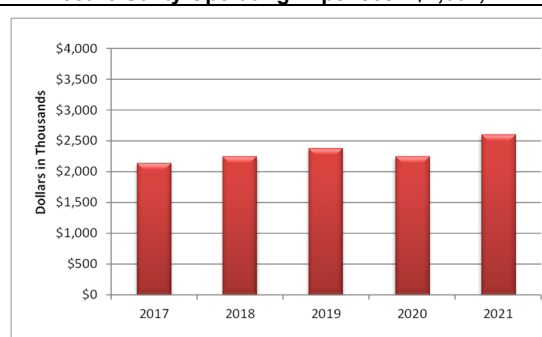
In-lieu-of tax payments and free community services totaled \$318,000 compared to \$95,900 last year (a 231% increase). CRMU used gains from the February weather event to donate for two months of electric bills for all customers. This is included in the free community service total.

The electric utility's beginning net position was \$13,225,696. The total gain of \$1,208,067 this fiscal year resulted in an ending net position of \$14,433,763.

Electric Utility Operating Revenues: \$3,779,109



Electric Utility Operating Expenses: \$2,607,741



Management's Discussion and Analysis

Financial Position:

(As reported on the Statement of Net Position)

Current assets account for 35% of total assets and deferred outflows. CRMU has 30% 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 63% of CRMU's total assets and deferred outflows. Noncurrent assets account for 1% of total assets and deferred outflows.

Current liabilities account for 2% of total liabilities and net position (\$145,000 in current notes payable). CRMU is required to report a "Net Pension Liability" of \$330,500 for the electric utility, which CRMU will likely never be required to pay (see Note 11 of the audit report). Finally, the "Note Payables" of 10% (\$1.72MM) represent the FTTH debt.

Revenues and expenses were higher than originally budgeted projections by \$191,000 and \$625,000, respectively.

Natural Gas Utility

Overview:

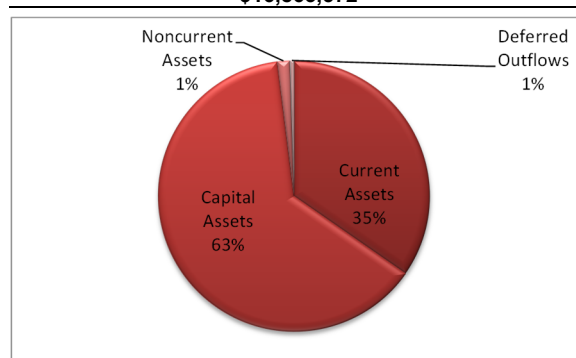
CRMU's natural gas utility follows a commodity purchasing strategy with the goal of forward purchasing the majority of its annual requirements prior to the winter heating season. This purchasing strategy consists of a mixed portfolio of commodity purchases ranging from futures contracts, to storage,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

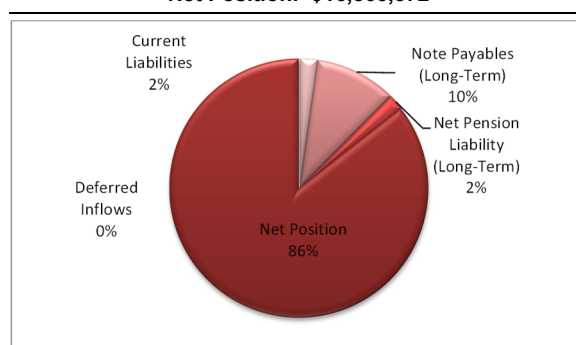
In fiscal year 2021, the natural gas market spiked as a result of the February cold weather event. This resulted in an increased commodity cost of \$177,000 for the 7+ day period when demand was incredibly high across the United States. CRMU absorbed this increase.

Economically, the actual commodity cost of natural gas is normally passed through directly to our customers. As those costs change, so does the total rate (and therefore the customer bill). Natural gas prices are trending higher than we have seen in recent history, which will affect customer bills, revenue, and expense in fiscal year 2022.

**Electric Utility Total Assets & Deferred Outflows:
\$16,863,572**



Electric Utility Total Liabilities, Deferred Inflows, and Net Position: \$16,863,572



Natural Gas Utility Financial Highlights:

Dollars in Thousands

	2021	2020
OPERATING		
Revenues	992	817
Expenses	862	661
Operating Income (Loss)	130	156
NONOPERATING		
Revenues (Expenses)	(74)	(18)
Change in Net Position	56	138
ASSETS		
Current	1,498	1,311
Capital	571	639
Noncurrent	31	76
Total Assets	2,100	2,026
DEFERRED OUTFLOWS	37	36
Total Assets & Deferred Outflows	2,137	2,062
LIABILITIES		
Current	53	43
Long-term	133	109
Total Liabilities	186	152
DEFERRED INFLOWS	3	17
NET POSITION		
Net Investment in Capital Assets	571	639
Unrestricted	1,377	1,254
Total Net Position	1,948	1,893
Total Liab., Def. Inflows & Net Pos.	2,137	2,062

Management’s Discussion and Analysis

Results of Operations:

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

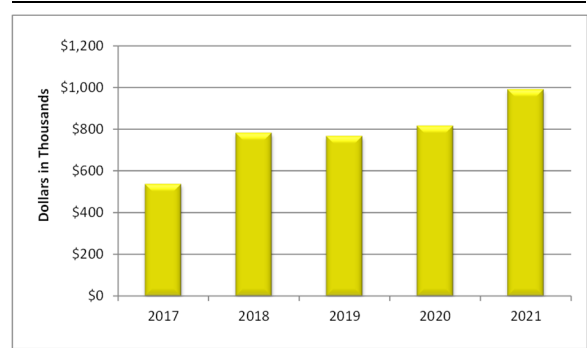
In 2021, CRMU’s natural gas utility experienced an operating gain of \$130,000, compared to a gain of \$156,000 in 2020. Combined with nonoperating revenues and expenses, the utility ended the year with a \$55,000 gain, compared to a gain of \$138,000 last year.

In 2021, total operating revenues increased almost \$175,000 (21%). Again, this is a direct result of the high commodity costs in February. CRMU billed our customers using the actual cost of the natural gas, but then absorbed the increased cost by crediting each customer proportionately on their March bill (for February usage). This \$177,000 cost is included in “Free Community Service” on the audited financial statements.

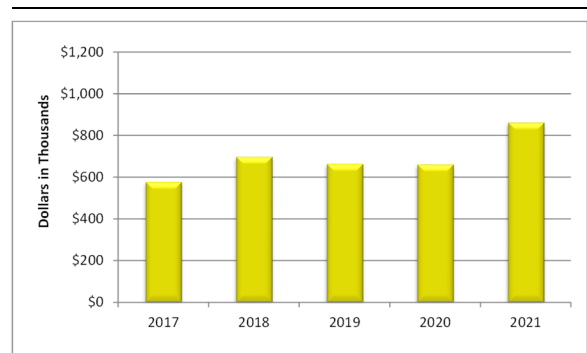
Total operating expenses increased \$201,000 (more than 30%). This is also a direct result of the higher natural gas commodity costs.

Payment-in-lieu-of-taxes continued to the City of Coon Rapids – in the amount of \$18,000, compared to \$21,000 in 2020.

