

NEWS RELEASE

FOR RELEASE _____

Cline, DeVries & Allen, LLP today released an audit report on the City of Jefferson, Iowa.

The City and its component unit receipts totaled \$6,507,861 for the year ended June 30, 2010, a ten percent increase from 2009. The receipts included \$1,619,846 in property tax, \$114,103 from tax increment financing collections, \$2,919,720 from charges for service, \$683,381 from operating grants, contributions and restricted interest, \$29,744 from unrestricted investment earnings and \$1,069,067 from other general receipts.

Disbursements for the year totaled \$6,036,051, an eleven percent increase from the prior year, and included \$599,584 for public safety, \$840,420 for culture and recreation, and \$571,143 for capital projects. Also, disbursements for business type activities totaled \$2,113,406.

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

CITY OF JEFFERSON

INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

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City of Jefferson

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Berry	Mayor	Jan 2012
Larry Teeples	Council Member	Jan 2014
Randy Monthei	Council Member	Jan 2012
Bill Figenshaw	Council Member	Jan 2014
Shannon Black	Council Member	Jan 2012
Gary Von Ahsen	Council Member	Jan 2014
Diane Kennedy	Clerk	Jan 2011
Robert A. Schwarzkopf	Attorney	Jan 2011

City of Jefferson

Independent Auditors' 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, the discretely presented component unit and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Jefferson's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Jefferson as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2010 on our consideration of the City of Jefferson'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 on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Budgetary comparison information on pages 24-26 is not a required part of the basic financial statements, but is 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jefferson's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2009 (none of which are presented herein) and expressed unqualified opinions on those financial statements, which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

November 22, 2010
Ames, Iowa

City of Jefferson

Basic Financial Statements

City of Jefferson

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 599,584	20,790	59,295	-
Public works	548,141	11,805	448,067	-
Culture and recreation	840,420	294,430	55,760	-
Community and economic development	525,020	206,381	2,874	-
Health and social services	4,755	-	-	-
General government	456,253	-	-	-
Debt service	334,210	-	-	-
Capital projects	571,143	-	81,746	512,756
Total governmental activities	3,879,526	533,406	647,742	512,756
Business type activities:				
Water	852,335	1,051,112	-	-
Sewer	651,141	795,446	-	-
Sanitation	504,530	458,764	-	-
Recycling	105,400	80,992	35,639	-
Total business type activities	2,113,406	2,386,314	35,639	-
Component Unit:				
Airport	43,119	-	-	-
Total	\$ 6,036,051	2,919,720	683,381	512,756
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option tax				
Hotel/motel taxes				
Franchise tax				
Unrestricted interest on investments				
Loan proceeds				
Sale of assets				
Miscellaneous				
Rent/dividend				
Transfers				
Total general receipts and transfers				
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:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Governmental Activities	Business Type Activities	Total Primary Government	Major Discretely Presented Component Unit
(519,499)	-	(519,499)	-
(88,269)	-	(88,269)	-
(490,230)	-	(490,230)	-
(315,765)	-	(315,765)	-
(4,755)	-	(4,755)	-
(456,253)	-	(456,253)	-
(334,210)	-	(334,210)	-
23,359	-	23,359	-
(2,185,622)	-	(2,185,622)	-
-	198,777	198,777	-
-	144,305	144,305	-
-	(45,766)	(45,766)	-
11,231	-	11,231	-
11,231	297,316	308,547	-
-	-	-	43,119
(2,174,391)	297,316	(1,877,075)	43,119
1,366,814	-	1,366,814	-
114,103	-	114,103	-
325,032	-	325,032	-
362,402	-	362,402	-
33,400	-	33,400	-
29,668	-	29,668	-
12,845	16,899	29,744	-
-	-	-	-
-	-	-	-
61,810	-	61,810	6,914
5,184	-	5,184	56,933
220,603	(206,000)	14,603	(14,603)
2,531,861	(189,101)	2,342,760	49,244
357,470	108,215	465,685	6,125
2,688,786	1,715,663	4,404,449	29,519
\$ 3,046,256	1,823,878	4,870,134	35,644
\$ 199,513	-	199,513	-
168,656	-	168,656	-
145,151	-	145,151	-
56,263	407,528	463,791	-
2,476,673	1,416,350	3,893,023	35,644
\$ 3,046,256	1,823,878	4,870,134	35,644

