

COON RAPIDS MUNICIPAL UTILITIES

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2024

T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants

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**COON RAPIDS MUNICIPAL UTILITIES
OFFICIALS**

JUNE 30, 2024

| <u>Board of Trustees</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------------|------------------------------------|---------------------|
| Terry Garnes | Chairperson | June 2027 |
| Mary Schwaller | Vice Chairperson | June 2028 |
| Lee Boeke | Trustee | June 2025 |
| Alan Andersen | Trustee | June 2026 |
| Doris Bass | Trustee | June 2024 |
| <u>Management</u> | | |
| 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 |



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Coon Rapids Municipal Utilities
Coon Rapids, IA 51301

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of Coon Rapids Municipal Utilities (the Utilities), a component unit of the City of Coon Rapids, Iowa, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Utilities' financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of June 30, 2024 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that arise substantial doubt about the Utilities' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the Utility's Proportionate Share of the Net Pension Liability, and the Schedule of Utility Contributions on pages 4-12 and 34-38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2024 on our consideration of the Utility's 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 the Utility's 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 Utility's internal control over financial reporting and compliance.

TP Anderson & Company, P.C.

Humboldt, Iowa
December 19, 2024



Management's Discussion and Analysis

The Coon Rapids Municipal Utilities, "CRMU" provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2024. We encourage readers to consider this information in conjunction with CRMU's financial statements, which follow.

Using this Annual Report

The annual report consists of a series of financial statements and other information, as follows:

- Management Discussion & Analysis introduces the basic financial statements and provides an analytical overview of CRMU's financial activities.
- Government-wide financial statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of CRMU as a whole and present an overall view of the CRMU's finances.
- The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report CRMU's operations in more detail than the government-wide financial statements by providing information about the most significant funds.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information further explains and supports the financial statements with a comparison of CRMU's budget for the year and CRMU's proportionate share of the net pension liability and related contributions.

Reporting CRMU's Financial Activities

One of the most important questions asked about CRMU's finances is, "Is CRMU as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of CRMU's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in CRMU's net position may serve as a useful indicator of whether the financial position of CRMU is improving or deteriorating.

The Statement of Activities presents information showing how CRMU's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The Statement of Net Position and the Statement of Activities report business type activities that are financed primarily by user charges. Because CRMU operates five different utilities, we choose to look at each individual utility and its financial performance versus combining all into a single utility. This allows for a more in-depth analysis and understanding of each fund /service.

The following sections will look at each utility service and its overall performance for Fiscal Year 2024, including revenues and expenses from operations, comparison of capital asset and long-term debt activity, budgetary analysis, and relevant economic factors.

Management's Discussion and Analysis

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.

Economic Factors & Budget Analysis

CRMU's communication utility has seen significant changes over the years. Customer behaviors have switched from a designated cable TV provider with channel and programming options limited to current offerings of the provider to internet, app based programming via numerous streaming options available to anyone across the country. This has resulted in few cable TV customers, as customers perceive the value

of these app-based services more desirable. At the same time, cable TV programming costs have continued to increase substantially over the years.

In fiscal year 2024, it became apparent that remaining in the cable TV business no longer made financial sense and an exit strategy was necessary. For this reason, CRMU will be discontinuing the cable TV product on March 1, 2025.

CRMU continues to offer landline telephone and internet services. Telephone subscribers have declined with the adoption of VOIP phone systems and cellular phones; however, CRMU intends to remain in the landline telephone business for the foreseeable future.

Fiscal year 2024 budgeted revenues and expenses totaled \$974,254 and \$807,631, respectively. CRMU ended the year with actual revenues of \$993,729 and expenses of \$767,453.

Looking to the future, CRMU projects revenues of \$698,100 and expenses totaling \$539,629. Despite exiting the cable TV space, we project a positive financial performance in the coming fiscal year.

Results of Operations:

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

Revenue from operations decreased 3.8%, while total operating expenses increased 5.5%.

Total operating revenues saw a decrease of almost \$40,000 for cable TV (due to customers discontinuing their service), a \$19,000 increase in internet, and a decrease of more than \$18,000 in telephone (a combination of CABS and basic telephone revenues).

Total nonoperating revenues increased to \$167, compared to a \$41,000 loss last year, which is all directly attributable to interest income.

Total communications utility expenses increased by about \$35,000. The primary reason for the increase is the GASB 68 IPERS expense adjustment. Last year, this expense was a negative \$5,600 – compared to this year's \$24,700 (a change of \$30,300).

The communications utility ended the year with a \$226,276 gain, compared to \$296,668 in 2023. Added to the utility's beginning net position of \$1,876,807, CRMU's communication total net position as of June 30, 2024 is \$2,103,083.

Communications Utility Financial Highlights:

Dollars in Thousands

| | 2024 | 2023 |
|---|--------------|--------------|
| OPERATING | | |
| Revenues | 893 | 929 |
| Expenses | 667 | 632 |
| Operating Income (Loss) | 226 | 297 |
| NONOPERATING | | |
| Revenues (Expenses) | 0 | (41) |
| TRANSFERS | 0 | 0 |
| Change in Net Position | 226 | 256 |
| ASSETS | | |
| Current | 2,153 | 1,860 |
| Capital | 41 | 61 |
| Noncurrent Assets | 0 | 0 |
| Total Assets | 2,194 | 1,921 |
| DEFERRED OUTFLOWS | 13 | 38 |
| Total Assets & Deferred Outflows | 2,207 | 1,959 |
| LIABILITIES | | |
| Current | 69 | 46 |
| Long-term | 34 | 31 |
| Total Liabilities | 103 | 77 |
| DEFERRED INFLOWS | 1 | 5 |
| NET POSITION | | |
| Net Investment in Capital Assets | 41 | 61 |
| Unrestricted | 2,062 | 1,816 |
| Total Net Position | 2,103 | 1,877 |
| Total Liab., Def. Inflows & Net Pos. | 2,207 | 1,959 |

Management’s Discussion and Analysis

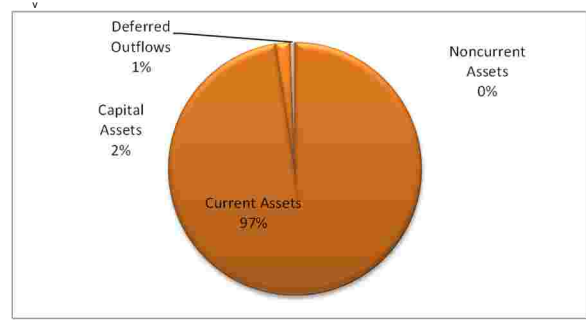
Financial Position:

(As reported on the Statement of Net Position)

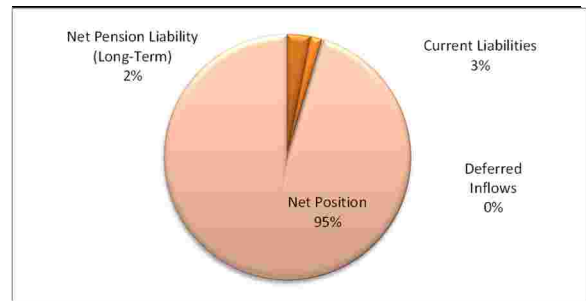
Total assets increased almost 14% in fiscal year 2024. This can be attributed to an increase in cash and cash equivalents. Total liabilities increased more than 33%, which is a direct result of an increase in accounts payable at fiscal year end. The increase in payables is solely due to timing of invoices received and when expenses were incurred.

Capital assets, in the form of utility plant, facilities and equipment, account for 2% of total assets and deferred outflows, while current assets comprise 97% of the total assets and deferred outflows. Cash, cash equivalents, and investments account for 95% of total assets and deferred outflows. These funds are designated for equipment replacement, capital improvements, and general savings.

Communications Utility Total Assets and Deferred Outflows: \$2,207,030



Communications Utility Total Liabilities, Deferred Inflows, and Net Position: \$2,207,030



Electric Utility

Overview:

The CRMU electric utility continued its strong financial performance in fiscal year 2024. In addition to the positive impact of CRMU’s capacity sharing agreement with NIMECA and membership within SPP, CRMU gained one new customer, which has resulted in an even stronger financial performance.

The Evolving Industry (EV) customer began operating in June, 2023. Throughout the first half of fiscal year 2024, they continued to ramp up production to about 18 MW (about 6 times more than our normal demand). This resulted in a significant increase in revenue. Expenses also increased due to the purchase of capacity and energy to serve the new load.

CRMU’s electric utility will also be making plans for future capital improvements – including, but not limited to, new lines to the wells, underground facility improvement, and transformer upgrades.

Economic Factors & Budget Analysis

CRMU’s electric utility has performed well for years, while being able to update infrastructure and maintaining our current electric system. The addition of the EV customer class has made the financial performance even stronger. While still

planning for future financial obligations, CRMU is establishing a favorable plan for many years to come. Due to the nature of the large user, it’s conceivable that the customer could stop using electricity at any time; however, political factors and financial outlooks have minimized that likelihood.

Electric prices have fluctuated over the past few years – primarily due to supply and demand changes. However, we expect the new administration to focus on the current prices of energy and try to keep it affordable and reliable for all.

