

NEWS RELEASE

FOR RELEASE December 7, 2004

Faller & Kincheloe, P.C. CPAs today released an audit report on the City of Jamaica, Iowa.

The city of Jamaica has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City of Jamaica as a whole. Also included is Management's Discussion and Analysis of the City of Jamaica's financial statements.

The city's receipts totaled \$172,550 for the year ended June 30, 2004. The receipts included \$20,884 in property tax, and \$62,409 from other governments, and donations of \$12,361 specifically identified for a new Fire Department building.

Disbursements for the year totaled \$213,339. It included \$51,476 for public safety, \$9,318 for public works, \$17,894 for culture and recreation, and \$41,079 for business-type activities.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

THE CITY OF JAMAICA, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

JUNE 30, 2004

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The City of Jamaica, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Mike Roe	Mayor	Resigned September 7, 2003
Lowell Sheehy	Mayor	January 2004
LaDonna Kennedy	Mayor Pro tem	Jan 2006
Lorie Allen	Council Member	Jan 2004
Ron Defenbaugh	Council Member	Resigned August 8, 2003
Dort Heyland	Council Member	Jan 2006
Jackie Kinney	Council Member	Jan 2004
Al Seeman	Council Member	Jan 2004
(After January 2004)		
Lowell Sheehy	Mayor	Resigned June 6, 2004
LaDonna Kennedy	Mayor	Jan 2006
Bob Kempf	Mayor Pro tem	Jan 2006
Lorie Allen	Council Member	Jan 2008
Darcy Gliem	Council Member	Jan 2008
Dort Heyland	Council Member	Resigned June 6, 2004
Jackie Kinney	Council Member	Jan 2008
Donna McNeill	Council Member	Jan 2008
Rhonda Nelson	Clerk	Indefinite
DuWayne Dalen	Attorney	Indefinite

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council
The City of Jamaica, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jamaica, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City'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.

In our 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Jamaica, Iowa, as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 6, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 9 and 17 through 19 are not required parts of the basic financial statements, but are required supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Faller & Vinicholas, P. C.

October 1, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Jamaica, Iowa's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. We encourage the readers to consider the information presented here in conjunction with the City's financial statements which follow this report.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not readily available and not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2004 FINANCIAL HIGHLIGHTS

- The assets of the City at June 30, 2004 totaled \$226,383. Of this amount \$185,554 is unrestricted and may be used to meet the City's ongoing obligations to citizens and vendors.
- The City had no debt at June 30, 2004.
- The City's total cash basis net assets decreased 15%, or approximately \$41,000 from June 30, 2003, to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$9,000, the assets of the business type activity increased approximately \$4,000, and the assets of Jamaica Emergency Services Association, Inc. (a component unit of the City) decreased approximately \$36,000.

USING THIS ANNUAL REPORT

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

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

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

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

Notes to the 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.

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 operation 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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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, and general government. Property tax and state grants finance most of these activities.
- Business Type Activities include the water works. 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, and 2) the Special Revenue Funds, such as Road Use Tax and Bingo. 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 City also included Jamaica Emergency Services Association, Inc. as a component unit and reported its activities on the Governmental Fund Statements.

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 Fund which is used to report business type activities. The City has one Enterprise Fund, the water fund which is considered a major fund 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 assets may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities decreased from \$237,139 a year ago to \$192,058 at June 30, 2004. The net decrease includes purchases of \$30,150 of public safety equipment and \$65,521 of expenditures for a new Fire Department building during 2004. Donations during 2004 of \$42,511 were specifically identified for these purchases. The City’s cash balance for business type activities increased from \$30,033 to \$34,325. Total business type activity receipts of \$44,739 were for charges for service. Major business type activity expenditures resulted from contract hauling and landfill fees of \$19,014, repairs and maintenance of \$5,267, and payroll expenses of \$9,908.

