

**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

**NEWS RELEASE**

FOR RELEASE

October 16, 2019

---

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit report on the the City of Jamaica, Iowa.

The City's receipts totaled \$149,154 for the year ended June 30, 2018. The receipts included \$34,895 of property tax, \$51,832 of charges for service, \$44,677 of operating grants, contributions and restricted interest, \$15,343 of local option sales tax, \$31 of unrestricted interest on investments and \$2,376 of other general receipts.

Disbursements for the year ended June 30, 2018 totaled \$184,936, and included \$62,742 for general government, \$23,526 for culture and recreation, and \$23,033 for public works. Also, disbursements for business type activities totaled \$66,289.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

###

**CITY OF JAMAICA**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2018**

**City of Jamaica**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

August 30, 2019

Officials of the City of Jamaica  
Jamaica, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the City of Jamaica, Iowa, for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Jamaica throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand  
Auditor of State

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	10-11
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	12
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	13
Notes to Financial Statements		14-20
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		22-23
Notes to Other Information – Budgetary Reporting		24
Schedule of the City’s Proportionate Share of the Net Pension Liability		25
Schedule of City Contributions		26
Notes to Other Information – Pension Liability		27
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		28-29
Schedule of Findings		30-46
Staff		47

**City of Jamaica**  
**Officials**  
**(Before January 2018)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
LaDonna Kennedy	Mayor	Jan 2020
Tim McDermott	Mayor Pro tem	Jan 2020
Pam Chance	Council Member	Jan 2018
Karen Onken	Council Member	Jan 2018
Randall Perkins	Council Member	Jan 2018
Jayanna Corbin	Council Member	Jan 2020
Rhonda Nelson	City Clerk/Treasurer	Indefinite
Matthew S. Brick	Attorney	Indefinite

**(After January 2018)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
LaDonna Kennedy	Mayor	(Resigned Jan 2019)
Tim McDermott	Mayor Pro tem	Jan 2020
Jayanna Corbin	Council Member	Jan 2020
H.D. Meinecke	Council Member	Jan 2022
Karen Onken	Council Member	Jan 2022
Randall Perkins	Council Member	Jan 2022
Darcy Gliem (Appointed May 2018)	City Clerk/Treasurer	Indefinite
Rhonda Nelson	City Clerk/Treasurer	(Resigned Aug 2018)
Matthew S. Brick	Attorney	Indefinite

**City of Jamaica**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit and each major fund of the City of Jamaica, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

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

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

### Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all the prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2017.

### Modified Opinions

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, 2017, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities and each major fund of the City of Jamaica as of June 30, 2018, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the respective cash basis financial position of the discretely presented component unit of the City of Jamaica as of June 30, 2018, and the respective change in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

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

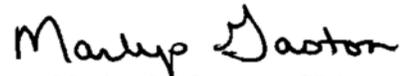
### Other Matters

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jamaica's basic financial statements. The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 22 through 27, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2019 on our consideration of the City of Jamaica's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Jamaica's internal control over financial reporting and compliance.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

August 30, 2019

**City of Jamaica**

## **Basic Financial Statements**

City of Jamaica

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2018

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 9,346	246	5,000	-
Public works	23,033	19,605	23,930	-
Culture and recreation	23,526	2,064	15,747	-
General government	62,742	737	-	-
Total governmental activities	118,647	22,652	44,677	-
Business type activities:				
Water	66,289	29,180	-	-
<b>Total primary government</b>	<b>\$ 184,936</b>	<b>51,832</b>	<b>44,677</b>	<b>-</b>
<b>Component Unit:</b>				
Jamaica Emergency Services Association	\$ -	-	1,500	-
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for general purposes				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position (deficit) end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Streets				
Other purposes				
Unrestricted				
<b>Total cash basis net position (deficit)</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Jamaica Emergency Services Association
(4,100)	-	(4,100)	
20,502	-	20,502	
(5,715)	-	(5,715)	
(62,005)	-	(62,005)	
(51,318)	-	(51,318)	
-	(37,109)	(37,109)	
(51,318)	(37,109)	(88,427)	
			1,500
34,895	-	34,895	-
15,343	-	15,343	-
24	7	31	5
2,376	-	2,376	-
(3,836)	3,836	-	-
48,802	3,843	52,645	5
(2,516)	(33,266)	(35,782)	1,505
80,299	479	80,778	10,060
\$ 77,783	(32,787)	44,996	11,565
30,509	-	30,509	-
17,149	-	17,149	-
30,125	(32,787)	(2,662)	11,565
\$ 77,783	(32,787)	44,996	11,565