Fiscal year 2024 budgeted revenues and expenses totaled \$10,300,060 and \$8,878,951, respectively. CRMU ended the year with actual revenues of \$9,073,902 and expenses of \$7,198,442.

Looking to the future, CRMU projects revenues of \$18,482,300 and expenses totaling \$14,861,119 in fiscal year 2025. The evolving industry customer is expected to increase their load 2-fold from what they are currently using (as of 6/30/24). This will only strengthen our financial performance – as long as they continue to operate.

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 200% - by about \$5,741,546. Revenue from sales to customers increased more than 150% - by about \$4,300,000, which is a result of the new evolving industry customer revenue stream. Sales for resale increased 2%.

Nonoperating revenue increased more than \$103,000 (44%) thanks to increased interest income. Interest income almost doubled – from \$179,000 last year to \$353,000 this fiscal year.

Operating expenses increased 200% - by \$4,712,000, which is a direct result of increased purchased energy and transmission costs associated with the evolving industry customer class.

In lieu of tax payments continued to the community and City of Coon Rapids, totaling more than \$100,000, compared to \$78,500 last year.

The electric utility’s beginning net position was \$15,747,788. The total gain of \$1,875,460 this fiscal year resulted in an ending net position of \$17,623,248.

Electric Utility Financial Highlights:

Dollars in Thousands

| | 2024 | 2023 |
|--|---------------|---------------|
| OPERATING | | |
| Revenues | 8,605 | 2,863 |
| Expenses..... | 7,066 | 2,354 |
| Operating Income (Loss) | 1,539 | 509 |
| NONOPERATING | | |
| Revenues (Expenses) | 337 | 233 |
| TRANSFERS | 0 | 0 |
| Change in Net Position..... | 1,876 | 742 |
| ASSETS | | |
| Current | 8,586 | 6,517 |
| Capital | 11,129 | 10,906 |
| Noncurrent..... | 264 | 314 |
| Total Assets..... | 19,979 | 17,737 |
| DEFERRED OUTFLOWS | 81 | 53 |
| Total Assets & Deferred Outflows | 20,060 | 17,790 |
| LIABILITIES | | |
| Current | 965 | 427 |
| Long-term | 1,464 | 1,588 |
| Total Liabilities..... | 2,429 | 2,015 |
| DEFERRED INFLOWS | 8 | 28 |
| NET POSITION | | |
| Net Investment in Capital Assets | 9,714 | 9,336 |
| Restricted | 999 | 857 |
| Unrestricted | 6,910 | 5,554 |
| Total Net Position | 17,623 | 15,747 |
| Total Liab., Def. Inflows & Net Pos. | 20,060 | 17,790 |

Financial Position:

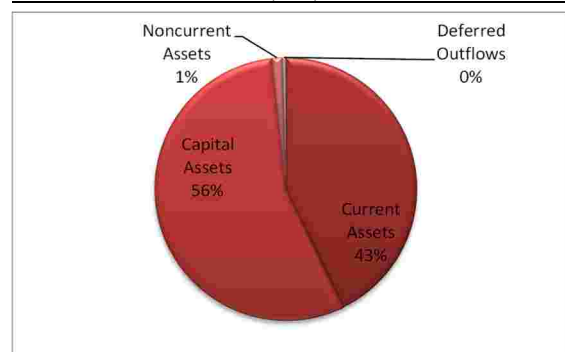
(As reported on the Statement of Net Position)

Current assets account for 43% of total assets and deferred outflows. CRMU has 36% 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.

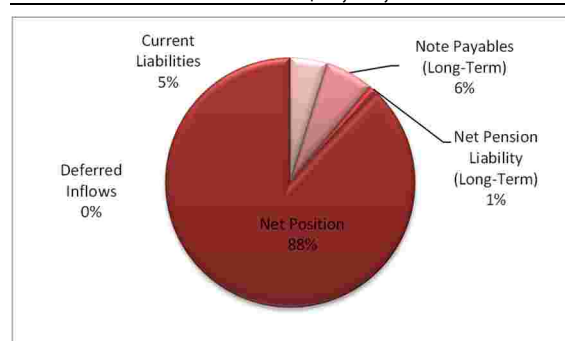
Capital assets, in the form of utility plant, facilities and equipment, account for 56% of CRMU’s total assets and deferred outflows. Noncurrent assets account for 1% of total assets and deferred outflows.

Current liabilities account for 5% of total liabilities and net position (\$160,000 in current notes payable). CRMU is required to report a “Net Pension Liability” of \$208,610 for the electric utility, which CRMU will likely never be required to pay (see Note 9 of the audit report). Finally, the “Note Payables” of 6% (\$1.255MM) represent the FTTH debt.

Electric Utility Total Assets and Deferred Outflows: \$20,059,910



Electric Utility Total Liabilities, Deferred Inflows, and Net Position: \$20,059,910



Management's Discussion and Analysis

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.

Economic Factors & Budget Analysis

The actual commodity cost of natural gas is passed through directly to our customers through a specific rate component (called the "Purchased Gas Adjustment" – PGA). As those costs change, so does the total rate (and therefore the customer bill). The natural gas markets have been somewhat volatile over the years. The PGA over the past year was about 17% lower than 2023. The weather and customer demand greatly

affects the natural gas commodity price. In fiscal year 2024, the winter weather was mild – leading to decreased customer demand.

Fiscal year 2024 budgeted revenues and expenses totaled \$959,920 and \$938,349, respectively. CRMU ended the year with actual revenues of \$983,718 and expenses of \$815,924.

Looking to the future, CRMU projects revenues of \$1,166,800 and expenses totaling \$938,349. Of course, this is all dependent on actual customer usage, weather, and commodity prices.

CRMU does not currently have a rate adjustment planned. Current rates are sufficient to cover both expenses and capital expenditures.

Results of Operations:

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

In 2024, CRMU's natural gas utility experienced an operating gain of \$88,141, compared to a gain of \$173,438 in 2023. Combined with nonoperating revenues and expenses, the utility ended the year with a \$138,000 gain, compared to a gain of \$163,000 last year. Nonoperating interest income revenue increased \$35,922, which helped the overall utility performance.

In 2024, total operating revenues decreased more than \$237,000 (21.5%). Total usage decreased about 15% compared to last year, which was largely due to a much milder winter compared to 2023. Additionally, the commodity cost of natural gas was about 17% lower than last year.

Total operating expenses decreased \$152,000 (16%) – mainly due to the decreased usage and decreased commodity cost.

Payment-in-lieu-of-taxes (PILOT) and contributions to the City of Coon Rapids totaled almost \$40,000 from the natural gas utility. This is \$3,000 more than contributions and PILOT in fiscal year 2023.

Natural Gas Utility Financial Highlights:

Dollars in Thousands

| | 2024 | 2023 |
|---|--------------|--------------|
| OPERATING | | |
| Revenues | 864 | 1,101 |
| Expenses | 776 | 928 |
| Operating Income (Loss) | 88 | 173 |
| NONOPERATING | | |
| Revenues (Expenses) | 50 | (10) |
| Change in Net Position..... | 138 | 163 |
| ASSETS | | |
| Current | 1,849 | 1,763 |
| Capital | 563 | 536 |
| Noncurrent..... | 0 | 0 |
| Total Assets..... | 2,412 | 2,299 |
| DEFERRED OUTFLOWS | 37 | 18 |
| Total Assets & Deferred Outflows | 2,449 | 2,317 |
| LIABILITIES | | |
| Current | 51 | 39 |
| Long-term | 94 | 78 |
| Total Liabilities..... | 145 | 117 |
| DEFERRED INFLOWS | 4 | 39 |
| NET POSITION | | |
| Net Investment in Capital Assets | 563 | 536 |
| Unrestricted | 1,737 | 1,626 |
| Total Net Position | 2,300 | 2,162 |
| Total Liab., Def. Inflows & Net Pos..... | 2,449 | 2,317 |

Management’s Discussion and Analysis

Financial Position:

(As reported on the Statement of Net Position)

Capital assets, in the form of utility plant, facilities and equipment, account for 23% of CRMU’s total assets and deferred outflows, while current assets comprise 76% of the total assets and deferred outflows. Cash and cash equivalents account for 70% of total assets and deferred outflows. Of the cash on hand, most is designated for specific uses and future improvements.

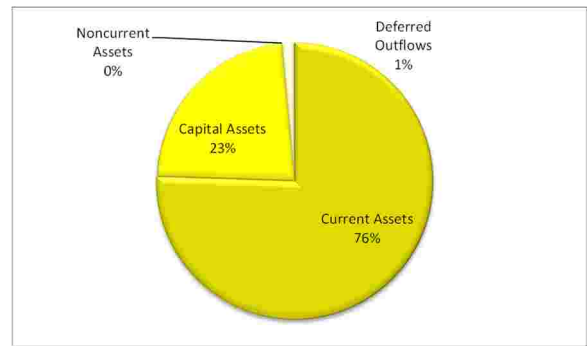
CRMU’s current liabilities are comprised of payables totaling \$50,829 (2% of total liabilities, deferred inflows and net position).

