



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

**NEWS RELEASE**

FOR RELEASE

June 10, 2011

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Coggon, Iowa.

The City's receipts totaled \$617,945 for the year ended June 30, 2010. The receipts included \$154,190 in property tax, \$140,345 from charges for service, \$137,772 from operating grants, contributions and restricted interest, \$166,049 from local option sales tax, \$10,717 from unrestricted investment earnings and \$8,872 from other general receipts.

Disbursements for the year totaled \$1,141,334, and included \$422,513 for public works, \$108,090 for public safety and \$94,020 for debt service. Also, disbursements for business type activities totaled \$407,345.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1022-0542-B00F.pdf>.

###



**CITY OF COGGON**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2010**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor’s Report	5-6
Management’s Discussion and Analysis	7-11
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A      14-15
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B      16-17
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C      19
Notes to Financial Statements	20-26
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	28-29
Notes to Required Supplementary Information – Budgetary Reporting	30
Other Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1      33
Schedule of Indebtedness	2      34-35
Bond Maturities	3      36
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 <u>Government Auditing Standards</u>	37-38
Schedule of Findings	39-44
Staff	45

**City of Coggon**

**Officials**

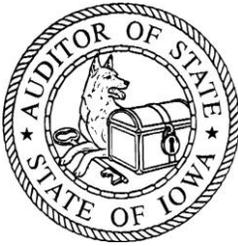
**(Before January 2010)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Kurt	Mayor	Jan 2010
Dan Huber	Mayor Pro tem	Jan 2010
Nicki Fisher	Council Member	Jan 2010
Randy LeGrand	Council Member	Jan 2010
Ron Goeke	Council Member	Jan 2012
Jennifer Schott	Council Member	Jan 2012
Brenda Quandt	Clerk	Indefinite
Don Hoskins	Attorney	Indefinite

**(After January 2010)**

Jim Ellis	Mayor	Jan 2012
Terry Bumgarner	Mayor Pro tem	Jan 2014
Ron Goeke	Council Member	Jan 2012
Dan Huber	Council Member	Jan 2012
Jennifer Schott	Council Member	Jan 2012
Robert Farley	Council Member	Jan 2014
Brenda Quandt	Clerk	Indefinite
Don Hoskins	Attorney	Indefinite

**City of Coggon**



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA

Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Coggon, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Coggon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards 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 our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009.

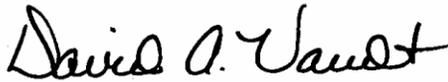
As described in Note 9, the City has chosen to present condensed financial information for its discretely presented component unit since complete financial statements of the component unit have been audited by another auditor and are available from the component unit. The report of the other auditor, dated October 8, 2010, expressed an unqualified opinion on the financial statements.

In our opinion, based on our audit and the report of the other auditor, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the third paragraph, the financial statements referred to above present fairly in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Coggon as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 23, 2011 on our consideration of the City of Coggon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 28 through 30 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Coggon's basic financial statements. Other supplementary information included in Schedules 1 through 3 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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 23, 2011

---

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

---

The City of Coggon provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

### **2010 FINANCIAL HIGHLIGHTS**

- The cash basis net assets of the City's governmental activities decreased approximately \$549,000, primarily due to contractor payments on the Linn Street project.
- The cash basis net assets of the City's business type activities increased approximately \$25,000 due to raising the water and sewer rates.

### **USING THIS ANNUAL REPORT**

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City'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 the City's operations in more detail than the government-wide statement 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 the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

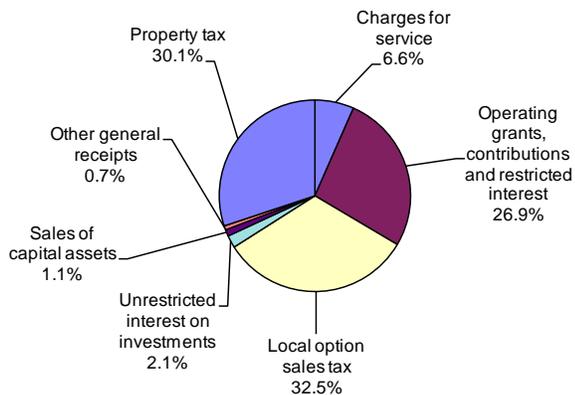
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