City of Jefferson

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

As of and for the year ended June 30, 2010

	Special Revenue			
	General	Employee Benefits	Road Use Tax	Local Option Tax
Receipts:				
Property tax	\$ 937,300	429,514	-	-
Tax increment financing collections	-	-	-	-
Other city tax	63,068	-	-	362,402
Licenses and permits	23,739	-	-	-
Use of money and property	15,576	-	-	-
Intergovernmental	196,676	-	430,384	-
Charges for service	291,627	-	-	-
Miscellaneous	31,015	-	12,638	-
Total receipts	1,559,001	429,514	443,022	362,402
Disbursements:				
Operating:				
Public safety	587,690	-	-	-
Public works	44,726	-	503,415	-
Culture and recreation	796,389	-	-	-
Community and economic development	65,164	-	-	-
Health and social services	-	-	-	-
General government	456,253	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	214,121
Business type activities	-	-	-	-
Total disbursements	1,950,222	-	503,415	214,121
Excess (deficiency) of receipts over (under) disbursements	(391,221)	429,514	(60,393)	148,281
Other financing sources (uses):				
Note proceeds	-	-	-	-
Sale of cemetery lots	-	-	-	-
Sale of capital assets	-	-	-	-
Operating transfers in	639,897	-	50,000	-
Operating transfers out	(33,566)	(416,897)	(62,000)	-
Total other financing sources (uses)	606,331	(416,897)	(12,000)	-
Net change in cash balances	215,110	12,617	(72,393)	148,281
Cash balances beginning of year	961,547	118,810	241,049	465,794
Cash balances end of year	\$ 1,176,657	131,427	168,656	614,075
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	-	-	-
Unreserved:				
General fund	1,176,657	-	-	-
Special revenue funds	-	131,427	168,656	614,075
Capital projects funds	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 1,176,657	131,427	168,656	614,075

See notes to financial statements.

Exhibit B

<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
325,032	1,691,846
114,103	114,103
-	425,470
-	23,739
2,453	18,029
760,076	1,387,136
80,992	372,619
45,198	88,851
<u>1,327,854</u>	<u>4,121,793</u>
11,894	599,584
-	548,141
13,292	809,681
490,595	555,759
4,755	4,755
-	456,253
334,210	334,210
357,022	571,143
105,400	105,400
<u>1,317,168</u>	<u>3,984,926</u>
<u>10,686</u>	<u>136,867</u>
-	-
-	-
-	-
59,669	749,566
(16,500)	(528,963)
<u>43,169</u>	<u>220,603</u>
53,855	357,470
<u>901,586</u>	<u>2,688,786</u>
<u>955,441</u>	<u>3,046,256</u>
56,263	56,263
-	1,176,657
592,857	1,507,015
106,808	106,808
199,513	199,513
<u>955,441</u>	<u>3,046,256</u>

City of Jefferson

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

As of and for the year ended June 30, 2010

	Enterprise Funds				Component	
	Water	Sewer	Sanitation	Total	Unit - Airport	Total
Operating receipts:						
Use of money and property	\$ 8,850	8,049	-	16,899	56,933	73,832
Charges for service	1,037,512	795,446	458,764	2,291,722	-	2,291,722
Intergovernmental	-	-	-	-	-	-
Miscellaneous	13,600	-	-	13,600	6,914	20,514
Total operating receipts	1,059,962	803,495	458,764	2,322,221	63,847	2,386,068
Operating disbursements:						
Public works	-	-	-	-	43,119	43,119
Business type activities	852,335	651,141	504,530	2,008,006	-	2,008,006
Total operating disbursements	852,335	651,141	504,530	2,008,006	43,119	2,051,125
Excess (deficiency) of operating receipts over (under) operating disbursements	207,627	152,354	(45,766)	314,215	20,728	334,943
Other financing sources (uses):						
Operating transfers in	-	60,000	-	60,000	-	60,000
Operating transfers out	(137,000)	(75,000)	(54,000)	(266,000)	(14,603)	(280,603)
Total other financing sources (uses)	(137,000)	(15,000)	(54,000)	(206,000)	(14,603)	(220,603)
Net change in cash balances	70,627	137,354	(99,766)	108,215	6,125	114,340
Cash balances beginning of year	1,052,570	247,345	415,748	1,715,663	29,519	1,745,182
Cash balances end of year	\$ 1,123,197	384,699	315,982	1,823,878	35,644	1,859,522
Cash Basis Fund Balances						
Reserved for debt service	\$ 258,090	138,867	-	396,957	-	396,957
Unreserved	865,107	245,832	315,982	1,426,921	35,644	1,462,565
Total cash basis fund balances	\$ 1,123,197	384,699	315,982	1,823,878	35,644	1,859,522

See notes to financial statements.

