

CITY OF FONDA, IOWA

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

JUNE 30, 2010

**T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants**

Table of Contents

	<u>Page</u>
Officials	1
Independent Auditor’s Report	2-3
Management’s Discussion and Analysis	4-9
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Statement of Activities and Net Assets – Cash Basis	A 10
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 11
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	C 12
Notes to Financial Statements	13-19
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	20
Notes to Required Supplementary Information – Budgetary Reporting	21
	<u>Schedule</u>
Other Supplementary Information	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1 22
Schedule of Indebtedness	2 23
Bond and Note Maturities	3 24
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4 25
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 <i>Government Auditing Standards</i>	26-27
Schedule of Findings	28-30

CITY OF FONDA, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
Don Wolf	Mayor	Dec 2011
Deb Trammell	Council Member	Nov 2009
Paul Mercer	Council Member	Dec 2009
Terry Smith	Council Member	Dec 2011
Jeanne Tiedeman	Council Member	Dec 2013
Rod Wells	Council Member	Dec 2011
(After January 2010)		
Don Wolf	Mayor	Dec 2011
Angela Podraza	Council Member	Dec 2011
Sandy Rix	Council Member	Dec 2013
Terry Smith	Council Member	Dec 2011
Jeanne Tiedeman	Council Member	Dec 2013
Rod Wells	Council Member	Dec 2011
Phyllis Menke	Clerk / Treasurer	Indefinite
James C. Hudson	Attorney	Indefinite



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fonda, 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 Fonda'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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 June 30, 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 Fonda 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 reports dated December 21, 2010 on our consideration of the City of Fonda's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 and opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 20 through 21 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Fonda's basic financial statements. 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 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.

T.P. Anderson & Company, P.C.

December 21, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Fonda, Iowa 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

- Revenues of the City's governmental activities decreased 40%, or approximately \$270,000, from fiscal 2009 to fiscal 2010. The city received \$99,000 in federal awards in 2009 and bond proceeds of \$100,000 in 2009 that were not received in 2010.
- Disbursements decreased 42%, or approximately \$286,000, in fiscal 2010 under fiscal 2009. The reduction is mainly due to the completion of the new fire station in 2009.
- The City's total cash basis net assets increased 11%, or approximately \$63,000 from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased approximately \$10,000 and the assets of the business type activities increased by approximately \$52,800.

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 – Cash Basis. This statement provides information about the activities of the City as a whole and presents an overview of the City's finances.

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader 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, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the solid waste, waterworks, electric and sanitary sewer systems. 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 service. 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 Employee Benefits and, 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs.

The required financial statements for governmental funds include 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 four Enterprise Funds to provide separate information for the solid waste, water, electric and sewer funds.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities increased from a year ago, increasing from a deficit of \$89,012 to a deficit of \$78,555. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts and transfers:		

Program receipts:		
Charges for service	\$ 51	\$ 27
Operating grants, contributions and restricted interest	69	178
General receipts:		
Property tax	157	178
Local option sales tax	45	44
Unrestricted investment earnings	5	4
Other general receipts	23	89
Proceeds from long term debt	-	100
Transfers, net	57	57
Total receipts and transfers	<u>407</u>	<u>677</u>
Disbursements:		
Public safety	100	103
Public works	109	104
Health and social services	2	2
Culture and recreation	78	71
Community and economic development	9	5
General government	99	107
Debt service	-	32
Capital projects	-	259
Total disbursements	<u>397</u>	<u>683</u>
Increase in cash basis net assets	10	(6)
Cash basis net assets beginning of year	<u>(89)</u>	<u>(83)</u>
Cash basis net assets end of year	<u>\$ (79)</u>	<u>(89)</u>

The City's total receipts for governmental activities decreased by 40%, or \$270,000. The total cost of all programs and services decreased by approximately \$286,000, or 42%, with no new programs added this year.