**Exhibit B**

## City of Jamaica

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

As of and for the year ended June 30, 2018

	Special Revenue				Total
	General	Road Use Tax	Local Option Sales Tax	Library	
<b>Receipts:</b>					
Property tax	\$ 34,895	-	-	-	34,895
Other city tax	-	-	15,343	-	15,343
Licenses and permits	670	-	-	-	670
Use of money and property	1,991	-	-	8	1,999
Intergovernmental	5,000	23,930	-	12,900	41,830
Charges for service	19,671	-	-	89	19,760
Miscellaneous	4,308	-	-	1,162	5,470
<b>Total receipts</b>	<b>66,535</b>	<b>23,930</b>	<b>15,343</b>	<b>14,159</b>	<b>119,967</b>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	9,346	-	-	-	9,346
Public works	15,400	7,633	-	-	23,033
Culture and recreation	7,084	-	-	16,442	23,526
General government	62,742	-	-	-	62,742
<b>Total disbursements</b>	<b>94,572</b>	<b>7,633</b>	<b>-</b>	<b>16,442</b>	<b>118,647</b>
Excess (deficiency) of receipts over (under) disbursements	(28,037)	16,297	15,343	(2,283)	1,320
<b>Other financing sources (uses):</b>					
Transfers in	8,175	-	-	4,832	13,007
Transfers out	(1,500)	-	(15,343)	-	(16,843)
<b>Total other financing sources (uses)</b>	<b>6,675</b>	<b>-</b>	<b>(15,343)</b>	<b>4,832</b>	<b>(3,836)</b>
Change in cash balances	(21,362)	16,297	-	2,549	(2,516)
Cash balances beginning of year	51,487	14,212	-	14,600	80,299
Cash balances end of year	\$ 30,125	30,509	-	17,149	77,783
<b>Cash Basis Fund Balances</b>					
<b>Restricted for:</b>					
Streets	\$ -	30,509	-	-	30,509
Other purposes	-	-	-	17,149	17,149
Assigned for community center	8,354	-	-	-	8,354
Unassigned	21,771	-	-	-	21,771
<b>Total cash basis fund balances</b>	<b>\$ 30,125</b>	<b>30,509</b>	<b>-</b>	<b>17,149</b>	<b>77,783</b>

See notes to financial statements.

City of Jamaica

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

As of and for the year ended June 30, 2018

	<u>Enterprise</u>
	<u>Water</u>
Operating receipts:	
Charges for service	\$ 29,180
Operating disbursements:	
Business type activities	<u>60,529</u>
Deficiency of operating receipts under operating disbursements	<u>(31,349)</u>
Non-operating receipts (disbursements):	
Interest on investments	7
Capital improvements	<u>(5,760)</u>
Net non-operating disbursements	<u>(5,753)</u>
Deficiency of receipts under disbursements	(37,102)
Transfers in	<u>3,836</u>
Change in cash balances	(33,266)
Cash balances beginning of year	479
Cash deficit end of year	<u>\$ (32,787)</u>
<b>Cash Basis Fund Balance (Deficit)</b>	
Unrestricted	<u>\$ (32,787)</u>

See notes to financial statements.

City of Jamaica

Notes to Financial Statements

June 30, 2018

**(1) Summary of Significant Accounting Policies**

The City of Jamaica is a political subdivision of the State of Iowa located in Guthrie County. It was first incorporated in 1901 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation and general government services. The City also provides water utilities for its citizens.

A. Reporting Entity

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

The 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 Jamaica Emergency Services Association (Jamaica EMS) has been incorporated under the Iowa Nonprofit Corporation Act for the purpose of supporting the enhancement of fire protection and emergency medical services provided by the Jamaica Fire Department and the Jamaica Responders. In accordance with criteria set forth by the Governmental Accounting Standards Board, Jamaica EMS meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Jamaica EMS are substantially for the direct benefit of the City. Jamaica EMS is presented in a separate column to emphasize it is legally separate from the City but is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

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: Guthrie County Assessor's Conference Board, Guthrie County Emergency Management Commission, Guthrie County Landfill Commission and Guthrie County Joint E-911 Service Board.

B. Basis of Presentation

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

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

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies 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 not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax and related disbursements authorized by local option sales tax resolution.

The Library Fund is used to account for intergovernmental receipts and donations and related disbursements of the Jamaica Library.

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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 position 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.

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and 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. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2018, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government and business type activities functions.

## **(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, 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 had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

## **(3) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member’s beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member’s accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%.

