

CITY OF FONTANELLE

Fontanelle, Iowa

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

June 30, 2014

With Independent Auditor's Reports

CITY OF FONTANELLE
Contents

	<u>Pages</u>
City Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-8
Cash Basis Statement of Activities and Net Position	9-10
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Governmental Funds	11-12
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Proprietary Funds	13-14
Notes to the Financial Statements	15-19
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Cash Balances - Budget and Actual (Cash Basis) All Governmental Funds and Proprietary Funds	20-21
Notes to Other Information	22
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	23
Schedule of Long-Term Debt and Interest	24-25
Bond Maturities	26
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	27-28
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	29-30
Schedule of Findings	31-33

CITY OF FONTANELLE
City Officials
June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Prior to January 1, 2014</u>		
R. Scott Homan	Mayor	December 31, 2013
Amanda Sickles	Mayor Pro Tem	December 31, 2015
Dixie Dukes	Council Member	December 31, 2015
Ron Reed	Council Member	December 31, 2013
Linda Shafer	Council Member	December 31, 2015
Jim Warrior	Council Member	December 31, 2013
Susan Newton	City Clerk	Indefinite
Craig Ford	Superintendent of Utilities	Indefinite
Clint Hight	City Attorney	Indefinite
<u>Subsequent to December 31, 2013</u>		
Nathan Jensen	Mayor	December 31, 2015
Amanda Sickles	Mayor Pro Tem	December 31, 2015
Dixie Dukes	Council Member	December 31, 2015
Ron Reed	Council Member	December 31, 2017
Linda Shafer	Council Member	December 31, 2015
Jim Warrior	Council Member	December 31, 2017
Susan Newton	City Clerk	Indefinite
Craig Ford	Superintendent of Utilities	Indefinite
Clint Hight	City Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I 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 Fontanelle, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents of this report.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, 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 Fontanelle, Iowa as of June 30, 2014, 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.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. My opinion is not modified with respect to this matter.

Other Matters

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fontanelle's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included on pages 23 through 28 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 20 through 22 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated September 17, 2014 on my consideration of the City of Fontanelle's internal control over financial reporting and my 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 my 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 on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Fontanelle's internal control over financial reporting and compliance.

S/ Stanley E. Siebke

Urbandale, Iowa
September 17, 2014

**CITY OF FONTANELLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

The City of Fontanelle 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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 5.2%, or \$17,744, from fiscal 2013 to fiscal year 2014. Local Option Sales Tax decreased \$9,117. No TIF revenues are being collected.
- Governmental disbursements decreased 14.3%, or \$39,803, in fiscal 2014 from fiscal 2013. No Local Option Sales Taxes proceeds were disbursed in fiscal year 2014.
- The City's total cash basis net position increased 12.3%, or \$207,793, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the government activities increased \$87,175, and the cash basis net position of the business type activities increased by \$120,618.

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 for a full understanding of the data provided in the basic financial statements.

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

Supplementary Information provides detailed information about the non-major 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 Position reports information, which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position 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 waterworks, sanitary sewer system, electric department and the landfill department. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax and Tax Increment Financing, 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 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 water, sewer, electric, and landfill funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position 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 \$594,168 to \$681,343. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities

	Year ended June 30, <u>2014</u>	Year ended June 30, <u>2013</u>
Receipts:		
Property taxes	\$121,927	121,679
TIF revenues	341	10,631
Other city taxes	66,955	75,970
Licenses and permits	887	823
Use of money and property	957	1,043
Intergovernmental	97,579	91,946
Charges for service	3,531	3,574
Miscellaneous	<u>33,162</u>	<u>37,417</u>
Total Receipts	<u>325,339</u>	<u>343,083</u>
Disbursements:		
Operating:		
Public safety	38,439	43,963
Public works	85,816	105,323
Culture and recreation	66,836	98,828
Community and economic development	0	7,332
General government	24,003	22,521
Capital projects	<u>23,070</u>	<u>0</u>
Total Disbursements	<u>238,164</u>	<u>277,967</u>
Net Change in Cash Balances	87,175	65,116
Cash Balances at Beginning of Year	<u>594,168</u>	<u>529,052</u>
Cash Balances at End of Year	<u>\$681,343</u>	<u>594,168</u>

Nonspendable – Permanent fund	\$ 12,411	11,249
Restricted for:		
Special revenue funds	449,497	369,908
Debt service	11,569	11,547
Capital projects fund	9,717	9,717
Unrestricted – General fund	<u>198,149</u>	<u>191,747</u>
Total Cash Basis Fund Balances	<u>\$ 681,343</u>	<u>594,168</u>

Total governmental activities receipts for the fiscal year were \$325,339 compared to \$343,083 last year. Total disbursements decreased from \$277,967 to \$238,164.

