



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

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**NEWS RELEASE**

FOR RELEASE

June 4, 2007

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 has implemented new reporting standards for the year ended June 30, 2006, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$642,887 for the year ended June 30, 2006. The receipts included \$134,182 in property tax, \$117,732 from charges for service, \$118,923 from operating grants, contributions and restricted interest, \$38,679 from capital grants, contributions and restricted interest, \$224,244 from local option sales tax, \$2,976 from unrestricted investment earnings and \$6,151 from other general receipts.

Disbursements for the year totaled \$434,196, and included \$156,028 for public works, \$45,035 for debt service and \$46,248 for culture and recreation. Also, disbursements for business type activities totaled \$92,943.

A copy of the 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/reports.htm>.

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**CITY OF COGGON**

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

**JUNE 30, 2006**

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**City of Coggon**

**Officials**

**(Before January 2006)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Kurt	Mayor	Jan 2006
Cheryl Schott	Mayor Pro tem	Jan 2006
Ron Goeke	Council Member	Jan 2006
Robert Klima	Council Member	Jan 2006
Robert Farley	Council Member	Jan 2008
Dan Huber	Council Member	Jan 2008
Judith Anton	Clerk	Indefinite
Don Hoskins	Attorney	Indefinite

**(After January 2006)**

Robert Kurt	Mayor	2008
Robert Farley	Mayor Pro tem	2008
Dan Huber	Council Member	2008
Ron Goeke	Council Member	2008
Nicki Fisher	Council Member	2010
Randy Le Grand	Council Member	2010
Judith Anton	Clerk	Indefinite
Don Hoskins	Attorney	Indefinite

**City of Coggon**



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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, 2006, 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.

Except as discussed in the following paragraph, 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, 2005.

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 29, 2006, expressed an unqualified opinion on the financial statements.

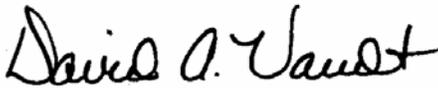
In our opinion, based on our audit and the report of the other auditor, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the third paragraph, 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, 2006, 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.

As described in Note 8, during the year ended June 30, 2006, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2007 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 internal control over financial reporting or 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, 2005, 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

March 16, 2007

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

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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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, and since 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.

### **2006 FINANCIAL HIGHLIGHTS**

- The cash basis net assets of the City's governmental activities increased 88%, or approximately \$226,000, primarily due to the receipt of a Community Development Block Grant of \$38,679, \$30,411 in donations and \$125,000 in local option sales tax to be used for sanitary sewer improvements.
- The cash basis net assets of the City's business type activities decreased 231%, or approximately \$17,000, due to costs associated with the purchase of new pumping equipment for the water enterprise.

### **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.

## **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, Local Option Sales Tax and Community Development Block Grant, 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.

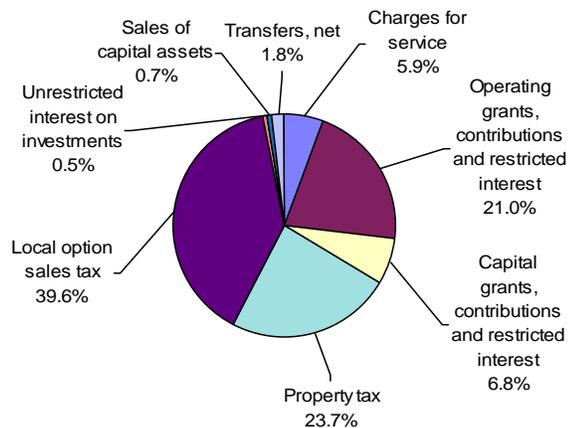
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

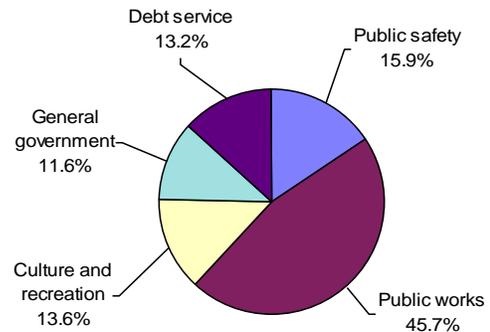
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, from \$256,845 to \$482,431. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2006
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 33,498
Operating grants, contributions and restricted interest	118,923
Capital grants, contributions and restricted interest	38,679
General receipts:	
Property tax	134,182
Local option sales tax	224,244
Unrestricted interest on investments	2,906
Sales of capital assets	4,072
Transfers, net	10,335
<b>Total receipts and transfers</b>	<b>566,839</b>
Disbursements:	
Public safety	54,273
Public works	156,028
Culture and recreation	46,248
General government	39,669
Debt service	45,035
<b>Total disbursements</b>	<b>341,253</b>
Increase in cash basis net assets	225,586
Cash basis net assets beginning of year	256,845
Cash basis net assets end of year	<b>\$ 482,431</b>