City of Jefferson

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

The City of Jefferson is a political subdivision of the State of Iowa located in Greene County. It was first incorporated in 1854 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 Jefferson 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 Jefferson (the primary government) 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 Jefferson Municipal Airport Commission is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Commission was established pursuant to Chapter 330 of the Code of Iowa to operate the City's airport facility. The Commission is composed of five members appointed by the Jefferson City Council.

The Commission's operating budget is subject to the approval of the Jefferson City Council. The Jefferson Municipal Airport is presented as a Business Type Fund.

Jointly Governed Organizations

The City participates in 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: Airport Commission, Law Enforcement Board, Greene County Recycling Agency, Central Iowa Area Safety and Support Organization, and the Chamber of Commerce.

City officials are also members of the Greene County Development Corporation (GCDC) Board. The City paid a total of \$25,500 to GCDC during the fiscal year ended June 30, 2010.

City officials are also members of the North Dallas County Landfill Commission. See Note 8 for disclosures.

B. Basis of Presentation

Government-wide Financial Statements - 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:

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefits Fund is used to account for employee benefits financed by the levy for employee benefits.

The Local Option Tax Fund is used to account for local option taxes.

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.

The Sanitation Fund accounts for the operation of the City's sanitation services.

The City also reports the following component unit:

The Airport Fund accounts for the operation of the Jefferson Municipal Airport.

C. Measurement Focus and Basis of Accounting

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

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and

disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

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

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

The City and its component unit own approximately \$2,325 of par value cooperative stock, which was acquired by patronage dividend. The stock is not readily marketable, and can only be redeemed by the Coop. Therefore market value of the stock is not determinable. The stock is recorded on the books at \$2,325. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$374 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk – The City's investment in the Iowa Public Agency Investment Trust and the Coop stock are unrated.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds		Recycling Truck		Revenue Bonds and Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 290,000	54,681	9,845	906	428,000	120,388	718,000	175,069
2012	305,000	45,546	10,151	600	439,000	106,310	744,000	151,856
2013	315,000	35,328	10,467	284	215,000	91,530	530,000	126,858
2014	330,000	24,460	2,667	21	221,000	85,080	551,000	109,540
2015	340,000	12,580	-	-	228,000	78,450	568,000	91,030
2016-2020	-	-	-	-	1,247,000	285,420	1,247,000	285,420
2021-2024	-	-	-	-	1,140,000	86,790	1,140,000	86,790
Total	\$ 1,580,000	172,595	33,130	1,811	3,918,000	853,968	5,498,000	1,026,563

The resolutions providing for the issuance of the revenue bonds and notes include the following provisions.

- (a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue sinking accounts within the Enterprise Funds for the sole purpose of making the bond and note principal and interest payments when due.
- (c) There shall be set apart and paid into the City's Water Revenue Debt Service Reserve Fund (the Reserve Fund) at the time of delivery the sum of \$182,000. Whenever the sum on deposit in the Reserve Fund has been reduced to less than the required balance, there shall be deposited into the Reserve Fund from the Net Revenues remaining, after first making the required deposits into the Operation and Maintenance Fund and the Sinking Fund, a sum equal to 25% of that month's total deposits into the Sinking Fund, until the sum on deposit in the Reserve Fund has been restored to the Required Reserve Fund Balance. All money credited to the Reserve Fund shall be used and is hereby pledged for the payment of principal and interest on the Series 2003 Bonds and any Parity Obligations whenever the Sinking Fund balance is insufficient.

As of June 30, 2010, the City was not in compliance with the net revenues provision of the sewer revenue bonds.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by

state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$103,935, \$94,584 and \$86,965, respectively, equal to the required contributions for each year.

(5) Compensated Absences

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

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 24,488</u>

This liability has been computed based on rates of pay in effect at June 30, 2010. Sick leave is payable when used. It is not paid upon termination, retirement, or death.

(6) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue:		
Downpayment Assistance	General	8,000
Health Insurance Sinking	General	9,000
Police Federal Forfeiture	General	738
Library	General	4,000
Cemetery Land Reserve	General	828
Equipment Replacement	General	11,000
	Special Revenue:	
Equipment Replacement	Recycling	7,500
Library	Police Forfeiture	4,000
	Enterprise:	
Road Use Tax	Water	25000
Road Use Tax	Sewer	25,000
		<u>95,066</u>
General	Special Revenue:	
	Urban Renewal Tax Increment	
General	Road Use Tax	62,000
General	Employee Benefits	416,897
General	Recycling	5,000
	Enterprise:	
General	Water	52,000
General	Sewer	50,000
General	Sanitation	54,000
Enterprise:		
Sewer	Water	60,000
Capital Project:	Component Unit:	
Airport Improvements	Airport	14,603
		<u>714,500</u>
Total		<u>809,566</u>

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

(7) Risk Management

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

(8) North Dallas County Landfill

An agency, the North Dallas County Landfill, has been established for the collection and disposal of solid waste. The Agency may not be accumulating sufficient financial resources, therefore, the City has an ongoing financial responsibility. Complete financial statements for the Agency can be obtained from the North Dallas County Landfill Agency.