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 <u>June 30, 2004</u>
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 2
General receipts:	
Property tax	21
Local option sales tax	2
Grants and contributions	90
Unrestricted investment earnings	3
Other general receipts	<u>9</u>
Total receipts and transfers	<u>127</u>
Disbursements:	
Public safety	51
Public works	9
Culture and recreation	18
General government	28
Capital projects	<u>66</u>
Total disbursements	<u>172</u>
Decrease in cash basis net assets	(45)
Cash basis net assets beginning of year	<u>237</u>
Cash basis net assets end of year	<u>\$ 192</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of \$192,058, a decrease of \$45,081. 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 \$19,421 from the prior year to \$132,035. Approximately \$19,000 was used to help finance equipment purchases and the Fire Department building.
- The Road Use Tax Fund cash balance increased by \$10,421 to \$40,829 during the fiscal year. The increase is due to less road repairs during fiscal year 2004. The City intends to use this money to upgrade the condition of City roads.
- The Bingo Fund decreased \$479 from the prior year to \$3,984. The decrease includes \$5,645 of transfers to the General Fund and the Jamaica Emergency Services Association, Inc.
- Jamaica Emergency Services Association, Inc. cash balance decreased by \$35,602 to \$15,210 during the fiscal year. The decrease is due to expenditures for the new Fire Department building of \$65,521.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$4,292 to \$34,325, due primarily to an increase in the sale of water.

ECONOMIC FACTORS

The City relies heavily on property taxes on residential homes to support governmental functions. However, the housing market has not grown in the City, and the City does not anticipate a housing boom in the near future which limits the money available for City use.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

If you should have any questions regarding this report or need additional financial information, contact the City Clerk at 641-429-3026.

City of Jamaica, Iowa
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2004

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Component Unit **	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 51,476	\$ -	\$ 41,768	\$ (9,708)	\$ -	\$ -	\$ (9,708)
Public works	9,318	-	19,739	10,421	-	-	10,421
Culture and recreation	17,894	2,380	24,619	9,105	-	-	9,105
Community and economic development	332	-	-	(332)	-	-	(332)
General government	27,719	-	-	(27,719)	-	-	(27,719)
Capital Projects	-	-	-	-	-	(65,521)	(65,521)
Total governmental activities	106,739	2,380	86,126	(18,233)	-	(65,521)	(83,754)
Business type activities:							
Water	41,079	44,739	-	-	3,660	-	3,660
Total business type activities	41,079	44,739	-	-	3,660	-	3,660
Total	\$ 147,818	\$ 47,119	\$ 86,126	(18,233)	3,660	(65,521)	(80,094)
General Receipts:							
Property tax levied for:							
General purposes				20,884	-	-	20,884
Local option sales tax				1,911	632	-	2,543
Unrestricted interest on investments				1,036	-	58	1,094
Miscellaneous				723	-	12,361	13,084
Sale of assets				1,700	-	-	1,700
Transfers				(17,500)	-	17,500	-
Total general receipts and transfers				8,754	632	29,919	39,305
Change in cash basis net assets				(9,479)	4,292	(35,602)	(40,789)
Cash basis net assets beginning of year				186,327	30,033	50,812	267,172
Cash basis net assets end of year	\$	\$	\$	\$ 176,848	\$ 34,325	\$ 15,210	\$ 226,383
Cash Basis Net Assets							
Restricted:							
Streets				\$ 40,829	\$ -	\$ -	\$ 40,829
Unrestricted				136,019	34,325	15,210	185,554
Total cash basis net assets	\$	\$	\$	\$ 176,848	\$ 34,325	\$ 15,210	\$ 226,383

** Jamaica Emergency Services Association, Inc.

City of Jamaica, Iowa
Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2004

	Special Revenue			Component Unit **	Total
	General	Road Use Tax	Bingo		
Receipts:					
Property tax	\$ 20,884	\$ -	\$ -	\$ -	\$ 20,884
Other city tax	1,911	-	-	-	1,911
Licenses and permits	308	-	-	-	308
Use of money and property	1,025	-	11	58	1,094
Intergovernmental	42,670	19,739	-	-	62,409
Charges for service	2,380	-	-	-	2,380
Miscellaneous	15,591	-	8,541	12,361	36,493
Total receipts	84,769	19,739	8,552	12,419	125,479
Disbursements:					
Operating:					
Public safety	51,476	-	-	-	51,476
Public works	-	9,318	-	-	9,318
Culture and recreation	14,508	-	3,386	-	17,894
Community and economic development	332	-	-	-	332
General government	27,719	-	-	-	27,719
Capital Projects	-	-	-	65,521	65,521
Total disbursements	94,035	9,318	3,386	65,521	172,260
Excess of receipts over (under) disbursements	(9,266)	10,421	5,166	(53,102)	(46,781)
Other financing sources (uses):					
Sale of capital assets	1,700	-	-	-	1,700
Operating transfers in	3,145	-	-	17,500	20,645
Operating transfers out	(15,000)	-	(5,645)	-	(20,645)
Total other financing sources (uses)	(10,155)	-	(5,645)	17,500	1,700
Net change in cash balances	(19,421)	10,421	(479)	(35,602)	(45,081)
Cash balances beginning of year	151,456	30,408	4,463	50,812	237,139
Cash balances end of year	\$ 132,035	\$ 40,829	\$ 3,984	\$ 15,210	\$ 192,058
Cash Basis Fund Balances					
Unreserved:					
General fund	\$ 132,035	\$ -	\$ -	\$ -	\$ 132,035
Special revenue funds	-	40,829	3,984	15,210	60,023
Total cash basis fund balances	\$ 132,035	\$ 40,829	\$ 3,984	\$ 15,210	\$ 192,058

