



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

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NEWS RELEASE

FOR RELEASE

July 2, 2009

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the City of Coin, Iowa.

The City's receipts totaled \$197,889 for the year ended June 30, 2008. The receipts included \$25,078 in property tax, \$118,046 from charges for service, \$30,469 from operating grants, contributions and restricted interest, \$15,512 from local option sales tax and \$8,784 from other general receipts.

Disbursements for the year totaled \$215,828, and included \$67,488 for public works, \$44,724 for general government and \$10,319 for culture and recreation. Also, disbursements for business type activities totaled \$86,922.

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/reports.htm>.

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CITY OF COIN

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

JUNE 30, 2008

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City of Coin

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Karlette Thornton	Mayor	Jan 2008
Alice Faye Annan	Council Member	Jan 2008
Darwin Dixon (Appointed)	Council Member	Nov 2007
Mark E. Norman	Council Member	Jan 2008
Carl Phillips	Council Member	Jan 2008
Diane Burdge	Council Member	Jan 2008
Lester Racine	Council Member	(Resigned)
Cathy Leuci	Clerk	Indefinite
Aaron Rodenburg	Attorney	Indefinite
(After January 2008)		
Karlette Thornton	Mayor	Jan 2010
Carl Phillips	Council Member	(Resigned)
Diane Burdge	Council Member	(Resigned)
Marie Miller	Council Member	Jan 2010
Janice Pitt	Council Member	Jan 2010
Karen Wensel	Council Member	(Resigned)
Cathy Leuci	Clerk	Indefinite
Aaron Rodenburg	Attorney	Indefinite

City of Coin



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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 and each major fund of the City of Coin, Iowa, as of and for the year ended June 30, 2008, 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 Coin'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, 2007.

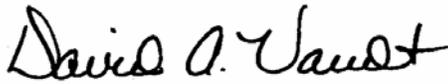
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities and each major fund of the City of Coin as of June 30, 2008, 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.

The City's General Fund cash balance decreased \$22,043 during the year to a deficit of \$21,339 at June 30, 2008. The City's Special Revenue, Road Use Tax Fund cash balance decreased \$8,293 during the year to a deficit of \$2,699 at June 30, 2008. In addition, the City's Enterprise, Water Fund had a deficit unreserved cash balance of \$49,304 at June 30, 2008. The City was not eligible to levy property tax for the year ending June 30, 2009 since the City's budget was not properly adopted and filed by the statutory deadline. After the issuance of general obligation debt subsequent to June 30, 2008, the City has minimal, if any, remaining Constitutional debt capacity and limited opportunities for additional tax levy authority. Also, the City has not fully paid the principal and interest payment due July 1, 2008 on the 1979 water revenue bond. The City stated it would investigate alternatives to eliminate these deficit balances.

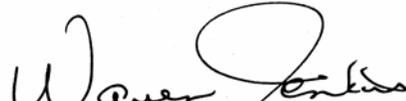
In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2009 on our consideration of the City of Coin's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other 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 12 and 26 through 27 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 Coin's basic financial statements. Other supplementary information included in Schedules 1 and 2 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, 2007, 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

June 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Coin 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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased 120%, or approximately \$30,000, due primarily to increases in disbursements for ice storm damage and street repair.
- The cash basis net assets of the City's business type activities increased 26%, or approximately \$12,000, due primarily to delaying payment of principal and interest on water revenue bonds.

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 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, culture and recreation, community and economic development, general government and debt service. 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 Wabash Trace, and 3) the Permanent 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.

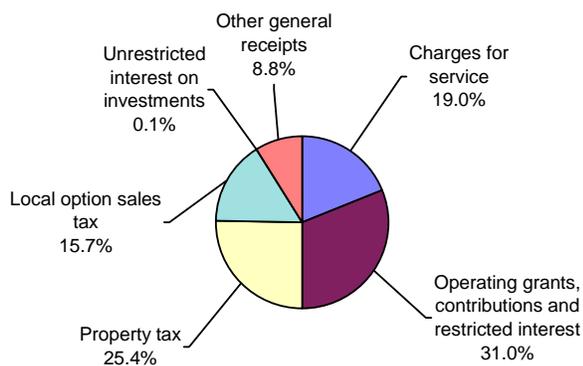
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

