

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
WITH  
INDEPENDENT AUDITORS' REPORT  
FOR THE YEAR ENDED JUNE 30, 2005**

# CONN RAPIDS MUNICIPAL UTILITIES

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# COON RAPIDS MUNICIPAL UTILITIES

## OFFICIALS

<b>Name</b>	<b>Position</b>	<b>Term Expires</b>
Mike Deeth	Chairman	July, 2006
Larry Taylor	Trustee	July, 2008
Dierk Halverson	Trustee	July, 2010
Bradley Honold	Secretary/General Manager	Indefinite
Kari Frerking	Comptroller	Indefinite
Julie Ruggles	City Clerk / City Treasurer (Effective August 1, 2004)	December, 2005
Mark Thomas	Attorney	December, 2005

## INDEPENDENT AUDITORS' REPORT

Coon Rapids Municipal Utilities  
Coon Rapids, Iowa

We have audited the accompanying financial statements of the business type activities of each major fund of Coon Rapids Municipal Utilities, a component unit of the City of Coon Rapids, as of and for the year ended June 30, 2005, which collectively comprise the Utilities' basic financial statement listed in the table of contents. These financial statements are the responsibility of Coon Rapids Municipal Utilities' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial statements of Coon Rapids Municipal Utilities are intended to present the financial position and results of operations and cash flows of proprietary fund types of only that portion of the financial reporting entity of the City of Coon Rapids, Iowa, that is attributable to the transactions of the Coon Rapids Municipal Utilities.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of each major fund of Coon Rapids Municipal Utilities, a component unit of the City of Coon Rapids, at June 30, 2005, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2005, on our consideration of Coon Rapids Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion of the financial statements that collectively comprise Coon Rapids Municipal Utilities' basic financial statements. Other supplementary information included in Schedules 3 and 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

December 8, 2005

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **BASIC FINANCIAL STATEMENTS**

**Business Type Activities - Enterprise Funds**

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 1,749,108	\$ 1,192,466	\$ 138,207	\$ 992,426	\$ 4,936,207
144,209	35,168	11,461	8,307	251,045
25,129	30,482	2,863	96	145,170
35,347	38,641	6,844	42,436	123,268
-	31,160	-	-	31,160
196,225	55,654	10,665	151	268,317
31,744	8,903	3,508	2,041	48,501
<u>2,181,762</u>	<u>1,392,474</u>	<u>173,548</u>	<u>1,045,457</u>	<u>5,803,668</u>
511,966	-	-	-	511,966
<u>511,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>511,966</u>
11,680,368	1,235,121	1,358,606	1,633,506	16,249,777
(4,064,917)	(703,568)	(818,714)	(970,893)	(6,788,678)
<u>7,615,451</u>	<u>531,553</u>	<u>539,892</u>	<u>662,613</u>	<u>9,461,099</u>
11,510	15,158	-	34,309	60,977
<u>7,626,961</u>	<u>546,711</u>	<u>539,892</u>	<u>696,922</u>	<u>9,522,076</u>
13,589	-	-	-	13,589
-	64,066	-	160,207	224,273
47,830	-	-	-	47,830
25,799	132,555	31,087	85,389	274,830
-	119,675	-	-	119,675
153,910	202,774	-	-	356,684
-	20,000	-	-	20,000
-	7,778	-	-	7,778
<u>241,128</u>	<u>546,848</u>	<u>31,087</u>	<u>245,596</u>	<u>1,064,659</u>
<u>\$ 10,561,817</u>	<u>\$ 2,486,033</u>	<u>\$ 744,527</u>	<u>\$ 1,987,975</u>	<u>\$ 16,902,369</u>

(Continued)



**Business Type Activities - Enterprise Funds**

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Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 44,275	\$ 18,183	\$ 3,036	\$ 46	\$ 134,923
7,432	15,898	7	6	23,434
8,023	2,741	2,087	1,012	21,402
10,438	5,570	3,073	1,318	25,687
-	-	-	-	31,160
19,863	-	13,333	-	33,196
-	-	-	-	-
24,342	-	-	-	24,342
186,773	-	-	-	186,773
140,000	-	-	-	140,000
13,380	-	-	-	13,380
<u>454,526</u>	<u>42,392</u>	<u>21,536</u>	<u>2,382</u>	<u>634,297</u>
2,334,452	-	-	-	2,334,452
1,530,000	-	-	-	1,530,000
-	-	-	-	119,675
-	-	2,223	-	2,223
<u>3,864,452</u>	<u>-</u>	<u>2,223</u>	<u>-</u>	<u>3,986,350</u>
<u>4,318,978</u>	<u>42,392</u>	<u>23,759</u>	<u>2,382</u>	<u>4,620,647</u>
3,406,470	530,813	539,892	696,922	5,285,687
511,966	-	-	-	511,966
<u>2,324,403</u>	<u>1,912,828</u>	<u>180,876</u>	<u>1,288,671</u>	<u>6,484,069</u>
6,242,839	2,443,641	720,768	1,985,593	12,281,722
<u>\$ 10,561,817</u>	<u>\$ 2,486,033</u>	<u>\$ 744,527</u>	<u>\$ 1,987,975</u>	<u>\$ 16,902,369</u>

**COON RAPIDS MUNICIPAL UTILITIES**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Communications: Telephone Utility</u>	<u>Communications: Cable TV, Internet &amp; Pager Utility</u>
<b>OPERATING REVENUES:</b>		
Sales to Customers	\$ 795,376	\$ 308,596
Sales for Resale	-	-
Interdepartmental Sales	-	-
Forfeited Discounts	5,490	-
Rebates and Other	-	293
Total Operating Revenues	<u>800,866</u>	<u>308,889</u>
<b>OPERATING EXPENSES:</b>		
Purchased Energy and Programming	402,130	156,791
Plant Operations	9,889	16,563
Transmission Operations	-	-
Distribution Operations	18,255	32,397
Consumer Service Operations	47,024	23,095
Administrative and General Expenses	97,999	39,593
Depreciation	1,273	10,747
Total Operating Expenses	<u>576,570</u>	<u>279,186</u>
Operating Income (Loss)	224,296	29,703
<b>NON OPERATING REVENUES (EXPENSES):</b>		
Interest Income	9,614	4,190
Joint Use Revenue	(172,992)	-
Municipal Building - Rent and Expense Reimbursement	-	-
Merchandise Sales - Net	3,672	(1,843)
Gain (Loss) on Sale or Disposal of Assets	-	-
Miscellaneous Nonoperating Revenue	7,676	1,754
Interest Expense	-	(7,519)
Municipal Building Expense	-	-
Net Nonoperating Revenues (Expenses)	<u>(152,030)</u>	<u>(3,418)</u>
Income (Loss) before Transfers	72,266	26,285
<b>TRANSFERS IN (OUT):</b>		
In-Lieu-Of Tax Payments	(534)	(443)
Free Community Service	(3,692)	(269)
Net Transfers In (Out)	<u>(4,226)</u>	<u>(712)</u>
Changes in Net Assets	68,040	25,573
Total Net Assets - July 1, 2004	732,531	62,737
Total Net Assets - June 30, 2005	<u>\$ 800,571</u>	<u>\$ 88,310</u>

