

CITY OF MONONA  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

June 30, 2010

HAGEN & KALLEVANG, P.C.  
Certified Public Accountants

CITY OF MONONA

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CITY OF MONONA

OFFICIALS

Name	Title (Before January 2010)	Term Expires
Fran Passmore	Mayor	January 2012
Bernard Bromelkamp	Mayor Pro Tem	January 2012
Wayne McGlanchlin	Council Member	January 2010
Mark Willems	Council Member	January 2010
James Feudner	Council Member	January 2012
Melissa Haberichter	Council Member	January 2012
Steven Diers	Administrator/Clerk	July 1, 2010
Loyce Dumke	Deputy Clerk	Retired Sept. 2009
Linda Gullickson	Deputy Clerk (Hired Sept. 2009)	January 2010
Gregory Schiller	Attorney	January 2010
(After January 2010)		
Fran Passmore	Mayor	January 2012
Bernard Bromelkamp	Mayor Pro Tem	January 2012
James Feudner	Council Member	January 2012
Melissa Haberichter	Council Member	January 2012
Becky Kruse	Council Member	January 2014
Patricia Martin	Council Member	January 2014
Steven Diers	Administrator/Clerk	Resigned March 2010
Dan Canton	Administrator/Clerk (Hired July 1, 2010)	January 2011
Linda Gullickson	Deputy Clerk	January 2011
Gregory Schiller	Attorney	January 2011

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Monona, Iowa

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 Monona, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Monona'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 that 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 are a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the 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, each major fund and the aggregate remaining fund information of the City of Monona as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2010 on our consideration of the City'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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 25 through 26 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's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the years ended June 30, 2007 thru 2004 (which are not presented herein) and expressed unqualified and qualified opinions on those financial statements due to not being able to verify the distribution by fund of the total balance at July 1, 2003 which were prepared in conformity with another comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information unless noted as unaudited has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hagen & Kallewang, P.C.*

November 30, 2010

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

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

### **2010 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 8.03%, or approximately \$97,000, from fiscal year 2009 to fiscal year 2010. Property tax increased approximately \$56,000 and other receipts by \$87,000 while grants, contributions and restricted interest decreased about \$251,000.
- Disbursements of the City's governmental activities decreased 16.61%, or approximately \$226,000, in fiscal year 2010 from fiscal year 2009. Public safety disbursements increased approximately \$168,000. Public works and capital projects decreased approximately \$51,000, and \$369,000, respectively.
- The City's total cash basis net assets decreased 6.54%, or approximately \$104,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$18,000 and the assets of the business type activities decreased approximately \$86,000.

### **USING THIS ANNUAL REPORT**

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

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

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

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

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## **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, solid waste, airport, and Garden View Assisted Living. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) 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 six Enterprise Funds to provide separate information for the water, sewer, solid waste, and Garden View Funds fund that are considered to be major funds with the airport and child care funds to be considered non-major by the City.

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

## 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 approximately \$617 thousand to approximately \$599 thousand. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

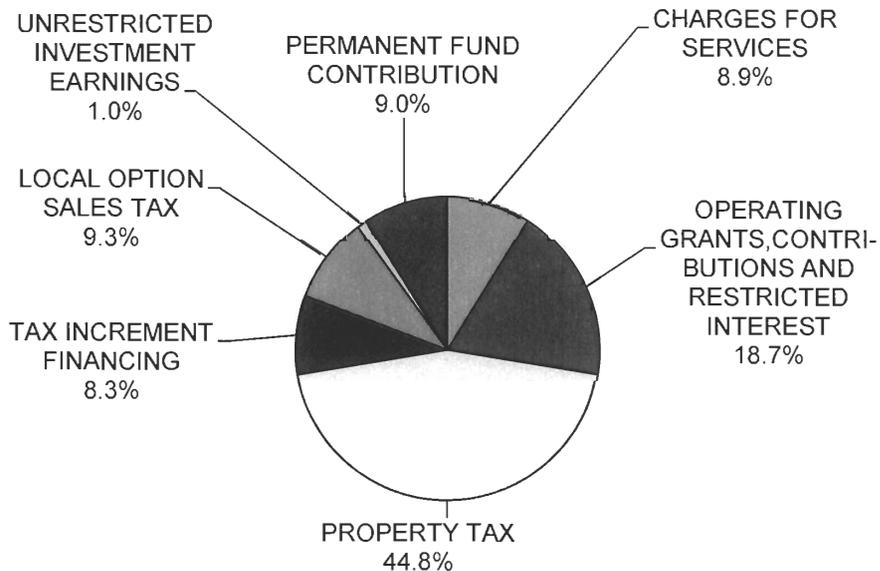
### Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)

	Year ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Receipts:	(Unaudited)		(Unaudited)				
Program receipts:							
Charges for service	\$ 98	\$ 73	\$ 98	\$ 118	\$ 88	\$ 93	\$ 128
Operating grants, contributions and restricted interest	208	387	168	322	255	558	229
Capital grants, contributions and restricted interest	-	72	156	784	101	348	1,181
General receipts:							
Property tax	591	535	475	454	439	421	400
Local option sales tax	103	99	108	103	92	85	91
Unrestricted interest on investment	11	29	46	51	13	8	8
Loan proceeds	-	-	-	743	3,391	1,991	-
Other general receipts	100	13	11	19	11	5	7
Total receipts	1,111	1,208	1,062	2,594	4,390	3,509	2,044
Disbursements and transfers:							
Public safety	394	226	217	235	176	192	195
Public works	174	225	244	160	255	141	353
Health and social services	5	4	5	3	3	7	3
Culture and recreation	191	176	157	144	146	140	142
Community and economic development	66	16	21	5	10	367	65
General government	143	183	181	172	168	171	150
Debt service	162	162	121	121	2,770	259	230
Capital projects	-	369	341	1,492	623	2,687	691
Total disbursements	1,135	1,361	1,287	2,332	4,151	3,964	1,829
Change in cash basis assets before transfers	(24)	(153)	(225)	262	239	(455)	215
Transfers, net	6	12	10	(12)	(12)	(35)	4
Change in cash basis assets	(18)	(141)	(215)	250	227	(490)	219
Cash basis net assets beginning of year	617	758	973	723	496	986	767
Cash basis net assets end of year	\$ 599	\$ 617	\$ 758	\$ 973	\$ 723	\$ 496	\$ 986