(9) Lease

The City has entered into a lease agreement with Van Horn Partnership for approximately 133 acres of farmland at the City's airport. The lease expired February 29, 2007, and automatically renews upon expiration from year-to-year unless either party gives notice not to renew the lease. The City receives two payments with one-half of the payment due by March 1, and the other half due by November 1 of each year. During the fiscal year ended June 30, 2010, the City received a total of \$23,354 under the lease agreement. The City also leases hangars at the airport. The amounts received under the leases vary depending on the size of the space rented out.

The City also entered into a new lease with the Greene County Early Learning Center. The Center used it to provide an after school program and in-service day program and summer day camp programs. The Center paid a total of \$1,666 during the fiscal year ended June 30, 2010. The lease will expire August 31, 2010.

(10) Health Insurance

The City's health insurance plan includes a deductible of \$500 for single coverage and \$1,000 for family coverage. The City reimburses the first \$200 of the deductibles for individuals with single coverage and the first \$400 of the deductibles for individuals with family coverage after the employee has paid at least half of their deductible. The City also pays up to a maximum of \$500 per employee per year for in-patient hospitalization. During the year ended June 30, 2010, the City reimbursed employees a total of \$1,400. The maximum liability the City could pay out in one fiscal year is \$64,850 based on the number of employees under single or family insurance at June 30, 2010.

(11) Economic Development

During the fiscal year ended June 30, 2004, the City entered into a development agreement with West Central Coop in which the City agreed to pay \$660,000 in tax increment payments.

(12) Deficit Fund Balances

The City had deficit balances in the following funds at June 30, 2010:

Special Revenue:	
Housing Rehabilitation	94,396
Cemetery Land Reserve	1,438
Capital Projects Funds:	
Railroad Grade Separation	97,355
Harrison Street Sewer Main	29,842

The deficits in the projects will be eliminated by transfers.

(13) Related Party Transactions

The City had business transactions between the City and City officials totaling \$12,557 during the year ended June 30, 2010.

Required Supplementary Information

City of Jefferson
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Discretely Presented Component Unit Included in the Budget	Net
Receipts:				
Property tax	\$ 1,691,846	-	-	1,691,846
Tax increment financing collections	114,103	-	-	114,103
Other city tax	425,470	-	-	425,470
Licenses and permits	23,739	-	-	23,739
Use of money and property	18,029	16,899	56,933	91,861
Intergovernmental	1,387,136	-	-	1,387,136
Charges for service	372,619	2,291,722	-	2,664,341
Special assessments	-	-	-	-
Miscellaneous	88,851	13,600	6,914	109,365
Total receipts	<u>4,121,793</u>	<u>2,322,221</u>	<u>63,847</u>	<u>6,507,861</u>
Disbursements:				
Public safety	599,584	-	-	599,584
Public works	548,141	-	-	548,141
Health and Social Services	4,755	-	-	4,755
Culture and recreation	840,420	-	-	840,420
Community and economic development	525,020	-	-	525,020
General government	456,253	-	-	456,253
Debt service	334,210	-	-	334,210
Capital projects	571,143	-	-	571,143
Business type activities	105,400	2,008,006	43,119	2,156,525
Total disbursements	<u>3,984,926</u>	<u>2,008,006</u>	<u>43,119</u>	<u>6,036,051</u>
Excess (deficiency) of receipts over (under) disbursements	136,867	314,215	20,728	471,810
Other financing sources, net	220,603	(206,000)	(14,603)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	357,470	108,215	6,125	471,810
Balances beginning of year	<u>2,688,786</u>	<u>1,715,663</u>	<u>29,519</u>	<u>4,433,968</u>
Balances end of year	<u>\$ 3,046,256</u>	<u>1,823,878</u>	<u>35,644</u>	<u>4,905,778</u>

See accompanying independent auditors' report.