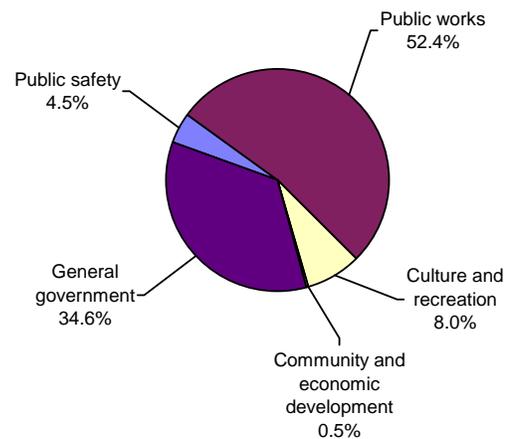
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$25,186 to \$(5,150). The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2008
Receipts:	
Program receipts:	
Charges for service	\$ 18,727
Operating grants, contributions and restricted interest	30,469
General receipts:	
Property tax	25,078
Local option sales tax	15,512
Unrestricted interest on investments	125
Other general receipts	8,659
Total receipts	<u>98,570</u>
Disbursements:	
Public safety	5,786
Public works	67,488
Culture and recreation	10,319
Community and economic development	589
General government	44,724
Total disbursements	<u>128,906</u>
Change in cash basis net assets	(30,336)
Cash basis net assets beginning of year	<u>25,186</u>
Cash basis net assets end of year	<u>\$ (5,150)</u>

Receipts by Source



Disbursements by Function



The cash basis net assets of the City's governmental activities decreased 120%, or approximately \$30,000, due primarily to increases in disbursements for ice storm damage and street repair.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2008
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 57,849
Sewer	41,470
Total receipts	<u>99,319</u>
Disbursements:	
Water	53,047
Sewer	33,875
Total disbursements	<u>86,922</u>
Change in cash basis net assets	12,397
Cash basis net assets beginning of year	<u>47,510</u>
Cash basis net assets end of year	<u>\$ 59,907</u>

The cash basis net assets of the City's business type activities increased 26%, or approximately \$12,000, due primarily to delaying payment of principal and interest on water revenue bonds.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Coin completed the year, its governmental funds reported a combined fund balance of \$(5,150), a decrease of \$30,336 from last year's total of \$25,186. 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 \$22,043 from the prior year to \$(21,339). The decrease in fund balance was due primarily to an increase in disbursements for ice storm damage and other costs.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$8,293 from the prior year to \$(2,699). The decrease in fund balance was due primarily to disbursements for street repair exceeding road use tax receipts.
- The Special Revenue, Wabash Trace Fund cash balance remained unchanged from the prior year amount of \$3,653. There was no activity in this fund during the year.
- The Permanent, Cemetery Perpetual Care Fund cash balance was \$15,235, also unchanged from the previous year. There was no activity in this fund during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$4,802 to \$(26,092), due primarily to no debt payments being made in the current year.
- The Sewer Fund cash balance increased \$7,595 to \$85,999, due primarily to a small sewer usage increase and cost saving measures.

BUDGETARY HIGHLIGHTS

The City did not amend its budget in fiscal year 2008.

The City's receipts were \$35,847 more than budgeted. This was primarily due to the City receiving more intergovernmental, charges for service and miscellaneous receipts than were budgeted.

Total disbursements were \$32,451 more than the amount budgeted. The actual disbursements for the public safety, public works, general government and business type activities functions were \$1,286, \$30,988, \$12,624 and \$9,922, respectively, more than the budget. This was primarily due to the City not budgeting a sufficient amount for increased costs for FEMA and street repair and the debt payments for the sewer revenue bonds were budgeted under the debt service function rather than the business-type activities function.

DEBT ADMINISTRATION

At June 30, 2008, the City had \$165,006 in bonds and other long-term debt outstanding, as follows:

Outstanding Debt at Year-End	
	June 30, 2008
Revenue bonds	\$ 143,128
Mower installment loan	2,054
Note agreement	19,824
Total	<u>\$ 165,006</u>

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 \$21,878 is below its constitutional debt limit of approximately \$160,000. After the issuance of general obligation debt subsequent to June 30, 2008, the City has minimal, if any, remaining constitutional debt capacity.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City was not eligible to levy property tax for the year ended June 30, 2009 since the City's budget was not properly adopted and filed by the statutory deadline.

The fiscal year 2009 budget contains total receipts of \$154,400 and disbursements of \$216,250. This budget is higher than the fiscal year 2008 budget which contained total receipts of \$162,042 and disbursements of \$183,377. The fiscal year 2009 budget includes significant changes from the prior year due to the budget being filed too late to levy property tax.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$62,000 by the close of 2009 to a deficit of approximately \$43,000.

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 the City Clerk, PO Box 324, Coin, Iowa 51636.