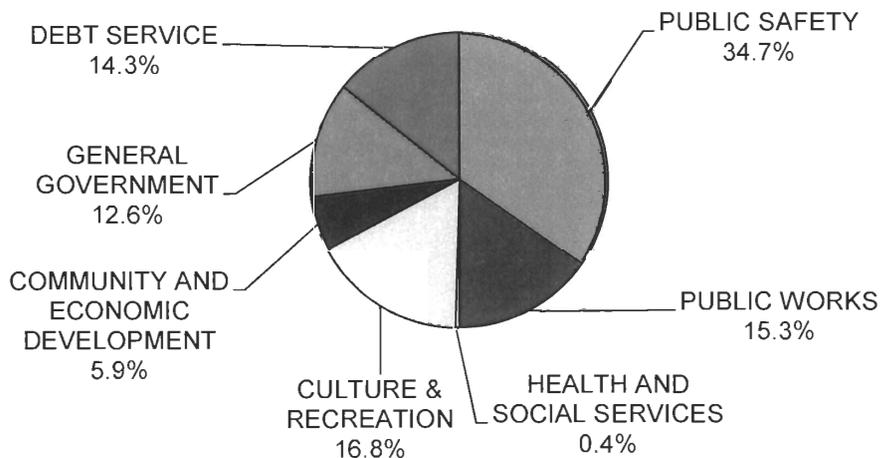
The City's total receipts for governmental activities decreased 8.03%, or approximately \$97,000. The total cost of all programs and services decrease approximately \$226,000 or 16.61% with no new programs added this year. The significant decrease in receipts was primarily the result of less grants received.

The cost of all governmental activities this year was approximately \$1.135 million compared to approximately \$1.361 million last year. However, as shown in the Statement of Activities and Net Assets on page 11, the amount taxpayers ultimately financed for these activities was only \$829,000 because some of the cost was paid by those directly benefited from the programs (\$98,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$208,000). The City paid for the remaining "public benefit" portion of governmental activities (\$829,000) with taxes (some of which could only be used for certain programs) and other receipts, such as interest and other general receipts.

**Receipts by Source**



**Disbursements by Function**



Changes in Cash Basis Net Assets of Business Type Activities  
(Expressed in Thousands)

	Year ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
Receipts:	(Unaudited) (Unaudited)						
Program receipts:							
Charges for services	\$ 1,369	\$ 1,559	\$ 1,497	\$ 1,088	\$ 823	\$ 448	\$ 443
General receipts:							
Grants	-	-	-	1	6	-	-
Unrestricted interest on investment	2	-	11	4	4	8	6
Total receipts	1,371	1,559	1,508	1,093	833	456	449
Disbursements:							
Operations	1,451	1,350	1,409	1,052	732	485	376
Total disbursements	1,451	1,350	1,409	1,052	732	485	376
Change in cash basis assets before transfers	(80)	209	99	41	101	(29)	73
Transfers, net	(6)	(12)	(10)	12	12	35	(4)
Change in cash basis assets	(86)	197	89	53	113	6	69
Cash basis net assets beginning of year	970	773	684	631	518	512	443
Cash basis net assets end of year	\$ 884	\$ 970	\$ 773	\$ 684	\$ 631	\$ 518	\$ 512

Total business type activities receipts for the fiscal year were approximately \$1.371 million compared to approximately \$1.559 million last year. The cash balance decreased approximately \$86,000 from the prior year because nearly \$68,000 was spent on upgrading kitchen facilities at Garden View Assisted Living. Total disbursements for the fiscal year increased 7.48% to approximately \$1.451 million.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Monona completed the year, its governmental funds reported a combined fund balance of \$599,017, a decrease of nearly than \$18,000 compared to last year's total of \$616,806. 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 \$157,230 from the prior year to \$86,736. Approximately \$120,000 of the decrease was due to purchasing of equipment for the police and fire departments.
- The Special Revenue, Road Use Tax Fund cash balance increased \$42,167 to \$124,691 during the fiscal year as the City did not plan for major street improvements this past year.
- The Special Revenue Local Option Sales Tax received \$103,268 during the year and subsequently transferred to the General Fund to assist with payment of the City's operating costs.
- The Debt Service Fund cash balance decreased \$1,382 to \$413 during the fiscal year. The City typically requests and budgets for property taxes to meet the current debt requirements.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$62,119 to \$85,931.
- The Enterprise, Sewer Fund cash balance increased \$9,855 to \$381,359.
- The Enterprise, Solid Waste Fund cash balance decreased \$90,514, due to the purchase of equipment totally nearly \$96,000.
- The Enterprise, Garden View (Assisted Living) Fund cash balance increased \$53,035 to \$388,414 due to decreased vacancies and holding down operating costs.

## BUDGETARY HIGHLIGHTS

The City amended its budget once during the year to increase disbursements by \$153,075. The disbursements would be paid by \$119,309 in increased receipts with the balance from the City's cash balance. Actual budgeted receipts of \$2,451,843 was within nearly \$5,100 of the amended budgeted amount. The total actual budget disbursement of \$2,552,232 was less by \$21,019 of the total amended budget amounts for some individual functions.

## DEBT ADMINISTRATION

At June 30, 2010, the City had \$3,395,000 in bonds and other long-term debt outstanding, compared to \$3,583 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)						
	Year ended June 30,						
	2010	2009	2008	2007	2006	2005	2004
General obligation notes							
Fire Station	\$ 50	\$ 105	\$ 160	\$ 210	\$ 260	\$ 310	\$ 355
Family Aquatic Center	105	135	165	195	225	250	275
City Hall	-	-	-	-	-	-	18
Corporate Purpose	415	460	500	500	-	-	-
Special Obligation Loan Agreement Anticipation (project) note	-	-	-	-	-	-	156
Revenue notes							
Assisted Living Facility	1,642	1,663	1,679	1,698	1,698	-	-
Assisted Living Facility	945	979	1,010	1,041	1,070	-	-
Child Care Facility Enterprise	238	241	243	243	-	-	-
Assisted Living Facility Loan Agreement Anticipation (project) note	-	-	-	-	-	1,991	-
<b>Total</b>	<b>\$ 3,395</b>	<b>\$ 3,583</b>	<b>\$ 3,757</b>	<b>\$ 3,887</b>	<b>\$ 3,253</b>	<b>\$ 2,551</b>	<b>\$ 804</b>

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 \$570,000 is well below its constitutional debt limit of \$3,113,284.