The City’s contributions to IPERS for the year ended June 30, 2018 totaled \$3,108.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the City reported a liability of \$29,611 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the City’s proportion was 0.000445%, which was a decrease of 0.000025% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$4,073, \$10,793 and \$5,941, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 48,786	29,611	13,500

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(4) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ 8,175
Special Revenue: Library	Special Revenue: Local Option Sales Tax	3,332
	General	1,500
		<u>4,832</u>
Enterprise: Water	Special Revenue: Local Option Sales Tax	3,836
		<u>\$ 16,843</u>

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

**(5) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$1,420 during the year ended June 30, 2018.

**(6) 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 during the last fiscal year.

**(7) Deficit Balance**

The Enterprise, Water Fund had a deficit balance of \$32,787 at June 30, 2018. The deficit balance was a result of disbursements exceeding the charges for service to provide water to utility customers. The City is looking at options to eliminate the deficit.

**(8) Subsequent Event**

On May 13, 2019, the City entered into a water revenue loan and disbursement agreement anticipation project note for \$375,000 with the Iowa Finance Authority (IFA) for the purpose of paying the cost of planning and designing improvements and extensions to the City's Municipal Water Works System. The note is interest free and is due May 31, 2022 or the day the City enters into a final loan and disbursement agreement with IFA.

## **Other Information**

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

Other Information

Year ended June 30, 2018

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 34,895	-
Other city tax	15,343	-
Licenses and permits	670	-
Use of money and property	1,999	7
Intergovernmental	41,830	-
Charges for service	19,760	29,180
Miscellaneous	5,470	-
Total receipts	<u>119,967</u>	<u>29,187</u>
Disbursements:		
Public safety	9,346	-
Public works	23,033	-
Culture and recreation	23,526	-
Community and economic development	-	-
General government	62,742	-
Business type activities	-	66,289
Total disbursements	<u>118,647</u>	<u>66,289</u>
Excess (deficiency) of receipts over (under) disbursements	1,320	(37,102)
Other financing sources, net	<u>(3,836)</u>	<u>3,836</u>
Deficiency of receipts and other financing sources (under) disbursements and other financing uses	(2,516)	(33,266)
Balances beginning of year	<u>80,299</u>	<u>479</u>
Balances/deficit end of year	<u>\$ 77,783</u>	<u>(32,787)</u>

See accompanying independent auditor's report.

---

Total	Budgeted	Final to Total Variance
	Amounts Original and Final	
34,895	33,112	1,783
15,343	17,157	(1,814)
670	950	(280)
2,006	7,710	(5,704)
41,830	50,540	(8,710)
48,940	49,950	(1,010)
5,470	-	5,470
149,154	159,419	(10,265)
9,346	17,400	8,054
23,033	15,300	(7,733)
23,526	22,840	(686)
-	8,500	8,500
62,742	41,579	(21,163)
66,289	53,800	(12,489)
184,936	159,419	(25,517)
(35,782)	-	(35,782)
-	-	-
(35,782)	-	(35,782)
80,778	100,271	(19,493)
44,996	100,271	(55,275)

City of Jamaica

Notes to Other Information – Budgetary Reporting

June 30, 2018

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the discretely presented component unit. 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 and the Enterprise Fund. 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, there were no budget amendments.

During the year ended June 30, 2018, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government and business type activities functions.

---

City of Jamaica

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Two Years\*

Other Information

	2018	2017
City's proportion of the net pension liability	0.000445%	0.000470%
City's proportionate share of the net pension liability	\$ 29,611	29,585
City's covered payroll	\$ 33,181	33,740
City's proportionate share of the net pension liability as a percentage of its covered payroll	89.24%	87.69%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

---

City of Jamaica

Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Four Years

Other Information

	2018	2017	2016	2015
Statutorily required contribution	\$ 3,108	2,963	3,013	2,986
Contributions in relation to the statutorily required contribution	(3,108)	(2,963)	(3,013)	(2,986)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 34,803	33,181	33,740	33,438
Contributions as a percentage of covered payroll	8.93%	8.93%	8.93%	8.93%

See accompanying independent auditor's report.

GASB Statement No. 68 requires ten years of information be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Jamaica

Notes to Other Information – Pension Liability

Year ended June 30, 2018

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2015. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

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 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, the financial statements of the governmental activities, the business type activities, the discretely presented component unit and each major fund of the City of Jamaica, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 30, 2019. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principals. Our report expressed modified opinions on the governmental activities, the business type activities and each major fund since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance of July 1, 2017. Our report expressed an unmodified opinion on the financial statements of the discretely presented component unit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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

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. We consider the deficiencies described in the accompanying Schedule of Finding as items (E) and (O) to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jamaica'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 which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 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.