**Receipts by Function**



**Disbursements by Function**



Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2006
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 47,928
Sewer	36,306
General receipts:	
Miscellaneous	2,079
Unrestricted interest on investments	70
Total receipts	<u>86,383</u>
Disbursements and transfers:	
Water	42,623
Sewer	50,320
Transfers	10,335
Total disbursements and transfers	<u>103,278</u>
Decrease in cash basis net assets	(16,895)
Cash basis net assets beginning of year	<u>7,322</u>
Cash basis net assets end of year	<u>\$ (9,573)</u>

Total business type activities balance decreased from a year ago, decreasing from \$7,332 to a deficit balance of \$9,573.

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

As the City of Coggon completed the year, its governmental funds reported a combined fund balance of \$482,431. 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 increased \$4,643 from the prior year to a balance of \$63,241.
- The Road Use Tax Fund cash balance increased by \$11,262 to \$79,171 during the fiscal year.
- The Local Option Sales Tax Fund balance increased \$99,294 to \$202,975. The City intends to use the proceeds as matching funds for sanitary sewer improvements.
- The Community Development Block Grant Fund was established to account for grant proceeds to pay engineering and administrative fees for sanitary sewer improvements. At the end of the fiscal year, the cash balance was \$83,992.
- The Debt Service Fund cash balance increased \$41 from the prior year to a balance of \$145.

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

- The Water Fund cash balance decreased \$10,861 to a deficit balance of \$3,681.
- The Sewer Fund cash balance decreased \$6,034 to a deficit balance of \$5,892.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 8, 2006 and resulted in an increase in operating disbursements of \$163,692. The increase was primarily to pay for sanitary sewer improvements with Community Development Block Grant and other funds.

The City's receipts were \$343,743 less than budgeted receipts. Intergovernmental receipts were approximately \$375,000 less than budgeted receipts, due primarily to the inclusion of the electric utility. Total disbursements were \$813,532 less than budgeted, due primarily to the inclusion of the electric utility and less progress than expected on the sewer project in the business type activities function.

**DEBT ADMINISTRATION**

At June 30, 2006, the City had \$140,000 in general obligation notes outstanding, compared to \$175,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2006	2005
General obligation capital loan notes	\$ 140,000	175,000

Debt decreased as a result of redeeming approximately \$35,000 in debt principal during the year.

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 \$140,000 is significantly below its constitutional debt limit of approximately \$1,188,000.

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

Several factors were considered when formulating the FY 2007 budget:

- The FY 2007 budget includes receipts totaling \$1,605,548 and disbursements of \$2,334,918. Fund balances of \$729,370 will be used.
- The FY 2007 levy is \$8.10 per \$1,000 of taxable valuation, the same as in FY 2006.
- The City was awarded a Community Development Block Grant on March 18, 2005 for \$509,193 for the East Sanitary Sewer Interceptor Replacement and Surface Drainage Improvements. The project will be completed in FY 2007. The City's matching funds of \$254,693 will be paid by local option sales tax.
- Residential development is continuing to occur, with a new subdivision on the east side of town.
- 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. Judith Anton, Clerk, 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, 2006

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 54,273	457	14,577	-
Public works	156,028	694	62,375	38,679
Culture and recreation	46,248	31,067	41,971	-
General government	39,669	1,280	-	-
Debt service	45,035	-	-	-
Total governmental activities	341,253	33,498	118,923	38,679
Business type activities:				
Water	42,623	47,928	-	-
Sewer	50,320	36,306	-	-
Total business type activities	92,943	84,234	-	-
Total	\$ 434,196	117,732	118,923	38,679

