



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

February 18, 2011

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Jesup, Iowa.

The City's receipts totaled \$3,244,604 for the year ended June 30, 2010, a 19.5% increase over the prior year. The receipts included \$833,213 in property tax, \$196,237 from tax increment financing, \$668,013 from charges for service, \$393,027 from operating grants, contributions and restricted interest, \$171,528 from local option sales tax, \$22,095 from unrestricted interest on investments, \$851,072 from note proceeds and \$109,419 from other general receipts.

Disbursements for the year totaled \$3,551,313, a 27.5% increase over the prior year, and included \$853,490 for debt service, \$650,275 for public works and \$507,639 for community and economic development. Also, disbursements for business type activities totaled \$470,160.

The significant increase in receipts and disbursements is due primarily to bond proceeds received and disbursed to refund two capital loan notes, pay for street improvements and purchase a dump truck.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1020-0077-B00F.pdf>.

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**CITY OF JESUP**

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

**JUNE 30, 2010**

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**City of Jesup**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2010)</b>		
Jacob Spiegel	Mayor	Jan 2010
Darren Engbretson	Mayor Pro tem	Jan 2012
James Geweke(Appointed)	Council Member	Nov 2009
Richard Quakenbush	Council Member	Jan 2010
Mike Joblinske	Council Member	(Resigned)
Marsha McGlaughlin (Elected)	Council Member	Jan 2012
Rich Schaefer	Council Member	Jan 2012
Linda Michael	Clerk/Treasurer	(Resigned)
LeAnn Even (Appointed)	Clerk/Treasurer	Indefinite
Susan Brown	Billing Clerk	Indefinite
John S. Pieters	Attorney	Indefinite

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(After January 2010)</b>		
Richard Quackenbush	Mayor	Jan 2012
Marsha McGlaughlin	Mayor Pro tem	Jan 2012
Darren Engbretson	Council Member	Jan 2012
Rich Schaefer	Council Member	Jan 2012
Dave Bishop	Council Member	Jan 2014
James Geweke	Council Member	Jan 2014
LeAnn Even	Clerk/Treasurer	Indefinite
Koley Mead	Deputy Clerk	Indefinite
Susan Brown	Billing Clerk	Indefinite
John S. Pieters	Attorney	(Resigned)
Carter Stevens (Appointed)	Attorney	Indefinite

**City of Jesup**



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David A. Vaudt, CPA  
Auditor of State

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup, 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 Jesup'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.

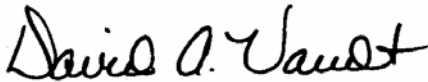
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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 and the aggregate remaining fund information of the City of Jesup 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 January 21, 2011 on our consideration of the City of Jesup'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 the 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.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain 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 Jesup'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 (which are not 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 4 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 21, 2011



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Jesup provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- The City's total receipts for governmental activities increased 23.8%, or approximately \$531,000, over fiscal year 2009. The total cost of all governmental activities programs and services increased 34.0%, or approximately \$781,000. The increase in receipts and disbursements was primarily the result of receiving note proceeds of \$851,072 and refunding two capital loan notes, paying for street improvements, purchasing a dump truck and repaying TIF debt.
- The City's governmental activities cash balance at June 30, 2010 decreased 14.7%, or approximately \$314,000, from June 30, 2009.
- The cost of all governmental activities this year was approximately \$3,081,000 compared to approximately \$2,300,000 last year. The amount taxpayers ultimately financed for these activities was approximately \$2,489,000 because some of the cost was paid by those directly benefited from the programs (\$199,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$393,000).