See Independent Auditors' Report and Notes to Financial Statements

EXHIBIT B

Business Type Activities - Enterprise Funds

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 1,276,168	\$ 1,170,454	\$ 149,397	\$ 109,424	\$ 3,809,415
642,741	-	-	-	642,741
46,555	3,837	638	-	51,030
3,403	842	229	235	10,199
5,337	1,334	14,439	-	21,403
<u>1,974,204</u>	<u>1,176,467</u>	<u>164,703</u>	<u>109,659</u>	<u>4,534,788</u>
965,634	892,596	-	-	2,417,151
39,435	12,103	53,420	11,953	143,363
25,112	-	-	-	25,112
117,795	58,889	33,015	16,907	277,258
42,829	30,574	13,417	9,488	166,427
224,369	101,530	46,614	22,642	532,747
306,518	30,335	45,344	41,663	435,880
<u>1,721,692</u>	<u>1,126,027</u>	<u>191,810</u>	<u>102,653</u>	<u>3,997,938</u>
252,512	50,440	(27,107)	7,006	536,850
48,865	33,410	4,258	25,179	125,516
172,992	-	-	-	-
10,180	3,925	2,400	-	16,505
2,173	807	114	-	4,923
2,300	-	3,265	-	5,565
7,594	4,941	66	75	22,106
(207,099)	-	-	-	(214,618)
(18,384)	(23,743)	-	-	(42,127)
<u>18,621</u>	<u>19,340</u>	<u>10,103</u>	<u>25,254</u>	<u>(82,130)</u>
<u>271,133</u>	<u>69,780</u>	<u>(17,004)</u>	<u>32,260</u>	<u>454,720</u>
(37,599)	(30,302)	(2,858)	(53)	(71,789)
(16,615)	(19,917)	(19,941)	(269)	(60,703)
<u>(54,214)</u>	<u>(50,219)</u>	<u>(22,799)</u>	<u>(322)</u>	<u>(132,492)</u>
216,919	19,561	(39,803)	31,938	322,228
6,025,920	2,424,080	760,571	1,953,655	11,959,494
<u>\$ 6,242,839</u>	<u>\$ 2,443,641</u>	<u>\$ 720,768</u>	<u>\$ 1,985,593</u>	<u>\$ 12,281,722</u>

**COON RAPIDS MUNICIPAL UTILITIES**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Communications: Telephone Utility</u>	<u>Communications: Cable TV, Internet &amp; Pager Utility</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers and Users	\$ 881,843	\$ 308,434
Cash Received from Interdepartmental Sales	-	-
Cash Received from Other Revenues - Net	(161,644)	(89)
Cash Paid to Suppliers for Goods and Services	(493,398)	(182,835)
Cash Paid to Employees	(76,503)	(79,327)
Cash Paid for Interdepartmental Services	-	-
Cash Paid for In-Lieu-of-Tax Payments	(534)	(443)
Net Cash Flow from Operating Activities	<u>149,764</u>	<u>45,740</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Transfers to City of Coon Rapids - Free Community Service	(3,692)	(269)
Increase in Patronage Dividend Receivable	-	-
Increase in Customer Deposits	-	-
Net Cash Flow from Noncapital Financing Activities	<u>(3,692)</u>	<u>(269)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital and Construction in Progress Expenditures	(5,576)	(54,293)
Principal Payments on Long-term Debt	-	(29,791)
Interest Paid on Debt	-	(7,519)
Proceeds from Sales of Fixed Assets	-	-
Net Cash Flow from Capital and Related Financing Activities	<u>(5,576)</u>	<u>(91,603)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Interest on Investments	9,614	4,190
Principal Received on -		
City of Coon Rapids Loan	-	-
Coon Rapids Development Group Loan	-	-
Tax Increment Financing	-	-
Interutility Loans	-	-
Net Cash Flow from Investing Activities	<u>9,614</u>	<u>4,190</u>
Net Increase (Decrease) in Cash and Cash Equivalents	150,110	(41,942)
Cash and Cash Equivalents - July 1, 2004	580,048	175,784
Cash and Cash Equivalents - June 30, 2005	<u>\$ 730,158</u>	<u>\$ 133,842</u>

See Independent Auditors' Report and Notes to Financial Statements.

**Business Type Activites - Enterprise Funds**

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 1,940,767	\$ 1,164,534	\$ 155,896	\$ 113,330	\$ 4,564,804
46,555	3,837	638	-	51,030
192,939	9,673	5,845	-	46,724
(1,090,026)	(1,037,295)	(57,150)	(29,387)	(2,890,091)
(241,027)	(120,787)	(84,398)	(39,580)	(641,622)
(46,555)	(3,837)	(638)	-	(51,030)
(37,599)	(30,302)	(2,858)	(53)	(71,789)
<u>765,054</u>	<u>(14,177)</u>	<u>17,335</u>	<u>44,310</u>	<u>1,008,026</u>
(16,615)	(19,917)	(19,941)	(269)	(60,703)
(787)	-	-	-	(787)
4,779	-	-	-	4,779
<u>(12,623)</u>	<u>(19,917)</u>	<u>(19,941)</u>	<u>(269)</u>	<u>(56,711)</u>
(222,095)	(67,411)	(17,203)	(19,464)	(386,042)
(311,773)	-	-	-	(341,564)
(208,059)	-	-	-	(215,578)
2,300	-	3,265	-	5,565
<u>(739,627)</u>	<u>(67,411)</u>	<u>(13,938)</u>	<u>(19,464)</u>	<u>(937,619)</u>
48,865	33,410	4,258	25,179	125,516
-	7,162	-	21,403	28,565
24,937	-	-	-	24,937
-	33,619	-	25,303	58,922
-	29,961	-	-	29,961
<u>73,802</u>	<u>104,152</u>	<u>4,258</u>	<u>71,885</u>	<u>267,901</u>
86,606	2,647	(12,286)	96,462	281,597
2,174,468	1,189,819	150,493	895,964	5,166,576
<u>\$ 2,261,074</u>	<u>\$ 1,192,466</u>	<u>\$ 138,207</u>	<u>\$ 992,426</u>	<u>\$ 5,448,173</u>

(Continued)

**COON RAPIDS MUNICIPAL UTILITIES**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Communications: Telephone Utility</b>	<b>Communications: Cable TV, Internet &amp; Pager Utility</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating Income (Loss) (Exhibit B)	\$ 224,296	\$ 29,703
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities -		
Depreciation	1,273	10,747
Other Revenues (Expenses)	(161,644)	(89)
(Increase) Decrease in Operating Assets -		
Accounts Receivable	80,977	(552)
Inventories	1,458	374
Other Current and Prepaid Assets	-	97
Prepaid Rent, Noncurrent	-	-
Increase (Decrease) in Operating Liabilities -		
Deferred Rent Revenue	-	-
Accounts and Other Payables	7,391	5,031
Compensated Absences	(305)	(385)
Payroll, Sales and Use Taxes Payable	(3,682)	814
	\$ 149,764	\$ 45,740

**RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON THE STATEMENT OF NET ASSETS:**

Current Assets - Cash and Cash Equivalents	730,158	133,842
Restricted Assets - Cash and Cash Equivalents	-	-
	\$ 730,158	\$ 133,842
Cash and Cash Equivalents - June 30, 2005		

See Independent Auditors' Report and Notes to Financial Statements

EXHIBIT C

Business Type Activities - Enterprise Funds

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 252,512	\$ 50,440	\$ (27,107)	\$ 7,006	\$ 536,850
306,518	30,335	45,344	41,663	435,880
192,939	9,673	5,845	-	46,724
56,174	(6,312)	9,088	4,510	143,885
(10,775)	(4,894)	3,542	40	(10,255)
(329)	(163)	180	(839)	(1,054)
6,667	6,667	-	-	13,334
-	-	(13,333)	-	(13,333)
(36,157)	(97,866)	(5,922)	(8,038)	(135,561)
(1,389)	(736)	(409)	(174)	(3,398)
(1,106)	(1,321)	107	142	(5,046)
<u>\$ 765,054</u>	<u>\$ (14,177)</u>	<u>\$ 17,335</u>	<u>\$ 44,310</u>	<u>\$ 1,008,026</u>
1,749,108	1,192,466	138,207	992,426	4,936,207
511,966	-	-	-	511,966
<u>\$ 2,261,074</u>	<u>\$ 1,192,466</u>	<u>\$ 138,207</u>	<u>\$ 992,426</u>	<u>\$ 5,448,173</u>

## COON RAPIDS MUNICIPAL UTILITIES

### NOTES TO FINANCIAL STATEMENTS

#### NOTES 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**A. *Organization and Nature of Activities* -**

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

These financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable for proprietary funds of governmental entities. In reporting financial activities, CRMU applies all applicable Governmental Accounting Standards Board (GASB) pronouncements, as well as Financial Accounting Standards Board (FASB) statements and interpretations, including statements and interpretations of the FASB issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

**B. *Reporting Entity* -**

Generally accepted accounting principles require CRMU to consider if it has oversight responsibility or control over any other legal entity. Control or dependence is determined based on budget adoption, taxing authority, funding, or appointment of the respective governing board. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

In accordance with GASB 14, CRMU has been identified as a component unit of the City of Coon Rapids.