The cost of all governmental activities this year was \$433,000. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was only 276,000 because some of the cost was paid by those directly benefited from the programs (51,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$69,000). Overall, the city's governmental activities receipts including intergovernmental aid and fees for service, decreased in 2010 from approximately \$205,000 to approximately \$120,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$202,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

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

	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Solid waste	\$ 56	\$ 52
Electric	431	419

Water	95	85
Sewer	48	43
Total receipts	<u>630</u>	<u>599</u>
Disbursements and transfers:		
Solid Waste	76	56
Electric	291	306
Water	91	102
Sewer	62	53
Transfers	57	57
Total disbursements and transfers	<u>577</u>	<u>576</u>
Increase in cash balance	53	23
Cash basis net assets beginning of year	<u>645</u>	<u>620</u>
Cash basis net assets end of year	<u>\$ 698</u>	<u>\$ 645</u>

Total business type activities receipts for the fiscal year were \$630,000. This is an increase of 5% over the receipts in 2009. The cash balance increased by approximately \$53,000. Total disbursements and transfers for the fiscal year totaled approximately \$577,000 which was an increase of less than 1% from 2009 disbursements and transfers.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Fonda completed the year, its governmental funds reported a combined deficit fund balance of \$78,555, an reduced deficit of approximately \$10,000 from last year's deficit of \$89,012. 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 \$55,923 from the prior year, increasing the deficit balance to \$168,940. The reduction was similar to that which was budgeted for the year.
- The Road Use Tax Fund cash balance increased by \$6,729 to a balance of \$36,372 at June 30, 2010. The increase was due to regular operations for the fund.
- The Employee Benefit Special Revenue Fund cash balance increased by \$9,495 to a balance of \$10,943 during the fiscal year due to regular operations for the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$4,143 to a balance of \$53,577 as a result of regular operations during the year.
- The Sewer Fund cash balance decreased this fiscal year by \$14,503 to \$24,132 as a result of regular operations during the year.
- The Solid Waste Fund cash balance decreased by \$20,595 to \$17,314 as a result of regular operations during the year.
- The Electric Fund cash balance increased by \$83,726 to \$603,080 as a result of regular operations during the year.

- The LOST Fund increased \$38,259 due to regular operations during FY 2010.

BUDGETARY HIGHLIGHTS

The City did not amend its budget in the fiscal year ending June 30, 2010. During this fiscal year, disbursements did not exceed the amounts budgeted.

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$195,430 in bonds and other long-term debt, compared to approximately \$206, 810 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30,	
	2010	2009
Rural Economic Development Loan	\$ 91	\$ 100
Revenue Notes	104	107
Total	<u>\$ 195</u>	<u>\$ 207</u>

Debt decreased as a result of paying both the building loan and revenue note as scheduled.

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 constitutional debt limit is \$600,854 and its outstanding general obligation debt is \$-0-.

ECONOMIC FACTORS

While property taxes are important to the City, they represent less than 16% of total program resources excluding other financing sources. Property taxes were less than expected due to only partial state reimbursement on property tax credits. The largest resource, at nearly 69%, comes from fees and charges for services and includes utility charges. The City monitors all of its resources and determines the need for program adjustment or fee increases accordingly.

NEXT YEAR’S BUDGET AND RATES

For the year ending June 30, 2011 the City’s budget is fairly consistent with the FY 2010. Increased property values along with a slightly reduced tax rate are expected to result in marginally higher receipts from the general property tax levy and Ag Land property tax levy. Utility rates were considered as well during budgeting.

FINANCIAL CONTACT

The City's financial statements are designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the City Clerk at 104 West Second Street, P.O. Box 367, Fonda, IA 50540 or telephone (712) 288-4466.