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## **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 Dan Canton, City Administrator, 104 Center Street, Monona, Iowa 52159.

## BASIC FINANCIAL STATEMENTS

## CITY OF MONONA

## STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the year ended June 30, 2010

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business-Type Activities
Governmental activities						
Public safety	\$ (394,456)	\$ 1,464	\$ 33,765	\$ -	\$ (359,227)	\$ (359,227)
Public works	(173,840)	35,890	143,781	-	5,831	5,831
Health and social services	(4,695)	-	-	-	(4,695)	(4,695)
Culture and recreation	(190,551)	32,996	30,226	-	(127,329)	(127,329)
Community and economic development	(66,453)	-	-	-	(66,453)	(66,453)
General government	(143,181)	28,089	-	-	(115,092)	(115,092)
Debt service	(162,190)	-	-	-	(162,190)	(162,190)
Capital projects	-	-	-	-	-	-
Total governmental activities	(1,135,366)	98,439	207,772	-	(829,155)	(829,155)
Business type activities						
Water	(219,710)	159,591	-	-	(60,119)	(60,119)
Sewer	(187,556)	198,649	-	-	11,093	11,093
Solid waste	(261,041)	171,433	-	-	(89,608)	(89,608)
Garden View (Assisted Living Enterprise)	(762,440)	814,750	-	-	52,310	52,310
Day care	(12,736)	13,968	-	-	1,232	1,232
Airport	(7,956)	10,322	125	-	2,491	2,491
Total business-type activities	(1,451,439)	1,368,713	125	-	(82,601)	(82,601)
Total	\$ (2,586,805)	\$ 1,467,152	\$ 207,897	\$ -	(829,155)	(911,756)
General Receipts						
Property tax levied for						
General purposes				403,286	-	403,286
Debt service				95,332	-	95,332
Tax increment financing				92,157	-	92,157
Local option sales tax				103,268	-	103,268
Unrestricted interest on investments				11,323	2,581	13,904
Permanent fund donation				100,000	-	100,000
Transfers				6,000	(6,000)	-
Total general receipts and transfers				811,366	(3,419)	807,947
Change in cash basis net assets				(17,789)	(86,020)	(103,809)
Cash basis net assets beginning of year				616,806	970,244	1,587,050
Cash basis net assets end of year				\$ 599,017	\$ 884,224	\$ 1,483,241
Cash Basis Net Assets						
Restricted						
Nonexpendable						
Permanent funds				\$ 200,000	\$ -	\$ 200,000
Expendable						
Streets				124,691	-	124,691
Urban renewal purposes				36,075	-	36,075
Debt service				413	53,502	53,915
Other purposes				151,102	-	151,102
Unrestricted				86,736	830,722	917,458
Total cash basis net assets				\$ 599,017	\$ 884,224	\$ 1,483,241

See notes to financial statements.

## CITY OF MONONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2010

	Major Governmental Funds					Total
	General	Special Revenue		Debt Service	Nonmajor	
		Road Use Tax	Local Option Sales Tax			
<b>Receipts</b>						
Property tax	\$ 305,965	\$ -	\$ -	\$ 95,332	\$ 97,321	\$ 498,618
Tax increment financing	-	-	-	-	92,157	92,157
Other city tax	-	-	103,268	-	-	103,268
Licenses and permits	2,968	-	-	-	-	2,968
Use of money and property	17,780	-	-	13	4,693	22,486
Intergovernmental	19,836	143,781	-	-	850	164,467
Charges for service	35,973	-	-	-	-	35,973
Special assessments	-	-	-	-	-	-
Miscellaneous	47,313	131	-	-	144,196	191,640
<b>Total receipts</b>	<b>429,835</b>	<b>143,912</b>	<b>103,268</b>	<b>95,345</b>	<b>339,217</b>	<b>1,111,577</b>
<b>Disbursements</b>						
Operating						
Public safety	299,303	-	-	-	95,153	394,456
Public works	61,554	101,745	-	-	10,541	173,840
Health and social services	4,695	-	-	-	-	4,695
Culture and recreation	174,470	-	-	-	16,081	190,551
Community and economic development	25,747	-	-	-	40,706	66,453
General government	118,564	-	-	-	24,617	143,181
Debt service	-	-	-	162,190	-	162,190
Capital projects	-	-	-	-	-	-
<b>Total disbursements</b>	<b>684,333</b>	<b>101,745</b>	<b>-</b>	<b>162,190</b>	<b>187,098</b>	<b>1,135,366</b>
Excess of receipts over (under) disbursements	(254,498)	42,167	103,268	(66,845)	152,119	(23,789)
Other financing sources (uses)						
Operating transfers in	160,422	-	-	65,463	25,700	251,585
Operating transfers out	(63,154)	-	(103,268)	-	(79,163)	(245,585)
<b>Total other financing sources (uses)</b>	<b>97,268</b>	<b>-</b>	<b>(103,268)</b>	<b>65,463</b>	<b>(53,463)</b>	<b>6,000</b>
Net change in cash balances	(157,230)	42,167	-	(1,382)	98,656	(17,789)
Cash balances beginning of year	243,966	82,524	-	1,795	288,521	616,806
<b>Cash balances end of year</b>	<b>\$ 86,736</b>	<b>\$ 124,691</b>	<b>\$ -</b>	<b>\$ 413</b>	<b>\$ 387,177</b>	<b>\$ 599,017</b>
<b>Cash Basis Fund Balances</b>						
Reserved for debt service	\$ -	\$ -	\$ -	\$ 413	\$ -	\$ 413
Reserved for permanent fund	-	-	-	-	200,000	200,000
Unreserved						
General fund	86,736	-	-	-	-	86,736
Special revenue funds	-	124,691	-	-	187,124	311,815
Capital projects fund	-	-	-	-	53	53
<b>Total cash basis fund balances</b>	<b>\$ 86,736</b>	<b>\$ 124,691</b>	<b>\$ -</b>	<b>\$ 413</b>	<b>\$ 387,177</b>	<b>\$ 599,017</b>

See notes to financial statements.

## CITY OF MONONA

RECONCILIATION OF THE STATEMENT OF CASH  
 RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
 TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -  
 GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2010

Total governmental funds cash balances (page 12)	\$ 599,017
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
None	<u>-</u>
Cash basis net assets of governmental activities (page 11)	<u>\$ 599,017</u>
Net change in cash balances (page 12)	\$ (17,789)
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
None	<u>-</u>
Change in cash balance of governmental activities (page 11)	<u>\$ (17,789)</u>

See notes to financial statements.