**C. *Shared Utility Plants* -**

CRMU, as a member of the North Iowa Municipal Electric Cooperative Association (NIMECA), entered into an agreement with Corn Belt Power Cooperative to provide NIMECA and its participating members with a long-term right and access to electric transmission facilities necessary to handle the combined needs of the participating members through undivided ownership interests in the capacity of transmission facilities. The costs associated with this agreement were allocated to the members based on their proportionate use of the shared transmission system and have been recorded by CRMU as capital assets in the Electric Utility Fund. The net book value at June 30, 2005 was \$528,852. In connection with this agreement, NIMECA established a Common Transmission System (CTS) Capital Improvement Fund in order to provide for major repairs or capital improvements made to the Common Transmission System.

See Independent Auditors' Report.

Additionally, CRMU is one of fourteen owners in Unit 4 George Neal Generating Station which is managed in accordance with the terms of the basic generating agreement between MidAmerican Energy and the owners. CRMU, as a tenant-in-common, owns 0.521 percent of the generating station for generating, purchasing, obtaining by exchange, or otherwise acquiring or transmitting electric power and energy. CRMU's share of the costs of this generating station has been recorded as capital assets in the Electric Utility Fund. The net book value at June 30, 2005 was \$929,567.

CRMU is required to pay its pro rata share of operations and maintenance costs, net of revenues earned, for both of these shared plant facilities. Separate financial statements for these shared plant facilities are available in the offices of CRMU.

**D. *Basis of Presentation -***

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

Each fund is used to account for the operation and maintenance, including debt service of the designated activity. CRMU reports the following major enterprise funds:

- The Communication: Telephone Fund.
- The Communications: Cable TV, Internet & Pager Fund.
- The Electric Fund.
- The Natural Gas Fund.
- The Water Fund.
- The Wastewater Fund.

**E. *Measurement Focus and Basis of Accounting -***

Measurement focus refers to what is measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The applicable generally accepted accounting principles are those similar to businesses in the private sector.

Coon Rapids Municipal Utilities proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. As such, the fund measurement objective is the determination of operating income, changes in net assets, financial position, and cash flows. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized when the related obligation is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the 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.

See Independent Auditors' Report.

**F. Use of Estimates -**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**G. Revenue Recognition -**

For all services except communication services, meters are read and bills are rendered on a cycle basis near the end of each month. Revenues are recorded accordingly. The readings are close to the end of each month and as such the revenues earned after meters are read to the end of the month is minimal and not estimated or recorded.

However, for telephone communication services, unbilled receivables for services delivered between scheduled billing dates are estimated and shown in the Communications: Telephone Utility as other accounts receivable.

**H. Cash and Cash Equivalents -**

The various proprietary funds of CRMU combine their cash funds into several shared bank accounts at one financial institution. Interest earned on investments is divided among the proprietary funds.

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

**I. Accounts receivable and Allowance for Doubtful Accounts -**

An estimate is made for allowances for doubtful accounts based on an analysis of the aging of accounts receivable and on historical write-offs net of recoveries. Additional specific amounts may be included based on credit risk as deemed appropriate by management. Accounts receivable was reported net of the allowance for doubtful accounts of \$23,592 at June 30, 2005.

**J. Inventories -**

Inventories 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. The Electric Utility inventories include fuel for the local plant and its joint ownership share of the coal pile at the Neal 4 Generating Station. The Gas Utility inventories include stored natural gas held for sale. The inventories at June 30, 2005 are comprised as follows:

All Material and Supplies	\$ 237,165
Electric Fund Fuel Inventories	17,003
Gas Fund Natural Gas Inventory	14,149

See Independent Auditors' Report

**K. Capital Assets -**

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

CRMU does not have a written policy for capitalizing assets. Management determines capitalization or expensing on an individual basis.

Interest costs on debt are capitalized where proceeds are used to finance the construction of assets. Interest earned on proceeds of tax exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest costs were capitalized for the year ended June 30, 2005, as no qualifying assets were acquired.

Depreciation is provided over the assets estimated useful lives using the straight line method with one-half year convention. No depreciation is taken on construction in progress. The range of estimated useful lives by capital asset sub-categories is as follows:

Plant and Structures	20-50 Years
Sub-Station Improvements	20-35 Years
Transmission System Improvements	25-35 Years
Distribution System Improvements	25-35 Years
Tools and Shop Equipment	5-10 Years
Furniture and Office Equipment	5-10 Years
Vehicles	5 Years

**L. Discount on Bonds -**

Charges resulting from the issuance of revenue bonds and notes are deferred and amortized over the repayment period of the bonds using the straight line method, which is not materially different than the interest method. The 1998 series electric revenue bonds were issued at a discount. Bonds payable are reflected net of the unamortized discount, which amounted to \$28,775 at June 30, 2005.

**M. Net Assets -**

Net assets are shown in three components:

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

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

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

See Independent Auditors' Report

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

**Restricted for**

Revenue Notes Sinking	\$ 43,559
Revenue Notes Reserve	318,407
Revenue Notes Capital Improvement Reserve	150,000
Totals	<u>\$511,966</u>

**N. Allocations -**

CRMU allocates certain expenses based on a three-year rolling average of personnel hours for each utility, except for those expenses determined to be for a specific fund or funds. The rolling average is updated each pay period.

**O. Budgets and Budgetary Accounting -**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**NOTE 2 - CASH AND POOLED INVESTMENTS**

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, 2005, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

CRMU is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit or savings accounts at federally insured depository institutions approved by the Board of

Trustees and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of drainage districts.

At June 30, 2005, the Electric Utility had investments in the Iowa Public Agency Investment Trust (IPAIT) held in the NIMECA CTS Improvement Fund, which are valued at an amortized cost of \$108,768. Deposits with IPAIT are not FDIC insured as it is not considered a financial institution. Instead, IPAIT is a common law trust established under Iowa law pursuant to Chapter 28E and Sections 331, 555 and 384.21, Iowa Code (1987), as amended, which authorizes Iowa public agencies to jointly invest moneys pursuant to a joint investment agreement. IPAIT is registered under the Investment Company Act of 1940. Investments in IPAIT are not classified as to custodial credit risk.

Monies held for special purposes are restricted to the use for which designated and cannot be used for the general operations of the utility. The funds held for debt redemption, debt reserve and improvements are required by covenants of the revenue notes payable.

See Independent Auditors' Report.

### NOTE 3 - COMMUNICATIONS: TELEPHONE ACCOUNTS RECEIVABLE - OTHER

Accounts Receivable – Other for the Communications: Telephone Utility includes delayed long distance and CAB's billings of \$86,007 for the telephone system. The CAB's portion is \$63,701 at June 30, 2005. The CAB's amount is net of an allowance for doubtful collections in the amount of \$10,250. Management believes the allowance to be a reasonable and appropriate reduction of the CAB's receivables to their net realizable value.