** Jamaica Emergency Services Association, Inc.

City of Jamaica, Iowa
Statement of Cash Receipts, Disbursements, and Changes in Cash Balance
Proprietary Fund
As of and for the year ended June 30, 2004

	Enterprise Fund
	Water
Operating receipts:	
Use of money and property	
Charges for service	\$ 44,739
Miscellaneous	632
Total operating receipts	45,371
Operating disbursements:	
Business type activities	41,079
Total operating disbursements	41,079
Excess of receipts over disbursements and net change in cash balance	4,292
Cash balance beginning of year	30,033
Cash balance end of year	\$ 34,325
Cash Basis Fund Balance	
Unreserved	\$ 34,325
Total cash basis fund balance	\$ 34,325

The City of Jamaica, Iowa
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies

The City of Jamaica, Iowa, is a political subdivision of the State of Iowa located in Guthrie County. It was first incorporated in 1882 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, culture and recreation, community and economic development, and general government services. The City also provides water, garbage, and landfill utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has a component unit, Jamaica Emergency Services Association, Inc., which meets the Governmental Accounting Standards Board criteria. The primary purpose of the component unit is supporting the enhancement of fire protection and emergency medical services provided by the Jamaica Fire Department and the Jamaica Responders. The City has included the Jamaica Emergency Services Association, Inc. in the report because of the nature and significance of its relationship with the City.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports the information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund 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 Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

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

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The City of Jamaica, Iowa
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Bingo Fund is used to account for all bingo activities.

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

The City of Jamaica, Iowa
Notes to Financial Statements
June 30, 2004

(1) Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government, and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2004, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments at June 30, 2004, consist of certificates of deposit totaling \$131,571.

(3) 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.

The City of Jamaica, Iowa
Notes to Financial Statements
June 30, 2004

(3) Pension and Retirement Benefits (continued)

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2004, was \$1,489.

(4) Related Party Transactions

The City had business transactions between the City and City officials totaling \$5,450 during the year ended June 30, 2004.

(5) Risk Management

The City is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past fiscal year.

(6) Accounting Change and Restatements

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type.

The government-wide financial statement reports the City's governmental and business type activities.

(7) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Bingo	\$3,145
Component Unit	Bingo	\$2,500
Component Unit	General	\$15,000

Transfers were recorded to move resources from Bingo to General Fund and the Component Unit and from General Fund to the Component Unit.

Required Supplementary Information

City of Jamaica, 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, 2004

	Governmental	Proprietary	Net	Budgeted Amounts		Final Budget to Net Actual Variance
	Funds Actual	Funds Actual		Actual	Original	
Receipts:						
Property tax	\$ 20,884	\$ -	\$ 20,884	\$ 17,850	\$ 17,850	\$ 3,034
Other city tax	1,911	-	1,911	1,095	1,095	816
Licenses and permits	308	-	308	475	475	(167)
Use of money and property	1,036	-	1,036	1,430	1,430	(394)
Intergovernmental	62,409	-	62,409	6,500	6,500	55,909
Charges for service	2,380	44,739	47,119	46,771	46,771	348
Miscellaneous	24,132	632	24,764	7,200	7,200	17,564
Total receipts	<u>113,060</u>	<u>45,371</u>	<u>158,431</u>	<u>81,321</u>	<u>81,321</u>	<u>77,110</u>
Disbursements:						
Public safety	51,476	-	51,476	28,300	28,300	(23,176)
Public works	9,318	-	9,318	9,050	9,050	(268)
Health and social services	-	-	-	2,550	2,550	2,550
Culture and recreation	17,894	-	17,894	6,926	6,926	(10,968)
Community and economic development	332	-	332	550	550	218
General government	27,719	-	27,719	16,300	16,300	(11,419)
Business type activities	-	41,079	41,079	39,645	39,645	(1,434)
Total disbursements	<u>106,739</u>	<u>41,079</u>	<u>147,818</u>	<u>103,321</u>	<u>103,321</u>	<u>(44,497)</u>
Excess of receipts over (under) disbursements	6,321	4,292	10,613	(22,000)	(22,000)	32,613
Other financing sources (uses):						
Sale of capital assets	1,700	-	1,700	22,000	22,000	(20,300)
Transfers to component unit **	(17,500)	-	(17,500)	-	-	(17,500)
Total other financing sources (uses)	<u>(15,800)</u>	<u>-</u>	<u>(15,800)</u>	<u>22,000</u>	<u>22,000</u>	<u>(37,800)</u>
Net change in cash balances	(9,479)	4,292	(5,187)	-	-	(5,187)
Balances beginning of year	<u>186,327</u>	<u>30,033</u>	<u>216,360</u>	<u>-</u>	<u>-</u>	<u>216,360</u>
Balances end of year	<u>\$ 176,848</u>	<u>\$ 34,325</u>	<u>\$ 211,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,173</u>