## CITY OF MONONA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2010

	Enterprise Funds						Total
	Major				Non-Major		
	Water	Sewer	Solid Waste	Garden View (Assisted Living)	Child Care	Airport	
Operating receipts:							
Use of money and property	\$ -	\$ -	\$ -	\$ -	\$ 13,968	\$ 4,786	\$ 18,754
Charges for service	149,779	194,531	160,527	808,520	-	5,536	1,318,893
Miscellaneous	9,812	4,118	10,906	6,230	-	125	31,191
Total operating receipts	159,591	198,649	171,433	814,750	13,968	10,447	1,368,838
Operating disbursements:							
Business-type activities	219,710	187,556	261,041	581,653	40	7,956	1,257,956
Total operating disbursements	219,710	187,556	261,041	581,653	40	7,956	1,257,956
Excess (deficiency) of operating receipts over (under) operating disbursements	(60,119)	11,093	(89,608)	233,097	13,928	2,491	110,882
Non-operating receipts (disbursements):							
Interest on investments	-	1,762	94	725	-	-	2,581
Debt service	-	-	-	(180,787)	(12,696)	-	(193,483)
Total non-operating receipts (disbursements)	-	1,762	94	(180,062)	(12,696)	-	(190,902)
Excess of receipts over (under) disbursements	(60,119)	12,855	(89,514)	53,035	1,232	2,491	(80,020)
Transfers							
Operating transfers in	95,000	25,000	61,659	363,325	-	-	544,984
Operating transfers out	(97,000)	(28,000)	(62,659)	(363,325)	-	-	(550,984)
	(2,000)	(3,000)	(1,000)	-	-	-	(6,000)
Net change in cash balances	(62,119)	9,855	(90,514)	53,035	1,232	2,491	(86,020)
Cash balances beginning of year	148,050	371,504	106,684	335,379	5,391	3,236	970,244
Cash balances end of year	\$ 85,931	\$ 381,359	\$ 16,170	\$ 388,414	\$ 6,623	\$ 5,727	\$ 884,224
Cash Basis Fund Balances							
Reserved for debt service	\$ -	\$ -	\$ -	\$ 49,794	\$ 3,708	\$ -	\$ 53,502
Unreserved	85,931	381,359	16,170	338,620	2,915	5,727	830,722
Total cash basis fund balances	\$ 85,931	\$ 381,359	\$ 16,170	\$ 388,414	\$ 6,623	\$ 5,727	\$ 884,224

See notes to financial statements.

## CITY OF MONONA

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2010

Total enterprise funds cash balances (page 14)	\$ 884,224
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
None	<u>-</u>
Cash basis net assets of business type activities (page 11)	<u>\$ 884,224</u>
Net change in cash balances (page 14)	\$ (86,020)
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
None	<u>-</u>
Change in cash balance of business type activities (page 11)	<u>\$ (86,020)</u>

See notes to financial statements.

# CITY OF MONONA

## NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2010

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Monona is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1897 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 service, culture and recreation, community and economic development and general government services. The City also provides water, sewer, and solid waste utilities for its citizens. The City operates an assisted living facility through a management company.

#### A. Reporting Entity

For financial reporting purposes, City of Monona has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Monona (the primary government) and the following component unit: the Monona Fire Department. The component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

The Monona Fire Department is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The Monona Fire Department has been established to prevent and extinguish fires and to protect lives and property against fires, to promote fire prevention and fire safety and to answer all emergency calls for which there are no other established agency. Although the Monona Fire Department is legally separate from the City, its purpose is to benefit the City of Monona (the primary government) by providing the above services and by soliciting contributions and managing those funds.

#### Jointly Governed Organizations

The City also 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: Clayton County Solid Waste 28E Commission, Clayton County Emergency Management Commission, Clayton County Joint E911 Service Board, Upper Explorerland Regional Housing Authority, Clayton County Tourism and Economic Development Commission, Clayton County Elected Officials, and Clayton County Assessors Conference Board.

CITY OF MONONA  
NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Government 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 services.

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net assets are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding categories. 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 as are all remaining proprietary funds are aggregated and reported as nonmajor proprietary 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 that are 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 is used to account for the additional sales tax assessed on taxable purchases voted in by local citizens.

CITY OF MONONA  
NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

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

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

The Enterprise, Solid Waste Fund accounts for the operation of solid waste collections and disposal services.

The Garden View (Assisted Living) Enterprise Fund accounts for the operation and maintenance of the City's assisted living facility.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, public works, community and economic development, and debt services functions.

CITY OF MONONA

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2010

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

NOTE 3 - BONDS AND NOTES PAYABLE

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

Year Ending June 30,	General Obligation		Revenue		Total	
	Bonds and Notes		Bonds and Notes			
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 130,000	\$ 25,287	\$ 60,915	\$ 132,568	\$ 190,915	\$ 157,855
2012	80,000	19,465	63,961	129,522	143,961	148,987
2013	85,000	16,035	67,409	126,075	152,409	142,110
2014	50,000	12,335	71,048	122,435	121,048	134,770
2015	55,000	17,230	74,889	118,594	129,889	135,824
2016-2020	170,000	20,513	440,001	527,414	610,001	547,927
2021-2025	-	-	573,944	393,471	573,944	393,471
2026-2030	-	-	333,006	264,484	333,006	264,484
2031-2035	-	-	301,619	205,562	301,619	205,562
2036-2040	-	-	370,575	136,604	370,575	136,604
2041-2045	-	-	456,073	51,883	456,073	51,883
2046	-	-	11,535	241	11,535	241
	<u>\$ 570,000</u>	<u>\$ 110,865</u>	<u>\$ 2,824,975</u>	<u>\$ 2,208,853</u>	<u>\$ 3,394,975</u>	<u>\$ 2,319,718</u>

CITY OF MONONA

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2010

NOTE 3 - BONDS AND NOTES PAYABLE (continued)

The Code of Iowa requires principal and interest on general obligation debt be paid from the Debt Service Fund.

Revenue Notes:

The City has pledged future assisted living resident receipts, net of specified operating disbursements, to repay two notes totaling \$2,770,000 that were issued in the year ending June 30, 2006. Proceeds from the notes provided financing for the construction of an assisted living facility. The notes are payable solely from its operations and are payable through 2045. The total principal and interest remaining to be paid on the notes is \$4,577,692. For the current year, principal and interest paid were \$180,787.