Natural Gas Utility Operating Revenues: \$991,501



Natural Gas Utility Operating Expenses: \$861,924



Financial Position:

(As reported on the Statement of Net Position)

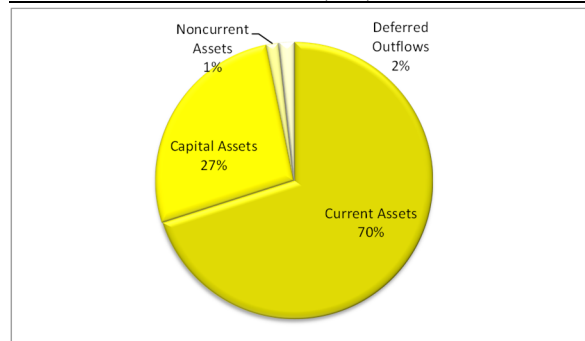
Capital assets, in the form of utility plant, facilities and equipment, account for 27% of CRMU’s total assets and deferred outflows, while current assets comprise 70% of the total assets and deferred outflows. Cash and cash equivalents account for 64% of total assets and deferred outflows. Of the cash 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 \$53,300.

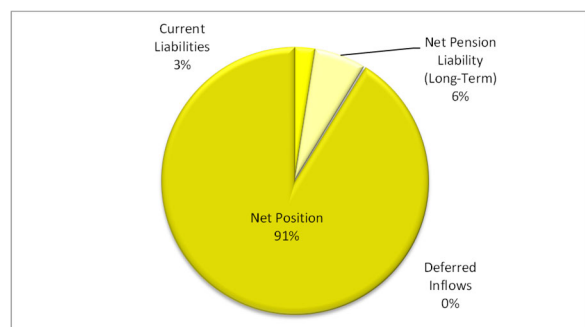
CRMU’s natural gas “Net Pension Liability” accounts for 6% of the total liabilities and net position. This equates to about \$132,700, which CRMU will likely never be required to pay (see Note 11 of the audit report).

Following a mid-year budget amendment, revenues were lower than budget projections by almost \$56,000, while expenses were lower than budget projections by about \$58,000. The natural gas utility’s beginning net position was \$1,892,856, the change in net position was a gain of \$55,343, resulting in an ending net position of \$1,948,199.

Natural Gas Utility Total Assets and Deferred Outflows: \$2,137,203



Natural Gas Utility Total Liabilities, Deferred Liabilities, and Net Position: \$2,137,203



Management's Discussion and Analysis

Water Utility

Overview:

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

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

Despite a rate increase in July 1, 2020, the water utility ended with an operating loss of almost \$21,000 this year, compared to a \$58,000 lost last year. To help mitigate future losses, CRMU implemented a rate adjustment, effective July 1, 2021 (fiscal year 2022).

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

Water Utility Financial Highlights:

Dollars in Thousands

	2021	2020
OPERATING		
Revenues	266	229
Expenses	287	287
Operating Income (Loss)	(21)	(58)
NONOPERATING		
Revenues (Expenses)	8	(7)
Change in Net Position	(13)	(65)
ASSETS		
Current	288	271
Capital	321	336
Total Assets	609	607
DEFERRED OUTFLOWS	21	21
Total Assets & Deferred Outflows	630	628
LIABILITIES		
Current	35	29
Long-term	88	69
Total Liabilities	123	98
DEFERRED INFLOWS	(1)	10
NET POSITION		
Net Investment in Capital Assets	321	337
Unrestricted	187	183
Total Net Position	508	520
Total Liab., Def. Inflows & Net Pos.	630	628

Results of Operations:

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

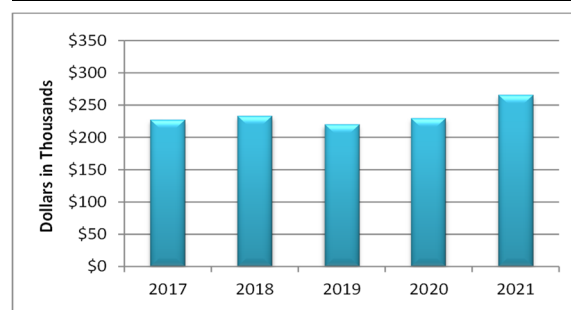
Operating revenues increased \$36,500 due to the rate adjustment previously mentioned. Customer usage increased 7.5% compared to last year.

Operating expenses were virtually unchanged (\$600 decrease). Specifically, plant operation and depreciation expenses decreased, while distribution, customer service, and administrative costs increased.

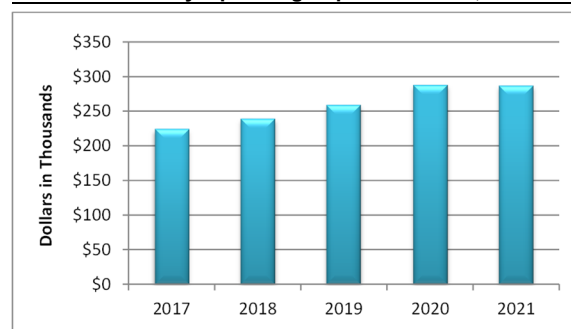
Nonoperating revenues in 2021 totaled almost \$8,000, compared to a loss last year of \$7,000. About \$12,000 of this swing can be attributed to a gain on the disposal of assets for the water utility.

Contributions through payment-in-lieu-of tax and donations to the community totaled \$5,000 in fiscal year 2021, which is 54% less than last year's contribution of \$10,800.

Water Utility Operating Revenues: \$266,206



Water Utility Operating Expenses: \$286,815



Management's Discussion and Analysis

Financial Position:

(As reported on the Statement of Net Position)

Current assets account for 46% of total assets and deferred outflows. CRMU has approximately 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.

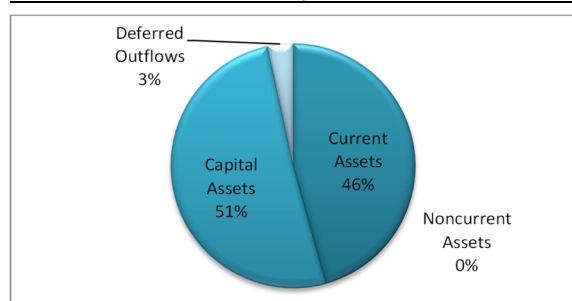
The water utility has no noncurrent assets (loan receivables).

Capital assets, in the form of utility plant, facilities and equipment, account for 51% of CRMU's total assets and deferred outflows.

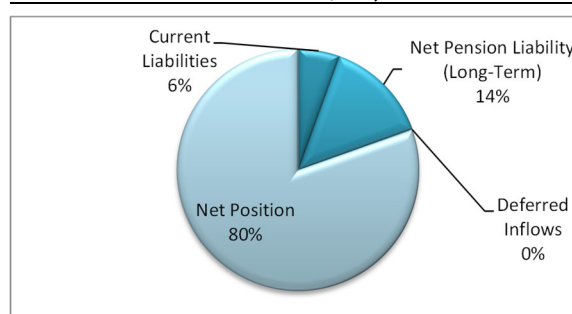
Total liabilities increased about \$25,000 (26%) because of an increase in accounts payable, accrued vacation liability, and net pension liabilities. CRMU's water "Net Pension Liability" accounts for 14% of the total liabilities and net pension. This equates to \$88,000, which CRMU will likely never be required to pay (see Note 11 of the audit report).