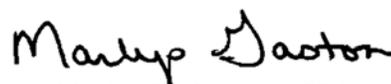
#### The City of Jamaica's Responses to the Findings

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

#### Purpose of this Report

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

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



Marlys K. Gaston, CPA  
Deputy Auditor of State

August 30, 2019

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – One individual in the City has control over the following areas for which no compensating controls exist:

- (1) Accounting system - performance of all accounting functions and having custody of assets.
- (2) Cash – handling, recording and reconciling.
- (3) Investments – recording, custody and record-keeping
- (4) Receipts - opening mail, collecting, depositing, recording and reconciling.
- (5) Utilities – billing, collecting, depositing, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (6) Disbursements – purchasing, invoice processing, check writing, recording, and reconciling
- (7) Payroll – preparing and recording payroll, control of undistributed checks, and maintaining personnel files.
- (8) Journal entries – independent review of non-recurring entries.

For the Jamaica Library account, one individual has control over each of the following areas:

- (1) Cash – reconciling bank accounts, initiating cash receipt and disbursement transactions and handling and recording cash.
- (2) Receipts – collecting, depositing and recording.
- (3) Disbursements – invoice processing, check writing, mailing, recording and reconciling.

For the Jamaica Community Center account, one individual has control over each of the following areas:

- (1) Cash – reconciling bank accounts, initiating cash receipt and disbursement transactions and handling and recording cash.
- (2) Receipts – collecting, depositing and recording.
- (3) Disbursements – invoice processing, check writing, mailing, recording and reconciling.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

For the Jamaica Emergency Services Association account, one individual has control over each of the following areas:

- (1) Cash – reconciling bank accounts, initiating cash receipt and disbursement transactions and handling and recording cash.
- (2) Receipts – collecting, depositing and recording.
- (3) Disbursements – invoice processing, check writing, mailing, recording and reconciling.

Cause – The City, Library, Community Center and Emergency Services Association have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City and the Association should review their control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Responses –

City – The City doesn't have the resources to hire additional staff to provide additional segregation of duties. However, the City Clerk will provide more detail to the City Council each month for them to review. In addition, the Clerk will provide additional reports with more detail, so the Council is aware of the situation. As one alternative, the Mayor will sign-off on these reports each month verifying that he/she has reviewed the documents and approves them.

Library – The City will ask for monthly reports and a monthly bank reconciliation that will be reviewed and signed off by the City Clerk and reviewed by the City Council.

Community Center – The City will ask for monthly reports and a monthly bank reconciliation that will be reviewed and signed off by the City Clerk and reviewed by the City Council.

Jamaica Emergency Services Association – The City will ask for monthly reports and a monthly bank reconciliation that will be reviewed and signed off by the City Clerk and reviewed by the City Council.

Conclusion – Responses acknowledged. The City and Emergency Services Association should continue to review control procedures to obtain the maximum internal control possible.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

(B) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank to book balance.

Condition – Although monthly bank reconciliations are prepared for the City checking account, the reconciliations do not include evidence of an independent review. In addition, financial reports did not include all City activity and a complete reconciliation, including accounts from the Library and Community Center was not prepared.

Cause – Policies have not been established and procedures have not been implemented to require preparation of a complete reconciliation of all accounts and investments to the total general ledger balance or to require the bank reconciliations be reviewed by an independent person.

Effect – Lack of performing and maintaining bank reconciliations and lack of review by an independent person could result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The City should establish procedures to ensure bank and investment account balances for all City activity are included in the financial reports and reconcile to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. An independent person should review the City bank reconciliations and document the review by signing or initialing and dating the monthly bank reconciliations.

Response – The City will ask for monthly reports for the various departments and a monthly bank reconciliation that is reviewed and signed off by the City Clerk and reviewed by the City Council. The City Clerk will provide more detailed bank reconciliations to the Council each month for them to review. In addition, the City Clerk will provide additional reports with more detail, so the City Council is aware of the situation. The Mayor will sign-off on these reports each month verifying that he/she has reviewed the documents and approves them. In addition, proper policy and procedures for the bank reconciliations will be generated.

Conclusion – Response accepted.

(C) Reconciliation of Utility Billings, Collections and Delinquent Accounts and Write-off Policies

Criteria – An effective internal control system provides for internal controls related to reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits. In addition, the City has not established written policies for the write-off of uncollectible accounts or the enforcement of shut-off policies.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

Cause – Policies have not been established and procedures have not been implemented to reconcile utility billings, collections and delinquent account balances and to reconcile utility collections to deposits or to ensure shut-off policies are enforced and associated delinquent accounts are written off.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The Council should establish a written policy for writing off uncollectable accounts. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquents. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response – The City will develop and implement a monthly reconciliation of utility billings, collections and delinquent accounts and a reconciliation of deposits to utility payments. In addition, the City Clerk will provide a monthly update at City Council meetings that is published in the meeting minutes of the total delinquent accounts and actions taken. A delinquent policy has been implemented, but it hasn't been written in a formal policy and procedure manual. The delinquent accounts are getting reminders and if no payment, they will be shut off. The City Clerk is following up with legal counsel on what can be done to access property taxes for the uncollectible accounts.