Changes in Cash Basis Net Position of Business Type Activities

	Year ended June 30, <u>2014</u>	Year ended June 30, <u>2013</u>
Operating Receipts:		
Charges for service:		
Water	\$ 189,788	134,048
Sewer	79,534	65,404
Electric	762,540	750,266
Landfill	<u>9,333</u>	<u>9,258</u>
Total Operating Receipts	<u>1,041,195</u>	<u>958,976</u>
Operating Disbursements:		
Business type activities:		
Water	126,048	138,230
Water Main Construction	270,297	0
Sewer	65,253	65,667
Electric	734,766	642,070
Wind Turbine	393	66,398
Landfill	<u>9,662</u>	<u>9,591</u>
Total Operating Disbursements	<u>1,206,419</u>	<u>921,956</u>
Excess (Deficit) of Disbursements over (under) Receipts	(165,224)	37,020
Total Non-Operating Receipts	<u>285,842</u>	<u>24,261</u>
Net Change in Cash Balances	120,618	61,281
Cash Balances at Beginning of Year	<u>1,099,348</u>	<u>1,038,067</u>
Cash Balances at End of Year	<u>\$1,219,966</u>	<u>1,099,348</u>

Total business type activities receipts for the fiscal year were \$1,041,195 compared to \$958,976 last year. Total disbursements increased from \$921,956 to \$1,206,419, mainly due to the Water Main Replacement Project.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Fontanelle completed the year, its governmental funds reported a combined fund balance of \$681,343, a increase of \$87,175 from last year's total of \$594,168.

- Revenues of \$66,699 were received from the local option sales tax.
- The Road Use Fund had an increase of \$13,111 this fiscal year.

- The General Fund had a increase of \$6,402.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance had an increase of \$52,318 this fiscal year. Increased revenue is necessary to pay water revenue bonds.
- The Sewer Fund cash balance had a increase of \$14,557 this fiscal year.
- The Electric Fund cash balance had an increase of \$47,489 this fiscal year.
- The Landfill Fund had a net decrease of \$329 this fiscal year.
- Wind Turbine Fund had \$393 of expenditures, and \$7,500 was reimbursed from Forward Fontanelle Power, LLC. This leaves the fund with a (\$25,158) balance, which will be eliminated with repayment from Forward Fontanelle Power, LLC.

BUDGETARY HIGHLIGHTS

The public safety budget was amended in May to allow for an unanticipated expenditure. The ambulance had to be replaced due to a engine fire.

DEBT ADMINISTRATION

At June 30, 2014, the City is indebted for water revenue bonds in the amount of \$700,000 to pay for the water main replacement project. Including \$133,929 of interest, the total obligation is \$833,929.

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 \$1,038,985.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Fontanelle's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The unemployment rate of 3.1% continues to be lower in Adair County. The national rate is 6.2 percent and the state's rate is 4.5 percent.

Inflation in the State continues to be similar to the National Consumer Price Index which showed an increase of 1.5% during the past year.

These indicators were taken into account when adopting the budget for fiscal year 2015. No new programs have been added to the 2015 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors 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 Susan Newton, City Clerk, 313 Washington Street, Fontanelle, Iowa.

CITY OF FONTANELLE
Cash Basis Statement of Activities and Net Position
As of and For the Year Ended June 30, 2014

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts</u> <u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
Function / Programs:				
Governmental activities:				
Public safety	\$ 61,509	3,800	22,564	0
Public works	85,816	8,200	67,118	0
Culture and recreation	66,836	3,340	21,394	0
General government	24,003	0	0	0
Total Governmental Activities	238,164	15,340	111,076	0
Business type activities:				
Water	396,345	194,408	120	0
Sewer	65,253	79,534	276	0
Electric	735,159	762,540	3,553	7,500
Garbage	9,662	9,333	0	0
Total Business Type Activities	1,206,419	1,045,815	3,949	7,500
Total	\$ 1,444,583	1,061,155	115,025	7,500
General Receipts:				
Property tax levied for general purposes				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Proceeds of long-term debt				
Miscellaneous				
Total General Receipts				
Change in Cash Basis Net Position				
Cash Basis Net Position at Beginning of Year				
Cash Basis Net Position at End of Year				
Cash Basis Net Position				
Restricted:				
Nonexpendible - Permanent Fund				
Expendible:				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total Cash Basis Net Position				

The accompanying notes are an integral part of these financial statements.