Basic Financial Statements

City of Coin

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 5,786	-	-
Public works	67,488	15,791	15,708
Culture and recreation	10,319	395	5,037
Community and economic development	589	-	-
General government	44,724	2,541	9,724
Total governmental activities	128,906	18,727	30,469
Business type activities:			
Water	53,047	57,849	-
Sewer	33,875	41,470	-
Total business type activities	86,922	99,319	-
Total	\$ 215,828	118,046	30,469

General Receipts:

Property tax levied for general purposes
 Local option sales tax
 Unrestricted interest on investments
 Miscellaneous

Total general receipts

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:

Cemetery perpetual care
 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
(5,786)	-	(5,786)
(35,989)	-	(35,989)
(4,887)	-	(4,887)
(589)	-	(589)
(32,459)	-	(32,459)
(79,710)	-	(79,710)
-	4,802	4,802
-	7,595	7,595
-	12,397	12,397
(79,710)	12,397	(67,313)
25,078	-	25,078
15,512	-	15,512
125	-	125
8,659	-	8,659
49,374	-	49,374
(30,336)	12,397	(17,939)
25,186	47,510	72,696
\$ (5,150)	59,907	54,757
\$ 15,235	-	15,235
-	24,107	24,107
3,653	11,549	15,202
(24,038)	24,251	213
\$ (5,150)	59,907	54,757

Exhibit B

City of Coin

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

As of and for the year ended June 30, 2008

	Special Revenue			Permanent	Total
	General	Road Use Tax	Wabash Trace	Cemetery Perpetual Care	
Receipts:					
Property tax	\$ 25,078	-	-	-	25,078
Other city tax	15,512	-	-	-	15,512
Licenses and permits	2,541	-	-	-	2,541
Use of money and property	1,391	-	-	-	1,391
Intergovernmental	9,724	15,708	-	-	25,432
Charges for service	15,791	-	-	-	15,791
Miscellaneous	12,825	-	-	-	12,825
Total receipts	82,862	15,708	-	-	98,570
Disbursements:					
Operating:					
Public safety	5,786	-	-	-	5,786
Public works	43,487	24,001	-	-	67,488
Culture and recreation	10,319	-	-	-	10,319
Community and economic development	589	-	-	-	589
General government	44,724	-	-	-	44,724
Total disbursements	104,905	24,001	-	-	128,906
Deficiency of receipts under disbursements	(22,043)	(8,293)	-	-	(30,336)
Cash balances beginning of year	704	5,594	3,653	15,235	25,186
Cash balances end of year	\$ (21,339)	(2,699)	3,653	15,235	(5,150)
Cash Basis Fund Balances					
Unreserved:					
General fund	\$ (21,339)	-	-	-	(21,339)
Special revenue funds	-	(2,699)	3,653	-	954
Permanent fund	-	-	-	15,235	15,235
Total cash basis fund balances	\$ (21,339)	(2,699)	3,653	15,235	(5,150)

See notes to financial statements.

City of Coin

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

As of and for the year ended June 30, 2008

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 56,347	41,440	97,787
Miscellaneous	1,502	30	1,532
Total operating receipts	57,849	41,470	99,319
Operating disbursements:			
Business type activities	53,047	25,125	78,172
Excess of operating receipts over operating disbursements	4,802	16,345	21,147
Non-operating receipts (disbursements):			
Debt service	-	(8,750)	(8,750)
Excess of receipts over disbursements	4,802	7,595	12,397
Cash balances beginning of year	(30,894)	78,404	47,510
Cash balances end of year	\$ (26,092)	85,999	59,907
Cash Basis Fund Balances			
Reserved for:			
Utility deposits	\$ 9,185	2,364	11,549
Debt service	14,027	10,080	24,107
Unreserved	(49,304)	73,555	24,251
Total cash basis fund balances	\$ (26,092)	85,999	59,907

See notes to financial statements.

City of Coin

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Coin is a political subdivision of the State of Iowa located in Page County. It was first incorporated in 1879 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 Coin 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

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: Page County Assessor's Conference Board, Page County Emergency Management Commission, Page County Landfill Association and the Coin Fire and Rescue Department.

B. Basis of Presentation

Government-wide Financial Statement - 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 revenues, 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.

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 Wabash Trace Fund is used to account for the remaining receipts from the bike and walking trail construction.

Permanent:

The Cemetery Perpetual Care Fund is used to account for a trust for maintenance of the cemetery.

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 Coin 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, 2008, disbursements exceeded the amounts budgeted in the public safety, public works, general government and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 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 had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Long-Term Debt

Bonds Payable

Annual debt service requirements to maturity for water and sewer revenue bonds are as follows:

Year Ending June 30,	Sewer Revenue Bonds		Water Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ -	-	4,971	3,656	4,971	3,656
2010	10,000	3,500	6,069	3,408	16,069	6,908
2011	5,000	3,000	5,173	3,104	10,173	6,104
2012	10,000	2,750	6,281	2,846	16,281	5,596
2013	5,000	2,250	6,395	2,532	11,395	4,782
2014-2018	40,000	5,000	37,897	7,438	77,897	12,438
2019-2020	-	-	6,342	473	6,342	473
Total	\$ 70,000	16,500	73,128	23,457	143,128	39,957

During the year ended June 30, 2008, \$5,000 of sewer revenue bonds were retired.