CRMU’s natural gas “Net Pension Liability” accounts for 4% of total liabilities and net position (an increase from 3% last year). This equates to almost \$95,000 which CRMU will likely never be required to pay (see Note 9 of the audit report).

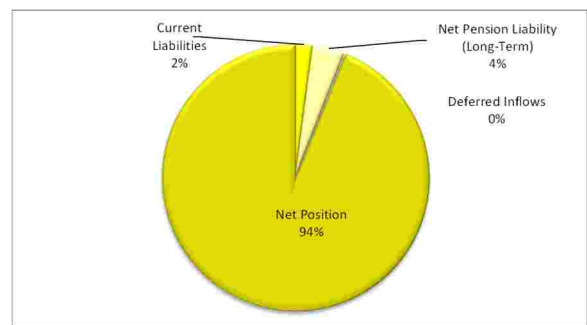
CRMU’s natural gas utility does not have any outstanding debt. No current capital improvement projects are planned at this time.

Overall, the utility is in sound financial position.

Natural Gas Utility Total Assets and Deferred Outflows: \$2,448,741



Natural Gas Utility Total Liabilities, Deferred Inflows, and Net Position: \$2,448,741



Water Utility

Overview:

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

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.

Economic Factors & Budget Analysis

Over the years, the water utility has experienced increased state and federal regulations – specifically associated with testing and monitoring of the water quality. With this comes increased chemical, testing, and treatment costs.

Additionally, as previously mentioned, the water utility is comprised of aging infrastructure – both for plant and distribution facilities. Further, customer usage can vary greatly based on weather and rainfall received. This makes it challenging to project customer usage year to year. Coupled with the break-even rate structure, the utility frequently loses money each year. Unlike other utilities, water does not have a realistic level of reserves to cover future repairs and capital expenditures.

A rate adjustment was implemented in July, 2023. No further adjustments are currently planned but will likely need to be evaluated for fiscal year 2026.

Fiscal year 2024 budgeted revenues and expenses totaled \$353,796 and \$352,540, respectively. CRMU ended the year with actual revenues of \$369,268 and expenses of \$363,529.

Looking to the future, CRMU projects revenues of \$365,446 and expenses totaling \$364,517.

Management’s Discussion and Analysis

Results of Operations:

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

Operating revenues increased almost 10% (\$31,200) compared to 2023. Customer usage decreased 5.7% compared to last year. Thus, the rate increase implemented in July, 2023 was solely responsible for the increased revenue.

Nonoperating interest income increased more than \$4,400 compared to last year.

Operating expenses increased about \$39,000 (12%). Specifically, customer service operations and depreciation costs decreased. Plant operations, transmission operations, and administration / general costs increased.

Nonoperating revenue (income) totaled \$7,500 in fiscal year 2024, compared to a \$5,800 loss in fiscal year 2023 (a positive swing of \$13,300).

Contributions through payment-in-lieu-of tax and donations to the community totaled \$6,400 in fiscal year 2024, which is more than last year’s contribution of \$4,300.

Water Utility Financial Highlights:

Dollars in Thousands

| | 2024 | 2023 |
|---|------------|------------|
| OPERATING | | |
| Revenues | 355 | 324 |
| Expenses | 357 | 318 |
| Operating Income (Loss) | (2) | 6 |
| NONOPERATING | | |
| Revenues (Expenses) | 8 | (6) |
| Change in Net Position | 6 | 0 |
| ASSETS | | |
| Current | 297 | 254 |
| Capital | 273 | 293 |
| Total Assets | 570 | 547 |
| DEFERRED OUTFLOWS | | |
| | 32 | 7 |
| Total Assets & Deferred Outflows | 602 | 554 |
| LIABILITIES | | |
| Current | 53 | 34 |
| Long-term | 83 | 71 |
| Total Liabilities | 136 | 105 |
| DEFERRED INFLOWS | | |
| | 3 | (8) |
| NET POSITION | | |
| Net Investment in Capital Assets | 273 | 293 |
| Unrestricted | 190 | 164 |
| Total Net Position | 463 | 457 |
| Total Liab., Def. Inflows & Net Pos. | 602 | 554 |

Financial Position:

(As reported on the Statement of Net Position)

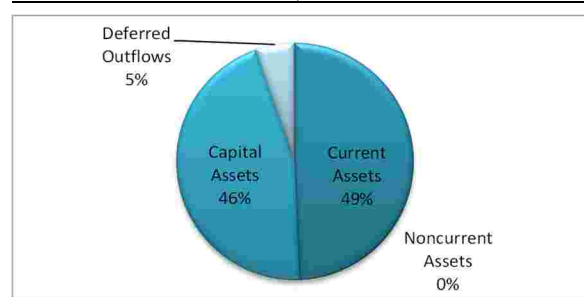
Current assets account for 49% of total assets and deferred outflows. CRMU has approximately 37% of its total assets and deferred outflows in the form of cash and cash equivalents. Of this amount, the Board of Trustees has designated uses for all of it.

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

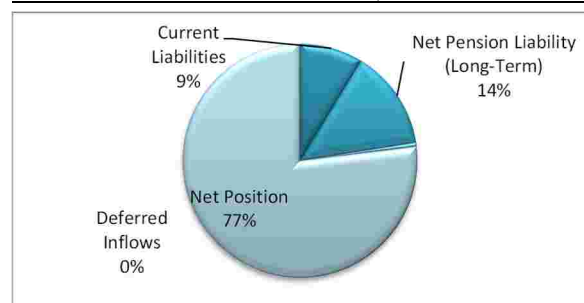
Capital assets, in the form of utility plant, facilities and equipment, account for 46% of CRMU’s total assets and deferred outflows.

Total liabilities increased almost \$30,500 (29%) because of an increase to account payables and net pension liabilities. CRMU’s water “Net Pension Liability” accounts for almost 14% of the total liabilities and net position (compared to last year’s 13%). The Net Pension Liability totals \$83,167, which CRMU will likely never be required to pay (see Note 9 of the audit report).

Water Utility Total Assets and Deferred Outflows: \$601,650



Water Utility Total Liabilities, Deferred Inflows, and Net Position: \$601,650



Management's Discussion and Analysis

Wastewater Utility

Overview:

CRMU began a comprehensive improvement plan in 2021. Manhole rehabilitation was the first priority, followed by slip-lining many of our wastewater mains. This was done to ensure long-term structural integrity and to potentially resolve inflow and infiltration issues. As of 6/30/24, about 95% of the project was complete. As a result of the extended project timeline, CRMU capitalized the majority of the project in fiscal year 2024. The project will be fully capitalized in fiscal year 2025.

CRMU continues to implement the scheduled rate changes, as recommended by Public Financial Management (PFM). To date, the utility remains in a relatively strong financial position; however, we continue to monitor it closely as expenses have increased over the years.

Economic Factors & Budget Analysis

The wastewater utility bills residential customers based on water used, excluding April through October. During this period, CRMU bills the lesser of actual usage for the month or the

average water usage between November through March (called the "Summer Sewer Maximum"). This makes the utility less dependent on weather, as it relates to customer usage. This variable factor does impact all other customers (general service, public authority, etc.).

No rate adjustment was implemented in July, 2023. The next adjustment will be in July, 2024. No change is planned for July, 2025. The final adjustment planned as part of our wastewater capital improvement plan is scheduled for July, 2026.

The wastewater utility currently has outstanding debt totaling \$1,503,062 through the State of Iowa SRF program at a 2% interest rate.

Fiscal year 2024 budgeted revenues and expenses totaled \$298,540 and \$322,757, respectively. CRMU ended the year with actual revenues of \$322,915 and expenses of \$287,099.

Looking to the future, CRMU projects revenues of \$307,815 and expenses totaling \$286,418.

Results of Operations:

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

In 2024, the wastewater utility recorded \$277,720 in operating revenues. This is slightly lower by less than 1% (\$1,800) compared to 2023.

Total operating expenses in 2024 increased \$41,608 (about 20%) compared to 2023. All expense categories either decreased or stayed relatively steady, with the exception of depreciation, which increased \$54,346. Again, this is because we began depreciating the wastewater capital improvement project in July, 2023.

CRMU's wastewater utility experienced an operating gain of \$22,536 in 2024, compared to an operating gain of \$65,961 last year.

Nonoperating revenues and expenses this year totaled a gain of \$13,280, compared to last year's gain of \$178,835, with the difference being from CDBG grant revenue.

The wastewater utility's beginning net position was \$1,976,416, the change in net position was a gain of \$35,816, resulting in an ending net position of \$2,012,232.