The City has pledged future rental receipts, net of specified operating disbursements, to repay a note of \$243,000 that was issued in the year ending June 30, 2006. Proceeds from the note provided financing for the construction of a child care facility as part of a 28E agreement with the local school. The note is payable solely from its operations and is payable through 2046. The total principal and interest remaining to be paid on the note is \$456,136. For the current year, principal and interest paid were \$12,696.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate assisted living and child care revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers of \$740 to assisted living reserve account and \$106 to a child care reserve account within the Enterprise Funds shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of making payments of principal and interest on the notes not done by funds in the sinking accounts.
- (d) Additional monthly transfers of \$850 to an assisting living depreciation account within the Enterprise Funds shall be made until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions or repairs to the facility.
- (e) All funds remaining in the revenue fund account after making the various transfers previously noted shall be placed in a surplus fund account. Accumulated funds can be used for any obligation of the Assisted Living operation.

CITY OF MONONA

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2010

NOTE 4 - PENSION AND RETIREMENT BENEFITS

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of 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 contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$24,504, \$25,713, and \$24,363, respectively, equal to the required contributions for each year.

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits or retirees. There are 8 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$438 for single coverage and \$1,343 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$100,987 and plan members eligible for benefits contributed \$8,650 to the plan.

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

Vacation	\$ 10,684
Sick leave	<u>65,438</u>
Total	<u>\$ 76,122</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

Regular employees who voluntarily resign shall give 2 weeks notice and any employee who shall comply with this requirement shall be given vacation pay to the date of termination plus earned vacation to that date. Failure of the employee to give the required length of notice will forfeit the right to any earned vacation pay.

CITY OF MONONA

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2010

NOTE 6 - COMPENSATED ABSENCES (continued)

For persons starting employment before March 1, 2010: An employee who retires after 25 years of service as a city employee or after the attainment of age 65, shall be paid for all accumulated and unused sick leave. Any employee who resigns or retires with less than 25 years service and prior to age 65 will not be paid for any unused sick leave.

For persons starting employment after March 1, 2010: An employee who retires after 25 years of service as a city employee or after the attainment of age 65, shall be paid for 10 percent of all accumulated and unused sick leave. Any employee who resigns or retires with less than 25 years service and prior to age 65 shall not be paid for any unused sick leave.

NOTE 7 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City employees and officials totaling \$2,162 during the year ended June 30, 2010.

NOTE 8 - 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.

CITY OF MONONA

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2010

NOTE 9 - TRANSFERS

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

<u>Fund</u>	<u>Account</u>	<u>In</u>	<u>Fund</u>	<u>Account</u>	<u>Out</u>
General			General		
	General	\$ 103,268		General	\$ 5,000
	Library	22,054		General	22,054
	Equip. Replacement	35,100		General	35,100
		<u>160,422</u>		General	<u>1,000</u>
					<u>63,154</u>
			Special revenue		
			Local Option Sales Tax		103,268
			TIF		<u>65,463</u>
Debt Service		<u>65,463</u>			
Special revenue					
	Health	<u>5,000</u>		Employee benefits	<u>8,000</u>
	Health	<u>8,000</u>			
	Monona Public Gardens and Trails	1,000			
	Monona Public Gardens and Trails	<u>2,850</u>		Reusser	<u>2,850</u>
		<u>3,850</u>			
	Reusser	<u>2,850</u>	Permanent		
			Reusser		<u>2,850</u>
	Health	2,000	Enterprise		
	Health	3,000	Water		<u>2,000</u>
	Health	<u>1,000</u>	Sewer		<u>3,000</u>
		<u>6,000</u>	Solid Waste		<u>1,000</u>
Enterprise					
	Water	<u>75,000</u>	Water Improvement		<u>75,000</u>
	Water Improvement	<u>20,000</u>	Water		<u>20,000</u>
	Sewer Improvement	<u>25,000</u>	Sewer		<u>25,000</u>
	Solid Waste	<u>54,659</u>	Equip. Replacement		<u>54,659</u>
	Equip. Replacement	<u>7,000</u>	Solid Waste		<u>7,000</u>
	Garden View Sinking	<u>180,778</u>	Garden View Revenue		<u>180,778</u>
	Garden View Reserve	<u>8,880</u>	Garden View Revenue		<u>8,880</u>
	Garden View Depreciation	<u>13,800</u>	Garden View Revenue		<u>13,800</u>
	Garden View Surplus	<u>159,867</u>	Garden View Revenue		<u>159,867</u>
	Total	<u>\$ 796,569</u>	Total		<u>\$ 796,569</u>

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

CITY OF MONONA

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2010

NOTE 10 - GENERAL FUND BALANCE

The City has designated \$53,092 of the \$86,736 General Fund cash balance for future equipment replacement and library operations.

NOTE 11 - SELF FUNDING

The City has a partially self-funded group medical plan. The plan allows the City lower monthly premiums for coverage in exchange for the potential of claims actually filed. If all the covered individuals submitted the maximum claim to be paid by the City, the total would be estimated at \$33,750. The City paid claims of \$15,987 during 2010.

NOTE 12 - COMMITMENTS

The City effective October 1, 2009 has outsourced the operation and maintenance of its municipal water and wastewater treatment plant. The agreement establishes various responsibilities to each party and the fee of \$9,350 per month to be paid by the City. The fee can be adjusted annually based on the Consumer Price Index and is for five years. After the initial term the agreement will be automatically renewed for one year periods unless termination notices are given by either party.