Financial Statements

CITY OF FONDA, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 99,858	42,252	-	-
Public works	109,100	-	57,279	-
Health and Social Services	2,125	-	-	-
Culture and recreation	78,243	8,756	9,375	-
Community and economic development	8,448	-	2,830	-
General government	99,268	-	-	-
Debt service	-	-	-	-
Total government activities	397,042	51,008	69,484	-
Business type activities:				
Solid waste	76,396	55,800	-	-
Water	90,734	94,902	-	-
Electric	290,469	425,685	-	-
Sewer	62,151	47,670	-	-
Total business type activities	519,750	624,057	-	-
Total	\$ 916,792	675,065	69,484	-

General Receipts

Property tax levied for:	
General purposes	
Debt service	
Local option sales tax	
Unrestricted interest on investments	
Miscellaneous	
Transfers	
Total general receipts and transfers	
Change in cash basis net assets	
Cash beginning of year	
Cash end of year	
Cash Basis Net Assets	
Restricted	
Nonexpendible	
Expendible	
Streets	
LOST	
Employee benefits	
Other	
Unrestricted	

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(57,606)	-	(57,606)
(51,821)	-	(51,821)
(2,125)	-	(2,125)
(60,112)	-	(60,112)
(5,618)	-	(5,618)
(99,268)	-	(99,268)
-	-	-
(276,550)	-	(276,550)
-	(20,596)	(20,596)
-	4,168	4,168
-	135,216	135,216
-	(14,481)	(14,481)
-	104,307	104,307
(276,550)	104,307	(172,243)
156,753	-	156,753
342	-	342
45,003	-	45,003
3,991	5,693	9,684
23,718	-	23,718
57,200	(57,200)	-
287,007	(51,507)	235,500
10,457	52,800	63,257
(89,012)	645,332	556,320
\$ (78,555)	698,132	619,577
-	-	-
36,372	-	36,372
38,259	-	38,259
10,943	-	10,943
4,811	60,280	65,091
(168,940)	637,852	468,912
\$ (78,555)	\$ 698,132	\$ 619,577

CITY OF FONDA, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>LOST</u>
Receipts:			
Property tax	\$ 81,548	\$ -	\$ -
Other city tax	-	-	45,003
Licenses and permits	1,053	-	-
Use of money and property	3,991	-	-
Intergovernmental	9,375	57,279	-
Charges for service	51,008	-	-
Miscellaneous	22,665	-	-
	<u>169,640</u>	<u>57,279</u>	<u>45,003</u>
Disbursements:			
Public safety	91,864	-	-
Public works	15,000	50,550	-
Health and social services	2,125	-	-
Culture and recreation	73,305	-	-
Community and economic development	8,448	-	-
General government	92,021	-	-
	<u>282,763</u>	<u>50,550</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(113,123)	6,729	45,003
Other financing sources (uses):			
Operating transfers in	57,200	-	-
Operating transfers out	-	-	(6,744)
	<u>57,200</u>	<u>-</u>	<u>(6,744)</u>
Excess of receipts and other financing sources over disbursements and othe financing uses	(55,923)	6,729	38,259
Balance beginning of year	(113,017)	29,643	-
Balance end of year	<u>\$ (168,940)</u>	<u>\$ 36,372</u>	<u>\$ 38,259</u>
Cash Basis Fund Balance			
Unreserved:			
General Fund	(168,940)	-	-
Special Revenue Funds	-	36,372	38,259
	<u>\$ (168,940)</u>	<u>\$ 36,372</u>	<u>\$ 38,259</u>

See Notes to Financial Statements

Exhibit B

Employee Benefits	Other Nonmajor Governmental Funds	Total
\$ 73,224	\$ 2,323	\$ 157,095
-	-	45,003
-	-	1,053
-	-	3,991
-	2,830	69,484
-	-	51,008
-	-	22,665
73,224	5,153	350,299
7,994	-	99,858
43,550	-	109,100
-	-	2,125
4,938	-	78,243
-	-	8,448
7,247	-	99,268
63,729	-	397,042
9,495	5,153	(46,743)
-	6,744	63,944
-	-	(6,744)
-	6,744	57,200
9,495	11,897	10,457
1,448	(7,086)	(89,012)
\$ 10,943	\$ 4,811	\$ (78,555)
-	-	(168,940)
10,943	4,811	90,385
\$ 10,943	\$ 4,811	\$ (78,555)