**General Receipts:**

Property tax levied for:  
 General purposes  
 Debt service  
 Local option sales tax  
 Utility franchise tax  
 Unrestricted interest on investments  
 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
(39,239)	-	(39,239)
(54,280)	-	(54,280)
26,790	-	26,790
(38,389)	-	(38,389)
(45,035)	-	(45,035)
(150,153)	-	(150,153)
-	5,305	5,305
-	(14,014)	(14,014)
-	(8,709)	(8,709)
(150,153)	(8,709)	(158,862)
120,465	-	120,465
13,717	-	13,717
224,244	-	224,244
-	2,079	2,079
2,906	70	2,976
4,072	-	4,072
10,335	(10,335)	-
375,739	(8,186)	367,553
225,586	(16,895)	208,691
256,845	7,322	264,167
\$ 482,431	(9,573)	472,858
\$ 79,171	-	79,171
202,975	-	202,975
145	-	145
136,899	-	136,899
63,241	(9,573)	53,668
\$ 482,431	(9,573)	472,858

City of Coggon

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

As of and for the year ended June 30, 2006

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Community Development Block Grant
Receipts:				
Property tax	\$ 102,655	-	-	-
Other city tax	578	-	224,244	-
Licenses and permits	1,695	-	-	-
Use of money and property	2,091	-	997	-
Intergovernmental	11,560	62,375	-	38,679
Charges for service	29,343	-	-	-
Miscellaneous	2,160	-	-	-
Total receipts	150,082	62,375	225,241	38,679
Disbursements:				
Operating:				
Public safety	34,886	-	-	-
Public works	39,250	51,113	-	59,687
Culture and recreation	43,563	-	-	-
General government	31,812	-	-	-
Debt service	-	-	-	-
Total disbursements	149,511	51,113	-	59,687
Excess (deficiency) of receipts over (under) disbursements	571	11,262	225,241	(21,008)
Other financing sources (uses):				
Sale of capital assets	4,072	-	-	-
Operating transfers in	-	-	-	105,000
Operating transfers out	-	-	(125,947)	-
Total other financing sources (uses)	4,072	-	(125,947)	105,000
Net change in cash balances	4,643	11,262	99,294	83,992
Cash balances beginning of year	58,598	67,909	103,681	-
Cash balances end of year	\$ 63,241	79,171	202,975	83,992
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	\$ -	-	-	-
Unreserved:				
General fund	63,241	-	-	-
Special revenue funds	-	79,171	202,975	83,992
Debt Service	-	-	-	-
Total cash basis fund balances	\$ 63,241	79,171	202,975	83,992

See notes to financial statements.

Debt Service	Nonmajor	Total
13,717	17,155	133,527
77	97	224,996
-	-	1,695
-	21	3,109
-	-	112,614
-	-	29,343
-	44,988	47,148
13,794	62,261	552,432
-	19,387	54,273
-	5,978	156,028
-	2,685	46,248
-	7,857	39,669
45,035	-	45,035
45,035	35,907	341,253
(31,241)	26,354	211,179
-	-	4,072
31,282	-	136,282
-	-	(125,947)
31,282	-	14,407
41	26,354	225,586
104	26,553	256,845
145	52,907	482,431
145	-	145
-	-	63,241
-	52,907	419,045
-	-	-
145	52,907	482,431

**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, 2006

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 47,928	36,306	84,234
Miscellaneous	-	2,079	2,079
Total operating receipts	47,928	38,385	86,313
Operating disbursements:			
Business type activities	42,623	50,320	92,943
Excess (deficiency) of operating receipts over (under) operating disbursements	5,305	(11,935)	(6,630)
Non-operating receipts:			
Interest on investments	64	6	70
Excess (deficiency) of receipts over (under) disbursements	5,369	(11,929)	(6,560)
Other financing sources (uses):			
Operating transfers in	9,500	11,447	20,947
Operating transfers out	(25,730)	(5,552)	(31,282)
Total other financing sources (uses)	(16,230)	5,895	(10,335)
Net change in cash balances	(10,861)	(6,034)	(16,895)
Cash balances beginning of year	7,180	142	7,322
Cash balances end of year	\$ (3,681)	(5,892)	(9,573)
<b>Cash Basis Fund Balances</b>			
Unreserved	\$ (3,681)	(5,892)	(9,573)

See notes to financial statements.

City of Coggon

Notes to Financial Statements

June 30, 2006

**(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.

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 Firefighters 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 Community Development Block Grant Fund is used to account for an economic development project financed by grant funds.