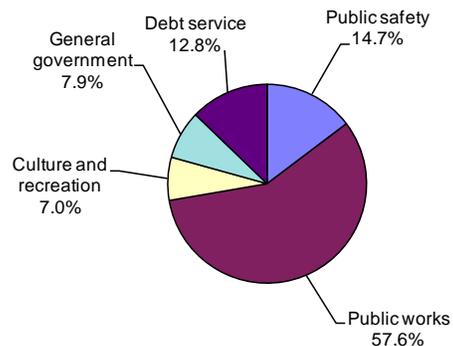
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, from \$993,308 to \$444,756. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2010
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 34,004
Operating grants, contributions and restricted interest	137,772
General receipts:	
Property tax	154,190
Local option sales tax	166,049
Unrestricted interest on investments	10,717
Other general receipts	3,363
Sale of capital assets	5,509
Total receipts and transfers	<u>511,604</u>
Disbursements:	
Public safety	108,090
Public works	422,513
Culture and recreation	51,194
General government	58,172
Debt service	94,020
Total disbursements	<u>733,989</u>
Change in cash basis net assets before transfers	(222,385)
Transfers, net	<u>(326,167)</u>
Change in cash basis net assets	(548,552)
Cash basis net assets beginning of year	<u>993,308</u>
Cash basis net assets end of year	<u>\$ 444,756</u>

**Receipts by Function**



**Disbursements by Function**



Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2010
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 57,797
Sewer	48,544
Total receipts	<u>106,341</u>
Disbursements:	
Water	193,243
Sewer	214,102
Total disbursements	<u>407,345</u>
Change in cash basis net assets before transfers	(301,004)
Transfers, net	326,167
Change in cash basis net assets	<u>25,163</u>
Cash basis net assets beginning of year	<u>(15,275)</u>
Cash basis net assets end of year	<u><u>\$ 9,888</u></u>

The total business type activities balance increased from a year ago, increasing from a balance of (\$15,275) to \$9,888.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Coggon completed the year, its governmental funds reported a combined fund balance of \$444,756. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$30,341 from the prior year to a balance of \$14,435. This was primarily due to purchasing a fire truck.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$5,946 from the prior year to a balance of \$14,619.
- The Special Revenue, Local Option Sales Tax Fund balance decreased \$524,696 from the prior year to a balance of \$388,098, primarily due to reduced revenue from LOST and payments on the Linn Street project.
- The Debt Service Fund cash balance increased \$5,900 from the prior year to a balance of \$6,152.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased from a balance of (\$2,304) to \$12,619, primarily due to raising rates.
- The Sewer Fund cash balance increased from a balance of (\$12,971) to a balance of (\$2,731). The increase was primarily due to raising rates.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 10, 2010 and resulted in an increase in disbursements of \$672,475. The increase was primarily due to the Linn Street project.

The City's receipts were \$27,741 more than budgeted receipts.

Total disbursements were \$129,552 less than budgeted. This was primarily due to less progress than expected on projects in the public works function.

Even with the budget amendment, the City exceeded the budgeted amounts in the general government and debt service functions for the year ended June 30, 2010.

**DEBT ADMINISTRATION**

At June 30, 2010, the City had \$920,000 in general obligation bonds outstanding, compared to \$980,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2010	2009
General obligation bonds	\$ 920,000	980,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$920,000 is significantly below its constitutional debt limit of approximately \$1.4 million.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Coggon's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 tax rate and fees charged for various City activities.

The fiscal year 2011 budget includes receipts totaling \$1,403,750 and disbursements of \$1,321,368. The budgeted cash balance is expected to increase 12% to \$686,176.

The fiscal year 2011 levy is \$11.088 per \$1,000 of taxable valuation, an increase of \$.369 per \$1,000 of taxable valuation over fiscal year 2010.

A local option sales tax referendum passed in 2003, with no sunset clause as to the number of years it may be collected, with receipts allocated 50% for streets, 25% for sewer and 25% for water.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Brenda Quandt, Clerk, P.O. Box 79, 118 E. Main Street, City of Coggon, Iowa 52218.