Sewer Revenue Bonds – The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$169,000 of sewer revenue bonds issued in January 1977. The bonds mature annually on July 1 and bear interest at 5.0% per annum, which is also due and payable every July 1. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2017. Annual principal and interest payments on the notes are expected to require less than 54 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$86,500. For the current year, principal and interest paid and total customer net receipts were \$8,750 and \$16,345, respectively.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (b) User rates or charges to consumers shall be sufficient in each year for the payment of the proper and reasonable expenses of operation and maintenance of the system, for the payment of principal and interest on the bonds and for the creation of reserves.
- (c) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account for the purpose of making the above payments when due.
- (d) Additional monthly transfers shall be made to a sewer revenue bond reserve account until \$10,080 has been accumulated. This account is restricted for paying the cost of repairing or replacing any damage to the utility, making extensions or improvements to the utility or making the annual principal and interest payments whenever there is insufficient money in the sewer revenue bond sinking account.

The City has not maintained the required balance in the sewer reserve account.

Water Revenue Bonds – The City issued \$91,000 of water revenue bonds to defray a portion of the cost of water improvements on December 5, 1977. The bonds mature annually on July 1 and bear interest at 5.0% per annum, which is due and payable every July 1. During the year ended June 30, 2008, no payments were made on the bonds. The payment due July 1, 2007 was made in the prior fiscal year.

The City also issued a \$60,000 water revenue bond to defray a portion of the cost of water improvements on June 26, 1979. The bond matures on July 1, 2019 and bears interest at 5.0% per annum, which is due and payable every July 1. During the year ended June 30, 2008, no principal and interest payments were made on the bond. The payment due July 1, 2007 was made in the prior fiscal year.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$151,000 of water revenue bonds issued in December 1977 and June 1979. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2020. Annual principal and interest payments on the bonds are expected to require 180 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$96,585. For the current year, principal and interest paid and total customer net receipts were \$0 and \$4,802 respectively.

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (b) User rates or charges to consumers shall be sufficient in each year for the payment of the proper and reasonable expenses of operation and maintenance of the system, for the payment of principal and interest on the bonds and for the creation of reserves.
- (c) Sufficient monthly transfers shall be made to a water revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- (d) Additional monthly transfers shall be made to a water revenue bond reserve account until \$5,400 has been accumulated. This account is restricted for paying the cost of repairing or replacing any damage to the utility, making extensions or improvements to the utility or making the annual principal and interest payments whenever there is insufficient money in the water revenue bond sinking account.
- (e) The City will cause the books and accounts to be audited annually not later than 90 days after the end of each fiscal year by an independent auditor.

The City has not maintained the required balance in the water reserve account. In addition, the City has not complied with the annual audit requirement and has not maintained user rates at a sufficient level for payment of expenses for operation and maintenance of the system and for payment of principal and interest on the bonds.

Installment Loan

On April 25, 2006, the City entered into an installment loan for \$6,149 to be used to purchase a mower. The loan bears 9.25% per annum interest and is to be repaid in monthly installments of \$196, including interest, for a period of 3 years. During the year ended June 30, 2008, \$2,159, including interest of \$263, was paid on the loan. The principal balance at June 30, 2008 was \$2,054.

Note Agreement

In September and October 2007, the City was billed \$24,023 by a vendor for emergency repair to the water and sewer system. The City incurred finance charges of \$638 for non-payment of the bill. In February 2008, the City made a \$1,000 payment on the account. On March 3, 2008, the City entered into an agreement with the vendor to make 24 monthly payments of \$1,051 to pay an outstanding of \$23,661 including interest at 6.988% per annum. During the year ended June 30, 2008, \$4,204, including interest of \$367, was paid on the agreement. The principal balance at June 30, 2008 was \$19,824.

(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 3.90% of their annual covered salary and the City is required to contribute 6.05% of 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, 2008 was \$2,982, equal to the required contribution for the year.

(5) 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 have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) Unpaid Obligations

On October 17, 2007, the City entered into a services contract with Pete Howe Industrial for \$6,494 for sewer line inspection. The vendor verbally agreed to accept City payments of \$500 per month beginning in March 2008 and has not assessed late fee charges. During the year ended June 30, 2008, payments made under this agreement totaled \$2,000, leaving a balance at June 30, 2008 of \$4,494.

On September 11, 2007, the City entered into a services contract with Geotechnical Services for \$3,050 for geotechnical exploration. The vendor verbally agreed to accept City payments of \$500 per month beginning in March 2008 and has not assessed late fee charges. During the year ended June 30, 2008, payments made under this agreement totaled \$2,000, leaving an unpaid balance at June 30, 2008 of \$1,050.

During the year ended June 30, 2008, the City entered into a street repair contract with G & G Asphalt Company for \$20,000 for street repair and seal coating services. During the year ended June 30, 2008, the City paid \$17,000 on the agreement and incurred \$539 of interest charges at 1½% per month. The balance owed on the contract at June 30, 2008 is \$3,539.