Budgeted Amounts		Final to Net Variance
Original	Final	
1,636,753	1,636,753	55,093
-	-	114,103
344,279	432,982	(7,512)
14,525	12,260	11,479
206,625	205,795	(113,934)
524,446	1,640,485	(253,349)
2,817,292	2,618,688	45,653
-	-	-
46,800	76,590	32,775
<u>5,590,720</u>	<u>6,623,553</u>	<u>(115,692)</u>
524,097	606,014	6,430
447,118	597,909	49,768
11,500	14,000	9,245
866,270	939,898	99,478
213,200	824,200	299,180
488,508	545,234	88,981
337,805	334,210	-
469,580	668,580	97,437
1,987,338	2,317,318	160,793
<u>5,345,416</u>	<u>6,847,363</u>	<u>811,312</u>
245,304	(223,810)	695,620
-	-	-
245,304	(223,810)	695,620
<u>3,576,634</u>	<u>4,014,671</u>	<u>419,297</u>
<u>3,821,938</u>	<u>3,790,861</u>	<u>1,114,917</u>

City of Jefferson

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. 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. 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, Proprietary Funds, the Permanent Fund and the Component Unit. 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 receipts and disbursements by \$1,032,833 and \$1,229,500 respectively. The budget amendment is reflected in the final budgeted amounts.

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

Other Supplementary Information

City of Jefferson

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

As of and for the year ended June 30, 2010

	Recycling	Urban Renewal Tax Increment	Enrich Iowa	Unemployment Compensation	LEC Capital Improvement	Special Skate Park
Receipts:						
Property taxes	\$ -	-	-	-	-	-
Tax increment financing	-	114,103	-	-	-	-
Other city tax	-	-	-	-	-	-
Use of money and property	-	-	-	923	-	-
Intergovernmental	35,639	-	2,299	-	1,278	-
Charges for service	80,992	-	-	-	-	-
Miscellaneous	5,398	-	-	-	-	-
Total receipts	122,029	114,103	2,299	923	1,278	-
Disbursements:						
Operating:						
Public safety	-	-	-	-	3,018	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	2,471	-	-	-
Community and economic development	-	128,725	-	-	-	-
Health and social services	-	-	-	-	-	-
General government	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Business type activities	105,400	-	-	-	-	-
Total disbursements	105,400	128,725	2,471	-	3,018	-
Excess (deficiency) of receipts over (under) disbursements	16,629	(14,622)	(172)	923	(1,740)	-
Loan Proceeds	-	-	-	-	-	-
Operating transfers in(out)	(12,500)	-	-	-	-	-
Total other financing sources	(12,500)	-	-	-	-	-
Net change in cash balances	4,129	(14,622)	(172)	923	(1,740)	-
Cash balances beginning of year	137,965	159,773	1,387	27,677	8,909	1,525
Cash balances end of year	\$ 142,094	145,151	1,215	28,600	7,169	1,525
Cash Basis Fund Balances						
Unreserved:						
Special revenue funds	\$ 142,094	145,151	1,215	28,600	7,169	1,525
Debt service funds	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-
Total cash basis fund balances	\$ 142,094	145,151	1,215	28,600	7,169	1,525

See accompanying independent auditors' report.

Revenue							
Library	Cemetery Mahaney Mausoleum	Industrial Development Emergency Draw	Cemetery Land Reserve	Community Center	Payroll Clearing	Equipment Replacement	
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	96	222	1,038	8	-	-	166
1,723	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
13,197	-	-	-	-	-	-	-
14,920	96	222	1,038	8	-	-	166
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
10,821	-	-	-	-	-	-	-
-	-	-	30,739	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
10,821	-	-	30,739	-	-	-	-
4,099	96	222	(29,701)	8	-	-	166
-	-	-	-	-	-	-	-
8,000	-	-	828	-	-	-	18,500
8,000	-	-	828	-	-	-	18,500
12,099	96	222	(28,873)	8	-	-	18,666
34,813	11,039	34,460	27,435	5,763	7,311	-	109,156
46,912	11,135	34,682	(1,438)	5,771	7,311	-	127,822
46,912	11,135	34,682	(1,438)	5,771	7,311	-	127,822
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
46,912	11,135	34,682	(1,438)	5,771	7,311	-	127,822