**City of Coggon**

## **Basic Financial Statements**

City of Coggon

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 108,090	807	46,866
Public works	422,513	31,557	69,107
Culture and recreation	51,194	700	21,799
General government	58,172	940	-
Debt service	94,020	-	-
Total governmental activities	733,989	34,004	137,772
Business type activities:			
Water	193,243	57,797	-
Sewer	214,102	48,544	-
Total business type activities	407,345	106,341	-
Total	\$ 1,141,334	140,345	137,772

**General Receipts and Transfers:**

Property and other city tax levied for:  
 General purposes  
 Debt service  
 Local option sales tax  
 Unrestricted interest on investments  
 Miscellaneous  
 Sale of capital assets  
 Transfers  
 Total general receipts and transfers  
 Change in cash basis net assets  
 Cash basis net assets beginning of year  
 Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:  
 Streets  
 Local option sales tax  
 Debt service  
 Other purposes  
 Unrestricted

**Total cash basis net assets**

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(60,417)	-	(60,417)
(321,849)	-	(321,849)
(28,695)	-	(28,695)
(57,232)	-	(57,232)
(94,020)	-	(94,020)
(562,213)	-	(562,213)
-	(135,446)	(135,446)
-	(165,558)	(165,558)
-	(301,004)	(301,004)
(562,213)	(301,004)	(863,217)
126,426	-	126,426
27,764	-	27,764
166,049	-	166,049
10,717	-	10,717
3,363	-	3,363
5,509	-	5,509
(326,167)	326,167	-
13,661	326,167	339,828
(548,552)	25,163	(523,389)
993,308	(15,275)	978,033
\$ 444,756	9,888	454,644
\$ 14,619	-	14,619
388,098	-	388,098
6,152	-	6,152
21,452	-	21,452
14,435	9,888	24,323
\$ 444,756	9,888	454,644

City of Coggon

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2010

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 116,889	-	-
Other city tax	-	-	166,049
Licenses and permits	1,244	-	-
Use of money and property	1,846	-	9,471
Intergovernmental	16,184	69,107	-
Charges for service	32,024	-	-
Miscellaneous	12,501	-	-
Total receipts	180,688	69,107	175,520
Disbursements:			
Operating:			
Public safety	69,128	-	-
Public works	347,371	75,053	-
Culture and recreation	48,250	-	-
General government	53,682	-	-
Debt service	-	-	-
Total disbursements	518,431	75,053	-
Excess (deficiency) of receipts over (under) disbursements	(337,743)	(5,946)	175,520
Other financing sources (uses):			
Sale of capital assets	5,509	-	-
Operating transfers in	339,471	-	-
Operating transfers out	(37,578)	-	(700,216)
Total other financing sources (uses)	307,402	-	(700,216)
Net change in cash balances	(30,341)	(5,946)	(524,696)
Cash balances beginning of year	44,776	20,565	912,794
Cash balances end of year	\$ 14,435	14,619	388,098
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	14,435	-	-
Special revenue funds	-	14,619	388,098
Total cash basis fund balances	\$ 14,435	14,619	388,098

See notes to financial statements.

Debt Service	Nonmajor	Total
27,764	9,537	154,190
-	-	166,049
-	-	1,244
-	9	11,326
-	23,638	108,929
-	-	32,024
-	19,832	32,333
<u>27,764</u>	<u>53,016</u>	<u>506,095</u>
-	38,962	108,090
-	89	422,513
-	2,944	51,194
-	4,490	58,172
<u>94,020</u>	<u>-</u>	<u>94,020</u>
<u>94,020</u>	<u>46,485</u>	<u>733,989</u>
<u>(66,256)</u>	<u>6,531</u>	<u>(227,894)</u>
-	-	5,509
72,156	-	411,627
-	-	(737,794)
<u>72,156</u>	<u>-</u>	<u>(320,658)</u>
5,900	6,531	(548,552)
252	14,921	993,308
<u>6,152</u>	<u>21,452</u>	<u>444,756</u>
6,152	-	6,152
-	-	14,435
-	21,452	424,169
<u>6,152</u>	<u>21,452</u>	<u>444,756</u>