Conclusion – Response accepted.

(D) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatement of the financial statements on a timely basis. Properly designed policies and procedures an implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – A material amount of receipts and disbursements were misposted in the City's financial records. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements. The City does not utilize the Uniform Chart of Accounts for City Governments and does not use fund accounting or generate fund balances.

Cause – City policies do not require and procedures have not been established to require independent review of financial records to ensure the City's financial records are accurate. Also, City policies do not require the use of the Uniform Chart of Accounts or fund accounting to generate fund balances.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the City financial records were necessary. Lack of use of fund accounting results in the City’s inability to demonstrate compliance with statutory requirements for use of the various sources of funds the City collects and is responsible for. It also limits the ability of the City Council to make informed decisions on how to use available resources and whether that use is in compliance with statutes.

Recommendation – The City should ensure all receipts and disbursements are properly recorded in the financial records according to the recommended Uniform Chart of Accounts for Iowa City Governments. Also, the City should develop policies to require the use of fund accounting and generate fund balances.

Response – Training is needed along with a current policy and procedure manual. In addition, the current worksheets need to be updated to make it easier to not only track the activity in the correct funds and accounts, but to be able to easily transfer that activity to the annual financial report. Proper training of the new City Clerk has begun and all worksheets and documents will be reviewed and corrected to provide an easier and more streamlined approach to reporting the various fund balances. Once again, the Mayor will review and approve the monthly reports reflecting that he/she has reviewed and approved them. In addition, the City will begin using the correct Chart of Accounts on all financial activity.

Conclusion – Response accepted.

(E) Credit Cards

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes included establishing policies addressing proper asset use and proper supporting documentation.

Condition – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Cause – Adoption of a formal policy to regulate the use of credit cards has not been prioritized by the City Council.

Effect – Lack of written policies and procedures to regulate the use of credit cards could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – The City should adopt a formal written policy regulating the use of the City’s credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges. All charges on City credit cards should be supported by an original receipt or invoice.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

Response – The City will institute a formal credit card policy which includes providing copies of receipts, if available, to the City Clerk. However, the City Council and the City Clerk review the statements each month and notate any issues found.

Conclusion – Response acknowledged. The City’s policy should require all charges on City credit cards be supported by an original receipt or invoice. The policy should also include repercussions if the policy is not adhered to, for example, loss of the ability to use the credit card in the future.

(F) Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the City’s computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable and helps ensure the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The City does not have written policies or procedures for:

- Password privacy and confidentiality
- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- Requiring use of strong passwords.
- Ensuring only software licensed to the City is installed on computers.
- Usage of the internet.
- Requiring the use of an anti-virus program on computers.
- Personal use of computer equipment and software.

Also, the City does not have a written disaster recovery plan and does not require back-ups to be stored off site daily.

Cause – Management has not required written policies for the above computer based controls or off site storage for back-ups.

Effect – Lack of written policies for computer based system could result in a loss of data or compromised data, resulting in unreliable financial information. The failure to have a formal disaster recovery plan could result in the City’s inability to function in the event of a disaster or continue City business without interruption. Storing back-ups off-site helps ensure financial and other information is readily available in the case of a disaster or emergency

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over its computer system. A written disaster recovery plan should also be developed and back-ups should be stored off site daily.

Response – The City will develop formal policy and procedures for the City’s computer based system.

Conclusion – Response accepted.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

(G) Accounting Policies and Procedures Manual

Criteria – Accounting policies and procedures manuals provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Condition – The City does not have an accounting policies and procedures manuals.

Cause – Officials have been unaware of the need for an accounting policies and procedures manual.

Effect – Lack of an accounting policies and procedures manual could negatively result in a City's ability to continue operating effectively and efficiently in the event of staff turnover.

Recommendation – An accounting policies and procedures manual should be developed for the City.

Response – The City will develop formal accounting policies and procedures.

Conclusion – Response accepted.

(H) Supporting Documentation

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – One of 17 disbursements tested from the City's main checking account did not have supporting documentation. In addition, disbursements related to the operation of the Community Room are paid directly out of a separate bank account. Supporting documentation for two of five disbursements tested did not have supporting documentation.

Cause – Supporting documentation was not always maintained for disbursements.

Effect – Lack of supporting documentation for all disbursements could result in unauthorized transactions and the opportunity for misappropriation.

Recommendation – All disbursements should be supported by invoices or other supporting documentation.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

Response – The City will ask for invoices from all departments to be provided along with the monthly reports that are being requested. Regarding the City’s check requests, the City Clerk will make sure that check requests have supporting documentation, including a copy of a contract the City had previously approved and will ensure all calculations are done to arrive at the dollar amount.

Conclusion – Response accepted.