### NOTE 4 - LOANS RECEIVABLE

#### Loans to City of Coon Rapids

On April 11, 2002, the Board of Trustees of CRMU approved a resolution to provide financing from the Gas Utility and Wastewater Utility for the purpose of providing funds to the City of Coon Rapids in order for the City to pay the cost of construction of a new bridge and reconstruction of the roadway approaching the bridge. CRMU is financing the loan pursuant to the provisions of Section 384.24A of the Code of Iowa.

The principal amount of the loan was \$350,000 with \$100,000 financed by the Gas Utility and \$250,000 financed by the Wastewater Utility. The General Obligation note, date May 31, 2002, specifies annual installments of \$42,088 including interest at 3.50% beginning June 1, 2003, with a final payment of June 1, 2012. The City has the right to prepay principal of the note, in whole or in part, at any time prior to and in inverse order of maturity on terms of par and accrued interest.

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

Year Ending June 30,	<u>Gas Utility</u>		<u>Wastewater Utility</u>		<u>Total</u>	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 9,452	\$ 2,573	\$ 23,629	\$ 6,434	\$ 33,081	\$ 9,007
2007	9,783	2,243	24,455	5,607	34,238	7,850
2008	10,125	1,900	25,312	4,751	35,437	6,651
2009	10,480	1,546	26,197	3,865	36,677	5,411
2010	10,847	1,178	27,114	2,949	37,961	4,127
2011	11,226	799	28,063	2,000	39,289	2,799
2012	11,605	406	29,065	1,017	40,670	1,423
Totals	<u>\$ 73,518</u>	<u>\$ 10,645</u>	<u>\$ 183,835</u>	<u>\$ 26,623</u>	<u>\$ 257,353</u>	<u>\$ 37,268</u>

#### Loan to Coon Rapids Development Group

On January 17, 2002, the Board of Trustees of CRMU approved a resolution to provide financing from the Electric Utility to the Coon Rapids Development Group (a non-profit organization) for a new residential development in the City of Coon Rapids. The Board approved a 10-year loan for \$125,000 at 2.50% interest. The CRMU board provided the funds in order to promote economic and community development in the Coon Rapids area and to create a sound economic base to serve as a foundation for future load growth and development for CRMU. The funds were advanced in May 2002. Repayment terms specify monthly principal payments of \$1,178 plus interest at 2.50% which began June 30, 2002. Extra payments were made during the fiscal year 2004-2005, and subsequently, which makes the final scheduled payment due January 30, 2010.

See Independent Auditors' Report.

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

Year Ending June 30,	Electric Utility	
	Principal	Interest
2006	\$ 29,667	\$ 1,432
2007	13,094	1,046
2008	13,425	715
2009	13,765	376
2010	7,546	59
Totals	<u>\$ 77,497</u>	<u>\$ 3,628</u>

#### NOTE 5 - TAX INCREMENT FINANCING RECEIVABLE

On January 29, 2003, the Board of Trustees of CRMU passed a resolution authorizing the advancement of funds for construction costs and labor to a non-profit organization, Coon Rapids Development Group (CRDG), to assist in two separate economic development programs. One project was for the development of land for commercial businesses with a total cost of \$138,281. The other project was for the development of land within the city of Coon Rapids for single and multiple-family dwellings with a total cost of \$306,641. The combined amount of \$444,922 was advanced in varying amounts from the Electric, Gas, Water and Wastewater Utilities Funds.

On April 5, 2004, CRMU and the City of Coon Rapids entered into a development agreement whereby the City agreed to make economic development rebate payments to CRMU totaling \$444,922. To the extent money is available in the City's Urban Renewal Tax Revenue Fund, the City will make rebate payments up to \$75,000 annually beginning June 2005 and continuing for six years or until the debt is paid. As the agreement carries no interest rate, the principal was discounted over an anticipated repayment period of six years at CRMU's nominal interest rate to \$400,483.

A repayment of \$75,000 was received during the current year. The annual amount receivable by the Utilities as principal, and the related amortized discount recognized as interest income, for the loan remaining in future years are expected to be as follows:

Ending June 30,	Electric Utility		Gas Utility		Water Utility	
	Principal	Discount	Principal	Discount	Principal	Discount
2006	\$ 5,680	\$ 1,359	\$ 29,189	\$ 6,984	\$ 6,844	\$ 1,638
2007	6,289	750	32,315	3,858	7,577	904
2008	6,471	568	33,255	2,917	7,798	684
2009	6,660	380	34,223	1,949	8,024	457
2010	6,377	185	32,769	954	7,684	224
	<u>\$ 31,477</u>	<u>\$ 3,242</u>	<u>\$ 161,751</u>	<u>\$ 16,662</u>	<u>\$ 37,927</u>	<u>\$ 3,907</u>

See Independent Auditors' Report.

Ending June 30,	Wastewater Utility		Total	Total	Total
	Principal	Discount	Principal	Discount	Payments
2006	\$ 18,807	\$ 4,499	\$ 60,493	\$ 14,507	\$ 75,000
2007	20,821	2,486	67,002	7,998	75,000
2008	21,427	1,880	68,951	6,049	75,000
2009	22,051	1,256	70,958	4,042	75,000
2010	21,115	614	67,945	1,977	69,922
	<u>\$104,221</u>	<u>\$10,735</u>	<u>\$ 335,349</u>	<u>\$ 34,573</u>	<u>\$369,922</u>

#### NOTE 6 - INTERUTILITY LOANS

On February 18, 1999, the Gas Utility loaned funds to the Communications (Cable TV) Utility. This loan is unsecured. The loan was used for the purchase of equipment and for operating capital for the Communications (Cable TV) Utility. The Initial loan amount was \$300,000 with scheduled repayment over ten years. Interest is accrued and added to the principal balance of the note on a monthly basis at a rate of 4.50%. Monthly payments are \$3,109, which began on September 30, 1999; total payments per year amount to \$37,310.

The detail of interutility receivable and payable at June 30, 2005 is as follows:

Receivable Fund	Payable Fund	Balance	Payments During Year		Balance
		Beginning of the Year	Principal	Interest	End of Year
Gas	Communications - Cable TV	<u>\$ 180,626</u>	<u>\$ 29,791</u>	<u>\$ 7,519</u>	<u>\$ 150,835</u>

Amounts receivable for the Gas Utility and the debt service requirements for the Communications (Cable TV) Utility for the interutility loan in the future are follows:

Year Ending June 30,	Principal	Interest	Scheduled Payments
2006	\$ 31,160	\$ 6,150	\$ 37,310
2007	32,591	4,719	37,310
2008	34,088	3,222	37,310
2009	35,654	1,656	37,310
2010	17,342	224	17,566
Totals	<u>\$ 150,835</u>	<u>\$ 15,971</u>	<u>\$ 166,806</u>

#### NOTE 7 - PREPAID RENT EXPENSE/DEFERRED RENT REVENUE

In August 2001, the Electric Utility and Gas Utility entered into a five year rental agreement with the Water Utility for the use of its directional-boring machine with an original cost of \$100,356. Both the Electric Utility and Gas Utility each paid \$33,333 in advance, which included all rental charges and a share of anticipated repairs and operating costs.

See Independent Auditors' Report.

For the year ended June 30, 2005, rental income for the Water Utility amounted to \$13,333; rental expense amortized for the Electric Utility and Gas Utility amounted to \$6,667 and \$6,666, respectively.

Future recognition of rental income and future amortization of rental expense for succeeding years will be as follows:

Year Ending June 30,	Rental Expense		
	Rental Income Water	Electric	Gas
2006	\$ 13,333	\$ 6,667	\$ 6,666
2007	2,223	1,111	1,112
Totals	<u>\$ 15,556</u>	<u>\$ 7,778</u>	<u>\$ 7,778</u>

#### NOTE 8 - MUNICIPAL BUILDING

The Electric Utility and Gas Utility each provided funds for construction of a building, which is used as office space by CRMU and as a library and general offices by the City. Square footage data indicates CRMU utilizes 76.83% of the building and the Library and City utilize 23.17% of the building. The City reimburses the Electric Utility and Gas Utility for a share of building operating costs. The community, for nominal rents, uses 50% of the building. This share is included in the portion allocated to CRMU.