Wastewater Utility Financial Highlights:

Dollars in Thousands

| | 2024 | 2023 |
|--|--------------|--------------|
| OPERATING | | |
| Revenues | 278 | 280 |
| Expenses | 255 | 214 |
| Operating Income (Loss) | 23 | 66 |
| NONOPERATING | | |
| Revenues (Expenses) | 13 | 179 |
| Change in Net Position | 36 | 245 |
| ASSETS | | |
| Current | 525 | 511 |
| Capital | 3,134 | 3,223 |
| Total Assets | 3,659 | 3,734 |
| DEFERRED OUTFLOWS | 18 | 6 |
| Total Assets & Deferred Outflows | 3,677 | 3,740 |
| LIABILITIES | | |
| Current | 203 | 205 |
| Long-term | 1,460 | 1,551 |
| Total Liabilities | 1,663 | 1,756 |
| DEFERRED INFLOWS | 2 | 7 |
| NET POSITION | | |
| Net Investment in Capital Assets | 1,532 | 1,538 |
| Unrestricted | 480 | 439 |
| Total Net Position | 2,012 | 1,977 |
| Total Liab., Def. Inflows & Net Pos. | 3,677 | 3,740 |

Management's Discussion and Analysis

Financial Position:

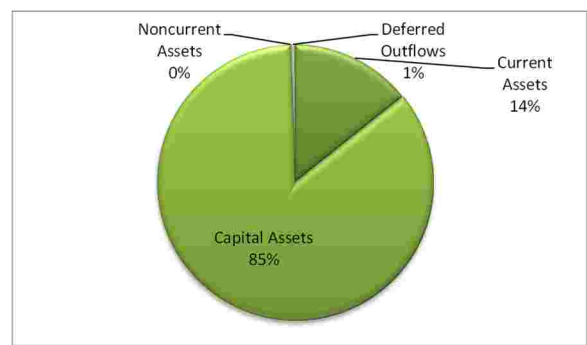
(As reported on the Statement of Net Position)

Capital assets, in the form of utility plant, facilities and equipment, account for 85% of CRMU's total assets and deferred outflows, while current assets account for 14%.

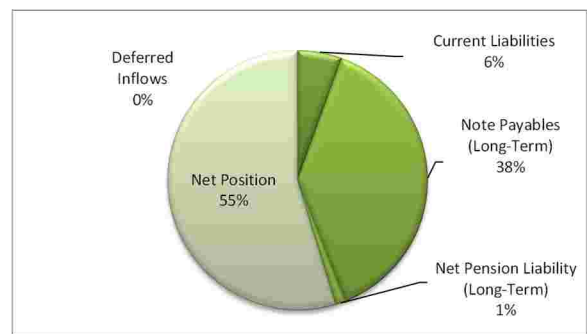
The wastewater utility has 13% of its total assets and deferred outflows in the form of cash, cash equivalents, and certificates of deposit. A portion of this will be used for ongoing improvements.

Total liabilities account for 45% of the total liabilities, deferred inflows, and net position. Of that, \$1.5MM is recorded as a current and noncurrent note payable for the SRF debt incurred with the wastewater project. Another \$47,000 is net pension liability, which CRMU will like never be required to pay (see Note 9 of the audit report).

Wastewater Utility Total Assets and Deferred Outflows: \$3,677,058



Wastewater Utility Total Liabilities, Deferred Inflows, and Net Position: \$3,677,058



COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
STATEMENTS OF NET POSITION
JUNE 30, 2024

| | Electric Utility | Gas Utility | Water Utility |
|---|-------------------|------------------|----------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | | | |
| Unrestricted | \$ 6,150,280 | 1,719,189 | 220,709 |
| Restricted | 1,130,037 | - | - |
| Accounts Receivable, Net of Allowance - | | | |
| Trade | 325,709 | 34,985 | 45,603 |
| Other | 128,272 | 4,217 | 7,047 |
| Revolving Loans Receivable - Current Portion | 57,183 | - | - |
| Inventories | 723,647 | 77,691 | 13,158 |
| Other Current and Prepaid Assets | 70,818 | 13,413 | 10,169 |
| Total Current Assets | <u>8,585,946</u> | <u>1,849,495</u> | <u>296,686</u> |
| Capital Assets: | | | |
| Land | 56,312 | 30,478 | 32,349 |
| Construction in Progress | 145,486 | 42,952 | - |
| Utility Plant, Facilities and Equipment, at Cost | 20,272,211 | 1,723,917 | 1,393,918 |
| Accumulated Depreciation | (9,344,631) | (1,234,666) | (1,153,428) |
| Total Capital Assets | <u>11,129,378</u> | <u>562,681</u> | <u>272,839</u> |
| Noncurrent Assets: | | | |
| NIMECA Patronage Dividend Receivable | 24,612 | - | - |
| Revolving Loans Receivable - Net of Current Portion | 239,394 | - | - |
| Total Noncurrent Assets | <u>264,006</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u>19,979,330</u> | <u>2,412,176</u> | <u>569,525</u> |
| Deferred Outflows of Resources | | | |
| Pension Related Deferred Outflows | <u>80,580</u> | <u>36,565</u> | <u>32,125</u> |

See notes to financial statements.

| Communications | | |
|------------------|--------------------|-------------------|
| Utility | Wastewater Utility | Total |
| 2,093,469 | 485,208 | 10,668,855 |
| - | - | 1,130,037 |
| 21,700 | 33,806 | 461,803 |
| 6,350 | 464 | 146,350 |
| - | - | 57,183 |
| 17,511 | 613 | 832,620 |
| 13,978 | 4,987 | 113,365 |
| <u>2,153,008</u> | <u>525,078</u> | <u>13,410,213</u> |
| - | 5,980 | 125,119 |
| - | 19,261 | 207,699 |
| 400,221 | 4,699,398 | 28,489,665 |
| (359,182) | (1,590,970) | (13,682,877) |
| <u>41,039</u> | <u>3,133,669</u> | <u>15,139,606</u> |
| - | - | 24,612 |
| - | - | 239,394 |
| <u>-</u> | <u>-</u> | <u>264,006</u> |
| <u>2,194,047</u> | <u>3,658,747</u> | <u>28,813,825</u> |
| <u>12,983</u> | <u>18,311</u> | <u>180,564</u> |

COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
STATEMENTS OF NET POSITION - continued
JUNE 30, 2024

| | Electric Utility | Gas Utility | Water Utility |
|--------------------------------------|----------------------|------------------|----------------|
| Liabilities | | | |
| Current Liabilities: | | | |
| Accounts Payable - Trade | 619,861 | 35,044 | 27,040 |
| Other Payables and Credits | 18,800 | - | 9,786 |
| Payroll, Sales and Use Taxes Payable | - | - | 1,672 |
| Compensated Absences Payable | 32,500 | 15,785 | 13,849 |
| Customer Deposits | 131,519 | - | - |
| Notes Payable - Current Portion | 160,000 | - | - |
| Accrued Interest | 2,280 | - | - |
| Total Current Liabilities | <u>964,960</u> | <u>50,829</u> | <u>52,347</u> |
| Noncurrent Liabilities: | | | |
| Notes Payable | 1,255,000 | - | - |
| Net Pension Liability | 208,610 | 94,661 | 83,167 |
| Total Noncurrent Liabilities | <u>1,463,610</u> | <u>94,661</u> | <u>83,167</u> |
| Total Liabilities | <u>2,428,570</u> | <u>145,490</u> | <u>135,514</u> |
| Deferred Inflows of Resources | | | |
| Pension Related Deferred Inflows | <u>8,092</u> | <u>3,672</u> | <u>3,226</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 9,714,378 | 562,681 | 272,839 |
| Restricted | 998,518 | - | - |
| Unrestricted | 6,910,352 | 1,736,898 | 190,071 |
| Total net position | <u>\$ 17,623,248</u> | <u>2,299,579</u> | <u>462,910</u> |

See notes to financial statements.

| Communications | | |
|------------------|--------------------|-------------------|
| Utility | Wastewater Utility | Total |
| 63,439 | 103,598 | 848,982 |
| - | - | 28,586 |
| - | - | 1,672 |
| 5,592 | 6,731 | 74,457 |
| - | - | 131,519 |
| - | 90,000 | 250,000 |
| - | 2,192 | 4,472 |
| <u>69,031</u> | <u>202,521</u> | <u>1,339,688</u> |
| - | 1,413,062 | 2,668,062 |
| 33,612 | 47,404 | 467,454 |
| <u>33,612</u> | <u>1,460,466</u> | <u>3,135,516</u> |
| <u>102,643</u> | <u>1,662,987</u> | <u>4,475,204</u> |
| <u>1,304</u> | <u>1,839</u> | <u>18,133</u> |
| 41,039 | 1,531,935 | 12,122,872 |
| - | - | 998,518 |
| 2,062,044 | 480,297 | 11,379,662 |
| <u>2,103,083</u> | <u>2,012,232</u> | <u>24,501,052</u> |

COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

| | Electric Utility | Gas Utility | Water Utility |
|---|------------------|-------------|---------------|
| Operating Revenues: | | | |
| Sales to Customers | \$ 7,166,055 | 853,373 | 338,707 |
| Sales for Resale | 1,332,215 | - | - |
| Interdepartmental Sales | 48,373 | 8,156 | 5,880 |
| Forfeited Discounts | 10,985 | 2,515 | 1,221 |
| Rebates and Other | 47,132 | 158 | 9,435 |
| Total operating revenues | 8,604,760 | 864,202 | 355,243 |
| Operating expenses: | | | |
| Purchase Energy and Programming | 3,625,090 | 399,517 | - |
| Plant Operations | 524,592 | 10,148 | 72,834 |
| Transmission Operations | 1,508,758 | - | - |
| Distribution Operations | 262,415 | 137,225 | 92,676 |
| Consumer Service Operations | 107,181 | 64,056 | 44,507 |
| Administrative & General Expenses | 454,771 | 114,342 | 118,870 |
| Depreciation | 583,233 | 50,773 | 28,163 |
| Total operating expenses | 7,066,040 | 776,061 | 357,050 |
| Income from operations | 1,538,720 | 88,141 | (1,807) |
| Nonoperating income (expense): | | | |
| Interest Income | 353,013 | 81,224 | 10,100 |
| Joint Use Payments | 100,000 | - | - |
| In-Lieu-Of Tax Payments | (76,815) | (21,826) | (4,494) |
| Free Community Service | (24,437) | (18,037) | (1,945) |
| Gain (Loss) on Sale or Disposal of Assets | 484 | 3,949 | (40) |
| Grant Revenue | - | - | - |
| Miscellaneous Nonoperating Revenue | 15,645 | 4,343 | 3,925 |
| Interest Expense | (31,150) | - | - |
| Net nonoperating income (expense) | 336,740 | 49,653 | 7,546 |
| Change in net position | 1,875,460 | 137,794 | 5,739 |
| Net position, beginning | 15,747,788 | 2,161,785 | 457,171 |
| Net position, ending | \$ 17,623,248 | 2,299,579 | 462,910 |

See Notes to Financial Statements

| Communication Utility | Wastewater Utility | Total |
|--------------------------|-----------------------|----------------------|
| 890,233 | 274,764 | \$ 9,523,132 |
| - | - | 1,332,215 |
| - | 909 | 63,318 |
| 6,073 | 996 | 21,790 |
| (3,264) | 1,051 | 54,512 |
| <u>893,042</u> | <u>277,720</u> | <u>10,994,967</u> |
| 427,883 | - | 4,452,490 |
| 15,196 | 6,877 | 629,647 |
| - | - | 1,508,758 |
| 33,449 | 47,441 | 573,206 |
| 30,601 | 32,384 | 278,729 |
| 139,765 | 59,965 | 887,713 |
| 20,039 | 108,517 | 790,725 |
| <u>666,933</u> | <u>255,184</u> | <u>9,121,268</u> |
| <u>226,109</u> | <u>22,536</u> | <u>1,873,699</u> |
| 100,577 | 25,594 | 570,508 |
| (100,000) | - | - |
| - | (267) | (103,402) |
| (520) | (79) | (45,018) |
| - | - | 4,393 |
| - | 19,521 | 19,521 |
| 110 | 80 | 24,103 |
| - | (31,569) | (62,719) |
| <u>167</u> | <u>13,280</u> | <u>407,386</u> |
| 226,276 | 35,816 | 2,281,085 |
| <u>1,876,807</u> | <u>1,976,416</u> | <u>22,219,967</u> |
| <u>2,103,083</u> | <u>2,012,232</u> | <u>\$ 24,501,052</u> |

COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

| | Electric Utility | Gas Utility | Water Utility |
|--|---------------------|------------------|----------------|
| Cash Flows from Operating Activities: | | | |
| Cash Received from Customers & Users | \$ 8,459,083 | 905,832 | 357,685 |
| Cash Paid to Suppliers for Goods and Services | (5,617,698) | (504,734) | (124,813) |
| Cash Paid to Employees | (533,912) | (250,259) | (184,209) |
| Net Cash Provided by Operating Activities | <u>2,307,473</u> | <u>150,839</u> | <u>48,663</u> |
| Cash Flows from Capital & Related Financing Activities: | | | |
| Acquisition & Construction of Capital Assets | (806,638) | (83,914) | (7,998) |
| Proceeds from Sale of Capital Assets | 1,000 | 10,500 | - |
| Cash (Paid)/Received from Joint Use | 100,000 | - | - |
| Proceeds from Note Payable | - | - | - |
| Revenue Bond Principal Repayment | (155,000) | - | - |
| Interest Paid | (31,399) | - | - |
| Cash Received from Grant Revenue | - | - | - |
| Net Cash (Used) by Capital & Related Financing Activities | <u>(892,037)</u> | <u>(73,414)</u> | <u>(7,998)</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Payments for Free Community Service | (24,437) | (18,037) | (1,945) |
| Payments In-Lieu-of Tax Payment | (76,815) | (21,826) | (4,494) |
| Net Cash (Used) by Noncapital Financing Activities | <u>(101,252)</u> | <u>(39,863)</u> | <u>(6,439)</u> |
| Cash Flows from Investing Activities: | | | |
| Interest on Investments | 353,013 | 81,224 | 10,100 |
| Payments Received on Revolving Loans | 62,596 | - | - |
| Payments Received on CRDG | - | 10,232 | - |
| Cash (Paid)/Received from Other Investing Activities | 15,645 | 4,343 | 3,925 |
| Net Cash Provided by Investing Activities | <u>431,254</u> | <u>95,799</u> | <u>14,025</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,745,438 | 133,361 | 48,251 |
| Cash and Cash Equivalents - June 30, 2023 | <u>5,534,879</u> | <u>1,585,828</u> | <u>172,458</u> |
| Cash and Cash Equivalents - June 30, 2024 | <u>\$ 7,280,317</u> | <u>1,719,189</u> | <u>220,709</u> |

See Notes to Financial Statements

| Communications Utility | Wastewater Utility | Total |
|---------------------------|-----------------------|--------------------|
| 892,359 | 282,734 | 10,897,693 |
| (535,624) | (53,589) | (6,836,458) |
| <u>(50,547)</u> | <u>(120,275)</u> | <u>(1,139,202)</u> |
| <u>306,188</u> | <u>108,870</u> | <u>2,922,033</u> |
| - | (19,467) | (918,017) |
| - | - | 11,500 |
| (100,000) | - | - |
| - | 1,912 | 1,912 |
| - | (85,000) | (240,000) |
| - | (31,730) | (63,129) |
| <u>-</u> | <u>35,417</u> | <u>35,417</u> |
| <u>(100,000)</u> | <u>(98,868)</u> | <u>(1,172,317)</u> |
| (520) | (79) | (45,018) |
| <u>-</u> | <u>(267)</u> | <u>(103,402)</u> |
| <u>(520)</u> | <u>(346)</u> | <u>(148,420)</u> |
| 100,577 | 25,594 | 570,508 |
| - | - | 62,596 |
| 6,471 | - | 16,703 |
| <u>109</u> | <u>80</u> | <u>24,102</u> |
| <u>107,157</u> | <u>25,674</u> | <u>649,807</u> |
| 312,825 | 35,330 | 2,275,205 |
| <u>1,780,642</u> | <u>449,878</u> | <u>9,523,685</u> |
| <u>2,093,467</u> | <u>485,208</u> | <u>11,798,890</u> |

COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
STATEMENTS OF CASH FLOWS - continued
FOR THE YEAR ENDED JUNE 30, 2024

| | Electric Utility | Gas Utility | Water Utility |
|---|---------------------|------------------|----------------|
| Reconciliation: | | | |
| Cash and Cash Equivalents | | | |
| Unrestricted | 6,150,280 | 1,719,189 | 220,709 |
| Restricted | 1,130,037 | - | - |
| | <u>\$ 7,280,317</u> | <u>1,719,189</u> | <u>220,709</u> |
| Reconciliation of operating income (loss) to net cash flows provided by operating activities: | | | |
| Income (loss) from operations | 1,538,720 | 88,141 | (1,807) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 583,233 | 50,773 | 28,163 |
| (Increase)/decrease in the following: | | | |
| Accounts Receivable | (137,288) | 41,630 | 2,442 |
| Inventories | (192,376) | (5,544) | 2,805 |
| Other Current & Prepaid Assets | 1,948 | 947 | 315 |
| Deferred Patronage Dividend | (8,728) | - | - |
| Deferred Outflows | (27,397) | (18,740) | (24,858) |
| Accounts Payable | 534,920 | 12,753 | 18,468 |
| Customer Deposits | 339 | - | - |
| Compensated Absences Payables | (1,741) | (893) | (34) |
| Net Pension Liability | 35,447 | 17,044 | 12,051 |
| Deferred Inflows | (19,604) | (35,272) | 11,118 |
| Net Cash Provided by Operating Activities | <u>\$ 2,307,473</u> | <u>150,839</u> | <u>48,663</u> |

See Notes to Financial Statements

| Communications Utility | Wastewater Utility | Total |
|---------------------------|-----------------------|-------------------|
| 2,093,469 | 485,208 | 10,668,855 |
| - | - | 1,130,037 |
| <u>2,093,469</u> | <u>485,208</u> | <u>11,798,892</u> |
| 226,109 | 22,536 | 1,873,699 |
| 20,039 | 108,517 | 790,725 |
| (683) | 5,014 | (88,885) |
| 10,167 | 25 | (184,923) |
| 3,852 | 120 | 7,182 |
| - | - | (8,728) |
| 24,464 | (12,385) | (58,916) |
| 24,384 | (3,607) | 586,918 |
| - | - | 339 |
| (1,358) | (3,473) | (7,499) |
| 2,554 | (2,697) | 64,399 |
| <u>(3,340)</u> | <u>(5,180)</u> | <u>(52,278)</u> |
| <u>306,188</u> | <u>108,870</u> | <u>2,922,033</u> |

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE COON RAPIDS
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Coon Rapids Municipal Utilities (CRMU) is engaged in the activities providing electric, natural gas, water, wastewater and communications utilities services. CRMU operates independent of the City of Coon Rapids and is governed by a five-member Board of Trustees, appointed by the Mayor with the approval of the City Council. The Communications Utility was formed to engage in the development and operation of a broadband communications system and the marketing of related services such as cable, television, telephone, high-speed data communications and other communication products. CRMU's rates are set by its governing board.