**City of Coggon**

City of Coggon

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2010

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 56,710	48,544	105,254
Miscellaneous	1,087	-	1,087
Total operating receipts	<u>57,797</u>	<u>48,544</u>	<u>106,341</u>
Operating disbursements:			
Business type activities	<u>45,552</u>	<u>40,104</u>	<u>85,656</u>
Excess of operating receipts over operating disbursements	12,245	8,440	20,685
Non-operating disbursements:			
Capital projects	<u>(147,691)</u>	<u>(173,998)</u>	<u>(321,689)</u>
Deficiency of receipts under disbursements	<u>(135,446)</u>	<u>(165,558)</u>	<u>(301,004)</u>
Other financing sources (uses):			
Operating transfers in	167,658	193,087	360,745
Operating transfers out	<u>(17,289)</u>	<u>(17,289)</u>	<u>(34,578)</u>
Total other financing sources (uses)	<u>150,369</u>	<u>175,798</u>	<u>326,167</u>
Net change in cash balances	14,923	10,240	25,163
Cash balances beginning of year	<u>(2,304)</u>	<u>(12,971)</u>	<u>(15,275)</u>
Cash balances end of year	<u>\$ 12,619</u>	<u>(2,731)</u>	<u>9,888</u>
<b>Cash Basis Fund Balances</b>			
Unreserved	<u>\$ 12,619</u>	<u>(2,731)</u>	<u>9,888</u>

See notes to financial statements.

City of Coggon

Notes to Financial Statements

June 30, 2010

**(1) Summary of Significant Accounting Policies**

The City of Coggon is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1892 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Coggon has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City'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 the City 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 the City.

These financial statements present the City of Coggon (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational relationship with the City.

Discretely Presented Component Unit

The Coggon Municipal Light Plant (Plant) was established pursuant to Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens to the City. The Plant is governed by a three-member board of trustees appointed by the City Council. In accordance with criteria set by the Governmental Accounting Standards Board, the Plant meets the definition of a component unit which should be discretely presented. Condensed financial statements presented in Note 9 were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Complete financial statements can be obtained from the Coggon Municipal Light Plant, Coggon, Iowa 52218.

### Blended Component Unit

The Coggon Fire Fighters Association has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the extinguishing of fires and performing such other duties as set forth by the Fire Department. In accordance with criteria set by the Governmental Accounting Standards Board, the Coggon Firefighters Association meets the definition of a component unit which should be blended. The financial activity for the account held by the component unit has been blended as a Special Revenue Fund of the City.

### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Linn County Assessor's Conference Board, Linn County Emergency Management Commission and Linn County Joint E911 Service Board.

## B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

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

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the collection and use of the local option sales tax.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the general government and debt service functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2010 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.

The City 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 at federally insured depository institutions approved by the City Council; 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 a drainage district.

The City has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Bonds Payable**

Annual debt service requirements to maturity for general obligation bonds are as follows:

Years Ending June 30,	Fire Station		Streets		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 20,000	13,925	55,000	17,425	75,000	31,350
2012	20,000	13,525	55,000	16,325	75,000	29,850
2013	20,000	13,125	55,000	15,225	75,000	28,350
2014	20,000	12,525	60,000	13,575	80,000	26,100
2015	25,000	11,925	60,000	11,775	85,000	23,700
2016 - 2020	130,000	46,750	265,000	26,250	395,000	73,000
2021 - 2024	135,000	15,975	-	-	135,000	15,975
Total	\$ 370,000	127,750	550,000	100,575	920,000	228,325

**(4) Pension and Retirement Benefits**

The City 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.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2010 was \$3,565, equal to the required contribution for the year.

**(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 339,471
Debt Service	General	37,578
	Enterprise:	
	Water	17,289
	Sewer	17,289
		<u>72,156</u>
Enterprise:	Special Revenue:	
Water	Local Option Sales Tax	167,658
Sewer	Local Option Sales Tax	193,087
		<u>360,745</u>
Total		<u>\$ 772,372</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(6) Risk Management**

The City 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 are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage in the year ended June 30, 2010.

**(7) Deficit Balance**

The Enterprise, Sewer Fund had a deficit balance of \$2,731. Sewer rates have been raised to return this fund to a sound financial position.

**(8) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 2 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with United Healthcare. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$344 for single coverage and \$628 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2010, the City contributed \$8,100 and plan members eligible for benefits contributed \$2,195 to the plan.

**(9) Coggon Municipal Light Plant**

The Coggon Municipal Light Plant (Plant) provides electric services for the City of Coggon, Iowa. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for its discretely presented component unit. Following is the condensed financial information for the Plant for the year ended June 30, 2010.