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 30, 2010, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONONA

BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

As of and for the year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
Receipts							
Property tax	\$ 498,618	\$ -	\$ -	\$ 498,618	\$ 494,476	\$ 506,034	\$ (7,416)
Tax increment financing	92,157	-	-	92,157	92,405	92,405	(248)
Other city tax	103,268	-	-	103,268	99,558	99,558	3,710
Licenses and permits	2,968	-	-	2,968	2,775	2,775	193
Use of money and property	22,486	21,335	1,524	42,297	42,520	42,520	(223)
Intergovernmental	164,467	-	-	164,467	164,725	164,725	(258)
Charges for service	35,973	1,318,893	-	1,354,866	1,375,540	1,375,540	(20,674)
Special assessments	-	-	-	-	-	-	-
Miscellaneous	191,640	31,191	29,629	193,202	65,585	173,336	19,866
Total receipts	1,111,577	1,371,419	31,153	2,451,843	2,337,584	2,456,893	(5,050)
Disbursements							
Public safety	394,456	-	34,573	359,883	225,477	248,292	111,591
Public works	173,840	-	-	173,840	149,337	164,997	8,843
Health and social services	4,695	-	-	4,695	4,825	4,825	(130)
Culture and recreation	190,551	-	-	190,551	180,517	191,527	(976)
Community and economic development	66,453	-	-	66,453	46,061	62,410	4,043
General government	143,181	-	-	143,181	158,880	166,895	(23,714)
Debt service	162,190	-	-	162,190	161,991	161,991	199
Capital projects	-	91,428	-	91,428	50,500	129,726	(38,298)
Business type activities	-	1,360,011	-	1,360,011	1,442,588	1,442,588	(82,577)
Total disbursements	1,135,366	1,451,439	34,573	2,552,232	2,420,176	2,573,251	(21,019)
Excess of receipts over (under) disbursements	(23,789)	(80,020)	(3,420)	(100,389)	(82,592)	(116,358)	15,969
Other financing sources, net	6,000	(6,000)	-	-	(26,136)	1,731	(1,731)
Excess of receipts and other financing sources over (under) disbursements and other financing uses	(17,789)	(86,020)	(3,420)	(100,389)	(108,728)	(114,627)	14,238
Balances beginning of year	616,806	970,244	89,582	1,497,468	1,439,994	1,439,994	57,474
Balances end of year	\$ 599,017	\$ 884,224	\$ 86,162	\$ 1,397,079	\$ 1,331,266	\$ 1,325,367	\$ 71,712

See accompanying independent auditor's report.

CITY OF MONONA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
BUDGETARY REPORTING

June 30, 2010

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The City had no Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, 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. During the year, the budget was amended once to increase disbursements by \$153,075. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, public works, community and economic development, and debt services functions.

## OTHER SUPPLEMENTARY INFORMATION

## CITY OF MONONA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2010

	Special Revenue								Capital	Permanent		Total	
	Employee Benefits	Internal Loan	Monona Fire Department	Community Center	Library Trust	Health	Monona Public Gardens & Trails	Tax Increment Financing	Reusser Improvement	Other	Darby Trust		Reusser Improvement
<b>Receipts</b>													
Property tax	\$ 97,321	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,321
Tax increment financing	-	-	-	-	-	-	-	92,157	-	-	-	-	92,157
Other city tax	-	-	-	-	-	-	-	-	-	-	-	-	-
Use of money and property	-	-	1,524	7	312	-	-	-	-	-	-	2,850	4,693
Intergovernmental	-	-	-	-	-	-	850	-	-	-	-	-	850
Special assessments	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	2,010	-	29,629	-	1,555	8,650	2,352	-	-	-	100,000	-	144,196
<b>Total receipts</b>	<b>99,331</b>	<b>-</b>	<b>31,153</b>	<b>7</b>	<b>1,867</b>	<b>8,650</b>	<b>3,202</b>	<b>92,157</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>2,850</b>	<b>339,217</b>
<b>Disbursements</b>													
Operating													
Public safety	56,382	-	34,573	-	-	4,198	-	-	-	-	-	-	95,153
Public works	1,509	-	-	-	-	9,032	-	-	-	-	-	-	10,541
Health and social services	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	4,188	-	-	-	2,670	-	9,223	-	-	-	-	-	16,081
Community and economic development	-	-	-	-	-	-	-	40,706	-	-	-	-	40,706
General government	19,372	-	-	-	-	5,245	-	-	-	-	-	-	24,617
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total disbursements</b>	<b>81,451</b>	<b>-</b>	<b>34,573</b>	<b>-</b>	<b>2,670</b>	<b>18,475</b>	<b>9,223</b>	<b>40,706</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>187,098</b>
Excess of receipts over (under) disbursements	17,880	-	(3,420)	7	(803)	(9,825)	(6,021)	51,451	-	-	100,000	2,850	152,119
Other financing sources (uses)													
Operating transfers in	-	-	-	-	-	19,000	3,850	-	2,850	-	-	-	25,700
Operating transfers out	(8,000)	-	-	-	-	-	-	(65,463)	(2,850)	-	-	(2,850)	(79,163)
<b>Total other financing sources (uses)</b>	<b>(8,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,000</b>	<b>3,850</b>	<b>(65,463)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,850)</b>	<b>(53,463)</b>
Net change in cash balances	9,880	-	(3,420)	7	(803)	9,175	(2,171)	(14,012)	-	-	100,000	-	98,656
Cash balances beginning of year	(9,659)	31,339	89,582	2,923	14,666	3,753	5,777	50,087	-	53	-	100,000	288,521
Cash balances end of year	\$ 221	\$ 31,339	\$ 86,162	\$ 2,930	\$ 13,863	\$ 12,928	\$ 3,606	\$ 36,075	\$ -	\$ 53	\$ 100,000	\$ 100,000	\$ 387,177
<b>Cash Basis Fund Balances</b>													
Reserved for permanent funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 200,000
Unreserved													
Special revenue funds	221	31,339	86,162	2,930	13,863	12,928	3,606	36,075	-	-	-	-	187,124
Capital projects fund	-	-	-	-	-	-	-	-	-	53	-	-	53
<b>Total cash basis fund balances</b>	<b>\$ 221</b>	<b>\$ 31,339</b>	<b>\$ 86,162</b>	<b>\$ 2,930</b>	<b>\$ 13,863</b>	<b>\$ 12,928</b>	<b>\$ 3,606</b>	<b>\$ 36,075</b>	<b>\$ -</b>	<b>\$ 53</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 387,177</b>

See accompanying independent auditor's report.

CITY OF MONONA  
SCHEDULE OF INDEBTEDNESS

Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation Notes								
City Hall	Nov. 1, 2001	3.50 - 4.90%	\$ 400,000	\$ 105,000	\$ -	\$ 55,000	\$ 50,000	\$ 5,063
Family Aquatic Center	Dec. 1, 2002	2.30 - 4.50%	300,000	135,000	-	30,000	105,000	5,865
Corporate Purpose	June 15, 2006	4.05 - 4.65%	500,000	460,000	-	45,000	415,000	20,062
				<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ 130,000</u>	<u>\$ 570,000</u>	<u>\$ 30,990</u>
Revenue Notes								
Assisted Living Facility Revenue Note, Series 2005A	Sept. 29, 2005	4.125%	\$ 1,700,000	\$ 1,662,935	\$ -	\$ 20,526	\$ 1,642,409	\$ 68,214
Assisted Living Facility Revenue Note, Series 2005B	June 30, 2006	6% (1)	1,070,000	979,108	-	34,235	944,873	57,812
Child Care Facility Enterprise	April 2, 2007	4.125%	243,000	240,520	-	2,827	237,693	9,869
				<u>\$ 2,882,563</u>	<u>\$ -</u>	<u>\$ 57,588</u>	<u>\$ 2,824,975</u>	<u>\$ 135,895</u>

(1) Current rate until July 1, 2011 at which time will be adjusted to 1% under prime each July until paid off.