City of Jefferson

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

	Special Revenue				
	Health	Downtown Streetscape	Downpayment Assistance	Cafeteria Plan	Self Insurance
	Insurance				and
	Sinking Fund	Employee	Benefits		
Receipts:					
Property taxes	-	-	-	-	-
Tax increment financing	-	-	-	-	-
Other city tax	-	-	-	-	-
Use of money and property	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for service	-	-	-	-	-
Miscellaneous	-	13,984	-	3,500	-
Total receipts	-	13,984	-	3,500	-
Disbursements:					
Operating:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	3,394	8,000	-	-
Health and social services	1,400	-	-	3,355	-
General government	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Business type activities	-	-	-	-	-
Total disbursements	1,400	3,394	8,000	3,355	-
Excess (deficiency) of receipts over (under) disbursements	(1,400)	10,590	(8,000)	145	-
SRF loan proceeds	-	-	-	-	-
Operating transfers in (out)	9,000	-	8,000	-	-
Total other financing sources (uses)	9,000	-	8,000	-	-
Net change in cash balances	7,600	10,590	-	145	-
Cash balances beginning of year	7,467	54,606	-	3,806	45,090
Cash balances end of year	15,067	65,196	-	3,951	45,090
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	15,067	65,196	-	3,951	45,090
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	15,067	65,196	-	3,951	45,090

See accompanying independent auditors' report.

Special Revenue		Debt Service		Capital Projects		
Housing Rehabilitation	Police Federal Forfeiture	Tax Increment Financing	General Obligations	Drainage District #89	Capital Improvements	Airport Improvements
-	-	-	325,032	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
206,381	-	-	-	-	-	294,263
-	-	-	-	-	-	-
4,043	541	-	-	-	-	-
<u>210,424</u>	<u>541</u>	<u>-</u>	<u>325,032</u>	<u>-</u>	<u>-</u>	<u>294,263</u>
-	8,876	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
319,737	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	334,210	-	-	-
-	-	-	-	-	40,278	295,437
-	-	-	-	-	-	-
<u>319,737</u>	<u>8,876</u>	<u>-</u>	<u>334,210</u>	<u>-</u>	<u>40,278</u>	<u>295,437</u>
(109,313)	(8,335)	-	(9,178)	-	(40,278)	(1,174)
-	(3,262)	-	-	-	-	-
-	(3,262)	-	-	-	-	14,603
-	-	-	-	-	-	14,603
(109,313)	(11,597)	-	(9,178)	-	(40,278)	13,429
<u>14,917</u>	<u>11,597</u>	<u>7,894</u>	<u>57,547</u>	<u>265</u>	<u>227,335</u>	<u>7,152</u>
<u>(94,396)</u>	<u>-</u>	<u>7,894</u>	<u>48,369</u>	<u>265</u>	<u>187,057</u>	<u>20,581</u>
(94,396)	-	-	-	-	-	-
-	-	7,894	48,369	-	-	-
-	-	-	-	265	187,057	20,581
-	-	-	-	-	-	-
<u>(94,396)</u>	<u>-</u>	<u>7,894</u>	<u>48,369</u>	<u>265</u>	<u>187,057</u>	<u>20,581</u>

City of Jefferson

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the year ended June 30, 2010

	Capital Projects					Permanent	Total
	Drainage District #97	Drainage District #57	Railroad Grade Separation	Water System Improvements	Harrison Street Sewer Main	Cemetery Perpetual Care	
Receipts:							
Property taxes	-	-	-	-	-	-	325,032
Tax increment financing	-	-	-	-	-	-	114,103
Other city tax	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	2,453
Intergovernmental	-	-	218,493	-	-	-	760,076
Charges for service	-	-	-	-	-	-	80,992
Miscellaneous	-	-	-	-	1,035	3,500	45,198
Total receipts	-	-	218,493	-	1,035	3,500	1,327,854
Disbursements:							
Operating:							
Public safety	-	-	-	-	-	-	11,894
Public works	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	13,292
Community and economic development	-	-	-	-	-	-	490,595
Health and social services	-	-	-	-	-	-	4,755
General government	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	334,210
Capital projects	-	-	21,307	-	-	-	357,022
Business type activities	-	-	-	-	-	-	105,400
Total disbursements	-	-	21,307	-	-	-	1,317,168
Excess (deficiency) of receipts over (under) disbursements	-	-	197,186	-	1,035	3,500	10,686
SRF loan proceeds	-	-	-	-	-	-	-
Operating transfers in (out)	-	-	-	-	-	-	43,169
Total other financing sources (uses)	-	-	-	-	-	-	43,169
Net change in cash balances	-	-	197,186	-	1,035	3,500	53,855
Cash balances beginning of year	18,275	4,827	(294,541)	3,000	(30,877)	196,013	901,586
Cash balances end of year	18,275	4,827	(97,355)	3,000	(29,842)	199,513	955,441
Cash Basis Fund Balances							
Unreserved:							
Special revenue funds	-	-	-	-	-	-	592,857
Debt service funds	-	-	-	-	-	-	56,263
Capital projects funds	18,275	4,827	(97,355)	3,000	(29,842)	-	106,808
Permanent fund	-	-	-	-	-	199,513	199,513
Total cash basis fund balances	18,275	4,827	(97,355)	3,000	(29,842)	199,513	955,441

See accompanying independent auditors' report.