Condensed Statement of Net Assets - Modified Cash Basis	
<b>Assets</b>	
Current assets	\$ 142,274
Capital assets, net of accumulated depreciation	861,459
<b>Total assets</b>	<b>1,003,733</b>
<b>Liabilities</b>	
Long-term debt	442,437
Other liabilities	48,813
<b>Total liabilities</b>	<b>491,250</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	379,022
Unrestricted	133,461
<b>Total net assets</b>	<b>\$ 512,483</b>

Condensed Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis	
Operating revenues:	
Electric sales	\$ 462,479
Other electric revenue	8,922
Total operating revenues	471,401
Operating expenses:	
Production - power costs	\$ 183,618
Transmission and distribution	209,371
General and administrative	61,355
Operating income	454,344
	17,057
Non-operating revenues (expenses):	
Interest income	2,926
Interest expense	(30,058)
Loss on disposal of assets	(229)
Total non-operating revenues (expenses)	(27,361)
Decrease in modified cash basis net assets	(10,304)
Modified cash basis net assets beginning of year	522,787
Modified cash basis net assets end of year	\$ 512,483

**(10) Subsequent Event**

In September, 2010, the City authorized the issuance of a \$408,150 sewer revenue loan and disbursement agreement anticipation project note. The note will be used for the purpose of paying authorized costs in connection with planning and designing improvements and extensions to the municipal sanitary sewer system.

**Required Supplementary Information**

City of Coggon  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Coggon Municipal Light Plant *
Receipts:			
Property tax	\$ 154,190	-	-
Other city tax	166,049	-	-
Licenses and permits	1,244	-	-
Use of money and property	11,326	-	2,926
Intergovernmental	108,929	-	-
Charges for service	32,024	106,341	462,479
Miscellaneous	32,333	-	8,922
Total receipts	<u>506,095</u>	<u>106,341</u>	<u>474,327</u>
Disbursements:			
Public safety	108,090	-	-
Public works	422,513	-	-
Culture and recreation	51,194	-	-
General government	58,172	-	-
Debt service	94,020	-	-
Business type activities	-	407,345	484,631
Total disbursements	<u>733,989</u>	<u>407,345</u>	<u>484,631</u>
Excess (deficiency) of receipts over (under) disbursements	(227,894)	(301,004)	(10,304)
Other financing sources, net	<u>(320,658)</u>	<u>326,167</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(548,552)	25,163	(10,304)
Balances beginning of year	<u>993,308</u>	<u>(15,275)</u>	<u>522,787</u>
Balances end of year	<u>\$ 444,756</u>	<u>9,888</u>	<u>512,483</u>

\* The information for the Coggon Municipal Light Plant is presented on a modified cash basis.

See accompanying independent auditor's report.

Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
		Original	Final	
-	154,190	149,728	149,728	4,462
-	166,049	88,860	163,100	2,949
-	1,244	1,800	1,800	(556)
9	14,243	8,000	8,000	6,243
23,638	85,291	70,070	76,858	8,433
-	600,844	656,310	656,310	(55,466)
19,832	21,423	6,720	15,229	6,194
43,479	1,043,284	981,488	1,071,025	(27,741)
38,962	69,128	64,815	70,115	987
-	422,513	151,070	502,671	80,158
-	51,194	39,685	54,982	3,788
-	58,172	55,913	55,913	(2,259)
-	94,020	34,050	34,050	(59,970)
-	891,976	698,547	998,824	106,848
38,962	1,587,003	1,044,080	1,716,555	129,552
4,517	(543,719)	(62,592)	(645,530)	101,811
-	5,509	-	661,510	(656,001)
4,517	(538,210)	(62,592)	15,980	(554,190)
4,413	1,496,407	1,469,581	1,469,581	26,826
8,930	958,197	1,406,989	1,485,561	(527,364)

City of Coggon

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the discretely presented component unit, which is adopted on the modified cash basis, and the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$672,475. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the general government and debt service functions.

**Other Supplementary Information**

**City of Coggon**

## City of Coggon

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

	Special Revenue		
	Employee Benefits	Coggon Fire Fighters Association	
Receipts:			
Property tax	\$ 9,537	-	9,537
Use of money and property	-	9	9
Intergovernmental	-	23,638	23,638
Miscellaneous	-	19,832	19,832
Total receipts	9,537	43,479	53,016
Disbursements:			
Public safety	-	38,962	38,962
Public works	89	-	89
Culture and recreation	2,944	-	2,944
General government	4,490	-	4,490
Total disbursements	7,523	38,962	46,485
Net change in cash balances	2,014	4,517	6,531
Cash balances beginning of year	10,508	4,413	14,921
Cash balances end of year	\$ 12,522	8,930	21,452
<b>Cash Basis Fund Balances</b>			
Unreserved:			
Special revenue funds	\$ 12,522	8,930	21,452

See accompanying independent auditor's report.

