

CITY OF JEWELL, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

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City of Jewell, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mickey Walker	Mayor	Jan 2010
Fred Marcalus	Mayor Pro Tem	Jan 2012
Richard Mortenson	Council Member	Jan 2010
Rick Young	Council Member	Jan 2010
Leo Reiter	Council Member	Jan 2010
Bruce Johnson	Council Member	Jan 2012
Karen Culpepper	City Clerk/Treasurer	Indefinite
Justin Deppe	Attorney	Indefinite

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jewell, Iowa, as of and for the year ended June 30, 2009, which along with the discretely presented component unit, collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Jewell's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the city have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008.

The financial statement of the Montgomery Memorial Library has not been audited, and we have not been engaged to audit the Montgomery Memorial Library's financial statement as part of our audit of the city's basic financial statements. The Montgomery Memorial Library financial activities are included in the City's basic financial statements as a discretely presented component unit and represents 100 percent of the receipts and disbursements of the City's aggregate discretely presented component units. We did not audit the financial statement of the City of Jewell's discretely presented component unit and do not express an opinion on such information.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, 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 Jewell, Iowa as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2010 on our consideration of the City of Jewell's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 23 through 25 are not required parts of the basic financial statements, but are 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 supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jewell's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 8, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Jewell provides this Management's Discussion and Analysis of its financial statements. This narrative and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities increased 4%, or approximately \$18,499 from fiscal 2008 to fiscal 2009. Property tax increased approximately \$19,546.

Disbursements increased 17% or approximately \$116,074 in fiscal 2009 from fiscal 2008. This was due to expenses for water and sewer repairs.

The City's total cash basis net assets decreased 1.05%, or approximately \$122,895 from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased \$45,455 and the assets of the business type activities decreased by approximately \$72,440.

USING THIS ANNUAL REPORT

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

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

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

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

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements. Required supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

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

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 accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

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

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for the most of the City's basis services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.*

The required financial 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 and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer funds, considered to be major funds of the City. Internal Service Funds are an accounting used to accumulate and allocate costs internally among the City's various functions.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased about 4% from a year ago, from \$541,684 to \$560,183 thousand. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

Year ended June 30, 2009

Receipts and transfers:

Program receipts:

<i>Charges for service</i>	\$ 68,764
<i>Operating grant, contributions and restricted interest</i>	202,047
<i>Capital grants, contribution and restricted interest</i>	3,965

General receipts:

Property tax levied for:

<i>General purposes</i>	291,218
<i>Debt service</i>	39,039
<i>Local option sales tax</i>	99,648
<i>Unrestricted interest on investments</i>	41,667
<i>Miscellaneous</i>	79,609
<i>Bond Proceeds</i>	5,000
<i>Total Receipts</i>	\$825,957

Disbursements:

<i>Public safety</i>	449,108
<i>Public works</i>	156,537

<i>Health and social services</i>	7636
<i>Culture and recreation</i>	113,277
<i>Community and economic development</i>	53,709
<i>General government</i>	57,714
<i>Debt service</i>	38,902
<i>Total governmental activities</i>	876,883
<i>Change in cash basis net assets</i>	(45,455)
<i>Cash basis net assets beginning of year</i>	1,547,519
<i>Cash basis net assets end of year</i>	1,502,064

The City's total receipts for all governmental activities decreased by 3% or 45,455. This was due to repairs that needed to be made.

The City has been able to keep property tax rates almost the same for the past two years.

Changes in Cash Basis Net Assets of Business Type Activities

Year ended June 30, 2009

<i>Program receipts</i>	
<i>Water</i>	\$181,672
<i>Sewer</i>	97,341
<i>Non-major meter deposits</i>	1,550
<i>Unrestricted interest on investments</i>	6,875
<i>Total business type activities</i>	287,438
<i>Disbursements</i>	
<i>Water</i>	\$98,243
<i>Sewer</i>	58,595
<i>Non-major meter deposits</i>	1,065
<i>Total business type activities</i>	157,902
<i>Decrease in cash balance</i>	(72,440)
<i>Cash basis net assets beginning of year</i>	911,187
<i>Cash basis net assets end of year</i>	838,747

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Jewell completed the year, its governmental funds reported a combined fund balance of \$560,183 and increase of \$18,499 above last year's total.