For financial reporting purposes, all assets, liabilities, income and expenses of this building are prorated 43.16% to the Electric Utility and 56.84% to the Gas Utility. These percentages represent each Utilities' share of the original capital contributed for construction of the building.

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

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

Cost and accumulated depreciation activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Electric Utility Share Cost -				
Land	\$ 15,106	\$ -	\$ -	\$ 15,106
Buildings and Improvements	310,836	-	-	310,836
Equipment	<u>10,812</u>	-	-	<u>10,812</u>
Total Cost	336,754	-	-	336,754
Less -				
Accumulated Depreciation	176,652	6,192	-	182,844
Cost Less Depreciation	<u>\$ 160,102</u>	<u>\$ (6,192)</u>	<u>\$ -</u>	<u>\$ 153,910</u>

See Independent Auditors' Report.

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Gas Utility Share Cost -				
Land	\$ 19,894	\$ -	\$ -	\$ 19,894
Buildings and Improvements	409,470	-	-	409,470
Equipment	14,207	-	-	14,207
Total Cost	<u>443,571</u>	-	-	<u>443,571</u>
Less -				
Accumulated Depreciation	232,641	8,156	-	240,797
Cost Less Depreciation	<u>\$ 210,930</u>	<u>\$ (8,156)</u>	<u>\$ -</u>	<u>\$ 202,774</u>

#### NOTE 9 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balances End of Year
Utility Plant, Facilities and Equipment, at Cost				
Neal 4 Steam Production	\$ 1,770,538	\$ 90,792	\$ -	\$ 1,861,330
Local Production Facilities	1,673,528	61,327	-	1,734,855
Transmission System	960,305	95,196	-	1,055,501
Distribution System	9,630,370	29,826	-	9,660,196
General Facilities Equipment	<u>1,839,034</u>	<u>98,861</u>	-	<u>1,937,895</u>
Total Cost	15,873,775	376,002	-	16,249,777
Less -				
Accumulated Depreciation	<u>6,352,797</u>	<u>435,881</u>	-	<u>6,788,678</u>
Cost Less Depreciation	9,520,978	(59,879)	-	9,461,099
Construction in Progress	142,782	46,435	(128,240)	60,977
Total Capital Assets, Net	<u>\$ 9,663,760</u>	<u>\$ (13,444)</u>	<u>\$ (128,240)</u>	<u>\$ 9,522,076</u>

Total depreciation expense for CRMU for the year ended June 30, 2005, amounted to \$450,227, which includes \$14,347 in depreciation on the municipal building assets. Depreciation expense charged to operations and the estimated useful lives per classification of depreciable property for each fund are as follows:

	Estimated Useful Life	Depreciation Expense
Communications Utility: Telephone - General Facilities and Equipment	5 - 40 Years	\$ 1,273
Total		<u>\$ 1,273</u>

See Independent Auditors' Report.

	Estimated Useful Life	Depreciation Expense
Communications Utility: Cable TV, Internet and Pagers -		
Local Production Facilities	5 – 40 Years	\$ 7,477
General Facilities and Equipment	5 – 40 Years	3,270
Total		<u>\$ 10,747</u>
Electric Utility -		
Steam Production Plant - Neal 4	40 Years	\$ 46,740
Transmission Plant System	24 – 40 Years	34,748
Distribution Plant System	5 – 40 Years	170,490
General Facilities and Equipment	5 – 40 Years	<u>54,540</u>
Sub-total		306,518
Municipal Office Building and Equipment	5 – 40 Years	6,191
Total		<u>\$ 312,709</u>
Gas Utility -		
Local Production Facilities	40 Years	\$ 3,644
Distribution Plant System	5 – 40 Years	11,953
General Facilities and Equipment	5 – 40 Years	<u>14,738</u>
Sub-total		30,335
Municipal Office Building and Equipment	5 – 50 Years	8,156
Total		<u>\$ 38,491</u>
Water Utility -		
Local Production Facilities	25 – 20 Years	\$ 6,578
Transmission Plant System	40 Years	2,759
Distribution Plant System	5 – 50 Years	18,135
General Facilities and Equipment	5 – 40 Years	17,872
Total		<u>\$ 45,344</u>
Wastewater Utility -		
Local Production Facilities	20 – 40 Years	\$ 19,545
Distribution Plant System	4 – 40 Years	19,049
General Facilities and Equipment	5 – 40 Years	3,069
Total		<u>\$ 41,663</u>

450,227

**NOTE 10 - 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 compensated absences liability for earned but unused vacation hours has been computed based on rates of pay in effect at June 30, 2005. Sick leave is not paid on termination, retirement or death; therefore, no accrual has been made for accumulated sick leave hours.

See Independent Auditors' Report.

## NOTE 11 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Revenue Bonds	\$ 2,735,000	\$ -	\$ (185,000)	\$ 2,550,000	\$ 190,000
Bond Discount	(32,002)	-	3,227	(28,775)	(3,227)
Net Revenue Bonds	2,702,998	-	(181,773)	2,521,225	186,773
Capital Loan Notes	1,800,000	-	(130,000)	1,670,000	140,000
Interutility Loans	180,626	-	(29,791)	150,835	31,160
Deferred Rent Revenue	28,889	-	(13,333)	15,556	13,333
	<u>\$ 4,712,513</u>	<u>\$ -</u>	<u>\$ (354,897)</u>	<u>\$ 4,357,616</u>	<u>\$ 371,266</u>

## NOTE 12 - BONDS AND NOTES PAYABLE

### Series 1998 Electric Revenue Bonds

The Series 1998 Bonds were issued on May 15, 1998, to finance the construction of a hybrid fiber coaxial distribution system, tools and equipment; the construction of a new utilities building; and to refund the final maturity of a previous electric revenue bond issuance. The face amount of the original issue was \$3,445,000 with interest rates from 4.85% to 5.10%. The bonds were issued at a discount; the unamortized discount at June 30, 2005, amounted to \$28,775. The bonds are payable serially over sixteen years commencing June 1, 1999, with a final maturity of June 1, 2014. Bonds due after June 1, 2006 will be subject to call for prior redemption as of that date or any date thereafter upon terms of par plus accrued interest to date of redemption.

During the year ended June 30, 2005, CRMU was in compliance with the revenue bond provisions included in the original resolution for issuance of the Series 1998 revenue bonds as follows:

- A. The bonds will only be redeemed from future earnings of the Electric Utility and bondholders hold a lien on the future earnings of the fund.
- B. The Electric Utility will accumulate cash sufficient to pay the next fiscal year's principal and interest payments in a separate electric revenue bond and interest sinking fund.
- C. The Electric Utility will set aside, in a separate electric revenue debt service reserve fund, an amount equal to the maximum amount of principal and interest coming due in any succeeding year. This account is restricted for payment of principal and interest on the bonds when there is insufficient money available in the electric revenue bond and interest sinking fund.

See Independent Auditors' Report.

- D. The Electric Utility will set aside periodic amounts sufficient to accumulate a minimum of \$150,000 in a separate improvement fund. This account is restricted for payment of extraordinary maintenance expenses or repairs, renewals and replacements, rentals on any part of the system or payment due for any property purchased as a part of the system and for capital improvements to the system. In addition, the funds in this account can be used to pay principal and interest payments, which the other accounts might be unable to make.
- E. According to the bond covenants, if the amount on hand in the bond and interest sinking fund and debt service fund exceed the amount required by the bond provisions, the excess is to be withdrawn and paid into the revenue fund. At June 30, 2005, funds in the sinking or reserve fund accounts were not significantly in excess of required amounts.