CITY OF FONTANELLE
Cash Basis Statement of Activities and Net Position
As of and For the Year Ended June 30, 2014

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
(35,145)	0	(35,145)
(10,498)	0	(10,498)
(42,102)	0	(42,102)
(24,003)	0	(24,003)
<u>(111,748)</u>	<u>0</u>	<u>(111,748)</u>
0	(201,817)	(201,817)
0	14,557	14,557
0	38,434	38,434
0	(329)	(329)
<u>0</u>	<u>(149,155)</u>	<u>(149,155)</u>
<u>(111,748)</u>	<u>(149,155)</u>	<u>(260,903)</u>
121,927	0	121,927
341	0	341
66,699	0	66,699
940	0	940
0	269,773	269,773
9,016	0	9,016
<u>198,923</u>	<u>269,773</u>	<u>468,696</u>
87,175	120,618	207,793
594,168	1,099,348	1,693,516
<u>681,343</u>	<u>1,219,966</u>	<u>1,901,309</u>
\$ 12,411	0	12,411
74,533	0	74,533
11,569	0	11,569
374,964	0	374,964
207,866	1,219,966	1,427,832
<u>\$ 681,343</u>	<u>1,219,966</u>	<u>1,901,309</u>

CITY OF FONTANELLE
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and For the Year Ended June 30, 2014

	<u>General</u>	<u>Road Use Tax</u>	<u>Special Revenue Local Option Sales Tax</u>	<u>Other Nonmajor Governmental Funds</u>
Receipts:				
Property tax	\$ 114,179	0	0	7,748
TIF revenues	0	0	0	341
Other city taxes	256	0	66,699	0
Licenses and permits	887	0	0	0
Use of money and property	919	0	0	38
Intergovernmental	30,477	67,102	0	0
Charges for services	3,531	0	0	0
Miscellaneous	24,962	0	0	8,200
Total Receipts	<u>175,211</u>	<u>67,102</u>	<u>66,699</u>	<u>16,327</u>
Disbursements:				
Operating:				
Public safety	34,912	0	0	3,527
Public works	24,029	53,991	0	7,796
Culture and recreation	64,627	0	0	2,209
General government	22,171	0	0	1,832
Capital outlay:				
Public safety	23,070	0	0	0
Total Disbursements	<u>168,809</u>	<u>53,991</u>	<u>0</u>	<u>15,364</u>
Excess of Receipts over Disbursements	6,402	13,111	66,699	963
Cash Balances at Beginning of Year	191,747	61,422	300,406	40,593
Cash Balances at End of Year	<u>\$ 198,149</u>	<u>74,533</u>	<u>367,105</u>	<u>41,556</u>
Cash Basis Fund Balances:				
Nonspendable - Permanent Fund	\$ 0	0	0	12,411
Restricted for:				
Debt service	0	0	0	11,569
Streets	0	74,533	0	0
Other purposes	0	0	367,105	7,859
Unassigned	198,149	0	0	9,717
Total Cash Basis Fund Balances	<u>\$ 198,149</u>	<u>74,533</u>	<u>367,105</u>	<u>41,556</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FONTANELLE
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and For the Year Ended June 30, 2014

Total

121,927
341
66,955
887
957
97,579
3,531
33,162

325,339

38,439
85,816
66,836
24,003

23,070

238,164

87,175

594,168

681,343

12,411

11,569
74,533
374,964
207,866
681,343

CITY OF FONTANELLE
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Proprietary Funds
As of and For the Year Ended June 30, 2014