** Jamaica Emergency Services Association, Inc.

City of Jamaica, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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, Fiduciary Funds, and component units. 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 ended June 30, 2004, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, general government, and business type activities functions.

Independent Auditors' Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council
The City of Jamaica, Iowa

We have audited the financial statements of the City of Jamaica, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated October 1, 2004. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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.

Compliance

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 grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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 opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 1 is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City and other parties to whom the City may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by officials and personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Faller & Hirschel, P.C.

October 1, 2004

City of Jamaica, Iowa
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No material matters were noted.

REPORTABLE CONDITIONS:

- 1) Segregation of Duties – Segregation of conflicting duties within accounting functions is a basic internal control. The concentration of closely related duties and responsibilities include such functions as the handling and preparation of cash receipts and deposits, processing invoices for payment, and receiving the bank statement in the mail. The basic premise is that no employee should have access to both physical assets and the related accounting records or to all phases of a transaction. This is not an unusual condition, but it is important that management is aware that the condition exists.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures and consider alternatives to having only one person who performs all of the following functions: bills customers, processes receipts, prepares deposits, records all transactions in the general ledger, receives and reconciles the bank statements, and prepares reports to the City Council. Alternate procedures could include having various Council members assisting in one or more of these functions.

Response – A member of the City Council shall be selected to verify accounting functions.

Conclusion – Response accepted.

City of Jamaica, Iowa
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part II: Findings Related to Required Statutory Reporting:

- 1) Official Depositories – A resolution naming official depositories has been approved by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

- 2) Certified Budget – Disbursements during the year ended June 30, 2004, exceeded the amounts budgeted in the public safety, public works, culture and recreation, and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation. Also, the City did not submit the fiscal year 2005 budget before the March 15, 2004, deadline mentioned in Chapter 384.16 of the Code of Iowa.

Additionally, monthly reports of actual versus budgeted revenues and expenditures were not prepared timely for the last six months of the fiscal year.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, the City budget for succeeding fiscal years should be submitted to the State before the deadline as required by Chapter 384.16 of the Code of Iowa. Additionally, monthly reports of actual versus budgeted revenues and expenditures should be prepared timely.

Response – “Must be more mindful of time lines, amend budgets as needed, and schedule workshops as needed.”

Conclusion – Response accepted.

- 3) Questionable Expenditures – Certain disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Tojos	Fire Department award dinner	\$250
Tojos	Food for clean up crew	\$28
Tojos	Lunch budget	\$20
Parker’s Flowers and Gifts	Flowers	\$20
Pit Stop	Pop – Fire Department	\$228
Bagley EMS	Flowers	\$46

City of Jamaica, Iowa
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2004

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such expenses will certainly be subject to a deserved close scrutiny. The line drawn between a proper and an improper purpose can be very thin.

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – The City Council will establish written policies with parameters so as to avoid misuse of funds.

Conclusion – Response accepted.

- 4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 5) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
LaDonna Kennedy, Mayor, spouse Randy Kennedy	Tree and Snow Removal	\$1,459
Jackie Kinney, Council Member, spouse Chris Kinney	Snow Removal	\$225
Darcy Gliem, Council Member, spouse Travis Gliem	Mowing	\$1,150
Lake Electric (owned by spouse)	Electrical Repairs	\$566
Dort Heyland, Council Member, father Mac McNeill	Snow Removal	\$625
father Mac McNeill	Compliance Officer	\$45
uncle Charles McNeill	Snow Removal	\$1,380

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

City of Jamaica, Iowa
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

- 6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 7) Council Minutes – Certain transactions were found that we believe should have been approved in the Council minutes but were not.