#### Subordinate Series 2000 and 2003 Electric Revenue Capital Loan Notes

On August 5, 2003, CRMU issued \$1,925,000 of Subordinate Series 2003 Electric Revenue Capital Loan Notes to advance refund a previous electric capital loan note issuance. The previous issuance, Subordinate Series 2000 Capital Loan Notes issued on June 15, 2000, provided funds to pay the costs of improvements and extensions to the Electric Utility including the purchase of three 1860 – kilowatt caterpillar engines. The outstanding balance of the Series 2000 capital loan notes at July 1, 2005 was \$1,670,000.

The interest rate on the Subordinate Series 2003 Capital Loan Notes is 3.85% computed using a 360-day year. Monthly principal and interest payments are scheduled with the amount of the monthly installment of principal varying on an annual basis. The final payment is scheduled for June 15, 2015. The Series 2003 notes may be called for redemption and paid before maturity on any date from any funds, regardless of source, in whole or, from time to time, in part, in any order of maturity and within a maturity by lot. The terms of redemption shall be par plus accrued interest to the date of call with no penalty for repayment.

During the year ended June 30, 2005, CRMU was in compliance with the capital loan note provisions included in the original resolution for issuance of the Subordinate Series 2003 Capital Loan Notes as follows:

- A. The notes will only be redeemed from future earnings of the Electric Utility and note holders hold a lien on the future earnings of the fund. The notes are subordinate to the outstanding electric bonds dated May 15, 1998. The notes will not constitute general obligations of the City of Coon Rapids nor be payable in any manner by taxation. The City shall not, in any manner, be liable by reason of insufficient net earnings of the Electric Utility.
- B. Funds in the Revenue Fund shall first be disbursed to make all required deposits into funds created by the prior resolutions for the Series 1998 revenue bonds.
- C. The Electric Utility will set aside, in a separate sinking fund account on a monthly basis, the amount necessary to pay in full the installment of principal and interest coming due on the next payment date of the outstanding notes.
- D. According to the note covenants, if the amount on hand in the sinking fund exceeds the amount required by the note provisions, the excess is to be withdrawn and paid into the revenue fund. At June 30, 2005, there were no significant excess funds in the sinking fund account.

See Independent Auditors' Report.

Details of the revenue bonds and capital loan notes payable are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
Revenue Bonds:						
Electric Revenue Bond, Series 1998	5/15/98	4.85% to 5.10%	6/01/14	\$190,000 to \$360,000	\$ 3,445,000	\$ 2,550,000
Capital Loan Notes:						
Electric Revenue Capital Loan Notes, Subordinate Series 2003	8/05/03	3.85%	6/15/15	\$140,000 to \$530,000	1,925,000	1,670,000
Total Outstanding June 30, 2005						<u>\$ 4,220,000</u>

A summary of the annual revenue bond and note principal and interest requirements to maturity is as follows:

Year Ending June 30,	Series 1998 Revenue Bonds (1)		Series 2003 Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 190,000	\$ 128,408	\$ 140,000	\$ 61,825	\$ 330,000	\$ 190,233
2007	225,000	119,097	125,000	56,699	350,000	175,796
2008	240,000	108,073	125,000	51,887	365,000	159,960
2009	275,000	96,072	110,000	47,339	385,000	143,411
2010	290,000	82,323	115,000	43,016	405,000	125,339
2011	305,000	67,677	125,000	38,412	430,000	106,089
2012	325,000	52,275	125,000	33,599	450,000	85,874
2013	340,000	35,700	135,000	28,610	475,000	64,310
2014	360,000	18,360	140,000	23,325	500,000	41,685
2015	-	-	530,000	11,052	530,000	11,052
Totals	<u>\$ 2,550,000</u>	<u>\$ 707,985</u>	<u>\$ 1,670,000</u>	<u>\$ 395,764</u>	<u>\$ 4,220,000</u>	<u>\$ 1,103,749</u>

(1) Annual principal requirements for the Series 1998 Revenue Bonds are shown exclusive of bond discount amortization.

### NOTE 13 - JOINT USE AGREEMENT

On April 19, 2002, the Board of Trustees adopted and approved a resolution between the Electric Utility and Communications: Telephone Utility for "A Joint Use Agreement Under Iowa Code Chapter 28E". The Electric Utility financed and installed a communications distribution system for the use and support of electric operations. This communications distribution system is the sole property of the Electric Utility. Through the joint use agreement, the Communications: Telephone Utility is granted the right to use the three networks of the Electric Utility communications distribution system in varying percentages as specified in the agreement.

See Independent Auditors' Report.

The term of the agreement is forty years and commenced on July 1, 2001. For the term of the agreement, the Communications: Telephone Utility will pay to the Electric Utility, the sum of \$173,000 on or before the last day of June each year with the first payment due and paid on June 30, 2002. The arrangements and terms of the agreement are based upon applicable market value and economic conditions at that time, in sole reference to the joint use of the communications distribution system by the Electric Utility and Communications: Telephone Utility. The Communications: Telephone Utility is obligated to comply with all property tax filing requirements imposed under Iowa Code Chapter 433.

**NOTE 14 - PAYMENT TO THE CITY**

CRMU provides utility and other services to the City of Coon Rapids. CRMU contributes an amount equal to these utilities and services back to the City as in-lieu-of-tax payments. The total amount paid to the City for the year ended June 30, 2005 was \$71,789.

**NOTE 15 - PENSION AND RETIREMENT BENEFITS**

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

Plan members are required to contribute 3.70% of their annual covered salary and CRMU is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. CRMU's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$30,756, \$28,468 and \$27,811, respectively, equal to the required contributions for each year.

**NOTE 16 - HEALTH INSURANCE**

CRMU has a group health insurance policy, which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. In order to reduce health insurance costs, CRMU self-insures employee eligible medical costs that are not reimbursed by the health insurance provider. Under the self-insured program, the employees can apply for a reimbursement for out of pocket expenses that are considered normal and acceptable under the comprehensive medical insurance program. The employee can make an application for reimbursement by providing CRMU with a copy of an explanation of benefit report provided by the insurance carrier. The amount of the deductibles and out-of-pocket expenses for the employees are as follows:

	Deductible		Out-of-Pocket	
	Single	Family	Single	Family
Employee	\$ 3,000	\$ 6,000	\$ 3,000	\$ 6,000

See Independent Auditors' Report.

## **NOTE 17 - COMMITMENTS AND CONTINGENT LIABILITIES**

1. CRMU has a contract, effective to December 31, 2020, with the United States Department of Energy to provide CRMU firm electric power up to 2,400 kilowatts during any winter season month and up to 2,670 kilowatts during any summer season month, through December 31, 2005. This contract provides that the contract rate of delivery for firm power will be recalculated January 2006, and January 2011, for the kilowatts to be provided during the subsequent winter and summer seasons.
2. CRMU entered into a contract with its major transporter of natural gas in August 1993 that requires a capacity demand of approximately \$127,000 annually. The initial expiration date of the contract was through October 31, 1996, which was subsequently extended through October 31, 2008.

## **NOTE 18 - MAJOR CUSTOMER**

A significant portion of the Electric Utility and Gas Utility revenue is derived from a single customer. This customer generated approximately 31.5% of the Electric Utility total sales to customers and 33.9% of the Gas Utility total sales to customers for the year ended June 30, 2005.

## **NOTE 19 - CONCENTRATION OF CREDIT RISK**

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

The tax increment financing receivable by the various Utility Funds is subject to collection of property taxes in the tax increment financing district located in the City of Coon Rapids, Iowa.

The interutility loan receivable by the Gas Utility from the Communications (Cable TV) Utility is unsecured. Repayment is dependent upon the sales and collection policies of the Communications (Cable TV) Utility of CRMU.