### **USING THIS ANNUAL REPORT**

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

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

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

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

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

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

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

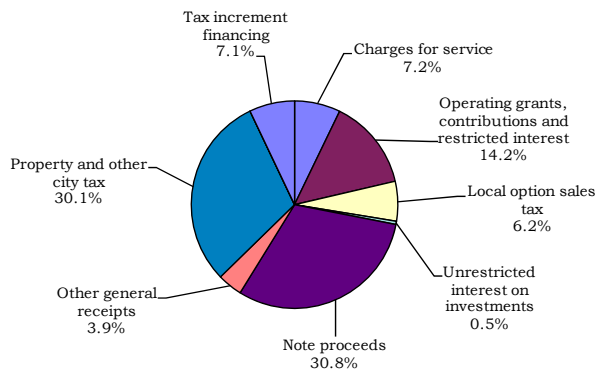
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

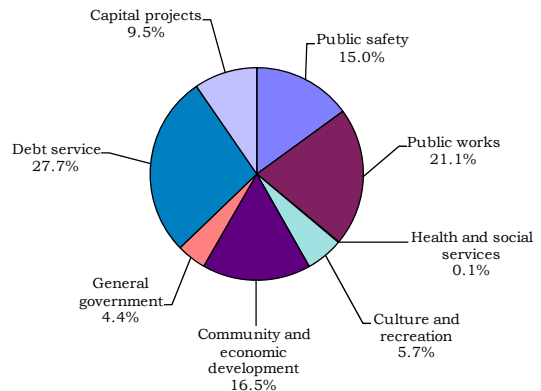
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$2.130 million to approximately \$1.817 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 198,728	\$ 217,484
Operating grants, contributions and restricted interest	393,027	321,919
Capital grants, contributions and restricted interest	-	68,098
General receipts:		
Property and other city tax	833,213	843,287
Tax increment financing	196,237	6,907
Local option sales tax	171,528	174,298
Unrestricted interest on investments	14,345	11,284
Note proceeds	851,072	568,680
Other general receipts	109,204	24,162
Total receipts	<u>2,767,354</u>	<u>2,236,119</u>
Disbursements:		
Public safety	461,475	449,386
Public works	650,275	382,207
Health and social services	1,925	1,925
Culture and recreation	175,873	162,105
Community and economic development	507,639	98,877
General government	137,150	133,584
Debt service	853,490	267,153
Capital projects	293,326	804,923
Total disbursements	<u>3,081,153</u>	<u>2,300,160</u>
Net change in cash basis net assets	(313,799)	(64,041)
Cash basis net assets beginning of year	2,130,393	2,194,434
Cash basis net assets end of year	<u>\$ 1,816,594</u>	<u>\$ 2,130,393</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities were approximately \$2,767,000. The total cost of all programs and services was approximately \$3,081,000, with no new programs added this year. The increase in receipts was primarily the result of general obligation and tax increment financing (TIF) note proceeds. The cash basis net assets of the City's governmental activities decreased approximately \$314,000, or 14.7%, from June 30, 2009.

As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was approximately \$2,489,000 because some of the cost was paid by those directly benefited from the programs (\$199,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$393,000).

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 191,394	193,506
Sewer	277,891	276,699
General receipts:		
Unrestricted interest on investments	7,750	9,327
Sale of capital assets	215	-
Total receipts	<u>477,250</u>	<u>479,532</u>
Disbursements:		
Water	217,039	206,853
Sewer	253,121	279,394
Total disbursements	<u>470,160</u>	<u>486,247</u>
Net change in cash basis net assets	7,090	(6,715)
Cash basis net assets beginning of year	<u>760,699</u>	<u>767,414</u>
Cash basis net assets end of year	<u>\$ 767,789</u>	<u>760,699</u>

Total business type activities receipts for the year were approximately \$477,000 compared to approximately \$480,000 last year.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Jesup completed the year, its governmental funds reported a combined fund balance of \$1,816,594, a decrease of \$313,799 from last year's total of \$2,130,393. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$112,780 over the prior year to \$664,011. The increase is primarily due to operating transfers of \$64,050 from other funds.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$172,144 to \$201,532. The decrease is due primarily to increased disbursements for road projects.
- The Special Revenue, Tax Increment Financing Fund cash balance decreased \$360,097 to \$90,189. The decrease was due primarily to the City using tax increment financing resources for road projects in the urban renewal area.

- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$116,777 over the prior year to \$490,025. The increase was due primarily to the City not spending local option sales tax collections for capital projects in the current fiscal year.
- The Debt Service Fund cash balance increased \$34,519 over the prior year to \$109,383. The increase was due primarily to an increase in property tax collected.
- The Capital Projects Fund cash balance decreased \$83,661 to a deficit of \$94,597. The decrease was due primarily to increased disbursements for road projects.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased \$23,004 to \$244,979, due primarily to the City building a new water building during the fiscal year.
- The Sewer Fund cash balance increased \$30,094 to \$522,810 due to receipts outpacing disbursements.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 3, 2010. The amendment provided for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City’s receipts were \$305,043 less than budgeted. This was primarily due to the City over budgeting for a grant that was not received in the fiscal year.

Total disbursements were \$370,402 less than the amended budget. Actual disbursements for the public works, business type activities and capital projects functions were \$134,449, \$140,688 and \$325,174, respectively, less than the amended budget. This was primarily due to road work not progressing as anticipated and a project not getting completed in the fiscal year as anticipated.

**DEBT ADMINISTRATION**

At June 30, 2010, the City had \$2,000,000 of outstanding notes and bonds, compared to \$2,050,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2010	2009
General obligation capital loan notes	\$1,585,000	1,525,000
Water revenue bonds	130,000	155,000
Sewer revenue notes	285,000	370,000
Total	\$2,000,000	2,050,000

The City issued \$850,000 of general obligation capital loan notes in the current fiscal year to refund two general obligation capital loan note issues, pay for street projects and purchase a dump truck.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$1,585,000 is significantly below its constitutional debt limit of \$6,379,477.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Jesup's elected and appointed officials and department heads considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities.

Increases were budgeted for property and other city tax due to increased taxable property valuations and an increased employee benefit levy.

An increase was budgeted for charges for service as the water and sewer rates were raised in September 2010.

Other financing sources and capital projects expenditures were increased for planned water main and sanitary sewer improvements.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Clerk/Treasurer, PO Box 592, Jesup, Iowa 50648.

## **Basic Financial Statements**

City of Jesup

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
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 461,475	183,586	130,619
Public works	650,275	1,534	234,263
Health and social services	1,925	-	-
Culture and recreation	175,873	8,852	26,632
Community and economic development	507,639	-	-
General government	137,150	4,756	-
Debt service	853,490	-	1,300
Capital projects	293,326	-	213
Total governmental activities	3,081,153	198,728	393,027
Business type activities:			
Water	217,039	191,394	-
Sewer	253,121	277,891	-
Total business type activities	470,160	469,285	-
Total	\$ 3,551,313	668,013	393,027
<b>General Receipts:</b>			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Unrestricted interest on investments			
Note proceeds			
Sale of assets			
Miscellaneous			
Total general receipts			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
<b>Cash Basis Net Assets</b>			
Restricted:			
Expendable:			
Streets			
Tax increment financing			
Local option sales tax			
Debt service			
Other purposes			
Unrestricted			
<b>Total cash basis net assets</b>			

See notes to financial statements.



Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(147,270)	-	(147,270)
(414,478)	-	(414,478)
(1,925)	-	(1,925)
(140,389)	-	(140,389)
(507,639)	-	(507,639)
(132,394)	-	(132,394)
(852,190)	-	(852,190)
(293,113)	-	(293,113)
(2,489,398)	-	(2,489,398)
-	(25,645)	(25,645)
-	24,770	24,770
-	(875)	(875)
(2,489,398)	(875)	(2,490,273)
648,576	-	648,576
184,637	-	184,637
196,237	-	196,237
171,528	-	171,528
14,345	7,750	22,095
851,072	-	851,072
2,621	215	2,836
106,583	-	106,583
2,175,599	7,965	2,183,564
(313,799)	7,090	(306,709)
2,130,393	760,699	2,891,092
\$ 1,816,594	767,789	2,584,383
\$ 201,532	-	201,532
90,189	-	90,189
490,025	-	490,025
109,383	396,281	505,664
418,562	-	418,562
506,903	371,508	878,411
\$ 1,816,594	767,789	2,584,383