CITY OF MONONA  
BOND AND NOTE MATURITIES

June 30, 2010

GENERAL OBLIGATION BONDS AND NOTES

Year Ending June 30,	Fire Station		Family Aquatic Center		Corporate Purpose		Total
	Issued Nov 1, 2001		Issued Dec 1, 2002		Issued June 15, 2006		
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2011	4.90%	\$ 50,000	4.30%	\$ 35,000	4.15%	\$ 45,000	\$ 130,000
2012	-	-	4.40	35,000	4.20	45,000	80,000
2013	-	-	4.50	35,000	4.25	50,000	85,000
2014	-	-	-	-	4.35	50,000	50,000
2015	-	-	-	-	4.40	55,000	55,000
2016	-	-	-	-	4.45	55,000	55,000
2017	-	-	-	-	4.55	55,000	55,000
2018	-	-	-	-	4.65	60,000	60,000
		<u>\$ 50,000</u>		<u>\$ 105,000</u>		<u>\$ 415,000</u>	<u>\$ 570,000</u>

REVENUE BONDS AND NOTES

Year Ending June 30,	Assisted Living Facility Series 2005A		Assisted Living Facility Series 2005B		Child Care Facility Enterprise		Total
	Issued Sept 29, 2005		Issued June 30, 2006		Issued April 2, 2007		
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2011	4.125%	\$ 21,392	6.00%	\$ 36,576	4.125%	\$ 2,947	\$ 60,915
2012	4.125	22,291	6.00	38,599	4.125	3,071	63,961
2013	4.125	23,229	6.00	40,980	4.125	3,200	67,409
2014	4.125	24,205	6.00	43,508	4.125	3,335	71,048
2015	4.125	25,223	6.00	46,191	4.125	3,475	74,889
2016	4.125	26,283	6.00	49,040	4.125	3,621	78,944
2017	4.125	27,388	6.00	52,065	4.125	3,773	83,226
2018	4.125	28,539	6.00	55,276	4.125	3,932	87,747
2019	4.125	29,739	6.00	58,685	4.125	4,097	92,521
2020	4.125	30,989	6.00	62,305	4.125	4,269	97,563
2021	4.125	32,292	6.00	66,148	4.125	4,449	102,889
2022	4.125	33,649	6.00	70,228	4.125	4,636	108,513
2023	4.125	35,064	6.00	74,559	4.125	4,830	114,453
2024	4.125	36,538	6.00	79,158	4.125	5,034	120,730
2025	4.125	38,074	6.00	84,040	4.125	5,245	127,359
2026	4.125	39,675	6.00	87,515	4.125	5,466	132,656
2027	4.125	41,342	-	-	4.125	5,695	47,037
2028	4.125	43,080	-	-	4.125	5,935	49,015
2029	4.125	44,891	-	-	4.125	6,184	51,075
2030	4.125	46,779	-	-	4.125	6,444	53,223
2031	4.125	48,745	-	-	4.125	6,715	55,460
2032	4.125	50,794	-	-	4.125	6,998	57,792
2033	4.125	52,930	-	-	4.125	7,292	60,222
2034	4.125	55,155	-	-	4.125	7,598	62,753
2035	4.125	57,474	-	-	4.125	7,918	65,392
2036	4.125	59,890	-	-	4.125	8,250	68,140
2037	4.125	62,407	-	-	4.125	8,597	71,004
2038	4.125	65,031	-	-	4.125	8,959	73,990
2039	4.125	67,764	-	-	4.125	9,336	77,100
2040	4.125	70,613	-	-	4.125	9,728	80,341
2041	4.125	73,582	-	-	4.125	10,137	83,719
2042	4.125	76,675	-	-	4.125	10,563	87,238
2043	4.125	79,898	-	-	4.125	11,007	90,905
2044	4.125	83,257	-	-	4.125	11,470	94,727
2045	4.125	87,532	-	-	4.125	11,952	99,484
2046	-	-	-	-	4.125	11,535	11,535
		<u>\$ 1,642,409</u>		<u>\$ 944,873</u>		<u>\$ 237,693</u>	<u>\$ 2,824,975</u>

See accompanying independent auditor's report.

## CITY OF MONONA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS

For the Last Seven Years

	2010	Unaudited 2009	Unaudited 2008	2007	2006	2005	2004
<b>Receipts</b>							
Property tax	\$ 498,618	\$ 488,045	\$ 460,537	\$ 444,493	\$ 429,746	\$ 412,559	\$ 390,503
Tax increment financing collections	92,157	46,554	14,075	-	-	-	-
Other city tax	103,268	99,196	108,799	113,136	100,424	94,116	100,078
Licenses and permits	2,968	2,438	3,568	4,333	4,175	3,323	3,063
Use of money and property	22,486	35,126	46,267	64,001	25,105	19,311	22,255
Intergovernmental	164,467	349,677	276,287	737,674	207,833	523,404	350,684
Charges for service	35,973	40,916	41,593	32,775	38,599	43,682	42,116
Special assessments	-	-	-	-	-	-	-
Miscellaneous	191,640	142,735	107,315	455,652	192,484	418,996	1,135,935
<b>Total</b>	<b>\$ 1,111,577</b>	<b>\$ 1,204,687</b>	<b>\$ 1,058,441</b>	<b>\$ 1,852,064</b>	<b>\$ 998,366</b>	<b>\$ 1,515,391</b>	<b>\$ 2,044,634</b>
<b>Disbursements</b>							
<b>Operating</b>							
Public safety	\$ 394,456	\$ 225,684	\$ 217,350	\$ 234,610	\$ 176,065	\$ 194,250	\$ 194,939
Public works	173,840	224,984	243,502	160,421	254,938	141,102	353,285
Health and social services	4,695	4,575	4,575	3,780	3,285	6,978	3,285
Culture and recreation	190,551	175,739	157,528	143,977	146,030	136,827	141,883
Community and economic development	66,453	15,802	20,904	5,150	9,726	145,311	64,376
General government	143,181	182,851	180,911	171,837	167,881	152,369	150,343
Debt service	162,190	162,340	120,676	121,195	2,769,788	279,785	230,150
Capital projects	-	368,716	341,368	1,491,564	623,352	2,906,942	691,367
<b>Total</b>	<b>\$ 1,135,366</b>	<b>\$ 1,360,691</b>	<b>\$ 1,286,814</b>	<b>\$ 2,332,534</b>	<b>\$ 4,151,065</b>	<b>\$ 3,963,564</b>	<b>\$ 1,829,628</b>

See accompanying independent auditor's report.