(I) Petty Cash and Change Fund

Criteria – An effective internal control system provides for internal controls related to the establishment of a petty cash and change funds at an authorized amount. Periodic reimbursements should be made to bring the amount maintained in line with authorized amounts.

Condition – The petty cash and change funds used by the Library do not reconcile to an authorized amount.

Cause – Personnel were not aware petty cash and change funds should be maintained at an authorized amount.

Effect – Since personnel were not aware of the established amount, petty cash and change funds could be susceptible to accounting errors or misappropriation.

Recommendation – Petty cash and change funds should be established and maintained at an authorized amount. The authorized amounts should be communicated to City employees. Periodic reimbursements should be made to bring the amount maintained in line with authorized amounts.

Response – The pop machine at City Hall will be removed and thus, no petty cash will be maintained at City hall. For the Library’s petty cash, the City will work with the Library to establish a formal tracking and record keeping method along with the formal implementation of an associated policy, including the requirement to maintain the petty cash at an established amount.

Conclusion – Response accepted.

(J) Timesheets

Criteria – An effective internal control system provides for internal controls related to preparation of timesheets by all employees. Timesheets provide a record of all hours worked and taken as vacation, sick leave, compensatory time, holiday hours and personal days. Supervisory review of timesheets can help ensure the accuracy of recorded hours worked and taken as leave.

Condition – The Library Director receives one week of vacation per year in addition to holiday pay for those days the Library would normally be open. Timesheets are not prepared by the Library Director.

In addition, while hourly City employees prepare timesheets, the timesheets are not reviewed and approved by supervisory personnel.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

Cause – Policies have not been established and procedures have not been implemented to require employees to prepare timesheets or to require timesheets be reviewed and approved by supervisory personnel.

Effect – Lack of timesheets increases the risk of inaccurate leave records and the potential for pay for hours not worked. The lack of a documented supervisory review process increases the probability staff errors in recording hours or leave will go undetected.

Recommendation – Timesheets should be prepared by all personnel, salaried as well as hourly, and should be submitted to the City Clerk prior to the processing of payroll each pay period. The timesheets should be signed by the employee and their supervisor prior to submission. The timesheets should support all hours worked and taken as leave.

Response – Due to the low amount of City funds available, a formal timecard system is not feasible. With limited number of employees, the City can make formal timesheets available to the employees which they can sign and the City Clerk or the Mayor could then sign as the supervisor, but all employees work independently with no direct supervision.

Conclusion – Response acknowledged. Timesheets should be submitted to an appropriate City official (supervisor) for approval and signed by the employee and supervisor.

(K) Pay Rate Approval

Criteria – An effective internal control system provides for internal controls related to the processing and approval of payroll for all City employees. City Council approval of salaries can help ensure proper payment of payroll expense.

Condition – The Library Director's pay rate was approved at \$610 per month during the May 28, 2013 meeting of the Library Board. During the year ending June 30, 2018, the Director's gross pay was \$810 per month. Approval of this pay rate could not be located in the City Council or the Library Board meeting minutes.

In addition, the City Clerk's pay rate was approved by the City Council as a percentage increase. The base rate of pay could not be located in the City Council minutes.

Cause – The Library Board did not have a clear understanding of the rate which was approved for the Library Director. In addition, the City did not understand the potential effects of approving a percentage increase rather than actual rates of pay.

Effect – Approving percentage amount increases without documenting the approved rates of pay could result in unauthorized pay and the opportunity for misappropriation.

Recommendation – Approved salaries or pay rates of all employees should be adequately documented in the City Council minutes or minutes of the governing board.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

Response – Once a year the City Council will approve employee salaries and record each employee’s approved salary in the minute record. For pay increases, the exact dollar amount will be approved instead of a percentage.

Conclusion – Response accepted.

(L) Wage Tax Withholding and Personnel Files

Criteria – Employee personnel files should include documentation of employee tax withholdings. Appropriate forms should be filed with state and federal government based on the individual’s earnings. FICA taxes should be withheld for all employees as well as elected official.

Condition – The City did not withhold FICA on payments to elected officials. In addition, the City Council members did not receive W-2’s for either calendar year 2017 or 2018. The Mayor received a 1099 for calendar year 2018.

Cause – Management is not aware of required wage reporting forms and the need to maintain complete and up to date personnel files.

Effect – Employees income may not be properly taxed at state and federal levels and employee deductions may not be adequately supported by documentation.

Recommendation – The City should contact the IRS to resolve this matter. The City should maintain appropriate personnel records. Required wage reporting forms should be prepared, submitted and copies should be retained by the City. IRS form 1099’s should only be issued for independent contractors receiving over \$600 per year from the City.