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 waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Coggon 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, 2006, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2006 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) Notes Payable**

Annual debt service requirements to maturity for general obligation capital loan notes are as follows:

Years Ending June 30,	Principal	Interest	Total
2007	\$ 35,000	7,578	42,578
2008	40,000	5,742	45,742
2009	45,000	3,530	48,530
2010	20,000	1,000	21,000
Total	\$ 140,000	17,850	157,850

**(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 3.70% of their annual covered salary and the City is required to contribute 5.75% 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, 2006 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, 2006 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Community Development Block Grant	Special Revenue: Local Option Sales Tax	\$ 105,000
Debt Service	Enterprise: Water	25,730
	Sewer	5,552
		<u>31,282</u>
Enterprise: Water	Special Revenue: Local Option Sales Tax	9,500
Sewer	Local Option Sales Tax	11,447
		<u>20,947</u>
Total		<u>\$ 157,229</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, 2006.

**(7) Deficit Balances**

The Enterprise, Water and Sewer Funds had deficit balances of \$3,681 and \$5,892, respectively. Water and sewer rates have been raised to return these funds to a sound financial position.

**(8) Accounting Change**

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2006. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Implementation of these standards had no effect on the beginning balances of the City.

**(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, 2006.

Condensed Statement of Net Assets - Modified Cash Basis	
<b>Assets</b>	
Current assets	\$ 118,596
Capital assets, net of accumulated depreciation	1,008,535
Other	68,212
<b>Total assets</b>	<b>1,195,343</b>
<b>Liabilities</b>	
Long-term debt	625,000
Other liabilities	53,681
<b>Total liabilities</b>	<b>678,681</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	333,535
Unrestricted	183,127
<b>Total net assets</b>	<b>\$ 516,662</b>

Condensed Statement of Revenues, Expenses and Changes in Net Assets - Modified Cash Basis	
Operating revenues:	
Electric sales	\$ 378,690
Other electric revenue	16,809
Total operating revenues	395,499
Operating expenses:	
Production - power costs	\$ 133,242
Transmission and distribution	185,988
General and administrative	50,386
Operating income	369,616
	25,883
Non-operating revenues (expenses):	
Interest income	2,274
Interest expense	(37,285)
Total non-operating revenues (expenses)	(35,011)
Increase in modified cash basis net assets	(9,128)
Modified cash basis net assets beginning of year	525,790
Modified cash basis net assets end of year	\$ 516,662

**City of Coggon**

**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, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 133,527	-	-
Other city tax	224,996	-	-
Licenses and permits	1,695	-	-
Use of money and property	3,109	70	9
Intergovernmental	112,614	-	-
Charges for service	29,343	84,234	-
Miscellaneous	47,148	2,079	14,577
Total receipts	<u>552,432</u>	<u>86,383</u>	<u>14,586</u>
Disbursements:			
Public safety	54,273	-	19,387
Public works	156,028	-	-
Culture and recreation	46,248	-	-
General government	39,669	-	-
Debt service	45,035	-	-
Business type activities	-	92,943	-
Total disbursements	<u>341,253</u>	<u>92,943</u>	<u>19,387</u>
Excess (deficiency) of receipts over (under) disbursements	211,179	(6,560)	(4,801)
Other financing sources, net	14,407	(10,335)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	225,586	(16,895)	(4,801)
Balances beginning of year	256,845	7,322	8,500
Balances end of year	<u>\$ 482,431</u>	<u>(9,573)</u>	<u>3,699</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
133,527	134,667	134,667	(1,140)
224,996	80,819	194,819	30,177
1,695	1,800	1,800	(105)
3,170	3,350	3,350	(180)
112,614	68,697	118,389	(5,775)
113,577	488,260	488,260	(374,683)
34,650	26,737	26,737	7,913
624,229	804,330	968,022	(343,793)
34,886	43,290	43,290	8,404
156,028	240,624	240,624	84,596
46,248	46,868	53,428	7,180
39,669	44,857	44,857	5,188
45,035	45,135	45,135	100
92,943	643,875	801,007	708,064
414,809	1,064,649	1,228,341	813,532
209,420	(260,319)	(260,319)	469,739
4,072	420	420	3,652
213,492	(259,899)	(259,899)	473,391
255,667	805,272	805,272	(549,605)
469,159	545,373	545,373	(76,214)

City of Coggon

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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 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 \$163,692. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements did not exceed the amounts budgeted.