---

City of Coggon  
Schedule of Indebtedness  
Year ended June 30, 2010

---

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Fire station	Mar. 20, 2009	2.00 - 4.50%	\$ 380,000
Streets	Mar. 20, 2009	2.00 - 4.00	600,000
Total			

See accompanying independent auditor's report.

---

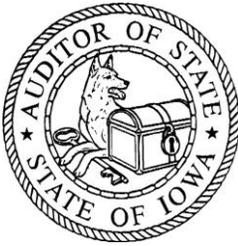
Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
380,000	10,000	370,000	14,557
600,000	50,000	550,000	18,988
<u>\$ 980,000</u>	<u>60,000</u>	<u>920,000</u>	<u>33,545</u>

**Schedule 3**

City of Coggon  
Bond Maturities  
June 30, 2010

Year Ending June 30,	General Obligation Bonds					Total
	Fire Station		Streets			
	Issued May 20, 2009		Issued May 20, 2009			
	Interest Rates	Amount	Interest Rates	Amount		
2011	2.00%	\$ 20,000	2.00%	\$ 55,000	75,000	
2012	2.00	20,000	2.00	55,000	75,000	
2013	3.00	20,000	3.00	55,000	75,000	
2014	3.00	20,000	3.00	60,000	80,000	
2015	3.00	25,000	3.00	60,000	85,000	
2016	3.50	25,000	3.50	60,000	85,000	
2017	3.50	25,000	3.50	65,000	90,000	
2018	4.00	25,000	4.00	70,000	95,000	
2019	4.00	25,000	4.00	70,000	95,000	
2020	4.50	30,000		-	30,000	
2021	4.50	30,000		-	30,000	
2022	4.50	30,000		-	30,000	
2023	4.50	35,000		-	35,000	
2024	4.50	40,000		-	40,000	
Total		<u>\$ 370,000</u>		<u>\$ 550,000</u>	<u>920,000</u>	

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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 Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Coggon, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated May 23, 2011. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009. Our report was modified to include a reference to other auditors. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Another auditor audited the financial statements of the Coggon Municipal Light Plant, a discretely presented component unit, as described in our report on the City of Coggon's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters reported on separately by the other auditor.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Coggon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Coggon's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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 a material misstatement of City of Coggon's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) through (H) to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Coggon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. 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.

The City of Coggon's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Coggon's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Coggon and other parties to whom the City of Coggon may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Coggon 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

May 23, 2011

City of Coggon  
Schedule of Findings  
Year ended June 30, 2010

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one person has control over each of the following areas for the City:
- (1) Accounting system – performing all general accounting functions, including journal entries and custody of assets.
  - (2) Cash – custodian, reconciliation and cash receipts.
  - (3) Investments – investing, recording and custody.
  - (4) Long term debt – recording and reconciling.
  - (5) Receipts – collecting, depositing, journalizing and posting.
  - (6) Utility receipts – billing, collecting and reconciling.
  - (7) Disbursements – mailing, posting and reconciling.
  - (8) Payroll – preparation and distribution.
  - (9) Financial reporting – preparing, reconciling and distributing.
  - (10) Computer system – performing all general accounting functions and controlling all data input and output.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review.

Response – The City will review procedures and work to implement additional controls.

Conclusion – Response accepted.

- (B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent account listing was not consistently prepared during the year. Also, utility collections were not reconciled to deposits.

City of Coggon

Schedule of Findings

Year ended June 30, 2010

Recommendation – A listing of delinquent accounts should be prepared monthly. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – The City will work on developing procedures to address recommendations.

Conclusion – Response accepted.

- (C) Computer System – During our review of internal control, the existing control activities in the City’s computer system were evaluated to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City’s computer system were noted:

The City does not have written policies over the computer system for:

- Password privacy and confidentiality.
- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- A disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items to improve the City’s control over its computer based financial system.

Response – The City will work on developing procedures to address recommendations.