Response – The City will have all employees, including City Council members, fill out new federal and state forms and they will be paid going forward as employees instead of a contractor. The City Clerk has already talked with IPERS to get this situation resolved with them and will contact the IRS to see what the City needs to do to resolve the situation on previous Council member’s pay. In addition, a lockable filing cabinet will be acquired, and the City Clerk will maintain the proper employee files. The City has already approved the use of QuickBooks payroll to generate the correct payroll going forward.

Conclusion – Response accepted.

(M) Community Center Rent

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records for Community Center rent and reconciling rental billings to collections to ensure the accuracy of collections.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

Condition – The Community Center is operated by volunteers who maintain a separate checking account for Community Center operations. The volunteers maintain a reservations calendar and receive and deposit rental payments for the use of the Community Center. The City Council has not established an approved rate schedule for the use of the Center. Adequate records of the Center’s rentals are not maintained or provided to the City Council.

Cause – Policies have not been established and procedures have not been implemented to ensure consistent rental rates are charged and adequate receipt records are maintained.

Effect – Lack of established rental rates and inadequate receipt records could result in unauthorized amounts charged and receipts not accurately reported and the opportunity for error or misappropriation.

Recommendation – The City Council should formally establish and approve rental rates for the use of the Community Center. Adequate supporting documentation should be maintained for each rental agreement and associated receipt. Community Center rental activity should be prepared and provided to the City Council monthly.

Response – The City will ask the Community Center coordinator to provide rental sheets and bank statements, along with the other monthly reports to the City to review the numbers of rentals and the associated bank deposits. In addition, the City Council will review the current rental rates and approve them. With the recommendation of the Coordinator, the City Council will annually review and approve the rental rates.

Conclusion – Response accepted.

(N) Untimely Library Deposits

Criteria – An effective internal control system provides for internal controls related to receipts at the City Library.

Condition – The City Library receives cash and checks periodically for fines, fees and books sales. Deposits of such receipts in addition to a State of Iowa receipt for \$69, were not made timely (i.e., weekly).

Cause – Policies have not been established and procedures have not been implemented to ensure receipts are deposited timely.

Effect – Lack of established procedures could result in increased opportunity for misappropriation.

Recommendation – The City Library should develop procedures to ensure all cash and checks are deposited timely (i.e., weekly).

Response – The City will work with the City Library to develop a policy associated with deposits and when the City Clerk is taking a deposit to the bank, the City Clerk can ask the library if they have anything that needs to go too.

Conclusion – Response accepted.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

(O) Monthly City Clerk's Report

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management to effectively perform their fiduciary responsibilities related to City financial management.

Condition – A monthly City Clerk's report including receipts and disbursements by fund was prepared and provided to the City Council. However, this monthly report did not include balances for each fund or a comparison of total disbursements to the certified budget by function.

Cause – Policies have not been established and procedures have not been implemented which require the City Clerk to provide the City Council with the required financial information.

Effect – The City Council may not have effective control over budgeted disbursements and the ability to amend the budget on a timely basis. In addition, City Council is not provided the information, including fund balances, needed to make informed financial decisions.

Recommendation – The City Clerk should prepare a monthly City Clerk's report which includes receipts, disbursements, transfers and balances for each fund and comparisons of total disbursements by function to the certified budget.

Response – All City reports are currently being revamped to include additional information and more detail which will provide the City Council the knowledge that they need in order to make the appropriate decisions going forward. The City Clerk will also take time to teach the City Council members what these new reports reflect.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the public works, culture and recreation, general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Due to a change in staff, the budget was not amended. However, going forward, the budget will be amended when necessary. This is a one-time event.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
LaDonna Kennedy, Mayor, Owner Kennedy Tree Service	Snow removal	\$ 1,420

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with the Mayor do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, the City did not publish annual gross salaries in accordance with an Attorney General’s opinion dated April 12, 1978.

Recommendation – The City should publish annual individual salaries, as required.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

Response – This was an oversight for 2018. This will become part of the year-end process once the W-2's are generated. The information will be given to the newspaper to publish.

Conclusion – Response accepted.

- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B of the Code of Iowa. Also, a resolution naming official depositories has not been adopted by the City Council.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B of the Code of Iowa. Additionally, a resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council.

Response – The City will write and approve a written investment policy and a depository resolution.

Conclusion – Response accepted.

- (8) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner in include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check. This includes the City's main checking account, Library account and Community Center's account.

Recommendation – The City should retain an image of both the front and back of each cancelled check as required.

Response – The City Clerk will notify the bank that copies of the back of the checks is also needed per the Code of Iowa.

Conclusion – Response accepted.

- (9) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required.

Recommendation – Outstanding obligations should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State annually, as required.

Response – The City will write a policy associated with unclaimed property and then will follow that policy. The current outstanding uncashed checks will be reviewed and handled accordingly.