The Road Use Fund cash balance decreased by \$9,969.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance decreased by \$10,438 due primarily to repairs.

The Sewer Fund cash balance decreased by \$62,487, due to repairs.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget May 11, 2009. The amendment was and resulted in money being spent and not budgeted for in our public safety and business accounts. The City had sufficient cash balances to absorb these additional costs.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$625,000 in bonds, as shown below.

*Outstanding Debt at Year-End
Year ended June 30, 2009*

<i>General obligation bonds</i>	<i>\$35,000</i>
<i>Revenue Notes</i>	<i>590,000</i>

Being a small city, the City of Jewell does not carry a bond rating. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$35,000 is significantly below its constitutional debt limit of \$2,712,761.

ECONOMIC FACTORS AND PROJECTIONS FOR THE CITY OF JEWELL

The City of Jewell's elected and appointed officials and citizens considered many factors when setting each year's budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

We are pleased that our downtown and all retail stores are continuing to maintain and even show signs of growth. JADE is continuing to work on buildings that they own to enable more retail business to the downtown area.

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Karen Culpepper, City Clerk, 701 Main Street P O Box 486, Jewell IA 50130.

Basic Financial Statements

City of Jewell, Iowa
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2009

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
Functions/Programs:				
Governmental activities:				
Public safety	\$ 449,108	57,515	99,247	-
Public works	156,537	2,518	102,800	3,965
Health and social services	7,636		-	
Culture and recreation	113,277	8,731	-	-
Community and economic development	53,709	-	-	-
General government	57,714	-	-	-
Debt service	38,902	-	-	-
Capital projects	-	-	-	-
Total governmental activities	<u>876,883</u>	<u>68,764</u>	<u>202,047</u>	<u>3,965</u>
Business type activities:				
Water	198,514	181,672	-	-
Sewer	159,828	90,321	-	7,020
Non-major meter deposit	<u>1,065</u>	<u>1,550</u>	-	-
Total business type activities	<u>359,407</u>	<u>273,543</u>	-	<u>7,020</u>
Total primary government	<u>\$ 1,236,290</u>	<u>342,307</u>	<u>202,047</u>	<u>10,985</u>
Component Unit:				
Montgomery Memorial Library	<u>\$ 338,152</u>	<u>5,001</u>	<u>11,244</u>	<u>-</u>
General Receipts:				
Property tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Transfers				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements

<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>			
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Discretely Presented Component Unit</u>
(292,346)	-	(292,346)	-
(47,254)	-	(47,254)	-
(7,636)	-	(7,636)	-
(104,546)	-	(104,546)	-
(53,709)	-	(53,709)	-
(57,714)	-	(57,714)	-
(38,902)	-	(38,902)	-
-	-	-	-
<u>(602,107)</u>	<u>-</u>	<u>(602,107)</u>	<u>-</u>
-	(16,842)	(16,842)	-
-	(62,487)	(62,487)	-
-	485	485	-
-	(78,844)	(78,844)	-
<u>(602,107)</u>	<u>(78,844)</u>	<u>(680,951)</u>	<u>-</u>
-	-	-	(321,907)
291,218	-	291,218	55,323
39,039	-	39,039	-
99,648	-	99,648	-
41,667	6,875	48,542	2,367
5,000	-	5,000	-
79,609	-	79,609	29,892
471	(471)	-	-
<u>556,652</u>	<u>6,404</u>	<u>563,056</u>	<u>87,582</u>
(45,455)	(72,440)	(117,895)	(234,325)
<u>1,547,519</u>	<u>911,187</u>	<u>2,458,706</u>	<u>319,372</u>
<u>\$ 1,502,064</u>	<u>838,747</u>	<u>2,340,811</u>	<u>85,047</u>
\$ 230,033	-	230,033	-
9,928	-	9,928	-
-	-	-	85,047
<u>1,262,103</u>	<u>838,747</u>	<u>2,100,850</u>	<u>-</u>
<u>\$ 1,502,064</u>	<u>838,747</u>	<u>2,340,811</u>	<u>85,047</u>