(7) Deficit Balances

Deficit balances at June 30, 2008 were as follows:

Fund	Unreserved Deficit Balance
General	\$ (21,339)
Special Revenue: Road Use Tax	(2,699)
Enterprise: Water	(49,304)

The City plans to eliminate the deficits through future cost saving measures.

(8) Subsequent Events

In October 2008, the City was awarded a community development block grant of \$252,000 for improvements to the City's sewer system.

In December 2008, the City awarded a contract to Visu-Sewer, Inc. for \$107,400 for sewer system improvements. In March 2009, the City awarded a contract to Pierce Pump for \$177,600 for sewer system improvements.

In February 2009, the City issued \$126,000 of State Revolving Fund general obligation capital loan notes. In March 2009, the City issued \$34,000 in general obligation loan notes. The proceeds from the general obligation capital loan notes will be used to fund sewer improvements.

Required Supplementary Information

City of Coin
 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, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts Original and Final	Final to Total Variance
Receipts:					
Property tax	\$ 25,078	-	25,078	24,066	1,012
Other city tax	15,512	-	15,512	17,276	(1,764)
Licenses and permits	2,541	-	2,541	400	2,141
Use of money and property	1,391	-	1,391	5,000	(3,609)
Intergovernmental	25,432	-	25,432	15,000	10,432
Charges for service	15,791	97,787	113,578	99,300	14,278
Miscellaneous	12,825	1,532	14,357	1,000	13,357
Total receipts	<u>98,570</u>	<u>99,319</u>	<u>197,889</u>	<u>162,042</u>	<u>35,847</u>
Disbursements:					
Public safety	5,786	-	5,786	4,500	(1,286)
Public works	67,488	-	67,488	36,500	(30,988)
Culture and recreation	10,319	-	10,319	13,000	2,681
Community and economic development	589	-	589	2,500	1,911
General government	44,724	-	44,724	32,100	(12,624)
Debt service	-	-	-	17,777	17,777
Business type activities	-	86,922	86,922	77,000	(9,922)
Total disbursements	<u>128,906</u>	<u>86,922</u>	<u>215,828</u>	<u>183,377</u>	<u>(32,451)</u>
Excess (deficiency) of receipts over (under) disbursements	(30,336)	12,397	(17,939)	(21,335)	3,396
Balances beginning of year	<u>25,186</u>	<u>47,510</u>	<u>72,696</u>	<u>40,879</u>	<u>31,817</u>
Balances end of year	<u>\$ (5,150)</u>	<u>59,907</u>	<u>54,757</u>	<u>19,544</u>	<u>35,213</u>

See accompanying independent auditor's report.

City of Coin

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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. 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 eight functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. The budget was not amended during the year.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety, public works, general government and business type activities functions.

City of Coin

Other Supplementary Information

City of Coin
Schedule of Indebtedness
Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue bonds:			
Sewer	Jan 3, 1977	5.00%	\$ 169,000
Water	Dec 5, 1977	5.00	91,000
Water	Jun 26, 1979	5.00	60,000
Total			
Installment loan:			
Mower	Apr 25, 2006	9.25%	\$ 6,149
Note agreement:			
Emergency repair	Mar 3, 2008	6.988%	\$ 23,661

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
75,000	-	5,000	70,000	3,750
42,000	-	-	42,000	-
31,128	-	-	31,128	-
<u>\$ 148,128</u>	<u>-</u>	<u>5,000</u>	<u>143,128</u>	<u>3,750</u>
 3,950	 -	 1,896	 2,054	 263
 <u>-</u>	 <u>23,661</u>	 <u>3,837</u>	 <u>19,824</u>	 <u>367</u>

Schedule 2

City of Coin
 Bond Maturities
 June 30, 2008

Year Ending June 30,	Revenue Bonds							Total
	Sewer		Water		Water			
	Issued Jan 3, 1977		Issued Dec 5, 1977		Issued Jun 26, 1979			
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount			
2009	5.00%	\$ -	5.00%	\$ 3,000	5.00%	\$ 1,971	4,971	
2010	5.00	10,000	5.00	4,000	5.00	2,069	16,069	
2011	5.00	5,000	5.00	3,000	5.00	2,173	10,173	
2012	5.00	10,000	5.00	4,000	5.00	2,281	16,281	
2013	5.00	5,000	5.00	4,000	5.00	2,395	11,395	
2014	5.00	10,000	5.00	4,000	5.00	2,515	16,515	
2015	5.00	10,000	5.00	5,000	5.00	2,641	17,641	
2016	5.00	10,000	5.00	5,000	5.00	2,773	17,773	
2017	5.00	10,000	5.00	5,000	5.00	2,911	17,911	
2018		-	5.00	5,000	5.00	3,057	8,057	
2019		-		-	5.00	3,210	3,210	
2020		-		-	5.00	3,132	3,132	
Total		<u>\$ 70,000</u>		<u>\$ 42,000</u>		<u>\$ 31,128</u>	<u>143,128</u>	

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
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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 and each major fund of the City of Coin, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated June 19, 2009. Our report expressed qualified opinions on the financial statements, which were prepared in accordance with an other comprehensive basis of accounting, since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007. 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 Coin's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Coin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Coin'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Coin's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Coin's financial statements that is more than inconsequential will not be prevented or detected by the City of Coin's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Coin's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A), (B) and (H) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Coin'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, 2008 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'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 Coin'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 Coin and other parties to whom the City of Coin 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 Coin 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

June 19, 2009

City of Coin
Schedule of Findings
Year ended June 30, 2008

Findings Related to the Financial Statements:

SIGNIFICANT 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.