Revenues were lower than budget by \$11,500. Expenses were also lower than budget by \$20,000. The water utility's beginning net position was \$520,093, the change in net position was a loss of \$12,731, resulting in an ending net position of \$507,362.

**Water Utility Total Assets and Deferred Outflows:
\$629,728**



Water Utility Total Liabilities, Deferred Inflows, and Net Position: \$629,728



Wastewater Utility

Overview:

CRMU's wastewater utility experienced an operating loss of almost \$43,000 in 2021, compared to an operating loss of \$59,000 last year.

The wastewater utility's beginning net position was \$1,618,797, the change in net position was a net loss of \$36,333, resulting in an ending net position of \$1,582,464.

Due to the level of cash reserves, the wastewater utility has been operating at a loss for several years. Beginning July, 2021, a rate adjustment phase-in will begin. This additional revenue will be used to pay for the necessary infrastructure upgrades to our system. A comprehensive improvement plan began in fiscal year 2021 with manhole rehabilitation. This project will continue as the majority of all wastewater lines will be slip-lined – essentially replacing the existing structure to resolve inflow and infiltration issues, as well as long-term structural integrity.

Wastewater Utility Financial Highlights:

Dollars in Thousands

	2021	2020
OPERATING		
Revenues	138	134
Expenses	181	193
Operating Income (Loss)	(43)	(59)
NONOPERATING		
Revenues (Expenses)	6	9
Change in Net Position	(36)	(50)
ASSETS		
Current	637	631
Capital	1,114	1,054
Total Assets	1,751	1,685
DEFERRED OUTFLOWS	19	19
Total Assets & Deferred Outflows	1,770	1,704
LIABILITIES		
Current	40	16
Long-term	148	63
Total Liabilities	188	79
DEFERRED INFLOWS	0	6
NET POSITION		
Net Investment in Capital Assets	1,085	1,055
Unrestricted	497	564
Total Net Position	1,582	1,619
Total Liab., Def. Inflows & Net Pos.	1,770	1,704

Management's Discussion and Analysis

Results of Operations:

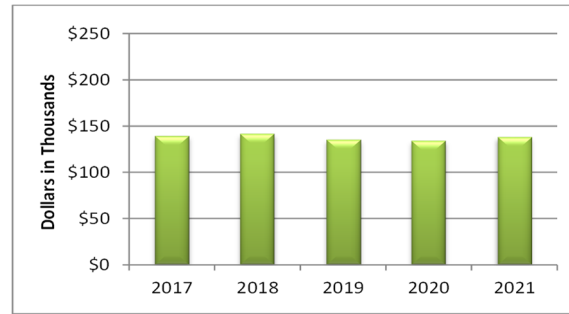
(As reported in the Statements of Revenues, Expenses and Changes in Fund Net Position)

In 2021, the wastewater utility recorded \$138,000 in operating revenues. This is higher by about 3% (\$4,500) compared to 2020. Total customer usage increased almost 7% from 2020 to 2021.

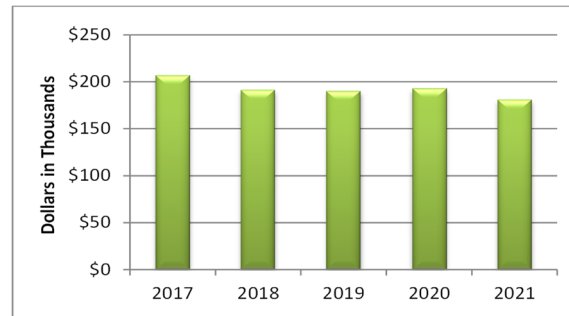
Total operating expenses in 2021 decreased almost \$12,000 (about a 6% change) compared to 2020. Increased expenses include administrative and general expenses, as well as customer service operations. Plant operations, distribution operations, and depreciation costs declined.

Nonoperating revenues and expenses this year totaled \$6,300. Payment-in-lieu-of tax payments and free service to the community totaled \$307, compared to \$621 last year.

Wastewater Utility Operating Revenues: \$138,352



Wastewater Utility Operating Expenses: \$180,977



Financial Position:

(As reported on the Statement of Net Position)

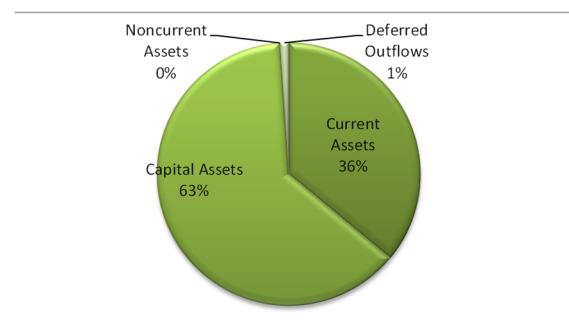
Capital assets, in the form of utility plant, facilities and equipment, account for 63% of CRMU's total assets and deferred outflows, while current assets account for 36%.

The wastewater utility has 35% 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.

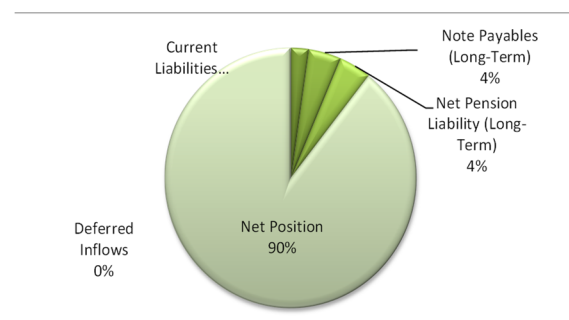
Total liabilities account for \$187,700 (10%) of the total liabilities, deferred inflows, and net position. Of that, \$74,000 are recorded as the net pension liability, which CRMU will likely never be required to pay (see Note 11 of the audit report). Additionally, CRMU now was a loan through the State of Iowa – SRF program to fund the current rehabilitation project. As of 6/30/2021, this accounts for 4% of the total liabilities, inflows, and net position.

Revenues and expenses were lower than budgeted projections by \$6,000 and \$18,600, respectively.

Wastewater Utility Total Assets and Deferred Outflows: \$1,770,037



Wastewater Utility Total Liabilities, Deferred Inflows, and Net Position: \$1,770,037



Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Utilities' capital assets include land, buildings and improvements, equipment, and distribution systems. As of June 30, 2021, CRMU had approximately \$12.8 million (net of accumulated depreciation) invested in capital assets. This is a net increase of approximately \$289,000, or 2.3%, as compared to last year. Depreciation charges totaled \$702,647 and accumulated depreciation totaled \$12,774,046 for the fiscal year 2021. See Note 5 to the financial statements for further detail of the capital assets.

Long-Term Debt

At June 30, 2021, the Utilities had \$1,938,828 in notes payable outstanding compared to \$2,005,000 at June 30, 2020. Additional information about the Utilities' long-term debt is presented in Note 7 to the financial statements.

CONTACTING THE UTILITIES' FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact Kari Woodard, Director of Finance & Accounting, Coon Rapids Municipal Utilities, 123 3rd Avenue S, Coon Rapids, Iowa, 50058.