City of Jewell, Iowa
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2009

	<u>General</u>	<u>Special Revenue</u>	
		<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>
Receipts:			
Property tax	\$ 238,083	-	-
Other city tax	6,812	-	99,648
Licenses and permits	3,240	-	-
Use of money and property	16,390	2,081	4,048
Intergovernmental	101,886	102,800	-
Charges for service	13,586	-	-
Miscellaneous	26,275	5,326	-
Total receipts	<u>406,272</u>	<u>110,207</u>	<u>103,696</u>
Disbursements:			
Operating:			
Public safety	160,232	-	7,100
Public works	26,613	120,176	-
Health and social services	7,636	-	-
Culture and recreation	87,167	-	-
Community and economic development	53,709	-	-
General government	49,601	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>384,958</u>	<u>120,176</u>	<u>7,100</u>
Excess (deficiency) of receipts over (under) disbursements	<u>21,314</u>	<u>(9,969)</u>	<u>96,596</u>
Other financing sources (uses):			
Bond Proceeds	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(2,815)	-	-
Total other financing sources (uses)	<u>(2,815)</u>	<u>-</u>	<u>-</u>
Net change in cash balances	18,499	(9,969)	96,596
Cash balances beginning of year	541,684	240,002	190,976
Cash balances end of year	<u>\$ 560,183</u>	<u>230,033</u>	<u>287,572</u>
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	560,183	-	-
Special revenue funds	-	230,033	287,572
Capital projects funds	-	-	-
Total cash basis fund balances	<u>\$ 560,183</u>	<u>230,033</u>	<u>287,572</u>

See notes to financial statements.

<u>Fire and Rescue</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
-	82,951	321,034
-	2,411	108,871
-	-	3,240
12,990	15,770	51,279
-	-	204,686
53,753	-	67,339
37,715	192	69,508
<u>104,458</u>	<u>101,324</u>	<u>825,957</u>
267,964	13,812	449,108
-	9,748	156,537
-	-	7,636
-	26,110	113,277
-	-	53,709
-	8,113	57,714
-	38,902	38,902
-	-	-
<u>267,964</u>	<u>96,685</u>	<u>876,883</u>
(163,506)	4,639	(50,926)
-	5,000	5,000
2,815	471	3,286
-	-	(2,815)
<u>2,815</u>	<u>5,471</u>	<u>5,471</u>
(160,691)	10,110	(45,455)
438,202	136,655	1,547,519
<u>277,511</u>	<u>146,765</u>	<u>1,502,064</u>
-	3,210	3,210
-	-	560,183
277,511	133,627	928,743
-	9,928	9,928
<u>277,511</u>	<u>146,765</u>	<u>1,502,064</u>

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

As of and for the year ended June 30, 2009

	Enterprise Funds			
			Nonmajor Meter	
	<u>Water</u>	<u>Sewer</u>	<u>Deposit</u>	<u>Total</u>
Operating receipts:				
Charges for service	\$ 181,672	97,341	1,550	280,563
Total operating receipts	<u>181,672</u>	<u>97,341</u>	<u>1,550</u>	<u>280,563</u>
Operating disbursements:				
Business type activities	98,242	58,595	1,065	157,902
Total operating disbursements	<u>98,242</u>	<u>58,595</u>	<u>1,065</u>	<u>157,902</u>
Excess of operating receipts over operating disbursements	<u>83,430</u>	<u>38,746</u>	<u>485</u>	<u>122,661</u>
Non-operating receipts/(disbursements)				
Interest on investments	6,875		-	6,875
Capital expenditures	(28,164)	(101,233)		(129,397)
Debt service	(72,108)		-	(72,108)
Operating transfers out	(471)	-	-	(471)
	<u>(93,868)</u>	<u>(101,233)</u>	<u>-</u>	<u>(195,101)</u>
Net change in cash balances	(10,438)	(62,487)	485	(72,440)
Cash balances beginning of year	<u>405,369</u>	<u>490,471</u>	<u>15,347</u>	<u>911,187</u>
Cash balances end of year	<u>\$ 394,931</u>	<u>427,984</u>	<u>15,832</u>	<u>838,747</u>
Cash Basis Fund Balances				
Reserved for improvements	\$ 47,281	-	-	47,281
Unreserved	<u>347,650</u>	<u>427,984</u>	<u>15,832</u>	<u>791,466</u>
Total cash basis fund balances	<u>\$ 394,931</u>	<u>427,984</u>	<u>15,832</u>	<u>838,747</u>

See notes to financial statements.