Conclusion – Response accepted.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

- (10) Financial Condition – The Enterprise, Water Fund had a deficit balance of \$32,787 at June 30, 2018.

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

Response – The City will investigate options to bring the fund back to a sound financial position. Also, this may require increases in fees to make sure the water department doesn't end up in a negative balance.

Conclusion – Response accepted.

- (11) Sales Tax – We noted instances of purchases including sales tax in the City's Community Center checking account. Chapter 422.5(5) of the Code of Iowa exempts the City from the payment of sales tax.

Recommendation – The City should implement procedures to ensure sales tax is not paid on exempt goods and services.

Response – The City will work with the Community Center coordinator to make sure that sales tax isn't paid on any expenses and the City will provide whatever is necessary to avoid paying those additional taxes.

Conclusion – Response accepted.

- (12) Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property."

The City Library and Community Center maintain bank accounts for activity separate from the City Clerk's accounting records. While the Library and Community Center are part of the City, the transactions and the resulting balances were not included in the City's accounting records and were not entirely included in the City's annual budget, monthly financial reports or Annual Financial Reports.

In addition, the transactions and resulting balances of the accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of the accounts' receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the City Library and Community Center’s separate accounts should be integrated with the City’s accounting records in the City Clerk’s office. The financial activity should be included in the City Clerk’s accounting records, monthly financial reports and the Annual Financial Reports. The activity in the accounts should be subject to City Council review and approval and should be included in the City’s budget process. Also, a summary of each accounts’ receipts, total disbursements and listings of claims allowed each month should be published, as required.

Response – As previously stated, the City will ask the various departments for monthly reports along with additional reconciliations that the City Clerk will then include in the monthly reporting to the City Council.

Conclusion – Response acknowledged. The City should integrate the financial transactions of the City Library and Community Center with the City Clerk records to strengthen internal controls and to ensure the required publications are done.

- (13) Solid Waste Sales Tax – Certain non-residential commercial businesses contract directly with a refuse hauler for a commercial dumpster. The City bills these businesses the standard solid waste rate representing only a portion of the total fee for services provided. The remaining portion is billed directly by the garbage contractor. Sales tax is not charged or included with the portion billed by the City as is required by the Iowa Department of Revenue. Also, it is unclear whether the remaining portion of the bill paid directly to the garbage contractor is taxed as required.

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

Response – The City Clerk will talk with the garbage service company to find out what is the best way to deal with this. The City Clerk would recommend that all commercial dumpsters are handled directly with the garbage service company and that the City doesn’t handle any of the billing associated with that service.

Conclusion – Response accepted.

- (14) Dual Compensation – Chapter 372.13(8) of the Code of Iowa states, in part, “Except as provided in section 362.5, an elected city officer is not entitled to receive any other compensation for any other city office or city employment during that officer’s tenure in office but may be reimbursed for actual expenses incurred.”

During the fiscal year, Council member Randall Perkins was compensated \$341 for performing snow removal services for the City. Mr. Perkins bid on the job and was paid as an independent contractor; however, Mr. Perkins used the City’s snow plow to perform the services. Accordingly, he appears to have been acting as an employee of the City. This compensation appears to violate Chapter 372.13(8) of the Code of Iowa which prohibits a Council Member from receiving compensation as a City employee while serving on the City Council.

City of Jamaica

Schedule of Findings

Year ended June 30, 2018

Recommendation – The City should seek reimbursement for the \$341 improperly paid to the City Council member.

Response – The City will consult legal counsel, but the City publishes a bid for the snowplow driver spot and due to the lack of people in the community, the only person who bid on it was also a City Council member. The City can't go without a snowplow driver.

Conclusion – Response acknowledged. The City should comply with the Code of Iowa.

- (15) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections of receipts, all accounts due to the City, and all expenditures...". The City's Annual Financial report included receipts, disbursements and fund balances which did not agree with City records. In addition, the amounts reported as the fiscal year 2018 budget were for the fiscal year 2019 budget.

Recommendation – The City should implement procedures to ensure the Annual Financial Report materially agrees with the City's records and certified budget.

Response – The new City Clerk has been trained and is fully aware of the process and procedure now. In addition, it will be included at the end of the fiscal period procedures and this situation shouldn't happen again. The City is also looking into to finding another method for the accounting functions to help ease the process for preparing the AFR for the City Clerk, so it isn't so time difficult.

Conclusion – Response accepted.

- (16) Petition for Audit – Except as noted, all items included in the petition for audit have been resolved.

City of Jamaica

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Suzanne R. Dahlstrom, CPA, Manager  
Karen L. Brustkern, CPA, Senior Auditor II  
Brett S. Gillen, CPA Staff Auditor  
Alexia M. Grgurich, Staff Auditor