The minutes did not document an affirmative roll call vote of at least two-thirds of the Council Members before going into closed session on January 14 and February 1, 2004. Minutes for the City Council meetings from November of 2003 through August of 2004 were not signed by the City Clerk. The minutes of the March 21, 2004, special meeting were not completed. The minutes of the January 2004 meeting did not include a listing of all bills approved for payment. Also, the City did not publish annual gross salaries/compensation in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation – The Minutes should indicate the vote of each Council member present whenever voting is conducted to enter a closed session based upon Chapter 21.5 of the Code of Iowa. Minutes should be completed, signed by the City Clerk in accordance with Chapter 380.7 of the Code of Iowa, and include a listing of all the bills approved for payment. Disbursements should be listed by fund including purpose, and receipts should be summarized by source as required by Chapter 372.13(6) of the Code of Iowa. Also, annual gross salaries/compensation should be published in accordance with an Attorney General's opinion dated April 12, 1978.

Response – Council minutes will be completed in accordance with the law and salaries will be published.

Conclusion – Response accepted.

- 8) Deposits and Investments – Except as noted below, deposits and investments were in compliance with Chapters 12B and 12C of the Code of Iowa.

The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

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

Response – The City Attorney will prepare a written policy for the Council to adopt.

Conclusion – Response accepted.

City of Jamaica, Iowa
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

- 9) Separately Maintained Records - The volunteer Fire Department, Jamaica Responders, Public Library, and Community Building each maintain separate accounting records for their operations. The detailed transaction activity is not included in the City's accounting records. Chapter 384.20 of the Code of Iowa states in part that a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.

Recommendation - For better accountability and financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the Council on a monthly basis.

Response - Monthly reports from each department shall be submitted to the Council and City Clerk in accordance with Chapter 384.20 of the Code of Iowa.

Conclusion - Response accepted.

- 10) Utility Sales Tax - Sales tax was charged to businesses for water consumed. However, sales tax was not charged on the solid waste collection and disposal and septic portion of the billings to non-residential commercial operations as is required by the Iowa Department of Revenue.

Recommendation - The City should uniformly assess sales tax on solid waste collection and disposal services provided to non-residential commercial operations in accordance with sections 701-26.71 and 701-26.72 of the Iowa Department of Revenue Administrative Rules and Regulations. The City should consult the Iowa Department of Revenue to resolve this matter.

Response - The City will contact the Iowa Department of Revenue to resolve this matter.

Conclusion - Response accepted.

- 11) Monthly Reconciliations - Monthly reconciliations of the City's General ledger to the bank accounts and investments were not prepared timely.

Recommendation - To provide better control over financial transactions and overall accountability, monthly bank reconciliations should be prepared to include all checking and savings accounts, investments, and reconciling items. The reconciliations should agree with the fund and account balances in the general ledger. Any variances should be investigated and resolved in a timely manner.

Response - The Council person selected to assist with verification of accounting functions can do this.

Conclusion - Response accepted.

City of Jamaica, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

- 12) Payroll - The City Clerk payroll and payroll taxes are not allocated between different disbursement accounts. Also, the librarian payroll is accounted for and reported to the IRS under a separate federal identification number.

Recommendation - The City Clerk should keep timesheets and record payroll and payroll taxes to appropriate disbursement accounts based on the time spent with various duties. The librarian's payroll should be reported to the IRS as part of the City payroll.

Response - The City will adopt the recommendations.

Conclusion - Response accepted.

- 13) Accounting Manual - The City does not have a formal accounting manual documenting the procedures for fiscal operations. A written accounting manual is necessary to ensure that transactions are treated in a standardized manner and that proper internal controls exist in the accounting system. Should employees have a question as to the proper handling of a transaction in accordance with management's authorization, such information is not available in writing.

Recommendation - The operating guidelines for fiscal activities should be prepared including a description of each fiscal procedure, such as invoice paying, receipts cycle, financial reporting, and payroll procedures. In addition, equipment capitalization policies should also be incorporated into the accounting manual.

Response - The City will adopt the recommendations and have a completed manual by June 30, 2005.

Conclusion - Response accepted.

- 14) Employee Manual - The City does not have a formal employee manual documenting employees' rights and obligations.

Recommendation - The City should develop a written employee manual that establishes City policies including rules and regulations (such as time reporting, expense reporting, and mileage reporting), working hours, benefits, and other information concerning employment.

Response - The City will create an employee manual. Additionally, a confidentiality agreement for City employees will be presented for approval at the November 7, 2004 City Council meeting.

Conclusion - Response accepted.