BASIC FINANCIAL STATEMENTS

COON RAPIDS MUNICIPAL UTILITIES
(A COMPONENT UNIT OF THE CITY OF COON RAPIDS, IOWA)
STATEMENTS OF NET POSITION
JUNE 30, 2021

	Communications Utility	Electric Utility	Gas Utility
Assets			
Current Assets:			
Cash & Cash Equivalents-Unrestricted	\$ 1,275,638	\$ 4,242,747	\$ 1,365,760
Cash & Cash Equivalents-Restricted	-	742,418	-
Accounts Receivable, Net of Allowance -			
Trade	18,285	122,453	36,341
Other	36,570	124,310	1,983
Revolving Loans Receivable - Current Portion	-	59,236	2,080
Note Receivable - Current Portion	16,412	-	23,446
Inventories	15,098	506,465	58,164
Other Current and Prepaid Assets	8,966	51,837	9,816
Total Current Assets	<u>1,370,969</u>	<u>5,849,466</u>	<u>1,497,590</u>
Capital Assets:			
Land	-	56,312	30,478
Construction in Progress	-	812,530	-
Utility Plant, Facilities and Equipment, at Cost	394,067	17,888,718	1,721,264
Accumulated Depreciation	<u>(314,867)</u>	<u>(8,076,427)</u>	<u>(1,180,346)</u>
Total Capital Assets	<u>79,200</u>	<u>10,681,133</u>	<u>571,396</u>
Noncurrent Assets:			
NIMECA Patronage Dividend Receivable	-	15,489	-
Revolving Loans Receivable - Net of Current Portion	-	232,618	-
Note Receivable - Net of Current Portion	21,084	-	31,050
Total Noncurrent Assets	<u>21,084</u>	<u>248,107</u>	<u>31,050</u>
Total Assets	<u>1,471,253</u>	<u>16,778,706</u>	<u>2,100,036</u>
Deferred Outflows of Resources			
Pension Related Deferred Outflows	<u>39,431</u>	<u>84,866</u>	<u>37,167</u>
Liabilities			
Current Liabilities:			
Accounts Payable - Trade	56,623	148,711	30,778
Other Payables and Credits	-	20,303	160
Payroll, Sales and Use Taxes Payable	-	-	-
Compensated Absences Payable	6,760	39,310	22,325
Customer Deposits	-	14,650	-
Notes Payable	-	145,000	-
Accrued Interest	-	3,005	-
Total Current Liabilities	<u>63,383</u>	<u>370,979</u>	<u>53,263</u>
Long-term Liabilities:			
Notes Payable	-	1,720,000	-
Net Pension Liability	119,926	330,467	132,677
Total Long-term Liabilities	<u>119,926</u>	<u>2,050,467</u>	<u>132,677</u>
Total Liabilities	<u>183,309</u>	<u>2,421,446</u>	<u>185,940</u>
Deferred Inflows of Resources			
Pension Related Deferred Inflows	<u>7,064</u>	<u>8,363</u>	<u>3,064</u>
Net Position			
Net Investment in Capital Assets	79,200	8,784,786	571,396
Restricted	-	439,771	-
Unrestricted	<u>1,241,111</u>	<u>5,209,206</u>	<u>1,376,803</u>
Total Net Position	<u>\$ 1,320,311</u>	<u>\$ 14,433,763</u>	<u>\$ 1,948,199</u>

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ 212,919	\$ 613,325	\$ 7,710,389
-	-	742,418
36,900	15,153	229,132
5,119	4,028	172,010
-	-	61,316
-	-	39,858
24,980	542	605,249
7,745	4,368	82,732
<u>287,663</u>	<u>637,416</u>	<u>9,643,104</u>
33,349	5,980	126,119
-	208,212	1,020,742
1,477,126	2,912,230	24,393,405
(1,189,770)	(2,012,636)	(12,774,046)
<u>320,705</u>	<u>1,113,786</u>	<u>12,766,220</u>
-	-	15,489
-	-	232,618
-	-	52,134
<u>-</u>	<u>-</u>	<u>300,241</u>
<u>608,368</u>	<u>1,751,202</u>	<u>22,709,565</u>
21,360	18,835	201,659
10,715	32,252	279,079
7,999	-	28,462
1,551	-	1,551
14,425	7,674	90,494
-	-	14,650
-	-	145,000
-	22	3,027
<u>34,690</u>	<u>39,948</u>	<u>562,263</u>
-	73,828	1,793,828
88,364	73,933	745,367
<u>88,364</u>	<u>147,761</u>	<u>2,539,195</u>
<u>123,054</u>	<u>187,709</u>	<u>3,101,458</u>
(688)	(136)	17,667
320,705	1,085,053	10,841,140
-	-	439,771
<u>186,657</u>	<u>497,411</u>	<u>8,511,188</u>
<u>\$ 507,362</u>	<u>\$ 1,582,464</u>	<u>\$ 19,792,099</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, 2021

	Communications Utility	Electric Utility	Gas Utility
Operating Revenues			
Sales to Customers	\$ 892,962	\$ 1,450,628	\$ 976,640
Sales for Resale	-	2,257,956	-
Interdepartmental Sales	-	54,811	10,101
Forfeited Discounts	5,229	10,859	1,584
Rebates and Other	(935)	4,855	3,176
Total Operating Revenues	<u>897,256</u>	<u>3,779,109</u>	<u>991,501</u>
Operating Expenses			
Purchased Energy and Programming	436,064	772,404	466,760
Plant Operations	15,965	417,586	9,036
Transmission Operations	-	153,379	-
Distribution Operations	124,177	216,268	154,554
Consumer Service Operations	34,020	100,774	44,923
Administrative & General Expenses	119,583	392,750	140,209
Depreciation	23,477	554,580	46,442
Total Operating Expenses	<u>753,286</u>	<u>2,607,741</u>	<u>861,924</u>
Operating Income (Loss)	143,970	1,171,368	129,577
Nonoperating Revenues (Expenses)			
Interest Income	5,012	25,173	7,380
Insurance Proceeds	2,144	195,994	97,708
Joint Use Revenue	-	100,000	-
In-Lieu-Of Tax Payments	(79)	(77,953)	(18,441)
Free Community Service	(261)	(239,799)	(191,324)
Gain (Loss) on Sale or Disposal of Assets	-	66,569	31,114
Grant Revenue	-	-	-
Miscellaneous Nonoperating Revenue	3,058	6,631	(671)
Merchandise Sales - Net	60	-	-
Interest Expense	-	(39,916)	-
Net Nonoperating Revenues (Expenses)	<u>9,934</u>	<u>36,699</u>	<u>(74,234)</u>
Change in Net Position	153,904	1,208,067	55,343
Total Net Position June 30, 2020	1,166,407	13,225,696	1,892,856
Total Net Position June 30, 2021	<u>\$ 1,320,311</u>	<u>\$ 14,433,763</u>	<u>\$ 1,948,199</u>