For the City, one individual has control over each of the following areas:

- (1) Receipts—collecting, mail opening and depositing.
- (2) Disbursements—invoice processing, check writing and mailing.
- (3) Payroll—recordkeeping, preparation and distribution.
- (4) Utilities—billing, collecting, depositing and posting.
- (5) Investing—recordkeeping and investing.
- (6) Cash—handling, reconciling and recording.
- (7) Debt—recordkeeping, compliance and debt payment processing.

For the Library, one individual has control over each of the following areas:

- (1) Receipts—collecting, posting and depositing.
- (2) Disbursements—invoice processing, check writing, posting and mailing.
- (3) Investing—recordkeeping and investing.
- (4) Cash—handling, reconciling and recording cash.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Library should review their control procedures to obtain the maximum internal control possible under the circumstances.

Responses –

City – We will look into appointing someone to be involved and review.

Library – Due to the limited number of personnel, the Library Treasurer does perform all of the above duties. However, we will take your recommendation under advisement and will try to segregate duties (through independent review) as much as possible with available Board members and the Librarian.

Conclusion – Responses accepted.

City of Coin

Schedule of Findings

Year ended June 30, 2008

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

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. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – We will look into preparing a utility reconciliation report including a list of delinquent accounts for council review and approval.

Conclusion – Response accepted.

- (C) Separately Maintained Records – Library Board transactions are maintained as separate accounting records by the Library. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation – For better accountability, financial and budgetary control, all City financial activity and balances should be recorded in the Clerk's records.

Response – We will work with the library to provide the necessary financial information to the Clerk.

Conclusion – Response accepted.

- (D) Record of Investments – A detailed record of investment transactions was not maintained.

Recommendation – A detailed record of investment transactions by fund should be maintained. This record should include investment number, purchase date, redemption date, interest rate and amount of principal and interest received.

Response – We will prepare a cash accounting monthly of all investments.

Conclusion – Response accepted.

- (E) Receipts – Receipts were not issued for all collections and the receipts issued were not prenumbered.

Recommendation – Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money.

Response – We will use a prenumbered receipt book for all collections.

Conclusion – Response accepted.

City of Coin

Schedule of Findings

Year ended June 30, 2008

- (F) Disbursements – The sewer revenue bond payment was coded to the Debt Service Fund rather than the Enterprise, Sewer Fund. An adjustment was subsequently made to properly report the amount in the City’s financial statements. Two disbursements tested did not contain any disbursement coding on the invoice or other supporting documentation. In addition, two checks tested were issued prior to Council approval.

Recommendation - All invoices or other supporting documentation should be reviewed for proper coding and approved for payment by the Council.

Response – We will make sure all disbursements are properly coded and approved.

Conclusion – Response accepted.

- (G) Payroll – The monthly wages for the City’s two employees were approved by the Council at the net amount rather than the gross wage. The City’s accounting service determined the gross wages of the employees by adding back the various tax withholdings.

Also, one employee was paid at an incorrect rate for overtime hours resulting in an overpayment of approximately \$22.

Recommendation – The Council should approve employee salaries at gross pay rather than net pay. Standard practice is to approve salaries at gross pay since the net pay amount is subject to change due to payroll withholdings. In addition, the approval of gross pay provides full public disclosure of the actual amounts earned by City employees.

The City should seek reimbursement from the employee for the overpayment.

Response – We will begin with the gross amount for payroll and work down to the net pay. The Clerk will look to correct the error in payment of overtime.

Conclusion – Response accepted.

- (H) Bank Reconciliations – Monthly reconciliations of the Clerk's balances to the bank balances were not prepared. A running balance is not maintained for the checking account. A list of outstanding checks was not prepared for each month. The bank account statement is not cut-off at the end of each month. Also, checks were not always written in numerical sequence.

Recommendation – To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. To aid in the preparation of the reconciliation, the City should prepare a listing of outstanding checks and obtain bank statements with a month end cut off. Any variances should be investigated and resolved in a timely manner. In addition, checks should be issued in numerical sequence to properly account for all checks.

City of Coin
Schedule of Findings
Year ended June 30, 2008

Response – We will check into accounting software for reconciling and will set up a cash accounting in Excel.