City of Jewell, Iowa

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The City of Jewell, Iowa is a political subdivision of the State of Iowa located in Hamilton County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

Discretely Presented Component Unit

The Montgomery Memorial Library is a separate non-profit organization whose purpose is to provide library services to the citizens of the City of Jewell. The records are maintained on the basis of cash receipts and disbursements. The Montgomery Memorial Library meets the definition of a component unit which should be discretely presented. The Library's financial statement has not been audited and we do not express any opinion on the financial statement.

City of Jewell, Iowa

Notes to Financial Statements

June 30, 2009

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Hamilton County Assessor's Conference Board and Hamilton County Joint E911 Service Board. The city also participates in the Hamilton County Solid Waste Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

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

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

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

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

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

City of Jewell, Iowa

Notes to Financial Statements

June 30, 2009

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for expenditures financed by the collection of local option sales tax receipts.

The Fire and Rescue Fund is used to account for the operation of the City's fire and rescue department.

The City reports the following major proprietary funds:

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

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

City of Jewell, Iowa

Notes to Financial Statements

June 30, 2009

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety and business type activities functions.

E. Subsequent Events

The City has evaluated subsequent events through March 8, 2010 the date which the financial statements were available to be issued.

City of Jewell, Iowa

Notes to Financial Statements

June 30, 2009

(2) **Cash**

The City's deposits in banks at June 30, 2009 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 at June 30, 2009 are as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
U.S. Savings Bonds	\$ 16,325 =====	\$ 16,325 =====

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

City of Jewell, Iowa

Notes to Financial Statements

June 30, 2009

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$35,000	1,960	29,000	17,700	64,000	19,660
2011	-	-	30,000	16,830	30,000	16,830
2012	-	-	31,000	15,930	31,000	15,930
2013	-	-	31,000	15,000	31,000	15,000
2014	-	-	33,000	14,070	33,000	14,070
2015-2019	-	-	180,000	54,900	180,000	54,900
2020-2024	-	-	210,000	26,220	210,000	26,220
2025	-	-	46,000	1,380	46,000	1,380
Total	<u>\$35,000</u>	<u>1,960</u>	<u>590,000</u>	<u>162,030</u>	<u>625,000</u>	<u>163,990</u>

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements to repay \$781,000 in Water Revenue Bonds issued in December 2004. Proceeds from the notes provided financing for water system improvements. The notes are payable solely from water customer net receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require less than 75 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$752,030. For the current year, principal and interest paid and total customer net receipts were \$69,090 and \$90,304 respectively.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient rates shall be charged to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest due on the revenue bond in the same year.

City of Jewell, Iowa

Notes to Financial Statements

June 30, 2009

(4) Other Debt

During the year ended June 30, 2007, the City entered into a loan agreement with First American Bank to purchase a new police vehicle. The loan is for \$24,410 with an interest rate of 7%. The loan requires monthly principal and interest payments of \$584.82 and matures on October 15, 2011. Principal and interest payments for the year ended June 30, 2009 were \$5,736 and \$1,282, respectively.

Annual principal and interest payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2010	\$ 6,142	875	7,017
June 30, 2011	6,609	413	7,018
June 30, 2011	<u>2,279</u>	<u>34</u>	<u>2,313</u>
Total	\$ 15,026 =====	1,322 =====	16,348 =====

(5) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2009, was \$13,468 equal to the required contributions for each year.

City of Jewell, Iowa

Notes to Financial Statements

June 30, 2009

(6) Compensated Absences

City employees accumulate vacation and compensating hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for unrecognized accrued employee benefits at June 30, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 8,300
Compensatory	<u>5,800</u>
Total	\$ <u>14,100</u>

This liability has been computed based on rates of pay in effect June 30, 2009.

(7) Risk Management

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

(8) Deficit Fund Balances

The Special Revenue Fund – Tax Increment Financing, had a deficit balance of \$4,175 at June 30, 2009. The deficit balance was a result of disbursements being made to set up the fund. The deficit will be eliminated upon receipt of property taxes.

City of Jewell, Iowa

Notes to Financial Statements

June 30, 2009

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	Water	\$ 471
Special Revenue Fire & Rescue Fund	General	<u>2,815</u>
		\$ <u>3,286</u>

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

(10) Related Party Transactions

The City had business transactions between the City and City officials totaling \$20,336 during the year ended June 30, 2009.