## **NOTE 20 - 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 21 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts reflected in the balance sheets for cash and cash equivalents approximate the respective fair values due to the short maturities of those instruments. Management estimates that there are no significant differences between the fair value of financial instruments and the amounts shown as assets and liabilities on the statement of net assets.

See Independent Auditors' Report.

## NOTE 22 - CASH FLOW INFORMATION

Non-cash investing transactions occurred in relation to the discount of the Tax Increment Financing Receivable. The amount of the original discount and discount earned (reported as interest income) for each fund was as follows:

	<b>Original Discount</b>	<b>2005 Discount Earned</b>
Electric Utility	\$ 4,171	\$ 925
Gas Utility	21,433	4,758
Water Utility	5,026	1,115
Wastewater Utility	13,810	3,068
	<u>\$ 44,440</u>	<u>\$ 9,866</u>

See Independent Auditors' Report.

**REQUIRED SUPPLEMENTARY INFORMATION**

COON RAPIDS MUNICIPAL UTILITIES

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2005

	Actual	Budgeted Amounts Original and Final	Final Budget to Actual Variance
<b>RECEIPTS:</b>			
Use of Money and Property	\$ 125,516		
Charges for Service	4,661,771		
Miscellaneous	<u>93,807</u>		
Total Receipts	4,881,094	\$ 4,728,539	\$ 152,555
<b>DISBURSEMENTS:</b>			
Business Type Activities -			
Operating Expenses	3,654,532		
Transfers to City of Coon Rapids	60,703		
Capital Outlay	327,120		
Principal Redemption	341,564		
Interest Payments	<u>215,578</u>		
Total Disbursements	<u>4,599,497</u>	<u>5,181,499</u>	582,002
Excess (Deficiency) of Receipts Over Disbursements	281,597	(452,960)	<u>\$ 734,557</u>
Balance, Beginning of Year	5,166,576	1,442,481	
Balance, End of Year	<u>\$ 5,448,173</u>	<u>\$ 989,521</u>	

See Independent Auditors' Report.

COON RAPIDS MUNICIPAL UTILITIES

BUDGET TO GAAP RECONCILIATION  
 PROPRIETY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2005

	Budget Basis	Enterprise Funds Accrual Adjustments	GAAP Basis
Receipts/Revenues	\$ 4,881,094	\$ (143,885)	\$ 4,737,209
Disbursements/Expense	4,599,497	(184,516)	4,414,981
Net	281,597	40,631	322,228
Beginning Net Assets	5,166,576	6,792,918	11,959,494
Ending Net Assets	<u>\$ 5,448,173</u>	<u>\$ 6,833,549</u>	<u>\$ 12,281,722</u>

See Independent Auditors' Report.

## COON RAPIDS MUNICIPAL UTILITIES

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY REPORTING

In accordance with the Code of Iowa, the Coon Rapids City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds of the primary government and component units, including the operations of Coon Rapids Municipal Utilities (CRMU). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The budget for the City of Coon Rapids was amended for the year ended June 30, 2005; however, the budget amendment did not change the original budget of CRMU.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. CRMU's budget is included in the business type activities function. Functional disbursements required to be budgeted include disbursements for the primary government funds and enterprise funds, which would include CRMU's disbursements. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

**OTHER SUPPLEMENTARY INFORMATION**

**OTHER REPORTS**

**COON RAPIDS MUNICIPAL UTILITIES**

**SCHEDULE OF EXPENSES  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Communications: Telephone Utility</u>	<u>Communications: Cable TV, Internet &amp; Pager Utility</u>
<b>PURCHASED ENERGY AND PROGRAMMING</b>		
Purchased Energy	\$ -	\$ -
Purchased Cable	-	82,154
Purchased Internet	-	73,804
Purchased Pager	-	833
Central Office Switching and Transmission	124,171	-
Purchase Telephone and Long Distance	277,959	-
Neal 4 Generated Energy	-	-
Neal 4 Purchased Energy	-	-
Fuel	-	-
Total Purchased Energy and Programming	<u>402,130</u>	<u>156,791</u>
<b>PLANT OPERATIONS</b>		
Salaries and Wages	1,094	8,976
Utilities	8,795	5,628
Chemicals and Testing	-	-
Maintenance and Generators	-	1,959
Maintenance of Plant	-	-
Total Plant Operations	<u>9,889</u>	<u>16,563</u>
<b>TRANSMISSION OPERATIONS</b>		
Maintenance Neal 4 Transmission	-	-
Total Transmission Operations	<u>-</u>	<u>-</u>
<b>DISTRIBUTIONS OPERATIONS</b>		
Salaries and Wages	14,071	29,785
Line and Station Supplies	190	833
Safety Expense	1,057	625
Maintenance	2,937	1,154
Miscellaneous	-	-
Total Distribution Operations	<u>18,255</u>	<u>32,397</u>
<b>CONSUMER SERVICE EXPENSES</b>		
Salaries and Wages	21,125	9,042
Office Supplies	25,177	14,523
Provision for Uncollectible Accounts	722	(470)
Total Consumer Service Operations	<u>47,024</u>	<u>23,095</u>

See Independent Auditors' Report.

SCHEDULE 3

**Business Type Activities - Enterprise Funds**

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 225,930	\$ 892,596	\$ -	\$ -	\$ 1,118,526
-	-	-	-	82,154
-	-	-	-	73,804
-	-	-	-	833
-	-	-	-	124,171
-	-	-	-	277,959
463,575	-	-	-	463,575
270,809	-	-	-	270,809
5,320	-	-	-	5,320
<u>965,634</u>	<u>892,596</u>	<u>-</u>	<u>-</u>	<u>2,417,151</u>
1,108	644	14,162	2,575	28,559
8,242	11,459	14,273	6,940	55,337
-	-	7,183	425	7,608
-	-	-	-	1,959
30,085	-	17,802	2,013	49,900
<u>39,435</u>	<u>12,103</u>	<u>53,420</u>	<u>11,953</u>	<u>143,363</u>
25,112	-	-	-	25,112
<u>25,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,112</u>
92,591	39,634	26,728	13,957	216,766
1,982	3,279	263	-	6,547
4,106	2,734	764	336	9,622
12,449	6,575	5,260	2,614	30,989
6,667	6,667	-	-	13,334
<u>117,795</u>	<u>58,889</u>	<u>33,015</u>	<u>16,907</u>	<u>277,258</u>
31,524	19,534	11,033	5,876	98,134
5,463	3,543	1,941	1,058	51,705
5,842	7,497	443	2,554	16,588
<u>42,829</u>	<u>30,574</u>	<u>13,417</u>	<u>9,488</u>	<u>166,427</u>

**COON RAPIDS MUNICIPAL UTILITIES**

**SCHEDULE OF EXPENSES  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Communications: Telephone Utility</u>	<u>Communications: Cable TV, Internet &amp; Pager Utility</u>
<b>ADMINISTRATIVE AND GENERAL EXPENSES</b>		
Salaries and Wages	\$ 21,452	\$ 13,371
Telephone	1,217	562
Outside Professional Services	4,807	672
Legal and Public Notices	240	132
Property Insurance	-	3,170
Regulatory Commission Expense	18,681	38
Advertising	1,125	630
Trustee Salaries	121	774
Travel and Training	860	116
Dues and Assessments	4,069	186
Energy Conservation Expense	-	-
Miscellaneous	2,152	1,792
Vehicle Operating Expense	2,168	974
General Maintenance	472	226
Property Taxes	18,008	-
Employer Payroll Taxes	8,693	5,055
Employee Benefits	13,934	11,895
Total Administrative and General Expenses	<u>97,999</u>	<u>39,593</u>
<b>DEPRECIATION</b>		
Depreciation Neal 4 Plant	-	-
Depreciation Transmission System	-	-
Depreciation Distribution System	-	-
Depreciation General Plant	1,273	3,270
Depreciation Production Plant	-	7,477
Depreciation Municipal Building	-	-
Total Depreciation Expense	<u>1,273</u>	<u>10,747</u>
Less Depreciation Allocated to Nonoperating Expense	-	-
Total Operating Depreciation Expense	<u>\$ 1,273</u>	<u>\$ 10,747</u>