Conclusion – Response accepted.

(I) Accounting Procedures Manual – The City does not have a written accounting procedures manual. A manual would provide the following benefits:

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

Recommendation – An accounting procedures manual should be prepared for the City.

Response – We have prepared an accounting procedures manual.

Conclusion – Response accepted.

(J) Compensated Absences – The City does not have written policies regarding employee sick leave and vacation benefits. A detailed record of vacation and sick leave earned and used by each employee is not maintained.

Recommendation – The City should develop written policies for vacation and sick leave. A detailed record of employee compensated absences should be maintained to account for the proper accumulation and use of this time.

Response – We will work on an employee policy for vacation and sick leave and ensure detailed records are maintained.

Conclusion – Response accepted.

(K) Information Systems – During our review of internal control, the existing control activities in the City’s computer based financial systems were evaluated in order to determine that 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 financial computer based systems were noted:

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

- Requiring password changes because software does not require the user to change log-ins/passwords periodically.

City of Coin

Schedule of Findings

Year ended June 30, 2008

- Requiring backups be performed daily, monthly and yearly rather than just weekly.
- Ensuring only software licensed to the City is installed on computers and monitoring software licensing requirements to ensure the City is in compliance.
- Addressing information systems security (including internet usage and after termination of employment or upon disciplinary action).
- Addressing personal use of computer equipment and software.
- Identifying certain power and physical protections.

Also, the City does not require back up tapes to be stored off site daily in a secure location and the City does not have a written disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over financial computer based systems. The City should also require off-site storage of backup tapes and a written disaster recovery plan should be developed.

Response – We will work on a written policy and disaster recovery plan. We do backup information on the computer and have passwords in place. We will work on writing all of the information down.

Conclusion – Response accepted.

- (L) Financial Accounting and Reporting – The City uses an accounting service to prepare various financial reports, but the chart of accounts used is different than the Uniform Chart of Accounts for Iowa City Governments. As a result, receipts and disbursements were not classified to the proper account or function in accordance with the Uniform Chart of Accounts. The receipts and disbursements were properly classified for audit purposes.

Recommendation – To provide better financial information and control, the City should follow the Uniform Chart of Accounts for Iowa City Governments.

Response – We will take the recommendation under advisement and look into reporting under the Uniform Chart of Accounts.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Coin

Schedule of Findings

Year ended June 30, 2008

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public safety, public works, general government and business type activities 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 – We will watch this more closely and prepare budget amendments when necessary.

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 for the City Clerk existed. However, surety bond coverage for the Mayor was not maintained for the year ended June 30, 2008. Chapter 64.2 of the Code of Iowa states, in part, "All other public officers, except as specifically provided, shall give bond. . . ."

Recommendation – The City should obtain surety bond coverage as required by Chapter 64 of the Code of Iowa.

Response – We are working with our insurance agent to get this in place.

Conclusion – Response accepted.

- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

The minutes of the November 5, 2007 Council meeting were not prepared and filed as an official meeting.

The minutes of the Council proceedings were not published and did not include total disbursements from each fund and did not have a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa.

City of Coin
Schedule of Findings
Year ended June 30, 2008

In addition, the City did not publish annual gross salaries as required by an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should ensure all meetings and any actions taken are recorded in the minutes as an official meeting. The City should publish salaries and minutes, including a summary of receipts and total disbursements by fund as required.

Response – The City will publish all minutes for official meetings and also publish salaries and minutes including receipts and disbursements by fund.

Conclusion – Response accepted.

- (7) Deposits and Investments – The City could not locate a written investment policy which is required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – We will work on and adopt an investment policy.

Conclusion – Response accepted.

- (8) Revenue Bonds – No instances of non-compliance with the water and sewer revenue bond requirements were noted, except as follows:

The Enterprise, Water Fund had an unreserved deficit balance of \$49,304 at June 30, 2008. This appears to violate provisions of the water revenue bond resolutions which state the City shall maintain user rates at a sufficient level for payment of expenses for operation and maintenance of the system and for payment of principal and interest on the bonds.

Also, the City did not meet the minimum balance requirements in the water and sewer reserve accounts.

In addition, the City has not complied with the water revenue bond provisions which state the City will cause the books and accounts to be audited annually.

Recommendation – The City should ensure the required transfers to the reserve accounts have been made and established rates will result in sufficient funds to meet future obligations. The City should review the bond provisions and comply with the audit requirement.

Response – We will review the revenue bond requirements and take steps to ensure compliance.

Conclusion – Response accepted.