CITY OF FONDA, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Proprietary Funds				
	Solid Waste	Water	Electric	Sewer	Total
Receipts					
Charges for service	\$ 54,449	\$ 88,572	\$ 413,763	\$ 47,139	\$ 603,923
Miscellaneous	1,351	6,330	11,922	531	20,134
	<u>55,800</u>	<u>94,902</u>	<u>425,685</u>	<u>47,670</u>	<u>624,057</u>
Disbursements					
Total operating disbursements	<u>76,396</u>	<u>83,807</u>	<u>290,469</u>	<u>62,151</u>	<u>512,823</u>
	<u>76,396</u>	<u>83,807</u>	<u>290,469</u>	<u>62,151</u>	<u>512,823</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(20,596)	11,095	135,216	(14,481)	111,234
Non-operating receipts (disbursements):					
Interest on investments	-	-	5,693	-	5,693
Debt service	-	(6,927)	-	-	(6,927)
	<u>-</u>	<u>(6,927)</u>	<u>5,693</u>	<u>-</u>	<u>(1,234)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(20,596)</u>	<u>4,168</u>	<u>140,909</u>	<u>(14,481)</u>	<u>110,000</u>
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	(57,200)	-	(57,200)
	<u>-</u>	<u>-</u>	<u>(57,200)</u>	<u>-</u>	<u>(57,200)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	<u>(20,596)</u>	<u>4,168</u>	<u>83,709</u>	<u>(14,481)</u>	<u>52,800</u>
Balance beginning of year	<u>37,909</u>	<u>49,434</u>	<u>519,354</u>	<u>38,635</u>	<u>645,332</u>
Balance end of year	<u>\$ 17,313</u>	<u>\$ 53,602</u>	<u>\$ 603,063</u>	<u>\$ 24,154</u>	<u>\$ 698,132</u>
Cash Basis Fund Balances					
Reserved					
Debt Service	\$ -	\$ 60,280	\$ -	\$ -	\$ 60,280
Unreserved	17,313	(6,678)	603,063	24,154	637,852
	<u>\$ 17,313</u>	<u>\$ 53,602</u>	<u>\$ 603,063</u>	<u>\$ 24,154</u>	<u>\$ 698,132</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

(1) Summary of Significant Accounting Policies

The City of Fonda is a political subdivision of the State of Iowa located in Pocahontas County. It was first incorporated in 1870 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 solid waste, electric, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Fonda has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all other 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 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: Pocahontas County Emergency Management Commission, Pocahontas County E911 Board, Pocahontas County Assessor's Conference Board, Fonda City Assessor's Conference Board, and the Pocahontas County Landfill Commission.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets – Cash Basis reports information on all 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 services.

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefits Fund is used to account for employee benefits paid for using property tax levied specifically for that purpose.

The Local Option Sales Tax Fund (LOST) is used to account for the receipt and disbursement of local option sales tax dollars.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system and includes the sinking funds which have a \$6,927 balance and account for the payment of interest and principal of the City's Water Revenue Note. The Water Fund also includes reserve and surplus funds of \$7,364 and \$45,989 respectively that are required by the note agreement.

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste disposal system.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

The Electric Fund accounts for the operation and maintenance of the City's electric distribution system.

C. Measurement Focus and Basis of Accounting

The City of Fonda, Iowa 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.

E. Subsequent Events

City management has evaluated events and transactions for potential recognition or disclosure through December 21, 2010, the date the financial statements were issued.

(2) Cash and Investments

The City's deposits at June 30, 2010 (which include certificates of deposit totaling \$399,093) 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 ensure 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,

CITY OF FONDA, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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; and 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) to 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.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for revenue bond and other long-term debt are as follows:

Year Ending June 30.	Rural Economic Development Note		Revenue Bond		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 11,111	\$ -	\$ 2,034	\$ 4,718	\$ 13,145	\$ 4,718
2012	11,111	-	2,308	4,620	13,419	4,620
2013	11,111	-	2,411	4,516	13,522	4,516
2014	11,111	-	2,519	4,407	13,630	4,407
2015	11,111	-	2,633	4,294	13,744	4,294
2016	11,111	-	2,752	4,175	13,863	4,175
2017	11,111	-	2,875	4,051	13,987	4,051
2018	11,111	-	3,005	3,922	14,116	3,922
2019	1,853	-	3,140	3,787	4,992	3,787
2020	-	-	3,281	3,646	3,281	3,646
2021	-	-	3,429	3,498	3,429	3,498
2022	-	-	3,583	3,343	3,583	3,343
2023	-	-	3,745	3,182	3,745	3,182
2024	-	-	3,913	3,014	3,913	3,014
2025	-	-	4,089	2,838	4,089	2,838
2026	-	-	4,273	2,654	4,273	2,654
2027	-	-	4,465	2,462	4,465	2,462
2028	-	-	4,666	2,261	4,666	2,261
2029	-	-	4,876	2,051	4,876	2,051
2030	-	-	5,096	1,831	5,096	1,831
2031	-	-	5,325	1,602	5,325	1,602
2032	-	-	5,565	1,362	5,565	1,362
2033	-	-	5,815	1,112	5,815	1,112
2034	-	-	6,077	850	6,077	850

CITY OF FONDA, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

2035	-	-	6,350	577	6,350	577
2036	-	-	6,464	291	6,464	291
	<u>\$ 90,741</u>	<u>\$ -</u>	<u>\$ 104,689</u>	<u>\$ 75,064</u>	<u>\$ 195,430</u>	<u>\$ 75,064</u>

The resolutions providing for the issuance of the revenue bonds 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 the water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers of \$58 to the water reserve account shall be made until a balance equal to one annual payment, \$6,927, is accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- (d) Any funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in a water revenue surplus account. It is suggested by the lender that the City deposit \$5,380 per year if possible into this account although it is not mandatory. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for note and interest payments which the other accounts might be unable to make.

The City has obtained a Rural Economic Development Loan from the City of Pocahontas to finance the construction of a Fire/EMS building. The original amount of the note was \$100,000 at 0.00% interest, and was signed on August 14, 2008. Monthly payments of \$926 are due beginning in September, 2009. The note is secured by a lien on real estate and improvements with an original cost of approximately \$259,000.

(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 payroll. 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 years ended June 30, 2010, 2009 and 2008 were \$14,485, \$13,849, and \$12,762 respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use. Earned vacation is paid when used or when employment is terminated upon retirement or death. These accumulations are not recognized as expenditures by the City until they are paid.

The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefits</u>	<u>Amount</u>
Vacation	\$ 6,214

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

(6) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2004 is as follows:

<u>Transfer In</u>	<u>Transfer From</u>	<u>Amount</u>
General	Proprietary: Electric	\$ 57,200
Debt Service	LOST	<u>6,744</u>
		<u>\$ 63,944</u>

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

(7) Risk Management

The City of Fonda 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 disaster. 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.

(8) Deficit Fund Balance

The General Fund, has a deficit balance of \$168,940 at June 30, 2010. The deficit in the General Fund is due to disbursements exceeding the receipts over a number of years. The City is aware of the deficit and has no plans to eliminate it as of June 30, 2010.

CITY OF FONDA, IOWA

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

(9) Property Taxes

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Fonda. Property taxes become liens on property as of July 1, 2009 and are payable in September and March of the fiscal year. The valuation for the taxes was based on January 1, 2008 assessed property valuations, and are based on a certified budget from March of 2009.

(10) Operating Lease

The City leases a copy machine under an operating lease agreement calling for 60 monthly payments of \$263. Future minimum lease payments due on the above operating leases are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2011	\$ 3,151
2012	<u>525</u>
Total	<u>\$ 3,676</u>