	<u>Enterprise Funds</u>			
	<u>Water</u>	<u>Water Main Construction</u>	<u>Sewer</u>	<u>Electric</u>
Operating Receipts:				
Charges for services	\$ 189,788	0	79,534	762,540
Total Operating Receipts	<u>189,788</u>	<u>0</u>	<u>79,534</u>	<u>762,540</u>
Disbursements:				
Operating:				
Business type activities	126,048	0	65,253	734,766
Capital Outlay:				
Business type activities	0	270,297	0	0
Total Operating Disbursements	<u>126,048</u>	<u>270,297</u>	<u>65,253</u>	<u>734,766</u>
Excess (Deficit) of Operating Receipts over (under) Operating Disbursements	<u>63,740</u>	<u>(270,297)</u>	<u>14,281</u>	<u>27,774</u>
Non-Operating Receipts:				
Use of money and property	120	0	276	3,553
Miscellaneous	4,620	0	0	0
Proceeds of long-term debt	0	269,773	0	0
Transfers	(16,162)	0	0	16,162
Total Non-Operating Receipts (Disbursements)	<u>(11,422)</u>	<u>269,773</u>	<u>276</u>	<u>19,715</u>
Net Change in Cash Balances	52,318	(524)	14,557	47,489
Cash Balances at Beginning of Year	<u>35,658</u>	<u>0</u>	<u>75,727</u>	<u>1,007,461</u>
Cash Balances at End of Year	<u>\$ 87,976</u>	<u>(524)</u>	<u>90,284</u>	<u>1,054,950</u>
Cash Basis Fund Balances:				
Unrestricted:	<u>\$ 87,976</u>	<u>(524)</u>	<u>90,284</u>	<u>1,058,376</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FONTANELLE
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Proprietary Funds
As of and For the Year Ended June 30, 2014

<u>Wind Turbine Construction</u>	<u>Garbage</u>	<u>Total</u>
0	9,333	1,041,195
<u>0</u>	<u>9,333</u>	<u>1,041,195</u>
393	9,662	936,122
0	0	270,297
<u>393</u>	<u>9,662</u>	<u>1,206,419</u>
<u>(393)</u>	<u>(329)</u>	<u>(165,224)</u>
0	0	3,949
7,500	0	12,120
0	0	269,773
0	0	0
<u>7,500</u>	<u>0</u>	<u>285,842</u>
7,107	(329)	120,618
<u>(32,265)</u>	<u>12,767</u>	<u>1,099,348</u>
<u>(25,158)</u>	<u>12,438</u>	<u>1,219,966</u>
<u>(25,158)</u>	<u>12,438</u>	<u>1,223,392</u>

CITY OF FONTANELLE
Notes to the Financial Statements
June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Fontanelle is a political subdivision of the State of Iowa located in Adair County. 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, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, electric and garbage collection utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of Fontanelle has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Fontanelle has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

Government-wide Financial Statements

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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.

CITY OF FONTANELLE
Notes to the Financial Statements - Continued

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:

General Fund – 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 Funds:

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

The Local Option Sales Tax Fund is used to account for local option sales tax collections which are restricted for use on capital improvement projects.

The City reports the following major proprietary funds:

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

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

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

Measurement Focus and Basis of Accounting

The City of Fontanelle 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services 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.

CITY OF FONATANELLE
Notes to the Financial Statements – Continued

Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) Pooled Deposits and Investments

The City's deposits at June 30, 2014 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.

Funds that have deficit cash in bank balances are considered to have borrowed cash from other 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 policy is to generally limit investments to maturities of three years or less, with most investments maturing in a period of one year.

(3) Commitments

The City has commitments on open construction contracts totaling approximately \$440,000.

CITY OF FONTANELLE
Notes to the Financial Statements – Continued

(4) Bonded Indebtedness

A summary of the City's June 30, 2014 long-term debt is as follows:

Year Ending <u>June 30,</u>	Interest <u>Rates</u>	<u>Water Revenue Bonds</u>		
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	1.75%	\$ 29,000	9,486	38,486
2016	1.75	29,000	11,743	40,743
2017	1.75	30,000	11,235	41,235
2018	1.75	31,000	10,710	41,710
2019	1.75	31,000	10,167	41,167
		<u>150,000</u>	<u>53,341</u>	<u>203,341</u>
2020-2024	1.75	165,000	42,455	207,455
2025-2029	1.75	183,000	27,405	210,405
2030-2034	1.75	202,000	10,728	212,728
		<u>700,000</u>	<u>133,929</u>	<u>833,929</u>
Less amounts not yet received			<u>(430,227)</u>	
			<u>\$ 269,773</u>	

The Water Revenue Bonds provide for monthly transfers from the Water Revenue Fund to the Water Revenue Bond Sinking Fund sufficient to pay the annual principal and interest payments on the Water Revenue Bonds. Future required minimum transfers are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 38,486
2016	40,743
2017	41,235
2018	41,710
2019	41,167
	<u>203,341</u>
2020-2024	207,455
2025-2029	210,405
2030-2034	212,728
	<u>\$ 833,929</u>

In addition, the City has remaining cash in the Debt Service Fund restricted for future bond payments at June 30, 2014 as follows:

<u>Type of Indebtedness</u>	<u>Amount</u>
General Obligation Bonds	<u>\$11,569</u>

(5) Retirement System - IPERS

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.