City of Coin
 Schedule of Findings
 Year ended June 30, 2008

- (9) Financial Condition – At June 30, 2008, the City had deficit unreserved balances in three funds, as follows:

Fund	Unreserved Deficit Balance June 30, 2008
General	\$ (21,339)
Special Revenue: Road Use Tax	(2,699)
Enterprise: Water	(49,304)

In addition, the City was not eligible to levy property tax for the year ended June 30, 2009 since the City’s budget was not properly adopted and filed by the statutory deadline. Also, the City has not fully paid the principal and interest payment due July 1, 2008 on the 1979 water revenue bond.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – We are investigating and working on this issue.

Conclusion – Response accepted.

- (10) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City and the Library to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City and Library retain cancelled checks through electronic image, but they do not obtain an image of the back of each cancelled check as required.

Recommendation – The City and the Library should obtain and retain an image of both the front and back of each cancelled check as required.

Responses –

City – We will request from the bank.

Library – I have contacted the bank regarding your recommendation.

Conclusion – Responses accepted.

- (11) Note Agreement – During the year, the City entered into an agreement with Electric Pump Company to pay \$23,661 for the balance due for an emergency repair. However, the City did not comply with the provisions of Chapters 384.24A and 384.25 of the Code of Iowa which require certain authorization procedures be followed, including holding a public hearing and publishing notice of the intended action and the time and place of the meeting. In addition, although the agreement was signed by the Mayor, approval of the agreement was not included in the minutes.

City of Coin

Schedule of Findings

Year ended June 30, 2008

Recommendation – The City should comply with Chapters 384.24A and 384.25 of the Code of Iowa when entering into loan agreements and such agreements should be approved by the City Council.

Response – In the future we will follow the prescribed procedures and obtain Council approval on agreements.

Conclusion – Response accepted.

- (12) Special Revenue Levies – Chapter 384.8 of the Code of Iowa provides a City may establish an Emergency Fund and transfers may be made from the Emergency Fund to the General Fund. The City credited the emergency tax levy to the General Fund rather than establishing a separate fund.

The City also levied property tax for employee benefits, as allowed by Chapter 384.6 of the Code of Iowa, and recorded the property tax collections in the General Fund rather than establishing a separate fund.

Recommendation – The City should establish separate Special Revenue Funds for these special tax levies as required.

Response – We will take under advisement and will discuss with the accounting firm to implement.

Conclusion – Response accepted.

- (13) Local Option Sales Tax – The City's local option sales tax referendum approved by the voters effective January 1, 1996 provides for 25% of the collections be allocated for community protection, 30% for human development and 45% for infrastructure. For the year ended June 30, 2008, these collections were credited to the General Fund. The City did not track how these funds were spent or document unspent balances. As a result, we were unable to determine whether the City has used the tax for the purposes specified in the referendum.

Recommendation – The City should document local option sales tax collections and disbursements since inception to determine the unspent balance at June 30, 2008. A corrective transfer should be made from the General Fund to establish a Special Revenue Fund for the unspent balance, if any, as of June 30, 2008.

The City should expend local option sales tax in accordance with the local option sales tax referendum.

Response – We will expend local option sales tax in accordance with the referendum.

Conclusion – Response acknowledged. The City should establish a Special Revenue Fund for the unspent local option sales tax balance, if any, as of June 30, 2008.

City of Coin

Schedule of Findings

Year ended June 30, 2008

- (14) Payroll Tax Withholdings and Additional Compensation – The City did not withhold payroll tax on the additional compensation paid to the City Clerk for attendance at Council meetings and for a travel stipend.

Recommendation – The City should contact the Internal Revenue Service, the Iowa Department of Revenue and the Iowa Public Employees Retirement System (IPERS) regarding the proper disposition of these withholdings.

Response – We will investigate withholding for travel and Council meetings.

Conclusion – Response accepted.

- (15) Other Information Required by the Water Revenue Bond Resolution

Insurer	Description	Amount	Expiration Date
Employers Mutual Casualty Company	Property coverage: Blanket on buildings	\$ 356,495	Apr 1, 2009
Employers Mutual Casualty Company	Comprehensive general liability: Each occurrence Aggregate Damage to premises rented to City Medical expense	1,000,000 2,000,000 100,000 5,000	Apr 1, 2009
Employers Mutual Casualty Company	Inland Marine: Contractors' equipment	25,073	Apr 1, 2009
Employers Mutual Casualty Company	Linebacker: Each loss and in aggregate	1,000,000	Apr 1, 2009
Employers Mutual Casualty Company	Workers' compensation Each accident Policy limit	100,000 500,000	Apr 1, 2009
Employers Mutual Casualty Company	City Clerk/Treasurer surety bond	40,000	Aug 1, 2008

Statistical Information:

Description	Amount
Customers served at June 30, 2008	98
Water rates in effect at June 30, 2008:	
Minimum rate for first 4,000 gallons	\$ 26.90
Per every 1,000 gallons over minimum	7.60

City of Coin

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Nancy F. Curtis, CPA, Senior Auditor II
Daniel W. Henaman, Jr., Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive, flowing style.

Andrew E. Nielsen, CPA
Deputy Auditor of State