Required Supplementary Information

CITY OF FONDA, IOWA

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

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts:			
Property tax	\$ 157,095	-	157,095
Other city taxes	45,003	-	45,003
Licenses and permits	1,053	-	1,053
Use of money and property	3,991	5,693	9,684
Intergovernmental	69,484	-	69,484
Charges for service	51,008	603,923	654,931
Miscellaneous	22,665	20,134	42,799
	<u>350,299</u>	<u>629,750</u>	<u>980,049</u>
Disbursements:			
Program			
Public safety	99,858	-	99,858
Public works	109,100	-	109,100
Health and social services	2,125	-	2,125
Culture and recreation	78,243	-	78,243
Community and economic development	8,448	-	8,448
General government	99,268	-	99,268
Business type activities	-	519,750	519,750
	<u>397,042</u>	<u>519,750</u>	<u>916,792</u>
Excess (deficiency) of receipts over disbursements	(46,743)	110,000	63,257
Other financing sources (uses)	57,200	(57,200)	-
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	10,457	52,800	63,257
Balance beginning of year	<u>(89,012)</u>	<u>645,332</u>	<u>556,320</u>
Balance end of year	<u>\$ (78,555)</u>	<u>698,132</u>	<u>619,577</u>

See Accompanying Independent Auditor's Report

Budget	Final to Net Variance
150,592	6,503
50,998	(5,995)
622	431
25,000	(15,316)
94,400	(24,916)
647,000	7,931
34,070	8,729
<u>1,002,682</u>	<u>(22,633)</u>

113,300	13,442
117,050	7,950
2,475	350
78,718	475
10,000	1,552
99,530	262
<u>564,207</u>	<u>44,457</u>
<u>985,280</u>	<u>68,488</u>

17,402	45,855
-	-

17,402	45,855
<u>633,776</u>	<u>(77,456)</u>
<u><u>651,178</u></u>	<u><u>(31,601)</u></u>

CITY OF FONDA, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2010

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 Internal Service Funds and Fiduciary 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 or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was not amended.

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

CITY OF FONDA, IOWA

Schedule 1

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Debt Service	Special Revenue		Total
		I-Jobs	Emergency	
Receipts:				
Property tax	\$ 342	\$ -	\$ 1,981	\$ 2,323
Intergovernmental	-	2,830	-	2,830
	<u>342</u>	<u>2,830</u>	<u>1,981</u>	<u>5,153</u>
Disbursements:				
Debt service	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	342	2,830	1,981	5,153
Other financing sources (uses):				
Operating transfers in	6,744	-	-	6,744
Operating transfers out	-	-	-	-
	<u>6,744</u>	<u>-</u>	<u>-</u>	<u>6,744</u>
Excess of receipts and other financing sources over disbursements and othe financing uses	7,086	2,830	1,981	11,897
Balance beginning of year	(7,086)	-	-	(7,086)
Balance end of year	<u>\$ -</u>	<u>\$ 2,830</u>	<u>\$ 1,981</u>	<u>\$ 4,811</u>
Cash Basis Fund Balance				
Unreserved:				
Special Revenue Funds	-	2,830	1,981	4,811
	<u>\$ -</u>	<u>\$ 2,830</u>	<u>\$ 1,981</u>	<u>\$ 4,811</u>

See Notes to Financial Statements

CITY OF FONDA, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue bonds			
USDA Water notes	July 1, 1995	4.50%	\$ 125,000
Rural Economic Development Loan			
Fire/EMS building	August 14, 2008	0.00%	\$ 100,000

See Accompanying Independent Auditor's Report.

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
<u>\$ 106,810</u>	<u>\$ -</u>	<u>\$ 2,121</u>	<u>\$ 104,689</u>	<u>\$ 4,898</u>	<u>\$ -</u>
<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 9,259</u>	<u>\$ 90,741</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF FONDA, IOWA
 BOND AND NOTE MATURITIES
 JUNE 30, 2010

Year Ending June 30,	Revenue Notes Water		Rural Economic Development Note	
	Issued July 1, 1995		Issued August 15, 2008	
	Interest Rates	Amount	Interest Rates	Amount
2011	4.50	\$ 2,034	- %	\$ 11,111
2012	4.50	2,308	-	11,111
2013	4.50	2,411	-	11,111
2014	4.50	2,519	-	11,111
2015	4.50	2,633	-	11,111
2016	4.50	2,752	-	11,111
2017	4.50	2,875	-	11,111
2018	4.50	3,005	-	11,111
2019	4.50	3,140	-	1,853
2020	4.50	3,281		
2021	4.50	3,429		
2022	4.50	3,583		
2023	4.50	3,745		
2024	4.50	3,913		
2025	4.50	4,089		
2026	4.50	4,273		
2027	4.50	4,465		
2028	4.50	4,666		
2029	4.50	4,876		
2030	4.50	5,096		
2031	4.50	5,325		
2032	4.50	5,565		
2033	4.50	5,815		
2034	4.50	6,077		
2035	4.50	6,350		
2036	4.50	6,464		
		<u>\$ 104,689</u>		<u>\$ 90,741</u>

See Accompanying Independent Auditor's Report.