Required Supplementary Information

City of Jewell, 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, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 321,034	-
Other city tax	108,871	-
Licenses and permits	3,240	-
Use of money and property	51,279	6,875
Intergovernmental	204,686	-
Charges for service	67,339	280,563
Miscellaneous	69,508	-
Total receipts	<u>825,957</u>	<u>287,438</u>
Disbursements:		
Public safety	449,108	-
Public works	156,537	-
Health and social services	7,636	-
Culture and recreation	113,277	-
Community and economic development	53,709	-
General government	57,714	-
Debt service	38,902	-
Capital projects	-	-
Business type activities	-	359,407
Total disbursements	<u>876,883</u>	<u>359,407</u>
Excess (deficiency) of receipts over (under) disbursements	(50,926)	(71,969)
Other financing sources, net	<u>5,471</u>	<u>(471)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(45,455)	(72,440)
Balances beginning of year	<u>1,547,519</u>	<u>911,187</u>
Balances end of year	<u>\$ 1,502,064</u>	<u>838,747</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
321,034	319,710	319,710	1,324
108,871	102,313	102,313	6,558
3,240	2,800	2,800	440
58,154	38,612	42,577	15,577
204,686	203,024	208,350	(3,664)
347,902	286,600	293,620	54,282
69,508	15,700	15,700	53,808
<u>1,113,395</u>	<u>968,759</u>	<u>985,070</u>	<u>128,325</u>
449,108	176,716	205,766	(243,342)
156,537	166,735	190,735	34,198
7,636	2,730	8,730	1,094
113,277	122,573	122,573	9,296
53,709	36,817	55,217	1,508
57,714	77,612	77,612	19,898
38,902	121,903	121,903	83,001
-	-	-	-
359,407	205,626	355,626	(3,781)
<u>1,236,290</u>	<u>910,712</u>	<u>1,138,162</u>	<u>(98,128)</u>
(122,895)	58,047	(153,092)	30,197
<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
(117,895)	58,047	(153,092)	35,197
<u>2,458,706</u>	<u>1,905,571</u>	<u>1,905,571</u>	<u>537,414</u>
<u>2,340,811</u>	<u>1,963,618</u>	<u>1,752,479</u>	<u>572,611</u>

City of Jewell, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, 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 Funds 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 revenues by \$16,311 and disbursements by \$227,450. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety and business type activities functions.

Other Supplementary Information

City of Jewell, Iowa

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

As of and for the year ended June 30, 2009

	Special Revenue		
	Library Tax <u>Levy</u>	Employee <u>Benefits</u>	Emergency <u>Fund</u>
Receipts:			
Property tax	\$ 7,424	30,167	7,424
Other city tax	216	876	216
Use of money and property	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>7,640</u>	<u>31,043</u>	<u>7,640</u>
Disbursements:			
Operating:			
Public safety	-	6,202	7,610
Public works	-	9,748	-
Culture and recreation	7,422	3,648	-
General government	-	8,113	-
Debt service	-	-	-
Total disbursements	<u>7,422</u>	<u>27,711</u>	<u>7,610</u>
Excess (deficiency) of receipts over (under) disbursements	<u>218</u>	<u>3,332</u>	<u>30</u>
Other financing sources:			
Operating transfers in	-	-	-
Bond proceeds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	218	3,332	30
Cash balances beginning of year	(218)	18,581	2
Cash balances end of year	<u>\$ -</u>	<u>21,913</u>	<u>32</u>
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
Special revenue funds	-	21,913	32
Capital project fund	-	-	-
Total cash basis fund balances	<u>\$ -</u>	<u>21,913</u>	<u>32</u>

See accompanying independent auditor's report.

Schedule 1

Special Revenue		
<u>Park</u> <u>Account</u>	<u>Historian</u> <u>Account</u>	<u>Jewell</u> <u>Centennial</u>
-	-	-
-	-	-
2	-	15,768
-	192	-
<u>2</u>	<u>192</u>	<u>15,768</u>
-	-	-
-	-	-
-	-	14,614
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>14,614</u>
<u>2</u>	<u>192</u>	<u>1,154</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
2	192	1,154
<u>3,389</u>	<u>679</u>	<u>110,086</u>
<u>3,391</u>	<u>871</u>	<u>111,240</u>
-	-	-
3,391	871	111,240
<u>-</u>	<u>-</u>	<u>-</u>
<u>3,391</u>	<u>871</u>	<u>111,240</u>