**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, 2006

	Special Revenue				Total
	Employee Benefits	Park Donations	Playground Fund	Coggon Fire Fighters Association	
Receipts:					
Property tax	\$ 17,155	-	-	-	17,155
Other city tax	97	-	-	-	97
Use of money and property	-	-	12	9	21
Miscellaneous	-	3,000	27,411	14,577	44,988
Total receipts	17,252	3,000	27,423	14,586	62,261
Disbursements:					
Public safety	-	-	-	19,387	19,387
Public works	5,978	-	-	-	5,978
Culture and recreation	2,685	-	-	-	2,685
General government	7,857	-	-	-	7,857
Total disbursements	16,520	-	-	19,387	35,907
Net change in cash balances	732	3,000	27,423	(4,801)	26,354
Cash balances beginning of year	16,053	2,000	-	8,500	26,553
Cash balances end of year	\$ 16,785	5,000	27,423	3,699	52,907
<b>Cash Basis Fund Balances</b>					
Unreserved:					
Special revenue funds	\$ 16,785	5,000	27,423	3,699	52,907

See accompanying independent auditor's report.

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City of Coggon  
Schedule of Indebtedness  
Year ended June 30, 2006

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Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Water	Feb 1, 1994	5.60-6.20%	\$ 250,000
Sewer Improvement	Feb 1, 2002	4.25-5.00	130,000
Total			

See accompanying independent auditor's report.

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Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
90,000	20,000	70,000	5,330
85,000	15,000	70,000	4,005
<u>\$ 175,000</u>	<u>35,000</u>	<u>140,000</u>	<u>9,335</u>

**Schedule 3**

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## City of Coggon

## Note Maturities

June 30, 2006

Year Ending June 30,	General Obligation Notes				Total
	Water		Sewer Improvement		
	Issued Feb 1, 1994		Issued Feb 1, 2002		
	Interest	Amount	Interest	Amount	
2007	5.80%	\$ 20,000	4.50%	\$ 15,000	35,000
2008	6.00	25,000	4.75	15,000	40,000
2009	6.20	25,000	4.90	20,000	45,000
2010		-	5.00	20,000	20,000
Total		<u>\$ 70,000</u>		<u>\$ 70,000</u>	<u>140,000</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, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated March 16, 2007. 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, 2005.

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.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 the City of Coggon's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (B) are material weaknesses.

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.

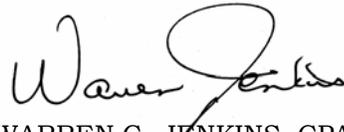
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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.

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

March 16, 2007

City of Coggon

Schedule of Findings

Year ended June 30, 2006

**Findings Related to the Financial Statements:**

**REPORTABLE CONDITIONS:**

(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. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas for the City and the Library:

- (1) Accounting system – performing all general accounting functions and custody of assets.
- (2) Cash – preparing bank account reconciliations, initiating cash receipts and disbursement functions and handling and recording cash.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Long term debt – recording and reconciling.
- (5) Receipts – collecting, depositing, journalizing, reconciling and posting.
- (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (7) Disbursements – check writing, reconciling, check signing and posting.
- (8) Payroll – preparation, distribution, and posting.
- (9) Financial reporting – preparing, reconciling and distributing.

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

Response – We will review our control procedures and implement any division of duties possible using existing staff and officials.

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 accounts listing was not prepared for the year ended June 30, 2006. Also, utility collections were not reconciled to deposits.

City of Coggon

Schedule of Findings

Year ended June 30, 2006

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. 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 – Procedures will be implemented to carry out the recommendation.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Coggon

Schedule of Findings

Year ended June 30, 2006

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted.
- (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 insure 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.
- (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) Deficit Balances – The Enterprise, Water and Sewer Funds had deficit balances of \$3,681 and \$5,892, respectively, at June 30, 2006.

Recommendation – The City should investigate alternatives and take steps to eliminate the deficits in order to return the Enterprise, Water and Sewer Funds to a sound financial position.

Response – Water and sewer rates have been raised to return these funds to a sound financial position.

Conclusion – Response accepted.

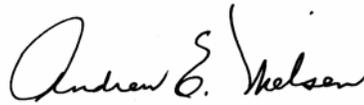
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City of Coggon

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager  
John G. Vanis, CGFM, Senior Auditor  
Bradley A. Meisterling, Staff 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