CITY OF FONDA, IOWA

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

	<u>2010</u>
Receipts	
Property tax	\$ 157,095
Other city tax	45,003
Licenses and permits	1,053
Use of money and property	3,991
Intergovernmental	69,484
Charges for service	51,008
Miscellaneous	22,665
	<u>\$ 350,299</u>
 Disbursements:	
Operating:	
Public safety	\$ 99,858
Public works	109,100
Health and social services	2,125
Culture and recreation	78,243
Community and economic development	8,448
General government	99,268
	<u>\$ 397,042</u>

See Accompanying Independent Auditor's Report.



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fonda, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City of Fonda, Iowa's basic financial statements and have issued our report thereon dated December 21, 2010. Our report expressed a qualified opinion (due to the inability to verify the distribution by fund) on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, 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's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an 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's internal control over financial reporting.

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

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 that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency reported at I-A-10 in the Schedule of Findings to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies reported at I-B-10 and I-C-10 in the Schedule of Findings to be significant deficiencies. .

Compliance and Other Matters.

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

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 Sample Cash City's responses and, accordingly, we express no opinion on them.

This report, is intended solely for the information and use of the officials, employees and citizens of the City of Fonda and other parties to whom the City of Fonda may report. This report is not intended for 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 the personnel of the City of Fonda during the course of our audit. Should you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

T.P. Anderson & Company, P.C.

December 21, 2010

CITY OF FONDA, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

I-A-10 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. We noted that the cash receipt function and the recording of the cash receipts is on occasion handled by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion – Response acknowledged. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

I-B-10 Credit Cards – The Library has a credit card for use by various employees for Library business. The Library has not adopted a formal policy to regulate the use of credit cards and to establish for the proper accounting of credit card charges. The Library’s credit card is not covered under the City’s written credit card policy.

Recommendation – The Library should adopt a formal written policy regulating the use of Library credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – We presently have unwritten guidelines. However, we have not established a formal written policy detailing specifics on the use of Library credit cards. We will review procedures and guidelines and establish a written policy.

Conclusion – Response accepted.

I-C-10 Accounts payable/cash disbursements – We noted during our test of transactions that paid invoices were not defaced in any manner to indicate that the bill had been paid. We noted in our testing one check that was made out to cash for employee bonuses.

CITY OF FONDA, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

Recommendation – We recommend the City implement the use of a “Paid” stamp to avoid potential double payment of invoices. We recommend never checks not be made out to cash. In the case of employee bonuses, the payments should be made by checks even if not run through payroll.

Response – The clerk and mayor review all invoices prior to signing checks and have not had issue with double payment of invoices. The City was aware that employee bonuses should have been processed through payroll but due to the diminimus amounts did not choose to handle them in that manner. A resolution of the council was passed approving the payments and we will avoid making checks out to cash in the future.

Conclusion – Response accepted.

Part II: Other Findings Related to Statutory Reporting:

- II-A-10 Certified Budget - Disbursements during the year ended June 30, 2010 were within the budgeted limits in all programs.
- II-B-10 Questionable Disbursements - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-10 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.
- II-D-10 Business Transactions - No business transactions between the City and its officials or employees were noted.
- II-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 insure that the coverage is adequate for current operations.
- II-F-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-10 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-H-10 Revenue Notes – No instances of non-compliance with the revenue note and note resolutions were noted.

CITY OF FONDA, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

II-I-10 Financial Condition – The General Fund had a deficit fund balance of \$168,940 at June 30, 2010.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to sound financial positions.

Response – We will review alternatives to bring the General Fund balance back into a positive position.

Conclusion – Response accepted.