(continued)

City of Jewell, Iowa

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

As of and for the year ended June 30, 2009

	Special Revenue		Capital Projects
	<u>DARE</u>	Tax Increment <u>Financing</u>	
Receipts:			
Property tax	\$ -	\$ -	-
Other city tax	-	-	-
Use of money and property	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	426	-	-
General government	-	-	-
Debt service	-	-	-
Total disbursements	<u>426</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(426)</u>	<u>-</u>	<u>-</u>
Other financing sources:			
Operating transfers in	-	-	471
Bond proceeds	-	-	5,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,471</u>
Net change in cash balances	(426)	-	5,471
Cash balances beginning of year	781	(4,175)	(5,471)
Cash balances end of year	<u>\$ 355</u>	<u>\$ (4,175)</u>	<u>-</u>
Cash Basis Fund Balances			
Reserved:			
Debt service	\$ -	\$ -	-
Unreserved:			
Special revenue funds	355	(4,175)	-
Capital project fund	-	-	-
Total cash basis fund balances	<u>\$ 355</u>	<u>\$ (4,175)</u>	<u>-</u>

See accompanying independent auditor's report.

Schedule 1

<u>Capital Improvement</u>	<u>Debt Service</u>	<u>Total</u>
-	37,936	82,951
-	1,103	2,411
-	-	15,770
-	-	192
<u>-</u>	<u>39,039</u>	<u>101,324</u>
-	-	13,812
-	-	9,748
-	-	26,110
-	-	8,113
-	<u>38,902</u>	<u>38,902</u>
<u>-</u>	<u>38,902</u>	<u>96,685</u>
-	137	4,639
-	-	471
-	-	<u>5,000</u>
<u>-</u>	<u>-</u>	<u>5,471</u>
-	137	10,110
<u>9,928</u>	<u>3,073</u>	<u>136,655</u>
<u>9,928</u>	<u>3,210</u>	<u>146,765</u>
-	3,210	3,210
-	-	133,627
<u>9,928</u>	<u>-</u>	<u>9,928</u>
<u>9,928</u>	<u>3,210</u>	<u>146,765</u>

City of Jewell, Iowa
 Schedule of Indebtedness
 Year ended June 30, 2009

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Essential corporate purpose:			
Fire Station Improvement	Sep 1, 2000	5.10-5.60%	\$ 250,000
Other debt:			
First American Bank Note	Oct 23, 2007	7.00%	\$ 24,410
Revenue notes:			
Water	Dec 23, 2004	3.00%	\$ 781,000

See accompanying independent auditor's report.

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ <u>75,000</u>	<u>-</u>	<u>35,000</u>	<u>40,000</u>	<u>-</u>	<u>-</u>
\$ <u>20,762</u>	<u>-</u>	<u>5,736</u>	<u>15,026</u>	<u>1,282</u>	<u>-</u>
\$ <u>635,000</u>	<u>5,000</u>	<u>50,000</u>	<u>590,000</u>	<u>19,050</u>	<u>-</u>

Note Maturities

June 30, 2009

		General Obligation Notes	
		Fire Station Construction	
		Issued September 1, 2000	
Year Ending <u>June 30,</u>		Interest	
		<u>Rates</u>	<u>Amount</u>
2010		5.60 %	35,000
	Total		<u>\$ 35,000</u>

		Revenue Notes	
		Water	
		Issued December 23, 2004	
Year Ending <u>June 30,</u>		Interest	
		<u>Rates</u>	<u>Amount</u>
2010		3.00 %	29,000
2011		3.00	30,000
2012		3.00	31,000
2013		3.00	31,000
2014		3.00	33,000
2015		3.00	34,000
2016		3.00	35,000
2017		3.00	36,000
2018		3.00	37,000
2019		3.00	38,000
2020		3.00	39,000
2021		3.00	41,000
2022		3.00	42,000
2023		3.00	43,000
2024		3.00	45,000
2025		3.00	46,000
	Total		<u>\$ 590,000</u>

See accompanying independent auditor's report.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing
Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jewell, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 8, 2010. Our report expressed a qualified opinion on the financial statements since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008 which were prepared in conformity with an other comprehensive basis of accounting. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Jewell's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Jewell's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Jewell's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Jewell's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Jewell's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Jewell and other parties to whom the City of Jewell may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

March 8, 2010

City of Jewell, Iowa

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one employee handles almost all of the financial data.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. Therefore, we recommend the Council maintain its diligence in the review of the financial records.