The Utility's financial statements are prepared in conformity with U.S. generally accepted accounting principles applicable to proprietary funds of governmental entities as prescribed by the Governmental Accounting Standards Board.

Reporting Entity

For financial reporting purposes, CRMU has included all funds, organizations, agencies, boards, commissions and authorities. CRMU has also considered all other potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with CRMU are such that exclusion would cause CRMU's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of CRMU to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on CRMU. CRMU has no component units which meet the Governmental Accounting Standards Board criteria.

The Utility is not presented as a component unit of the City of Coon Rapid's financial statements. The Utility is a legally separate entity from the City, but it is financially accountable to the City.

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 by providing a separate set self-balancing account, which comprise of its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses, and debt service of the designated activity. CRMU reports the following major enterprise funds:

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

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE COON RAPIDS
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2024

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 Fund financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. As such, the fund measurement objective is 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 business in the private sector.

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

When both restricted and unrestricted resources are available for use, it is CRMU's policy to use restricted resources first, and then unrestricted resources as they are needed.

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, 2024 was \$1,397,557.

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 other 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, 2024, was \$1,554,840.

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

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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.

Budgetary Information

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. During the year ended June 30, 2024, disbursements did not exceed the amounts budgeted.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The various 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 the 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. Investments consist of certificates of deposits, which are recorded at amortized costs.

Accounts Receivable and Allowance for Doubtful Accounts – Accounts receivable are stated at the amount CRMU expects to collect from outstanding balances. CRMU provides for probable uncollectible amounts through a charge to earnings and a credit to valuation allowance based on an assessment of the current status of individual accounts. Balances that are still outstanding after CRMU has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2024, the allowance for uncollectible accounts was \$29,170.

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.

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The inventories at June 30, 2024, are comprised as follows:

| | | |
|--------------------------------|----|---------|
| All Material and Supplies | \$ | 497,942 |
| Electric Fund Fuel Inventories | | 239,950 |
| Gas Fund Natural Gas Inventory | | 30,923 |
| SO2 Allowances | | 56,790 |
| REC Inventory | | 7,002 |
| NO(X) Allowances | | 13 |
| Total | \$ | 832,620 |

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.

Capital assets are depreciated over the assets estimated useful lives using the straight-line method. No depreciation is taken on construction in progress.

The estimated useful lives used to depreciate assets by class are as follows:

| | |
|---------------------------|-------------|
| Infrastructure | 20-40 years |
| Building and improvements | 20 years |
| Equipment and Vehicles | 5-10 years |

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/expenditures) 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. OPEB related deferred outflows of resources consist of changes of assumptions that have not been recognized in the OPEB expense.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to 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 the unamortized portion of the net difference between projected and actual earnings and on pension plan investments. OPEB related deferred inflows of resources consist of the differences between expected and actual experience that have not been recognized.

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 net position of the Iowa Public Employees’ Retirement System (IPERS) and additions to/deductions from IPERS’ 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

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when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Revenue Recognition

For electric, water, gas and wastewater services, meters are read, and bills are rendered on a cycle basis near the end of each month. Revenues based on meter readings are recorded close to the end of each month and, as such, the revenues earned from utilities delivered after meters are read to the end of the month are minimal and not estimated or recorded. For communication services, CRMU recognizes sales and service charge revenue in the period in which the service is provided.

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

Net Position

Net position is reported in the following categories:

- *Net Investment in Capital Assets* – This category consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances for bonds, notes, and other borrowings attributable to the acquisition, construction, or improvement of those assets and increased by unspent debt when there are limitations imposed on their use through external restrictions imposed by credits, grantors, or laws or regulations of other governments.
- *Restricted* – This category results when constraints are placed on net position by external groups such as creditors, grantors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- *Unrestricted* – This category consists of all other net position not meeting the definition of “restricted” or “net investment in capital assets.”

CRMU’s policy is to first apply restricted resources when expense is incurred for purposes for which both restricted and unrestricted net position is available.

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

- Restricted for Revenue Bonds \$803,140
- Restricted for Revolving Fund \$195,378

NOTE 2 – CASH AND INVESTMENTS

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

CRMU pool their deposits and investments and maintain records as to the separate utility systems share of the total balance. All deposits in banks at June 30, 2024 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.

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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 account 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 invested companies; certain joint investment trusts; and warrants or improvements certificates of drainage districts.

Interest rate risk – The Utility's 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 operation 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 requirement of Governmental Accounting Standards Board Statement No. 72.

NOTE 3 – REVOLVING LOAN RECEIVABLE

The Utility implemented a revolving loan program that began with funding of \$300,000 from a USDA Rural Development Grant and a \$60,000 local match. This program has made several loans to local organizations in furthering economic development in the Coon Rapids area. The ending balance of these loans was \$296,577 at June 30, 2024, with interest rates ranging from 2-4.75%. Annual principal and interest requirements to maturity are as follows:

| Year Ending June 30, | Principal | Interest |
|-------------------------|-------------------|---------------|
| 2025 | \$ 57,183 | 11,408 |
| 2026 | 51,032 | 9,185 |
| 2027 | 43,353 | 6,859 |
| 2028 | 38,725 | 5,210 |
| 2029 | 34,697 | 3,799 |
| Thereafter | 71,587 | 4,707 |
| | <u>\$ 296,577</u> | <u>41,168</u> |

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NOTE 4 – CAPITAL ASSETS

Capital assets categories and changes in each cost category and depreciation for the year ended June 30, 2024 was as follows:

| Total Utility | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|------------------|------------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 125,119 | - | - | \$ 125,119 |
| Construction in progress | 2,360,685 | 210,124 | 2,363,110 | 207,699 |
| Total capital assets not being depreciated | <u>2,485,804</u> | <u>210,124</u> | <u>2,363,110</u> | <u>332,818</u> |
| Capital assets being depreciated: | | | | |
| Neal 4 Steam Production | 3,782,064 | 103,317 | 1,811 | 3,883,570 |
| Local Production Facilities | 2,091,212 | - | - | 2,091,212 |
| Transmission System | 2,061,524 | 580,224 | 15,445 | 2,626,303 |
| Distribution System | 13,884,689 | 2,339,540 | 616,351 | 15,607,878 |
| Municipal Building | 1,333,644 | 7,775 | - | 1,341,419 |
| General Facilities Equipment | 2,945,764 | 40,145 | 46,626 | 2,939,283 |
| Total capital assets being depreciated | <u>26,098,897</u> | <u>3,071,001</u> | <u>680,233</u> | <u>28,489,665</u> |
| Less accumulated depreciation: | <u>13,565,277</u> | <u>790,729</u> | <u>673,129</u> | <u>13,682,877</u> |
| Net capital assets being depreciated | <u>12,533,620</u> | | | <u>14,806,788</u> |
| Total capital assets - net | <u>\$15,019,424</u> | | | <u>\$15,139,606</u> |

Capital asset categories and changes in each category and depreciation for the year ended June 30, 2024 for each major fund are as follows:

| Electric | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|----------------|---------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 56,312 | - | - | \$ 56,312 |
| Construction in progress | 96,758 | 147,705 | 98,977 | 145,486 |
| Total capital assets not being depreciated | <u>153,070</u> | <u>147,398</u> | <u>98,977</u> | <u>201,798</u> |
| Capital assets being depreciated: | | | | |
| Neal 4 Steam Production | 3,782,064 | 103,317 | 1,811 | 3,883,570 |
| Transmission System | 1,951,173 | 580,224 | 15,445 | 2,515,952 |
| Distribution System | 11,299,350 | 56,564 | 5,404 | 11,350,510 |
| Municipal Building | 627,500 | 3,887 | - | 631,387 |
| General Facilities Equipment | 1,888,880 | 13,918 | 12,006 | 1,890,792 |
| Total capital assets being depreciated | <u>19,548,967</u> | <u>757,910</u> | <u>34,666</u> | <u>20,272,211</u> |
| Less accumulated depreciation: | <u>8,795,547</u> | <u>583,233</u> | <u>34,149</u> | <u>9,344,631</u> |
| Net capital assets being depreciated | <u>10,753,420</u> | | | <u>10,927,580</u> |
| Electric utility, net capital assets | <u>\$10,906,490</u> | | | <u>\$11,129,378</u> |