CITY OF FONTANELLE
Notes to the Financial Statements – Continued

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered payroll except for police employees, in which case the percentages are actuarially determined. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$17,154, \$16,129, and \$15,035, respectively, equal to the required contributions for each year.

(6) Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or sick leave may be paid upon termination, retirement or death. These accumulations are not recognized as expenditures by the City until used or paid. The City's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2014 is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Sick leave	\$ 34,305
Vacation	5,700
	<u>\$ 40,005</u>

The liability has been computed based on rates of pay as of June 30, 2014.

(7) Risk Management

The City of Fontanelle 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 the liability for insurance deductibles and claims in excess of insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Property Tax Calendar

Property taxes are collected and remitted to the City by the county government. Taxes are levied annually on July 1 based on an assessment as of January 1. Taxes are due one-half on September 30 in the year following the levy and one-half on the subsequent March 31. The lien date is July 1. Current and delinquent tax payments are recognized as receipts by the City when received.

(9) Deficit Fund Balances

The Water Main Construction Fund had a deficit balance of \$524 at June 30, 2014 as a result of disbursements exceeding receipts during the year ended June 30, 2014. The deficit will be eliminated through external financing proceeds.

The Wind Turbine Construction Fund had a deficit balance of \$25,158 at June 30, 2014 as a result of disbursements exceeding receipts during the year ended June 30, 2013. The deficit will be eliminated through future collections from the wind turbine developer.

(10) Interfund Transfers

The detail of interfund transfers during the year ended June 30, 2014 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	
Enterprise Fund - Electric	Enterprise Fund - Water	\$ 16,162
		<u>\$ 16,162</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 FONTANELLE

Budgetary Comparison Schedule of Receipts, Disbursements
and Changes in Cash - Budget and Actual (Cash Basis)

All Governmental Funds and Proprietary Funds

Year Ended June 30, 2014

	Governmental <u>Funds</u>	Proprietary <u>Funds</u>	<u>Total</u>
Receipts:			
Property tax	\$ 121,927	0	121,927
TIF revenues	341	0	341
Other city taxes	66,955	0	66,955
Licenses and permits	887	0	887
Use of money and property	957	3,949	4,906
Intergovernmental	97,579	0	97,579
Charges for service	3,531	1,041,195	1,044,726
Miscellaneous	33,162	12,120	45,282
Other financing sources	0	269,773	269,773
	<u>325,339</u>	<u>1,327,037</u>	<u>1,652,376</u>
Total Receipts			
Disbursements:			
Public safety	61,509	0	61,509
Public works	85,816	0	85,816
Culture and recreation	66,836	0	66,836
General government	24,003	0	24,003
Business type activities	0	1,206,419	1,206,419
	<u>238,164</u>	<u>1,206,419</u>	<u>1,444,583</u>
Total Disbursements			
Excess of Receipts over Disbursements	87,175	120,618	207,793
Balances at Beginning of Year	594,168	1,099,348	1,693,516
Balances at End of Year	<u>\$ 681,343</u>	<u>1,219,966</u>	<u>1,901,309</u>

CITY OF FONTANELLE
 Budgetary Comparison Schedule of Receipts, Disbursements
 and Changes in Cash - Budget and Actual (Cash Basis)
 All Governmental Funds and Proprietary Funds
 Year Ended June 30, 2014