City of Jefferson
Schedule of Indebtedness
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose bonds	Sep 1, 2003	2.95-3.70%	\$ 1,875,000
Corporate purpose bonds	May 26, 2005	3.30-3.50%	1,120,000
Total			
Revenue notes:			
Water	Mar 1, 2003	2.00-3.70%	\$ 1,820,000
State revolving loan:			
2003 Sewer revenue bonds	Jun 30, 2003	3.00%	\$ 4,951,000
Recycling truck	Oct, 2007	3.00%	\$ 59,749

See accompanying independent auditors' report.

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
1,680,000	-	100,000	1,580,000	57,630	-
170,000	-	170,000	-	5,780	-
1,850,000	-	270,000	1,580,000	63,410	-
670,000	-	215,000	455,000	23,593	-
3,660,000	-	197,000	3,463,000	109,800	-
# 42,678	-	9,548	33,130	1,203	-

Schedule 3

City of Jefferson
Bond and Note Maturities
June 30, 2010

General Obligation Notes		
Year Ending June 30,	Corporate Purpose	
	Issued Sep 2003	
	Interest Rates	Amount
2011	3.15	290,000
2012	3.35	305,000
2013	3.45	315,000
2014	3.60	330,000
2015	3.70	340,000
Total		<u>\$ 1,580,000</u>

Year Ending June 30,	Revenue Notes				Other Debt	
	Water		State Revolving Loan		Recycling Truck	
	Issued Mar 1, 2003		2003 Sewer Revenue Bonds Issued Jun 30, 2003		Issued Oct 2007	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	3.55	225,000	3.00	203,000	3.00	9,845
2012	3.70	230,000	3.00	209,000	3.00	10,151
2013	-	-	3.00	215,000	3.00	10,467
2014	-	-	3.00	221,000	3.00	2,667
2015	-	-	3.00	228,000	-	-
2016	-	-	3.00	235,000	-	-
2017	-	-	3.00	242,000	-	-
2018	-	-	3.00	249,000	-	-
2019	-	-	3.00	257,000	-	-
2020	-	-	3.00	264,000	-	-
2021	-	-	3.00	272,000	-	-
2022	-	-	3.00	281,000	-	-
2023	-	-	3.00	289,000	-	-
2024	-	-	3.00	298,000	-	-
Total		<u>\$ 455,000</u>		<u>\$ 3,463,000</u>		<u>\$ 33,130</u>

See accompanying independent auditors' report.

Schedule 4

City of Jefferson
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds
For the Last Seven Years

	2,010	2009	2008	2007	2006	2005	2004
Receipts:							
Property tax	\$ 1,691,846	\$ 1,664,104	\$ 1,558,793	\$ 1,586,705	\$ 1,599,116	\$ 1,535,837	\$ 1,413,435
Tax increment financing collections	114,103	113,542	358,511	307,079	251,752	206,592	184,977
Other city tax	425,470	461,913	335,753	144,994	56,549	55,725	57,917
Licenses and permits	23,739	17,592	26,435	33,796	18,089	18,303	14,600
Use of money and property	18,029	29,917	35,073	35,863	16,862	14,096	12,225
Intergovernmental	1,387,136	518,174	691,411	742,255	950,415	915,590	606,722
Charges for service	372,619	377,566	395,006	413,822	456,697	457,735	316,278
Miscellaneous	88,851	389,056	104,313	97,895	72,250	107,909	115,591
Total	\$ 4,121,793	\$ 3,571,864	\$ 3,505,295	\$ 3,362,409	\$ 3,421,730	\$ 3,311,787	\$ 2,721,745
Disbursements:							
Operating:							
Public safety	\$ 599,584	\$ 522,416	\$ 586,397	\$ 497,633	\$ 496,320	\$ 489,929	\$ 556,413
Public works	548,141	395,213	398,133	371,245	404,907	440,591	423,836
Culture and recreation	4,755	9,202	6,740	7,988	883,826	803,456	778,352
Community and economic development	809,681	865,424	834,445	871,208	478,638	410,310	154,769
Health and social services	555,759	224,503	608,126	297,139	15,142	8,492	-
General government	456,253	447,921	867,015	435,667	449,568	391,135	369,158
Debt service	334,210	337,605	461,684	588,602	595,908	1,700,641	577,531
Capital projects	571,143	583,660	59,528	155,407	878,420	2,344,771	4,102,904
Business type activities	105,400	114,192	81,851	207,691	80,398	-	-
Total	\$ 3,984,926	\$ 3,500,136	\$ 3,903,919	\$ 3,432,580	\$ 4,283,127	\$ 6,589,325	\$ 6,962,963