See Independent Auditors' Report

**Business Type Activities - Enterprise Funds**

Electric Utility	Gas Utility	Water Utility	Wastewater Utility	Total
\$ 51,040	\$ 28,915	\$ 14,951	\$ 7,658	\$ 137,387
2,246	1,437	620	309	6,391
6,706	6,655	1,797	1,002	21,639
582	591	146	75	1,766
28,778	6,738	4,922	457	44,065
2,127	1,246	180	-	22,272
2,793	1,597	402	304	6,851
896	843	780	754	4,168
3,858	1,079	871	822	7,606
2,390	4,424	445	-	11,514
5,292	1,171	-	-	6,463
14,143	4,627	1,186	647	24,547
3,719	2,248	1,216	450	10,775
13,508	6,343	2,052	1,372	23,973
21,890	342	-	-	40,240
58,548	32,499	16,840	8,792	130,427
5,853	775	206	-	32,663
<u>224,369</u>	<u>101,530</u>	<u>46,614</u>	<u>22,642</u>	<u>532,747</u>
46,740	-	6,578	19,545	72,863
34,748	-	2,759	-	37,507
170,490	11,953	18,135	19,049	219,627
54,540	14,738	17,872	3,069	94,762
-	3,644	-	-	11,121
6,191	8,156	-	-	14,347
<u>312,709</u>	<u>38,491</u>	<u>45,344</u>	<u>41,663</u>	<u>450,227</u>
6,191	8,156	-	-	14,347
<u>\$ 306,518</u>	<u>\$ 30,335</u>	<u>\$ 45,344</u>	<u>\$ 41,663</u>	<u>\$ 435,880</u>

## COON RAPIDS MUNICIPAL UTILITIES

SCHEDULE OF INSURANCE COVERAGE  
FOR THE YEAR ENDED JUNE 30, 2005

TYPE OF COVERAGE - ALL UTILITY SYSTEMS	Expiration Date	Limits of Coverage (Each Occurrence/ Aggregate)
Property Coverage (Replacement Costs) - Fire and Extended Coverage (\$5,000 Deductible, 90% Co-Insurance) -	4/1/2006	
Electric Facilities, Buildings and Contents		\$ 529,960
Peak Shaving Plant and Contents		215,762
Water Treatment Plant and Contents		259,458
Water Tower and Contents		482,151
Cable Television Building and Contents		160,892
Maintenance Garage Building and Contents		988,313
Municipal Building - Building and Contents		1,422,276
Telecommunications Building - Building and Contents		1,324,897
Telecommunications Building - Generator Plant		3,736,812
Inland Marine -	4/1/2006	
Contractors Equipment (\$250 Deductible)		288,077
Electronic Data Processing (\$500 Deductible)		3,300
Scheduled Property Floater (\$250 Deductible)		120,500
Comprehensive General Liability -	4/1/2006	
Bodily Injury		1,000,000/1,000,000
Property Damage		1,000,000/1,000,000
Fire Damage		100,000
Medical Expense		5,000
Employee Benefits		100,000
Comprehensive Auto Policy -	4/1/2006	
Bodily Injury		1,000,000
Property Damage		1,000,000
Uninsured/Underinsured Motorists		50,000
Collision (\$1,000 Universal Motorists Deductible)		ACV
Comprehensive (No Deductible)		ACV
Umbrella (Wrongful Act) Liability (\$10,000 Deductible)	4/1/2006	3,000,000/3,000,000
Linebacker Liability (\$1,500 Deductible)	4/1/2006	1,000,000/1,000,000
Workmen's Compensation	4/1/2006	Statutory
Boiler and Machinery Breakdown	10/8/2005	1,500,000
Manager		250,000
Assistant Manager		150,000
Comptroller		150,000
Bookkeeper		5,000
Bookkeeper Assistant		5,000
Public Employee		2,500

See Independent Auditors' Report.

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

Coon Rapids Municipal Utilities  
Coon Rapids, Iowa

We have audited the financial statements of Coon Rapids Municipal Utilities, a component unit of the City of Coon Rapids, Iowa, as of and for the year ended June 30, 2005, and have issued our report thereon dated December 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Coon Rapids Municipal Utilities' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we considered a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Coon Rapids Municipal Utilities' ability to initiate record, process and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses Part II as Item II-A-05.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a reportable condition and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Coon Rapids Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

Comments involving statutory and other legal matters about the Utilities' operations for the years ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

This report, a public record by law, is intended solely for the information and use of the trustees, officials, employees and customers of Coon Rapids Municipal Utilities, and other parties to whom the Coon Rapids Municipal Utilities may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

O'DONNELL, FICENEC, WILLS & FERDIG, LLP

December 8, 2005

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

**COON RAPIDS MUNICIPAL UTILITIES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

**Part I: Summary of the Independent Auditors' Results:**

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, none of which are considered to be material weaknesses.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control were noted.

**COON RAPIDS MUNICIPAL UTILITIES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2005**

**Part II: Findings Related to the General Purpose Financial Statements:**

INSTANCES OF NON-COMPLIANCE:

No Matters were noted.

REPORTABLE CONDITIONS:

II-A-05 Disbursements

In our review of disbursements, we noted the following:

- 1) CRMU personnel were unable to locate invoice or supporting documentation for the following payment:

<b>Date</b>	<b>Paid To</b>	<b>Amount</b>
May 19, 2005	Coon Rapids Enterprise	362.04

Recommendation

Invoices and supporting documentation should be available to support all disbursements. The supporting documents should be sufficient detail to verify their propriety. One missing invoice usually is of little consequence because of alternative documentation. We report this missing invoice because this condition was also present in the prior year.

Response

We will comply with the recommendations. Some times invoices are taken from files and not returned or are misfiled.

Conclusion

Response accepted.

**Part III: Other Findings Related to Statutory Reporting:**

III-A-05 **Official Depositories** - The Board of Trustees has approved a resolution naming official depositories. The maximum deposit amount stated in the resolution was not exceeded during the year ended June 30, 2005.

III-B-05 **Certified Budget** - Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation. Disbursements did not exceed the certified budget during the fiscal year.

- III-C-05 **Questionable Disbursements** - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-D-05 **Travel Expenses** - No disbursement of Utilities' money for travel expenses of spouses of Utilities' officials or employees were noted.
- III-E-05 **Business Transactions** - Business transactions between Coon Rapids Municipal Utilities and Utilities' officials are immaterial and meet the guidelines of the Code of Iowa.
- III-F-05 **Bond Coverage** - Surety bond coverage of Municipal Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.
- III-G-05 **Trustee Minutes** - No transactions were found that we believe should have been approved in the Board of Trustees minutes but were not.
- III-H-05 **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Coon Rapids Municipal Utilities' investment policy were noted.
- III-I-05 **Revenue Bonds and Notes** - No instances of non-compliance with the electric revenue bond and capital loan note requirements for the year ended June 30, 2005 were noted.
- III-J-05 **Telecommunication Service Compliance** - Iowa Code Section 388.10 entitled *Municipal Utility Providing Telecommunications Services* generally requires a telecommunication service operated by a municipality not be supported by moneys, facilities or services not paid for at reasonable amounts from funds generated by the telecommunication service. In addition, this section contains administrative requirements. No instances of non-compliance with Iowa Code Section 388.10 for the year ended June 30, 2005 were noted.