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| Gas | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-----------|-----------|-------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 30,478 | - | - | \$ 30,478 |
| Construction in progress | - | 42,952 | - | 42,952 |
| Total capital assets not being depreciated | 30,478 | 42,952 | - | 73,430 |
| Capital assets being depreciated: | | | | |
| Local Productions Facilities | 153,490 | - | - | 153,490 |
| Distribution System | 502,428 | 10,845 | 4,991 | 508,282 |
| Municipal Building | 706,144 | 3,887 | - | 710,031 |
| General Facilities Equipment | 358,232 | 26,227 | 32,345 | 352,114 |
| Total capital assets being depreciated | 1,720,294 | 40,959 | 37,336 | 1,723,917 |
| Less accumulated depreciation: | 1,214,677 | 50,773 | 30,784 | 1,234,666 |
| Net capital assets being depreciated | 505,617 | | | 489,251 |
| Gas utility, net capital assets | \$ 536,095 | | | \$ 562,681 |
| Water | Beginning Balance | Increases | Decreases | Ending Balance |
| Capital assets not being depreciated: | | | | |
| Land | \$ 32,349 | - | - | \$ 32,349 |
| Total capital assets not being depreciated | 32,349 | - | - | 32,349 |
| Capital assets being depreciated: | | | | |
| Local Production Facilities | 318,560 | - | - | 318,560 |
| Transmission System | 110,351 | - | - | 110,351 |
| Distribution System | 794,731 | 7,998 | 3,182 | 799,547 |
| General Facilities Equipment | 166,206 | - | 746 | 165,460 |
| Total capital assets being depreciated | 1,389,848 | 7,998 | 3,928 | 1,393,918 |
| Less accumulated depreciation: | 1,129,154 | 28,163 | 3,889 | 1,153,428 |
| Net capital assets being depreciated | 260,694 | | | 240,490 |
| Communications utility, net capital assets | \$ 293,043 | | | \$ 272,839 |
| Communications | Beginning Balance | Increases | Decreases | Ending Balance |
| Capital assets being depreciated: | | | | |
| Local Production Facilities | \$ 317,667 | - | - | \$ 317,667 |
| General Facilities Equipment | 83,337 | - | 783 | 82,554 |
| Total capital assets being depreciated | 401,004 | - | 783 | 400,221 |

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| | | | | |
|--|------------------|--------|-----|------------------|
| Less accumulated depreciation: | 339,926 | 20,039 | 783 | 359,182 |
| Communications Utility, net capital assets | <u>\$ 61,078</u> | | | <u>\$ 41,039</u> |

| Wastewater | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|------------------|------------------|---------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 5,980 | - | - | \$ 5,980 |
| Construction in progress | 2,263,927 | 19,467 | 2,264,133 | 19,261 |
| Total capital assets not being depreciated | <u>2,269,907</u> | <u>19,467</u> | <u>2,264,133</u> | <u>25,241</u> |
| Capital assets being depreciated: | | | | |
| Local Production Facilities | 1,301,495 | - | - | 1,301,495 |
| Distribution System | 1,288,180 | 2,264,133 | 602,773 | 2,949,540 |
| General Facilities Equipment | 449,109 | - | 746 | 448,363 |
| Total capital assets being depreciated | <u>3,038,784</u> | <u>2,264,133</u> | <u>603,519</u> | <u>4,699,398</u> |
| Less accumulated depreciation: | <u>2,085,973</u> | <u>108,517</u> | <u>603,520</u> | <u>1,590,970</u> |
| Net capital assets being depreciated | <u>952,811</u> | | | <u>3,108,428</u> |
| Communications utility, net capital assets | <u>\$ 3,222,718</u> | | | <u>\$ 3,133,669</u> |

Reconciliation of Net Investment in Capital Assets:

| | Electric | Gas | Water | Communications | Wastewater | Total |
|--------------------------------|------------------|----------------|----------------|----------------|------------------|-------------------|
| Capital Assets (Net of A/D) | 11,129,378 | 562,681 | 272,839 | 41,039 | 3,133,669 | 15,139,606 |
| Less: | | | | | | |
| Bonds Payable | 1,415,000 | - | - | - | 1,503,062 | 2,918,062 |
| Retainage Payable | - | - | - | - | 98,672 | 98,672 |
| | <u>9,714,378</u> | <u>562,681</u> | <u>272,839</u> | <u>41,039</u> | <u>1,531,935</u> | <u>12,122,872</u> |

NOTE 5 – LONG TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2024 are summarized as follows:

| LT Liabilities | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|-----------------------|----------------------|---------------|----------------|---------------------|------------------------|
| Notes Payable | \$ 3,156,150 | 1,912 | 240,000 | \$ 2,918,062 | 250,000 |
| Net Pension Liability | 403,055 | 64,399 | - | 467,454 | - |
| Total | <u>\$ 3,559,205</u> | <u>66,311</u> | <u>240,000</u> | <u>\$ 3,385,516</u> | <u>250,000</u> |

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Notes Payable

Notes Payable activity for the year ended June 30, 2024 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------|----------------------|--------------|----------------|-------------------|------------------------|
| Electric Utility: | | | | | |
| Iowa Savings Bank | \$ 1,570,000 | - | 155,000 | 1,415,000 | \$ 160,000 |
| Wastewater Utility: | | | | | |
| State Revolving Fund Loan | 1,586,150 | 1,912 | 85,000 | 1,503,062 | 90,000 |
| Total | <u>\$ 3,156,150</u> | <u>1,912</u> | <u>240,000</u> | <u>2,918,062</u> | <u>\$ 250,000</u> |

Electric Utility - The Utility pledged future electric customer receipts net of specific operating disbursements to repay \$2,400,000 of revenue bonds issued in January 2017 and refinanced in 2020. The note is payable solely from electric customer net receipts, bears interest at 2% and is payable through 2032. During the year ended June 30, 2024 the Utility paid principal of \$155,000 and interest of \$31,400. The total principal and interest remaining to be paid on the notes is \$1,547,300. For the current year, principal and interest paid and total customer net receipts were \$186,400 and \$1,538,720, respectively.

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

| | Principal | Interest |
|-----------|---------------------|-------------------|
| 2025 | \$ 160,000 | \$ 28,300 |
| 2026 | 160,000 | 25,100 |
| 2027 | 165,000 | 21,900 |
| 2028 | 175,000 | 18,600 |
| 2029 | 180,000 | 15,100 |
| 2030-2032 | 575,000 | 23,300 |
| | <u>\$ 1,415,000</u> | <u>\$ 132,300</u> |

Wastewater Utility – The Utility pledged future sewer customer receipts net of specific operating disbursements to repay \$2,076,000 of revenue bonds issued in May 2021. The note is payable solely from sewer customer net receipts, bears interest at 2% and is payable through 2042. During the year ended June 30, 2024 the Utility paid principal of \$85,000 and interest of \$31,730. The total principal and interest remaining to be paid on the notes is \$1,838,187. For the current year, principal and interest paid and total customer net receipts were \$116,730 and \$22,536, respectively.

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

| | Principal | Interest |
|------|-----------|-----------|
| 2025 | \$ 90,000 | \$ 33,425 |
| 2026 | 90,000 | 31,850 |
| 2027 | 95,000 | 30,275 |
| 2028 | 95,000 | 28,613 |

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| | | |
|-----------|--------------|------------|
| 2029 | 95,000 | 26,950 |
| 2030-2034 | 510,000 | 108,850 |
| 2035-2039 | 528,062 | 62,300 |
| | \$ 1,503,062 | \$ 322,263 |

NOTE 6 – 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, 2024 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. The Utility’s approximate liability for earned vacation payable to employees at June 30, 2024 is as follows:

| | Electric | Gas | Water | Comm | Wastewater | Total |
|----------|-----------|-----------|-----------|----------|------------|-----------|
| Vacation | \$ 32,500 | \$ 15,785 | \$ 13,849 | \$ 5,592 | \$ 6,731 | \$ 74,457 |

NOTE 7 – 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 8 – PAYMENT TO THE CITY

CRMU made voluntary in-lieu-of-tax payments to the City in the amount of \$103,401 for the year ended June 30, 2024.

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NOTE 9 – PENSION AND RETIREMENT BENEFITS

Plan Description – IPERS membership is mandatory for employees of CRMU. Employees of CRMU are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO 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.

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% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month 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.

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JUNE 30, 2024

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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.

For the year ended June 30, 2024, pursuant to the required rate, regular members contributed 6.29% of covered payroll and CRMU contributed 9.44% of covered payroll, for a total rate of 15.73%.

The Utilities’ total contributions to IPERS for the year ended June 30, 2024 were \$90,982.