See Accompanying Notes to Financial Statements

	Water Utility	Wastewater Utility	Total
\$	258,297	\$ 136,766	\$ 3,715,293
	-	-	2,257,956
	4,387	367	69,666
	826	794	19,292
	2,696	425	10,217
	<u>266,206</u>	<u>138,352</u>	<u>6,072,424</u>
	-	-	1,675,228
	65,774	6,896	515,257
	-	-	153,379
	67,024	44,610	606,633
	33,320	18,676	231,713
	93,474	59,870	805,886
	27,223	50,925	702,647
	<u>286,815</u>	<u>180,977</u>	<u>4,690,743</u>
	(20,609)	(42,625)	1,381,681
	592	2,570	40,727
	-	-	295,846
	-	-	100,000
	(3,888)	(195)	(100,556)
	(1,165)	(112)	(432,661)
	12,207	-	109,890
	-	3,976	3,976
	132	75	9,225
	-	-	60
	-	(22)	(39,938)
	<u>7,878</u>	<u>6,292</u>	<u>(13,431)</u>
	(12,731)	(36,333)	1,368,250
	520,093	1,618,797	18,423,849
\$	<u>507,362</u>	<u>\$ 1,582,464</u>	<u>\$ 19,792,099</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, 2021

	Communications		
	Utility	Electric Utility	Gas Utility
Cash Flows from Operating Activities:			
Cash Received from Customers & Users	\$ 873,220	\$ 3,762,961	\$ 1,013,922
Cash Paid to Suppliers for Goods and Services	(621,513)	(1,555,986)	(564,967)
Cash Paid to Employees	(105,703)	(483,032)	(233,587)
Cash Received from Joint Revenue	-	100,000	-
Cash Received from Miscellaneous Nonoperating Revenue	3,118	6,631	(671)
Cash Paid for Free Community Services	(261)	(239,799)	(191,324)
Net Cash Provided by Operating Activities	<u>148,861</u>	<u>1,590,775</u>	<u>23,373</u>
Cash Flows from Capital & Related			
Financing Activities			
Acquisition & Construction of Property and Equipment	-	(933,138)	(9,701)
Proceeds from Sale of Capital Asset	-	139,647	62,000
Proceeds from Note Payable	-	-	-
Proceeds from Insurance	2,144	195,994	97,708
Revenue Bond Principal Repayment	-	(140,000)	-
Interest Paid	-	(41,350)	-
Cash Received from Grant Revenue	-	-	-
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>2,144</u>	<u>(778,847)</u>	<u>150,007</u>
Cash Flows from Noncapital Financing Activities			
Payments In-Lieu-of Tax Payments	<u>(79)</u>	<u>(77,953)</u>	<u>(18,441)</u>
Net Cash (Used) by Noncapital Financing Activities	<u>(79)</u>	<u>(77,953)</u>	<u>(18,441)</u>
Cash Flows from Investing Activities			
Interest on Investments	5,500	26,366	7,961
Redemption of Investments	312,552	781,356	312,552
Disbursements Made on Revolving Loans	-	(5,000)	-
Payments Received on Revolving Loans	-	59,879	-
Payments Received on Coon Rapids Development Loans	24,962	-	48,071
Net Cash Provided from Investing Activities	<u>343,014</u>	<u>862,601</u>	<u>368,584</u>
Net Increase in Cash & Cash Equivalents	493,940	1,596,576	523,523
Cash & Cash Equivalents - June 30, 2020	<u>781,698</u>	<u>3,388,589</u>	<u>842,237</u>
Cash & Cash Equivalents - June 30, 2021	<u>\$ 1,275,638</u>	<u>\$ 4,985,165</u>	<u>\$ 1,365,760</u>
Reconciliation:			
Cash & Cash Equivalents			
Unrestricted	\$ 1,275,638	\$ 4,242,747	\$ 1,365,760
Restricted	-	742,418	-
	<u>\$ 1,275,638</u>	<u>\$ 4,985,165</u>	<u>\$ 1,365,760</u>

See Accompanying Notes to Financial Statements

Water Utility	Wastewater Utility	Total
\$ 260,149	\$ 136,501	\$ 6,046,753
(84,456)	(38,976)	(2,865,898)
(171,657)	(91,955)	(1,085,934)
-	-	100,000
132	75	9,285
(1,165)	(112)	(432,661)
<u>3,003</u>	<u>5,533</u>	<u>1,771,545</u>
(11,274)	(81,363)	(1,035,476)
12,207	-	213,854
-	73,828	73,828
-	-	295,846
-	-	(140,000)
-	-	(41,350)
-	3,976	3,976
<u>933</u>	<u>(3,559)</u>	<u>(629,322)</u>
(3,888)	(195)	(100,556)
<u>(3,888)</u>	<u>(195)</u>	<u>(100,556)</u>
651	2,627	43,105
54,184	52,092	1,512,736
-	-	(5,000)
-	-	59,879
-	-	73,033
<u>54,835</u>	<u>54,719</u>	<u>1,683,753</u>
54,883	56,498	2,725,420
<u>158,036</u>	<u>556,827</u>	<u>5,727,387</u>
<u>\$ 212,919</u>	<u>\$ 613,325</u>	<u>\$ 8,452,807</u>
\$ 212,919	\$ 613,325	\$ 7,710,389
-	-	742,418
<u>\$ 212,919</u>	<u>\$ 613,325</u>	<u>\$ 8,452,807</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, 2021

	Communications Utility	Electric Utility	Gas Utility
Reconciliation of Operating Income (Loss) to Net Cash Flows Provided by Operating Activities			
Operating Income (Loss)	\$ 143,970	\$ 1,171,368	\$ 129,577
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	23,477	554,580	46,442
Cash Received from Joint Revenue	-	100,000	-
Cash Received from Miscellaneous Nonoperating Revenue	3,058	6,631	(671)
Cash Received from Merchandise Sales	60	-	-
Cash Paid for Free Community Services	(261)	(239,799)	(191,324)
(Increase) Decrease Operating Assets and Deferred Outflows of Resources:			
Accounts Receivable	(24,036)	(16,148)	22,421
Inventories	(2,958)	16,148	(1,771)
Other Current & Prepaid Assets	(1,885)	2,876	(234)
Deferred Outflows	(1,385)	(4,269)	(1,113)
Increase (Decrease) Operating Liabilities and Deferred Inflows of Resources:			
Accounts & Other Payables	4,487	(29,460)	2,088
Customer Deposits	-	(750)	-
Compensated Absences Payables	(3,407)	2,025	7,711
Net Pension Liability	16,551	60,695	23,790
Deferred Inflows	(8,810)	(33,122)	(13,543)
Net Cash Provided by Operating Activities	<u>\$ 148,861</u>	<u>\$ 1,590,775</u>	<u>\$ 23,373</u>

Water Utility	Wastewater Utility	Total
\$ (20,609)	\$ (42,625)	\$ 1,381,681
27,223	50,925	702,647
-	-	100,000
132	75	9,225
-	-	60
(1,165)	(112)	(432,661)
(6,057)	(1,851)	(25,671)
(9,462)	20	1,977
(641)	(710)	(594)
(419)	26	(7,160)
3,607	(5,378)	(24,656)
-	-	(750)
2,558	1,044	9,931
19,318	10,794	131,148
(11,482)	(6,675)	(73,632)
\$ 3,003	\$ 5,533	\$ 1,771,545

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 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, 2021 was \$799,774.