<u>Budgeted Amount</u>		<u>Variance to Final</u>
<u>Original</u>	<u>Amended</u>	
123,621	123,621	(1,694)
0	0	341
57,008	57,008	9,947
1,235	1,235	(348)
2,010	2,010	2,896
107,789	107,789	(10,210)
1,022,007	1,022,007	22,719
2,500	2,500	42,782
700,000	700,000	(430,227)
<u>2,016,170</u>	<u>2,016,170</u>	<u>(363,794)</u>
54,985	74,055	12,546
111,808	111,808	25,992
70,344	70,344	3,508
33,081	33,081	9,078
1,696,236	1,696,236	489,817
<u>1,966,454</u>	<u>1,985,524</u>	<u>540,941</u>
49,716	30,646	177,147
1,624,214	1,624,214	69,302
<u>1,673,930</u>	<u>1,654,860</u>	<u>246,449</u>

CITY OF FONTANELLE
Notes to Other Information
June 30, 2014

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon 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 and 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, one budget amendment increased budgeted disbursements by \$19,070. The budget amendment is reflected in the final budgeted figures.

CITY OF FONTANELLE
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances -
Nonmajor Governmental Funds
As of and For the Year Ended June 30, 2014

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Total</u>
	<u>Employee Benefits</u>	<u>TIF</u>				
Receipts:						
Property tax	\$ 7,748	0	0	0	0	7,748
TIF revenues	0	341	0	0	0	341
Use of money and property - interest	0	0	22	0	16	38
Miscellaneous	0	0	0	0	8,200	8,200
Total Receipts	7,748	341	22	0	8,216	16,327
Disbursements:						
Operating:						
Public safety	3,527	0	0	0	0	3,527
Public works	742	0	0	0	7,054	7,796
Culture and recreation	2,209	0	0	0	0	2,209
General government	1,832	0	0	0	0	1,832
Total Disbursements	8,310	0	0	0	7,054	15,364
Excess (Deficit) of Receipts over (under) Disbursements	(562)	341	22	0	1,162	963
Cash Balances at Beginning of Year	8,080	0	11,547	9,717	11,249	40,593
Cash Balances at End of Year	<u>\$ 7,518</u>	<u>341</u>	<u>11,569</u>	<u>9,717</u>	<u>12,411</u>	<u>41,556</u>
Cash Basis Fund Balances:						
Nonspendable - Permanent Fund	\$ 0	0	0	0	12,411	12,411
Restricted for other purposes	7,518	341	11,569	0	0	19,428
Unassigned	0	0	0	9,717	0	9,717
	<u>\$ 7,518</u>	<u>341</u>	<u>11,569</u>	<u>9,717</u>	<u>12,411</u>	<u>41,556</u>

CITY OF FONTANELLE
Schedule of Long-Term Debt and Interest
June 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Water Revenue Bonds SRF	June 20, 2014	1.75%	\$ 700,000
Total Water Revenue Bonds			

CITY OF FONTANELLE
 Schedule of Long-Term Debt and Interest
 June 30, 2014

<u>Balance</u> <u>June 30, 2013</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Interest</u> <u>Paid</u>
\$ 0	269,773	0	269,773	\$ 0
<u>\$ 0</u>	<u>269,773</u>	<u>0</u>	<u>269,773</u>	<u>\$ 0</u>

CITY OF FONTANELLE

Bond Maturities

June 30, 2014

Water Revenue Bond

SRF

<u>Year</u> <u>Ending</u> <u>June 30</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
2015	1.75%	\$ 29,000
2016	1.75	29,000
2017	1.75	30,000
2018	1.75	31,000
2019	1.75	31,000
2020	1.75	32,000
2021	1.75	32,000
2022	1.75	33,000
2023	1.75	34,000
2024	1.75	34,000
2025	1.75	35,000
2026	1.75	36,000
2027	1.75	37,000
2028	1.75	37,000
2029	1.75	38,000
2030	1.75	39,000
2031	1.75	40,000
2032	1.75	40,000
2033	1.75	41,000
2034	1.75	42,000
		<u>\$ 700,000</u>

CITY OF FONTANELLE

Schedule of Receipts by Source and Disbursements by Function
 All Governmental Funds
 Years Ended June 30