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions – At June 30, 2024, CRMU reported a liability of \$467,454 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. CRMU’s proportion of the net pension liability was based on CRMU’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2024, CRMU’s proportion was 0.010356% percent, which was a decrease of 0.000312% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, CRMU recognized pension expense of \$43,936. CRMU 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 | \$ 39,547 | 1,921 |
| Changes of assumptions | - | 7 |
| Net difference between projected and actual earnings on IPERS investments | 43,292 | - |
| Changes in proportion and differences between Utility contributions and the Utility’s proportionate share of contributions | 6,995 | 16,205 |
| Utility contributions subsequent to the measurement date | 90,730 | - |
| | \$ 180,564 | 18,133 |

Deferred outflows of resources related to pensions of \$90,730 represents the amount CRMU contributed subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. 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
A COMPONENT UNIT OF THE COON RAPIDS
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2024

| Year ending June 30, | Total |
|-------------------------|-------------|
| 2025 | \$ (11,628) |
| 2026 | (39,989) |
| 2027 | 102,905 |
| 2028 | 18,085 |
| 2029 | 2,328 |
| | \$ 71,701 |

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2023 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% per annum. |
| Rates of salary increase (effective June 30, 2017) | 3.25 to 16.25% average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 2017) | 7.00% compounded annually, net of investment expense, including inflation. |
| Wage growth (effective June 30, 2017) | 3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation. |

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2023 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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 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:

| Asset Class | Asset Allocation | Long-Term Expected Real Rate of Return |
|--------------------------|---------------------|---|
| Domestic equity | 21.0% | 4.56 % |
| International equity | 16.5 | 6.22 |
| Global smart beta equity | 5.0 | 5.22 |
| Core plus fixed income | 23.0 | 2.69 |
| Public credit | 3.0 | 4.38 |
| Cash | 1.0 | 1.59 |
| Private equity | 17.0 | 10.44 |
| Private real assets | 9.0 | 3.88 |
| Private credit | 4.5 | 4.60 |
| | 100.0% | |

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE COON RAPIDS
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2024

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from Utilities will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS’ fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS’ investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of CRMU’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents CRMU’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what CRMU’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---------------------------|-----------------------------|---------------------------|
| Utility’s proportionate share of the net pension liability | \$ 993,913 | 467,455 | 26,274 |

IPERS’ Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at www.ipers.org.

Payables to IPERS – At June 30, 2024, CRMU reported payables to IPERS of \$11,674 for legally required contributions from employee wages which had not yet been remitted to IPERS.

NOTE 10 – EMPLOYEE HEALTH INSURANCE PLAN

CRMU has a group health insurance policy which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. CRMU partially self-insures certain eligible medical costs that exceed the established amounts approved in CRMU’s policy. The insurance policies provided by CRMU have deductibles and out of pocket maximums of \$4,000 and \$9,000 for single coverage and \$8,000 and \$18,000 for family coverage, respectively. Under the program, employees are only required to pay a maximum of \$1,000 for single coverage and \$2,000 for family coverage towards these provisions, with CRMU covering the remainder.

CRMU’s contributions for the year ended June 30, 2024 was \$9,718. CRMU has estimated unpaid claims for the current year as follows:

| | |
|---|----------|
| Unpaid claims, beginning of year | \$ 5,573 |
| Incurring claims (including claims incurred but not reported at June 30, 2023) | 4,153 |
| Payments on claims during the year | (9,718) |
| Unpaid claims, end of year | \$ 8 |

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE COON RAPIDS
NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2024

NOTE 11 – COMMITMENTS AND CONTINGENT LIABILITIES

CRMU has a contract 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 may be adjusted 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. Unless a cancellation notice is received, the contract automatically renews each year.

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.

NOTE 12 – 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 13 – 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 14 – SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 19, 2024 the date the financial statements were available to be issued.

Required Supplementary Information

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

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, EXPENDITURES
AND CHANGES IN NET POSITION- BUDGET AND ACTUAL
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2024

| | Budgeted Amounts | | Actual | Budget to |
|--|------------------|------------|------------|-----------------|
| | Original | Amended | | Actual Variance |
| Receipts: | | | | |
| Municipal Electric Utility | | | 9,073,902 | |
| Municipal Gas Utility | | | 953,718 | |
| Municipal Water Utility | | | 369,268 | |
| Municipal Communications Utility | | | 993,729 | |
| Municipal Waste Water Utility | | | 322,915 | |
| | \$ 12,862,290 | 12,862,290 | 11,713,532 | 1,147,467 |
| Expenditures: | | | | |
| Municipal Electric Utility | | | 7,198,442 | |
| Municipal Gas Utility | | | 815,924 | |
| Municipal Water Utility | | | 363,529 | |
| Municipal Communications Utility | | | 767,453 | |
| Municipal Waste Water Utility | | | 287,099 | |
| | 12,916,550 | 12,916,550 | 9,432,447 | 3,485,195 |
| Excess (Deficiency) of Revenues Over Expenditures | (54,260) | (54,260) | 2,281,085 | |
| Net Position at beginning of year | 21,149,805 | 21,149,805 | 22,219,967 | |
| Net Position at end of year | \$ 21,095,545 | 21,095,545 | 24,501,052 | |

See accompanying independent auditor's report.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2024

In accordance with the Code of Iowa, Coon Rapids Municipal Utilities annually adopts a combined budget on the cash basis for the City of Coon Rapids, Iowa following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized and appropriations lapse at year-end.

Formal and legal budgetary control is based upon nine major classes of expenditures, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. All Utility expenditures are included in business type activities and are required to be budgeted.

Disbursements during the year ended June 30, 2024 did not exceed the amounts budgeted.

COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
SCHEDULE OF THE UTILITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS*
REQUIRED SUPPLEMENTARY INFORMATION

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|--|-----------|-----------|------------|-----------|-----------|
| Utility's proportion of the net net pension liability | 0.010356% | 0.010668% | -0.004151% | 0.010611% | 0.010607% |
| Utility's proportionate share of the of the net pension liability | 467,455 | 403,055 | 14,329 | 745,367 | 614,219 |
| Utility's covered payroll | 906,949 | 856,833 | 829,583 | 842,078 | 807,237 |
| Utility's proportionate share of the pension liability as a percentage of its covered-employee payroll | 51.54% | 47.04% | 1.73% | 88.52% | 76.09% |
| Plan fiduciary net position as a percentage of the total pension liability | 90.13% | 91.40% | 100.81% | 82.90% | 85.45% |

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

| 2019 | 2018 | 2017 | 2016 | 2015 |
|-----------|-----------|-----------|-----------|-----------|
| 0.009665% | 0.009533% | 0.009402% | 0.009390% | 0.009371% |
| 611,642 | 634,999 | 591,681 | 463,916 | 371,638 |
| 726,433 | 711,570 | 674,705 | 643,303 | 613,191 |
| 84.20% | 89.24% | 87.69% | 72.11% | 60.61% |
| 83.62% | 82.21% | 81.82% | 85.19% | 87.61% |

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
SCHEDULE OF UTILITY CONTRIBUTIONS**

**FOR THE LAST TEN YEARS
REQUIRED SUPPLEMENTARY INFORMATION**

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|---|-----------------|-----------------|-----------------|-----------------|
| Statutorily required contribution | \$ 90,982 | \$ 85,616 | \$ 80,885 | \$ 78,313 |
| Contributions in relation to the statutorily required contribution | <u>(90,982)</u> | <u>(85,616)</u> | <u>(80,885)</u> | <u>(78,313)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 963,788 | \$ 906,949 | \$ 856,833 | \$ 829,583 |
| Contributions as a percentage of covered-employee payroll | 9.44% | 9.44% | 9.44% | 9.44% |

See accompanying independent auditor's report.

| <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$ 79,492 | \$ 76,203 | \$ 64,871 | \$ 63,543 | \$ 60,251 | \$ 57,447 |
| <u>(79,492)</u> | <u>(76,203)</u> | <u>(64,871)</u> | <u>(63,543)</u> | <u>(60,251)</u> | <u>(57,447)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 842,078 | \$ 807,237 | \$ 726,433 | \$ 711,570 | \$ 674,705 | \$ 643,303 |
| 9.44% | 9.44% | 8.93% | 8.93% | 8.93% | 8.93% |

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY**

FOR THE YEAR ENDED JUNE 30, 2024

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

**INDEPENDENT AUDITOR'S 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**

To the Board of Trustees of
Coon Rapids Municipal Utilities:

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 Coon Rapids Municipal Utilities, as of and for the year ended June 30, 2024, and the related Notes to Financial Statements, which collectively comprise the Utilities' basic financial statements, and have issued our report thereon dated December 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utilities' internal control over financial reporting (internal control) as a basis for designing the audit procedures 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 the Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 which 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

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The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance which is described in Part II of the accompanying schedule of findings.

Comments involved statutory and other legal matters about the Utilities' operations for the year ended June 30, 2024 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on test and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Coon Rapids Municipal Utilities' Response to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Utilities' responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The Utilities' responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 Utilities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utilities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

TP Anderson & Company, PC

Humboldt, Iowa

December 19, 2024

**COON RAPIDS MUNICIPAL UTILITIES
A COMPONENT UNIT OF THE CITY OF COON RAPIDS
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2024**

Part I: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part II: Other Findings Related to Statutory Reporting:

- II-A-24 Certified Budget – Disbursements during the year ended June 30, 2024 did not exceed the amounts budgeted.

- II-B-24 Questionable Disbursement – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- II-C-24 Travel Expense – No disbursements of Utility money for travel expenses of spouses of Utility officials or employees were noted.

- II-D-24 Business Transactions – No business transactions between Coon Rapids Municipal Utilities and the Utilities' officials and employees were noted.

- II-E-24 Bond Coverage – Surety bond coverage of Utility 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.

- II-F-24 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

- II-G-24 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities' investment policy.

- II-H-24 Telecommunication Services – No instance of noncompliance with Chapter 388.10 of the Code of Iowa were noted.