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, 2021, was \$1,614,400.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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, 2021**

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, 2021 was \$0.

Restricted cash includes customer deposits restricted for application to unpaid customer accounts or for refund to customers, for bond covenants, and for the revolving loan program.

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 \$29,696 at June 30, 2021.

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, 2021, are comprised as follows:

All Material and Supplies	\$ 353,564
Electric Fund Fuel Inventories	183,644
Gas Fund Natural Gas Inventory	8,943
SO2 Allowances	59,083
No(X) Allowance	15
	<hr/>
Total	<u>\$ 605,249</u>

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

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.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 \$439,771.

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, 2021, 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, 2021**

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 –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, one new loan was issued totaling \$5,000 and payments were received on all the loans totaling \$59,879, leaving \$147,917 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 Country Stores of Carroll. 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.

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.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 3 – REVOLVING LOANS RECEIVABLE (Continued)

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. The final payment was received during the year ended June 30, 2021.

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.

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.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 3 – REVOLVING LOANS RECEIVABLE (Continued)

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.

Loan to Jennifer Robb

On March 10, 2021, CRMU entered into a loan agreement with Jennifer Robb. The proceeds of this loan were used to finance the purchase of equipment, inventory and established business location at 523 Main Street. This loan was made for economic development. The principal amount of the loan was \$5,000. The promissory note, dated March 10, 2021, specifies monthly payments of \$90 for five years including interest at 3.25% per annum.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 3 – REVOLVING LOANS 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
2022	\$ 59,236	\$ 9,508	\$ 2,080	\$ 18	\$ 61,316	\$ 9,526
2023	47,109	7,747	-	-	47,109	7,747
2024	47,316	6,098	-	-	47,316	6,098
2025	42,743	4,544	-	-	42,743	4,544
2026	33,259	3,137	-	-	33,259	3,137
2027-2031	62,191	3,828	-	-	62,191	3,828
Total	<u>\$ 291,854</u>	<u>\$ 34,862</u>	<u>\$ 2,080</u>	<u>\$ 18</u>	<u>\$ 293,934</u>	<u>\$ 34,880</u>

Note 4 – NOTES RECEIVABLE

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	
	Principal	Interest	Principal	Interest	Principal	Interest
	CRDG Financing					
	Interest Rate 3.00%					
2022	\$ 16,412	\$ 1,466	\$ 23,446	\$ 2,205	\$ 39,858	\$ 3,671
2023	16,412	997	23,446	1,568	39,858	2,565
2024	4,672	535	7,604	1,150	12,276	1,685
Total	<u>\$ 37,496</u>	<u>\$ 2,998</u>	<u>\$ 54,496</u>	<u>\$ 4,923</u>	<u>\$ 91,992</u>	<u>\$ 7,921</u>

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 5 – CAPITAL ASSETS

Capital asset categories and changes in each cost category and depreciation for the year ended June 30, 2021 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	\$ 126,119	\$ -	\$ -	\$ 126,119
Construction in progress	178,684	910,050	(67,992)	1,020,742
Total capital assets not being depreciated	<u>304,803</u>	<u>910,050</u>	<u>(67,992)</u>	<u>1,146,861</u>
Capital assets being depreciated:				
Neal 4 Steam Production	3,702,910	34,800	(8,936)	3,728,774
Local Production Facilities	2,159,448	14,098	(196,329)	1,977,217
Transmission System	1,900,318	96,365	(6,284)	1,990,399
Distribution System	12,908,419	11,136	(41,010)	12,878,545
Municipal Building	1,211,230	-	-	1,211,230
General Facilities Equipment	2,562,904	65,690	(21,354)	2,607,240
Total capital assets being depreciated	<u>24,445,229</u>	<u>222,089</u>	<u>(273,913)</u>	<u>24,393,405</u>
Less -				
Accumulated Depreciation	12,272,651	702,647	(201,252)	12,774,046
Total capital assets being depreciated- net	<u>12,172,578</u>	<u>(480,558)</u>	<u>(72,661)</u>	<u>11,619,359</u>
Total Capital Assets, Net	<u>\$ 12,477,381</u>	<u>\$ 429,492</u>	<u>\$ (140,653)</u>	<u>\$ 12,766,220</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)	\$ 79,200	\$ 10,681,133	\$ 571,396	\$ 320,705	\$ 1,113,786	\$ 12,766,220
Less: Notes Payable	-	(1,865,000)	-	-	-	(1,865,000)
Retainage Payable	-	(31,347)	-	-	-	(31,347)
A/P related to CIP	-	-	-	-	(28,733)	(28,733)
	<u>\$ 79,200</u>	<u>\$ 8,784,786</u>	<u>\$ 571,396</u>	<u>\$ 320,705</u>	<u>\$ 1,085,053</u>	<u>\$ 10,841,140</u>

Capital asset categories and changes in each cost category and depreciation for the year ended June 30, 2021 for each major fund are as follows:

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 5 – CAPITAL ASSETS (Continued)

Communications:

	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets being depreciated:				
Local Production Facilities	\$ 318,193	\$ -	\$ -	\$ 318,193
General Facilities Equipment	75,874	-	-	75,874
Total capital assets being depreciated	<u>394,067</u>	<u>-</u>	<u>-</u>	<u>394,067</u>
Less -				
Accumulated Depreciation	<u>291,390</u>	<u>23,477</u>	<u>-</u>	<u>314,867</u>
Total Capital Assets, Net	<u>\$ 102,677</u>	<u>\$ (23,477)</u>	<u>\$ -</u>	<u>\$ 79,200</u>

Electric:

	Beginning Balance	Additions and Transfers In	Deletions and Transfers Out	Ending Balance
Capital assets not being depreciated:				
Land	\$ 56,312	\$ -	\$ -	\$ 56,312
Construction in progress	77,742	802,780	(67,992)	812,530
Total capital assets not being depreciated	<u>134,054</u>	<u>802,780</u>	<u>(67,992)</u>	<u>868,842</u>
Capital Assets being depreciated:				
Neal 4 Steam Production	3,702,910	34,800	(8,936)	3,728,774
Transmission System	1,789,967	96,365	(6,284)	1,880,048
Distribution System	10,211,343	3,317	(41,010)	10,173,650
Municipal Building	565,544	-	-	565,544
General Facilities Equipment	1,498,248	63,808	(21,354)	1,540,702
Total capital assets being depreciated	<u>17,768,012</u>	<u>198,290</u>	<u>(77,584)</u>	<u>17,888,718</u>
Less -				
Accumulated Depreciation	<u>7,557,654</u>	<u>554,580</u>	<u>(35,807)</u>	<u>8,076,427</u>
Total capital assets being depreciated- net	<u>10,210,358</u>	<u>(356,290)</u>	<u>(41,777)</u>	<u>9,812,291</u>
Total Capital Assets, Net	<u>\$ 10,344,412</u>	<u>\$ 446,490</u>	<u>\$ (109,769)</u>	<u>\$ 10,681,133</u>