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 Monona, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 30, 2010. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009. 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 Monona'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Monona's control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Monona's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-A-10 and II-B-10 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Monona'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 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 Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Monona'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'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 Monona, and other parties to whom the City of Monona may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

*Hagen & Kallewang, P.C.*

November 30, 2010

CITY OF MONONA  
SCHEDULE OF FINDINGS  
Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results

- a. A qualified opinion was issued on the financial statements since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009. The 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.
- b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. The City received and expended less than \$500,000 in Federal Awards, therefore a Single Audit was not required.

Part II: Findings Related to the Financial Statements

Internal Control Deficiencies

II-A-10

Segregation of Duties - The City is not large enough to permit an adequate segregation of duties for an effective system of internal accounting control. The concentration of closely related duties and responsibilities such as recording and processing of cash receipts, preparing and signing checks, preparing journals and general financial information for ledger posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the financial statements. While we do recognize that the City is not large enough to permit a segregation of duties for an effective internal control structure, we believe that it is important that the Council be aware that this condition does exist

Recommendation - We realize this condition will be difficult to improve on. However, again we do believe it is important that council be aware this condition does exist and make changes when appropriate and cost effective.

Response and Corrective Action Planned – The City staff is aware of the lack of segregation of duties. Although we only have 2.8 people on the administrative staff, we work to keep good balance in the regular assigned duties to keep a good check and balance system.

Conclusion – Response accepted.

CITY OF MONONA

SCHEDULE OF FINDINGS

Year ended June 30, 2010

II-B-10

Preparation of Financial Statements – Reporting financial data reliably in accordance with the Governmental Accounting Standards Board (GASB) and the cash basis of accounting requires management to possess expertise in preparing year-end financial statements, including footnote disclosures. As is common in small entities, management has the ability to review the financial statements and footnote disclosures for errors, but they presently lack the training to prepare the year-end financial statements and footnote disclosures on their own. As such, management requested us to prepare the financial statements and related disclosures.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with GASB and the cash basis of accounting can be considered costly and ineffective. However, obtaining additional GASB and the cash basis of accounting knowledge through reading relevant accounting literature and attending continuing education courses should help management improve in their ability to prepare internally and take responsibility for reliable GASB and the cash basis of accounting financial statements.

Response and Corrective Action Planned – Management will strive to improve their ability to prepare the financial statements in accordance with GASB.

Conclusion – Response accepted.

II-C-10

Cash in Bank, Non interest bearing – A separate bank account handles the receipts and disbursements related to the Garden View (Assisted Living) operation that is not interest bearing. We estimated using the bank's minimum interest rate, the City could have earned between \$1,000 and \$2,000 of interest income.

Recommendation - We recommend the City contact the local bank and switch the accounts to interest bearing.

Response and Corrective Action Planned – This will be reviewed to ensure that all accounts are interest bearing if possible.

Conclusion – Response accepted.

CITY OF MONONA

SCHEDULE OF FINDINGS

Year ended June 30, 2010

II-D-10

Budget Report - The budget column on the budget report did not agree with the original budget in all function areas or was not changed when the budget was amended.

Recommendation – We recommend management make sure amounts originally entered and amendment changes are made to the budget information so council has proper figures to make decisions on.

Response and Corrective Action Planned - Management will ensure that amendment changes to the budget information are made so council has correct figures to make decisions.

Conclusion – Response accepted.

Instances of Non-Compliance

No material matters were reported.

Part III: Other Findings Related to Statutory Reporting

III-A-10

Certified Budget – Prior to amending the budget in May 2010 disbursements exceeded the amounts budgeted in three functions. Then disbursements at June 30, 2010 exceeded the amended budget done in May in four 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 be amended, multiple times if needed, in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the original or amended budgets.

Response and Corrective Action Planned – Projections made during the spring budget amendment time will be adjusted accordingly to better predict funds needed for final months of the fiscal year.

Conclusion – Response accepted.

III-B-10

Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-10

Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

CITY OF MONONA

SCHEDULE OF FINDINGS

Year ended June 30, 2010

III-D-10

Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Becky Kruse, Council Member Husband is owner of Kruse N Bries Construction	Lawn Care	\$ 1,044
William Benda, Employee Owner of Benda Concrete	Concrete	1,118

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the City official does not appear to represent a conflict of interest since total transaction was less than \$1,500 during the fiscal year.

III-E-10

Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

III-F-10

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

III-G-10

Deposits and Investments - The City's investment policy is current and being followed.

III-H-10

Revenue Bonds and Notes - No instances of non-compliance with the revenue and note resolutions were noted.

CITY OF MONONA  
SCHEDULE OF FINDINGS  
Year ended June 30, 2010

III-I-10

I-Jobs - We noted reporting requirements related to I-Jobs funding from the state were not being prepared and submitted to the State.

Recommendation – We recommend preparing and submitting the reports as soon as possible.

Response and Corrective Action Planned – The I-Jobs reports will be prepared and submitted in early December.

Conclusion – Response accepted.

III-J-10

Mileage Reimbursement - The City is currently reimbursing employees for mileage for the use of an employee's personal vehicle for City purposes at a rate in excess of the allowable IRS rate but in accordance with resolution 2008-36. Doing so creates reporting issues for the City.

Recommendation – We recommend the City consider passing a new resolution that would state the rate to be paid to the employees be the “allowable rate”. Using the “allowable rate” provides flexibility when IRS raises or decreases the rate. Also management needs to determine what action to take for reimbursement made in 2010.

Response and Corrective Action Planned – The City will adopt an appropriate resolution to use the “allowable rate” for mileage reimbursement. Also employees will reimburse the City for mileage paid in excess of the allowable rate.

Conclusion – Response accepted.