Conclusion – Response accepted.

- (D) Lack of Written Policies and Procedures – The City currently does not have an accounting policies and procedures manual.

Recommendation – The City should develop an accounting policies and procedures manual to provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Response – The City will prepare a manual for the City as time allows.

Conclusion – Response accepted.

City of Coggon

Schedule of Findings

Year ended June 30, 2010

- (E) Financial Software – The City uses manual ledgers to record financial activity in the City’s records. Although the City has financial software, the City does not rely on the computerized records.

Recommendation – The City should begin to utilize its financial software to record receipts and disbursements and to track fund balances.

Response – The City is working with Data Tech to ensure the manual records and computerized records reconcile.

Conclusion – Response accepted.

- (F) Payroll – Time cards were not prepared for all employees and were not approved and initialed by the employee’s supervisor or other responsible official.

Recommendation – Time cards should be prepared by all employees and approved and initialed by the employee’s supervisor or by an independent official who is not involved with payroll.

Response – Time cards will be prepared by all employees and approved by an independent official.

Conclusion – Response accepted.

- (G) Disbursements – Six disbursements for the library totaling \$6,238 did not have proper supporting documentation. This was resolved for audit purposes.

Recommendation – The City should require an original invoice before paying any disbursements.

Response – The Library is now providing original invoices prior to disbursement by the City.

Conclusion – Response accepted.

- (H) Restrictive Endorsement – A restrictive endorsement was not placed on checks received until deposits were prepared.

Recommendation – A restrictive endorsement (for deposit only) should be placed on all checks when received to provide protection in case of theft or loss.

Response – All checks received are now endorsed immediately.

Conclusion – Response accepted.

City of Coggon

Schedule of Findings

Year ended June 30, 2010

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Coggon

Schedule of Findings

Year ended June 30, 2010

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the general government and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The debt service function included only amounts levied and the general government function did not include the portion for employee benefits. The City will include in future budgets.

Conclusion – Response accepted.

- (2) Questionable Disbursements – 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.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the minutes but were not.

The City Council went into closed session on September 14, 2009. However, the minutes record did not document the specific information regarding the closed session or the individual votes of the City Council members to show two-thirds of the City Council members present voted to go into closed session in accordance with Chapter 21 of the Code of Iowa. The City Council went into closed session on November 9, 2009 and the minutes record did not detail the individual votes of the City Council members to show two-thirds of the City Council members present voted to go into closed session.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa.

Response – The City Council is aware of Code of Iowa requirements and is currently documenting the required information.

Conclusion – Response accepted.

City of Coggon

Schedule of Findings

Year ended June 30, 2010

(7) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

(8) Official Depository – A resolution naming an official depository has been adopted by the City. The maximum deposit of \$200,000 stated in the resolution for Linn County State Bank was exceeded during the year ended June 30, 2010.

Recommendation – A new resolution in an amount sufficient to cover anticipated balances at the approved depository should be adopted by the City Council.

Response – Resolution 101213-1 stating maximum deposit of \$750,000 was passed at the City Council meeting held on December 13, 2010.

Conclusion – Response accepted.

(9) City Code – The City Code has not been recodified within the past five years.

Recommendation – Chapter 380.8 of the Code of Iowa states, in part, “At least once every five years, a city shall compile a Code of ordinances containing all city ordinances in effect, except grade ordinances, bond ordinances, zoning ordinances, and ordinances vacating streets and alleys.” The City should review this for compliance.

Response – The City code was recodified and approved after a public hearing held on March 14, 2011.

Conclusion – Response accepted.

(10) Financial Condition – The Enterprise, Sewer Fund had a deficit balance of \$2,731 at June 30, 2010.

Recommendation – The City should investigate alternatives to eliminate this deficit to return this fund to a sound financial position.

Response – Sewer rates were increased to avoid further deficit balances.

Conclusion – Response accepted.

(11) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures...”. The City's Annual Financial Report was not supported and did not agree with the City records.

Recommendation – The Annual Financial Report should be amended to correct material errors and the amounts reported should be supported by the City's records.

Response – The 2011 Annual Financial Report will be amended.

Conclusion – Response accepted.

---

City of Coggon

Staff

This audit was performed by:

Deborah J. Moser, CPA, Manager  
Carrie L. Livingston, CPA, Senior Auditor  
Daniel L. Grady, Senior Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State