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 5 – 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	-	(176,962)	153,490
Distribution System	544,968	7,819	-	552,787
Municipal Building	645,686	-	-	645,686
General Facilities Equipment	367,419	1,882	-	369,301
Total capital assets being depreciated	<u>1,888,525</u>	<u>9,701</u>	<u>(176,962)</u>	<u>1,721,264</u>
Less -				
Accumulated Depreciation	<u>1,279,982</u>	<u>46,442</u>	<u>(146,078)</u>	<u>1,180,346</u>
Total capital assets being depreciated- net	<u>608,543</u>	<u>(36,741)</u>	<u>(30,884)</u>	<u>540,918</u>
Total Capital Assets, Net	<u>\$ 639,021</u>	<u>\$ (36,741)</u>	<u>\$ (30,884)</u>	<u>\$ 571,396</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	359,092	11,273	(19,367)	350,998
Transmission System	110,351	-	-	110,351
Distribution System	841,815	-	-	841,815
General Facilities Equipment	173,962	-	-	173,962
Total capital assets being depreciated	<u>1,485,220</u>	<u>11,273</u>	<u>(19,367)</u>	<u>1,477,126</u>
Less -				
Accumulated Depreciation	<u>1,181,914</u>	<u>27,223</u>	<u>(19,367)</u>	<u>1,189,770</u>
Total capital assets being depreciated- net	<u>303,306</u>	<u>(27,223)</u>	<u>-</u>	<u>287,356</u>
Total Capital Assets, Net	<u>\$ 336,655</u>	<u>\$ (15,950)</u>	<u>\$ -</u>	<u>\$ 320,705</u>

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 5 – 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	107,270	-	208,212
Total capital assets not being depreciated	<u>106,922</u>	<u>107,270</u>	<u>-</u>	<u>214,192</u>
Capital Assets being depreciated:				
Local Production Facilities	1,151,711	2,825	-	1,154,536
Distribution System	1,310,293	-	-	1,310,293
General Facilities Equipment	447,401	-	-	447,401
Total capital assets being depreciated	<u>2,909,405</u>	<u>2,825</u>	<u>-</u>	<u>2,912,230</u>
Less -				
Accumulated Depreciation	<u>1,961,711</u>	<u>50,925</u>	<u>-</u>	<u>2,012,636</u>
Total capital assets being depreciated- net	<u>947,694</u>	<u>(48,100)</u>	<u>-</u>	<u>899,594</u>
Total Capital Assets, Net	<u>\$ 1,054,616</u>	<u>\$ 59,170</u>	<u>\$ -</u>	<u>\$ 1,113,786</u>

Note 6 – MUNICIPAL BUILDING

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

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

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

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

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 7 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2021 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	\$ 2,005,000	\$ 73,828	\$ 140,000	\$ 1,938,828	\$ 145,000
Net Pension Liability	614,219	131,148	-	745,367	-
Total	<u>\$ 2,619,219</u>	<u>\$ 204,976</u>	<u>\$ 140,000</u>	<u>\$ 2,684,195</u>	<u>\$ 145,000</u>

Notes Payable – Direct Borrowing

Notes payable activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Electric Utility:					
Iowa Savings Bank	\$ 2,005,000	\$ -	\$ 140,000	\$ 1,865,000	\$ 145,000
Wastewater Utility:					
State Revolving Fund Loan	-	73,828	-	73,828	-
Total	<u>\$ 2,005,000</u>	<u>\$ 73,828</u>	<u>\$ 140,000</u>	<u>\$ 1,938,828</u>	<u>\$ 145,000</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. On July 1, 2020 these loans were refinanced at a lower interest rate. The note requires annual principal payments, due June 1, and semiannual interest payments, due June 1 and December 1. The interest rate throughout the term of the note is 2%.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 7 – LONG-TERM LIABILITIES (CONTINUED)

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

Iowa Savings Bank from Direct Borrowings

	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2022	\$ 145,000	\$ 37,300	2.000
2023	150,000	34,300	2.000
2024	155,000	31,400	2.000
2025	160,000	28,300	2.000
2026	160,000	25,100	2.000
2027-2031	895,000	74,900	2.000
2032	200,000	4,000	2.000
	<u>\$ 1,865,000</u>	<u>\$ 235,300</u>	

Wastewater Utility – The Utility adopted a resolution on May 20, 2021 providing for the issuance of \$2,076,000 in Sewer Revenue Capital Loan Notes from the State Revolving Fund (SRF). No payments will be required until the project is complete. The expected completion date is in 2022. The funds are drawn down on the loan as needed. As of June 30, 2021, \$73,828 of funds have been drawn down. Once the funds are all drawn down, the note will require annual principal payments, due June 1, and semiannual interest payments, due June 1 and December 1 for twenty years.

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

State Revolving Fund

	<u>Principal</u>	<u>Interest</u>	<u>Interest Rate</u>
2022	\$ -	\$ 13,604	1.750
2023	73,828	34,782	1.750
	<u>\$ 73,828</u>	<u>\$ 48,386</u>	

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 8 – COMPENSATED ABSENCES

CRMU employees are entitled to certain compensated absences based on length of employment. Vacation hours are accumulated on a calendar year basis with a limited amount of carryover to subsequent years allowed. Earned but unused vacation hours will be paid upon termination, retirement or death. The liability for compensated absences is computed based on rates of pay in effect at June 30, 2021 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 9 – JOINT USE AGREEMENT

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

The Electric Utility financed and installed a communications distribution system for the use and support of 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 10 – PAYMENT TO THE CITY

CRMU made voluntary in-lieu-of-tax payments to the City in the amount of \$100,556 for the year ended June 30, 2021.

Note 11 – 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, 2021**

Note 11 – 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 2021, 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, 2021 were \$78,313.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 11 – 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, 2021, the Utilities reported a liability of \$745,367 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the Utilities' collective proportion was .0106106 percent, which was an increase of .000004 percent from their proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Utilities recognized pension expense of \$128,668. At June 30, 2021, 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	\$ 823	\$ 17,667
Changes of assumptions	38,259	-
Net difference between projected and actual earnings on pension plan investments	41,901	-
Changes in proportion and differences between Utility contributions and proportionate share of contributions	42,363	-
Utility contributions subsequent to the measurement date	78,313	-
Total	\$ 201,659	\$ 17,667

\$78,313 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, 2022. 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, 2021**

Note 11 – PENSION AND RETIREMENT BENEFITS (Continued)

Year Ending	Total
June 30,	
2022	\$ 23,270
2023	26,570
2024	25,069
2025	30,192
2026	578
Total	\$ 105,679

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 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, 2020 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 2020 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, 2021**

Note 11 – PENSION AND RETIREMENT BENEFITS (Continued)

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	22.0%	4.43%
International Equity	17.5	5.15
Global Smart Beta Equity	6.0	4.87
Core Plus Fixed Income	28.0	-0.29
Public Credit	4.0	2.29
Cash	1.0	-0.78
Private Equity	11.0	6.54
Private Real Assets	7.5	4.48
Private Credit	3.0	3.11
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	\$ 1,242,834	\$ 745,367	\$ 328,246

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, 2021, the Utilities reported \$11,076 of payables related to the defined benefit pension plan.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 12 – HEALTH INSURANCE SELF-INSURED

CRMU has a group health insurance policy which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. CRMU self-insures certain employee eligible medical costs that are not reimbursed by the health insurance provider because the medical cost does not exceed the deductible and maximum out-of-pocket policy provision. Beginning January 1, 2017, employees pay out of pocket maximum of \$1,000 for single coverage or \$2,000 for family coverage. CRMU has ten covered employees as of June 30, 2021.