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:				
Property tax	\$ 121,927	121,679	114,177	154,871
TIF revenues	341	10,631	4,355	4,425
Other city taxes	66,955	75,970	56,231	59,273
Licenses and permits	887	823	833	1,176
Use of money and property	957	1,043	1,713	5,705
Intergovernmental	97,579	91,946	148,575	230,576
Charges for services	3,531	3,574	3,255	3,895
Miscellaneous	33,162	37,417	49,872	26,258
Total Receipts	<u>\$ 325,339</u>	<u>343,083</u>	<u>379,011</u>	<u>486,179</u>
Disbursements:				
Public safety	\$ 61,509	43,963	45,550	32,130
Public works	85,816	105,323	87,887	91,125
Culture and recreation	66,836	98,828	65,157	61,585
Community and economic development	0	7,332	6,160	5,765
General government	24,003	22,521	26,329	26,130
Debt service	0	0	0	47,565
Capital projects	0	0	78,630	433,819
Total Disbursements	<u>\$ 238,164</u>	<u>277,967</u>	<u>309,713</u>	<u>698,119</u>

CITY OF FONTANELLE
Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds
Years Ended June 30

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
150,885	142,714	131,482	134,611	122,504	154,096
303	7,873	18,437	18,807	19,453	19,160
45,624	58,974	52,260	43,934	39,612	2,437
787	1,189	1,191	774	941	639
13,528	12,818	10,007	12,259	5,934	4,088
87,083	75,557	76,725	81,769	148,036	189,722
205	2,654	4,361	3,023	3,468	3,293
60,308	78,134	27,753	23,598	20,000	9,541
<u>358,723</u>	<u>379,913</u>	<u>322,216</u>	<u>318,775</u>	<u>359,948</u>	<u>382,976</u>
39,593	34,848	41,016	68,228	39,958	34,119
97,266	125,816	92,327	88,245	87,213	77,492
47,731	40,676	42,170	33,043	36,709	29,225
4,127	4,252	4,015	10,935	95,666	111,336
19,586	21,044	25,710	20,761	21,370	14,621
50,085	47,305	49,505	51,585	48,575	77,010
80	39,348	0	0	0	0
<u>258,468</u>	<u>313,289</u>	<u>254,743</u>	<u>272,797</u>	<u>329,491</u>	<u>343,803</u>

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
City of Fontanelle, Iowa

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial statement audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fontanelle, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated September 17, 2014. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Fontanelle's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fontanelle's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Fontanelle's internal control.

My 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 that might be material weaknesses or significant deficiencies, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified deficiencies in internal control that I consider to be significant deficiencies but none that I consider to be material weaknesses.

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

A significant deficiency is a deficiency, or 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. I consider the deficiency described in Part II of the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fontanelle's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance 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, 2014 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my 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. Prior year statutory comments have been resolved except for item 14-III-H.

City of Fontanelle's Responses to Findings

The City of Fontanelle's responses to findings identified in my audit are described in the accompanying Schedule of Findings. The City of Fontanelle's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

S/ Stanley E. Siebke

Urbandale, Iowa
September 17, 2014

CITY OF FONTANELLE
Schedule of Findings
Year Ended June 30, 2014

Part I: Summary of Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements which 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) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF FONTANELLE
Schedule of Findings
Year Ended June 30, 2014

Part II: Findings Related to the Financial Statements

Instances of Non-compliance

No matters were noted.

Significant Deficiencies

14-II-A Segregation of Duties

One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one employee is involved in utility billings, cash receipts, cash disbursements, bank deposits, bank reconciliations and general ledger accounting.

I realize that with the limited number of employees, improvement of these controls is not economically feasible. However, I believe management of the City should be aware of the situation.

Response: The Council is aware of the situation.

Conclusion: Response accepted.

CITY OF FONTANELLE
Schedule of Findings
Year Ended June 30, 2014

Part III: Other Findings Related to Statutory Reporting

14-III-A Certified Budget

The City properly approved a certified budget for the year ended June 30, 2014 and subsequently amended that budget. The budgeted amounts were not exceeded during the year.

14-III-B Questionable Disbursements

I noted no expenditures for parties, banquets, or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

14-III-C Travel Expense

No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

14-III-D Business Transactions

During the year ended June 30, 2014, there were no business transactions between the City and City officials.

14-III-E Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

14-III-F Council Minutes

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

14-III-G Deposits and Investments

No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

14-III-H Deficit Fund Balances

The Water Main Construction Fund had a deficit balance of \$524 at June 30, 2014. The deficit will be eliminated through external financing proceeds.

The Wind Turbine Construction Fund had a deficit balance of \$25,158 at June 30, 2014. This deficit is to be eliminated through future collections from the wind turbine developer. The City should carefully monitor these funds to be certain the deficits are eliminated.

Response: We will monitor the deficits to be certain they are eliminated.

Conclusion: Response accepted