Response and Corrective Action Planned - We will continue our review.

Conclusion - Response accepted.

I-B-09 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Jewell does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

City of Jewell, Iowa

Schedule of Findings

Year ended June 30, 2009

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

I-C-09 Records of Accounts – The Jewell Fire and Rescue and Jewell Centennial/Agnes Juhl Trust maintain separate accounting records pertaining to their respective operations. The transactions and the resulting balances are not reported to the Council each month and are not included in the Clerk’s records. Also, the Jewell Park, DARE, and Historian accounting records maintained by the Clerk were not recorded in the Clerk’s 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, financial and budgetary control, the financial activity and balances of all City accounts should be included in the Clerk’s records. Receipts should be recorded accurately.

Response – We will add these. Receipts for Fire and Rescue will be recorded by type.

Conclusion – Response accepted.

City of Jewell, Iowa

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

II-A-09 Official Depositories - A resolution naming official depositories has been approved by the City. However, the City exceeded the maximum deposit amount prior to the approval of an increased amount.

Recommendation – A new depository resolution should be approved to raise the maximum deposit amount.

Response – The depository resolution will be updated and the maximum deposit amount raised.

Conclusion – Response accepted.

II-B-09 Certified Budget – Disbursements during the year ended June 30, 2009, exceeded the amounts budgeted in the public safety and business 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.

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.

Response – The budget will be amended in the future in sufficient amounts, if applicable.

Conclusion – Response accepted.

II-C-09 Questionable Disbursements – Certain disbursements we believe 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 were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Johnny’s Italian Steakhouse	Holiday Meal	\$ 2,207
Funnybone	Holiday Meal	600
Leisure Time Express	Holiday Meal	650

City of Jewell, Iowa

Schedule of Findings

Year ended June 30, 2009

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

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

Response – We feel this is an approved expenditure of public funds as this is for an Awards and Recognition banquet. We will adopt a policy approving this for future years.

Conclusion – Response accepted.

II-D-09 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-09 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mickey Walker, Mayor Owner of Walker Electric	Repair and supplies	\$ 2,228
Fred Marcalus, Council Member Wife owns Family Pharmacy	Equipment & Supplies	\$ 108
Fred Marcalus, Council Member Owns AM & FM Investments	Community & Economic Development	\$18,000

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with Mickey Walker and Fred Marcalus (Family Pharmacy) do not appear to represent conflicts of interest since total transactions were less than \$2,500 during the fiscal year. The transaction with Fred Marcalus (AM & FM Investments) does not appear to represent a conflict of interest since it was entered through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

City of Jewell, Iowa

Schedule of Findings

Year ended June 30, 2009

II-F-09 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

II-G-09 Council Minutes – No transactions were found that we believe should have been approved in the minutes but were not.

Although minutes of Council proceedings were published, there was one instance when they were not published and one instance where they were did not get published within 15 days as required by Chapter 372.13(6)of the Code of Iowa

Recommendation – The City should publish minutes as required.

Response – We will publish minutes are required.

Conclusion – Response accepted.

II-H-09 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

II-I-09 Financial Condition - The Special Revenue Fund – Tax Increment Financing Fund had a deficit balance at June 30, 2009.

Recommendation - The City should investigate alternatives to eliminate the deficit balances in order to return the accounts to a sound financial condition.

Response –This deficit will be eliminated upon receipt of property taxes.

Conclusion - Response accepted.

City of Jewell, Iowa

Schedule of Findings

Year ended June 30, 2009

II-J-09 Economic Development – The City paid \$4,610 to SEED and \$30,000 to JADE which may not be appropriate expenditures of public funds.

In accordance with Chapter 15A of the Code of Iowa and an Attorney General’s opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. These provisions stipulate that the governing body should evaluate the public benefits to be obtained and discuss specific criteria to be considered in documenting the public purpose.

Recommendation – The Council should evaluate and document the public purpose served by the expenditure before authorizing further payments and should require documentation of how the funds were used to accomplish economic development activities.

Response – We will do this in the future.

Conclusion – Response accepted.