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
2021	\$ 6,102	\$ 10,646	\$ 14,516	\$ 2,232

Note 13 – COMMITMENTS AND CONTINGENT LIABILITIES

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

CRMU entered into a contract with its major transporter of natural gas in August 1993 that requires a capacity demand payment of approximately \$100,000 annually. The initial expiration date of the contract was through October 31, 1996, which was subsequently extended through January 1, 2022.

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, 2021**

Note 13 – COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

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 \$670,818. As of June 30, 2021, the remaining balance was \$31,347. The final payment is expected to made in 2022.

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, 2021, the remaining balance was \$10,583. The final payment is expected to made in 2022.

During May 2021, the Gas Utility entered into a contract with Precision Concrete Services for the municipal building parking lot project at an estimated cost of \$55,900. As of June 30, 2021, the remaining balance was \$55,900. The final payment is expected to made in 2022.

During December 2020, the Electric Utility entered into a contract with Harold K. Scholz Company for the substation transformer project at an estimated cost of \$481,200. As of June 30, 2021, the remaining balance was \$481,200. The final payment is expected to made in 2022.

During May 2021, the Electric Utility entered into a contract with BW Exterior Solutions for metal reskin of the Electric shop at an estimated cost of \$191,906. As of June 30, 2021, the remaining balance was \$191,906. The final payment is expected to made in 2022.

During May 2021, the Electric Utility entered into a contract with LSC, LLC for restoration of the powerplant from hail damage at an estimated cost of \$79,232. As of June 30, 2021, the remaining balance was \$79,232 The final payment is expected to made in 2022.

During May 2021, the Electric Utility entered into a contract with Precision Concrete Services for the municipal building parking lot and Electric shop projects at an estimated cost of \$106,300. As of June 30, 2021, the remaining balance was \$106,300. The final payment is expected to made in 2022.

During May 2021, the Water Utility entered into a contract with LSC, LLC for restoration of the Water plant from hail damage at an estimated cost of \$16,276. As of June 30, 2021, the remaining balance was \$16,276. The final payment is expected to made in 2022.

During April 2021, the Wastewater Utility entered into a contract with Visu-Sewer, Inc. for the sanitary sewer rehabilitation project at an estimated cost of \$1,993,650. As of June 30, 2021, the remaining balance was \$1,993,650. The final payment is expected to made in 2022.

Note 14 – 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. During September 2020, the utility entered into a new lease requiring payments of \$384 plus applicable fees for 60 months. The final lease payment is September of 2025. Payments totaled \$4,356 in 2021.

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 14 – LEASES (Continued)

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. During June 2021, the utility entered into a new lease requiring payment of \$112 for 60 months. The final lease payment is June 2026. Payments totaled \$1,372 in 2021.

Future lease payments are summarized as follows:

2022	\$ 5,940
2023	5,940
2024	5,940
2025	5,940
2026	2,489
	<u>\$ 26,249</u>

Note 15 – CONCENTRATIONS

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

Note 16 – RISK MANAGEMENT

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

Note 17 – PROSPECTIVE ACCOUNTING CHANGE

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement will require reporting of certain potentially significant lease liabilities that are not currently reported.

Note 18 – SUBSEQUENT EVENTS

Coon Rapids Municipal Utilities has drawn down additional loan proceeds on the Wastewater SRF loan that was described in Note 7. As of November 30, 2021, an additional \$261,873 of loan disbursements have been made, bringing the loan balance to \$335,701.

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 SEVEN FISCAL YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Utilities' collective proportion of the net pension liability	0.010611%	0.010607%	0.009665%	0.009533%
Utilities' collective proportionate share of the net pension liability	\$ 745,367	\$ 614,219	\$ 611,642	\$ 634,999
Utilities' covered payroll	\$ 842,078	\$ 807,237	\$ 726,433	\$ 711,570
Utilities' collective proportionate share of the net pension liability as a percentage of its covered payroll	88.52%	76.09%	84.20%	89.24%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

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.

<u>2017</u>	<u>2016</u>	<u>2015</u>
0.009402%	0.009390%	0.009371%
\$ 591,681	\$ 463,916	\$ 371,638
\$ 674,705	\$ 643,303	\$ 613,191
87.69%	72.11%	60.61%
81.82%	85.19%	87.61%

See Accompanying Independent Auditors' Report

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 78,313	\$ 79,492	\$ 76,203	\$ 64,871
Contributions in relation to the statutorily required contribution	<u>(78,313)</u>	<u>(79,492)</u>	<u>(76,203)</u>	<u>(64,871)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utilities' covered payroll	\$ 829,583	\$ 842,078	\$ 807,237	\$ 726,433
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	8.93%

See Accompanying Independent Auditors' Report

2017	2016	2015	2014	2013	2012
\$ 63,543	\$ 60,251	\$ 57,447	\$ 54,758	\$ 51,529	\$ 46,003
(63,543)	(60,251)	(57,447)	(54,758)	(51,529)	(46,003)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 711,570	\$ 674,705	\$ 643,303	\$ 613,191	\$ 594,337	\$ 570,050
8.93%	8.93%	8.93%	8.93%	8.67%	8.07%

See Accompanying Independent Auditors' Report

**COON RAPIDS MUNICIPAL UTILITIES
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021, 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 November 30, 2021.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2021-001 that we consider to be a material weakness.

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*.

Coon Rapids Municipal Utilities' Response to Findings

Coon Rapids Municipal Utilities' response to the findings identified in our audit is described in the accompanying schedule of findings. CRMU's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 & Company, P.C.

Certified Public Accountants

Spencer, Iowa
November 30, 2021

**COON RAPIDS MUNICIPAL UTILITIES
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2021**

PART I – SUMMARY OF AUDITORS’ RESULTS

- (A) An unmodified opinion was issued on the financial statements.
- (B) A material weakness in internal control over financial reporting was 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

MATERIAL WEAKNESS:

2021-001 Financial Reporting

Criteria – The Utilities is responsible for the accuracy of the financial statements.

Condition – During the audit, we identified material amounts of accounts receivable and expense and an immaterial amount of inventory and accrued expense that was not initially identified by Coon Rapids Municipal Utilities’ internal control. These adjustments were not initially identified by Coon Rapids Municipal Utilities’ internal control and were either not recorded or not properly recorded in the financial statements.

Cause – With a limited number of personnel and time constraints, review procedures do not allow for all misstatements to be caught.

Effect – As a result of these misstatements, the financial statements were materially misstated.

Recommendation –The Utilities should review its' procedures to ensure all accounts are properly identified, classified, and included in the Utilities’ financial statements.

Response – We will continue to improve procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE: No matters were reported.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

III-A-21: 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, 2021.

III-B-21: 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-21: Travel Expense – No disbursements of the Utilities’ money for travel expenses of spouses of Utilities’ officials or employees were noted.

III-D-21: Business Transactions – No business transactions between Coon Rapids Municipal Utilities and the Utilities’ officials and employees were noted.

III-E-21: 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-21: 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-21: Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

III-H-21: 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-21: Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.