See accompanying independent auditor's report

Schedule 5

City of Jefferson

Schedule of Expenditures of Federal Awards

June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Community Development Block Grants/State's Program	14.228	08-HSG-038	\$ 224,163
Community Development Block Grants/State's Program	14.228	08-NSP-010	<u>77,048</u>
			<u>301,211</u>
U.S. Department of Transportation:			
Highway Planning and Construction	20.205	HDP-4-2(38)—71-37	<u>16,534</u>
Airport Improvement Program	20.106	3-19-0049-07	259,407
Airport Improvement Program	20.106	3-19-0049-06	11,528
Airport Improvement Program	20.106	3-19-0049-08	<u>15,196</u>
			<u>286,131</u>
Total			<u>\$ 603,876</u>

See accompanying independent auditor's report

City of Jefferson

Independent Auditors' 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, the discretely presented component unit, and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 22, 2010. Our report expressed unqualified opinions 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 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 Jefferson'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 Jefferson's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Jefferson's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Jefferson's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jefferson's primary government 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 IV 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, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Jefferson's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Jefferson'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 Jefferson and other parties to whom the City of Jefferson 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 personnel of the City of Jefferson 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.

November 22, 2010
Ames, Iowa

**Independent Auditors' Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control over Compliance in Accordance with OMB
Circular A-133**

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and Members of the City Council:

Compliance

We have audited the compliance of City of Jefferson, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2010. City of Jefferson's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Jefferson's management. Our responsibility is to express an opinion on City of Jefferson's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jefferson's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Jefferson's compliance with those requirements.

In our opinion, City of Jefferson complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-10 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control over Compliance

The management of City of Jefferson is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered City of Jefferson's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with

OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Jefferson's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-10 to be a material weakness.

City of Jefferson's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Jefferson'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 City of Jefferson and other parties to whom City of Jefferson may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these parties.

November 22, 2010
Ames Iowa

City of Jefferson

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency and a material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City did not qualify as a low-risk auditee.

City of Jefferson

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

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

Response and Corrective Action Planned – We will review our procedures.

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

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Jefferson
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

None.

INTERNAL CONTROL DEFICIENCIES:

III-A-10 Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-10.

City of Jefferson

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

- III-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted.
- III-B-10 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- III-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-10 Business Transactions –Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Derek Teeples, brother of employee and son of Council Member, owner of Teeples Heating and Cooling	Services	1,206
Mike Wright, Employee, Owner of Wright Electric LLC	Services	62
Shadran, owned by Council Member Randy Monthei	Supplies	11,289

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the first two listed do not appear to represent a conflict of interest because total transactions with each business did not exceed \$1,500. The transactions with Shadran appear to represent a conflict of interest since they exceeded \$1,500.

Recommendation – The City should consult with legal counsel to determine the disposition of this matter.

City of Jefferson

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Response – We will do so.

Conclusion – Response accepted.

III-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-10 Deposits and Investments – The City and its component unit own \$2,325 par value common stock of the West Central Cooperative. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa.

The stock is not readily marketable, and can only be redeemed by the Coop and thus no market value of the shares is determinable. However, the City should monitor the marketability of the stock and consider selling the stock if a market becomes available.

III-H-10 Revenue Bonds and Notes - The Sewer bond resolution states that net revenues must be at least 110% of the next principal and interest payment coming due. The City is not in compliance with this provision as of June 30, 2010.

Recommendation – The City should review the provisions and take the necessary steps to ensure they are in compliance.

Response – We will do so.

Conclusion – Response accepted.

III-I-10 Outstanding Checks – Per Chapter 556.11 of the Code of Iowa, checks that are still outstanding after three years should be reported to the State Treasurer annually by November 1st. The City did not do this.

Recommendation – The City should comply with Chapter 556.11 of the Code of Iowa.

Response – We will do so.

Conclusion – Response accepted.

City of Jefferson

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

III-J-10 Financial Condition – The City had the following deficit balances at June 30, 2010:

Special Revenue Funds:	
Housing Rehabilitation	94,396
Cemetery Land Reserve	1,438
Capital Projects Funds:	
Harrison Street Sewer Main	29,842
Railroad Grade Separation	97,355

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – The deficits will be eliminated.

Conclusion – Response accepted.