City of Jesup

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	Road Use Tax	Tax Increment Financing
<b>Receipts:</b>			
Property tax	\$ 547,278	-	-
Tax increment financing	-	-	196,237
Other city tax	2,368	-	-
Licenses and permits	21,475	-	-
Use of money and property	7,302	-	-
Intergovernmental	58,024	198,928	681
Charges for service	148,209	-	-
Special assessments	25,674	-	-
Miscellaneous	51,231	-	-
Total receipts	<u>861,561</u>	<u>198,928</u>	<u>196,918</u>
<b>Disbursements:</b>			
<b>Operating:</b>			
Public safety	333,960	-	-
Public works	204,490	370,172	-
Health and social services	1,925	-	-
Culture and recreation	151,652	-	-
Community and economic development	823	-	506,015
General government	119,602	-	-
Debt service	-	-	-
Capital projects	-	900	-
Total disbursements	<u>812,452</u>	<u>371,072</u>	<u>506,015</u>
Excess (deficiency) of receipts over (under) disbursements	<u>49,109</u>	<u>(172,144)</u>	<u>(309,097)</u>
<b>Other financing sources (uses):</b>			
Note proceeds, net of \$1,072 fees and premium	-	-	-
Sale of capital assets	2,621	-	-
Operating transfers in	64,050	-	-
Operating transfers out	(3,000)	-	(51,000)
Total other financing sources (uses)	<u>63,671</u>	<u>-</u>	<u>(51,000)</u>
Net change in cash balances	112,780	(172,144)	(360,097)
Cash balances beginning of year	551,231	373,676	450,286
Cash balances end of year	<u>\$ 664,011</u>	<u>201,532</u>	<u>90,189</u>
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	-
<b>Unreserved:</b>			
General fund	664,011	-	-
Special revenue funds	-	201,532	90,189
Capital projects fund	-	-	-
Total cash basis fund balances	<u>\$ 664,011</u>	<u>201,532</u>	<u>90,189</u>

See notes to financial statements.

Local Option Sales Tax	Debt Service	Capital Projects	Nonmajor	Total
-	184,637	-	98,931	830,846
-	-	-	-	196,237
171,528	-	-	-	173,896
-	-	-	-	21,475
3,801	1,300	213	3,406	16,022
-	-	-	9,661	267,294
-	-	-	-	148,209
-	-	-	-	25,674
-	-	-	182,777	234,008
175,329	185,937	213	294,775	1,913,661
-	-	-	127,515	461,475
-	-	-	75,613	650,275
-	-	-	-	1,925
-	-	-	24,221	175,873
-	-	-	801	507,639
-	-	-	17,548	137,150
-	853,490	-	-	853,490
8,552	-	283,874	-	293,326
8,552	853,490	283,874	245,698	3,081,153
166,777	(667,553)	(283,661)	49,077	(1,167,492)
-	851,072	-	-	851,072
-	-	-	-	2,621
-	101,000	200,000	3,000	368,050
(50,000)	(250,000)	-	(14,050)	(368,050)
(50,000)	702,072	200,000	(11,050)	853,693
116,777	34,519	(83,661)	38,027	(313,799)
373,248	74,864	(10,936)	318,024	2,130,393
490,025	109,383	(94,597)	356,051	1,816,594
-	109,383	-	-	109,383
-	-	-	-	664,011
490,025	-	-	356,051	1,137,797
-	-	(94,597)	-	(94,597)
490,025	109,383	(94,597)	356,051	1,816,594

## City of Jesup

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

As of and for the year ended June 30, 2010

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 191,394	277,891	469,285
Operating disbursements:			
Business type activities	184,289	149,381	333,670
Excess of operating receipts over operating disbursements	7,105	128,510	135,615
Non-operating receipts (disbursements):			
Interest on investments	2,641	5,109	7,750
Debt service	(32,750)	(103,740)	(136,490)
Sale of capital assets	-	215	215
Total non-operating receipts (disbursements)	(30,109)	(98,416)	(128,525)
Net change in cash balances	(23,004)	30,094	7,090
Cash balances beginning of year	267,983	492,716	760,699
Cash balances end of year	\$ 244,979	522,810	767,789
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ 81,294	314,987	396,281
Unreserved	163,685	207,823	371,508
Total cash basis fund balances	\$ 244,979	522,810	767,789

See notes to financial statements.

City of Jesup

Notes to Financial Statements

June 30, 2010

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

The City of Jesup is a political subdivision of the State of Iowa located in Buchanan County. It was first incorporated in 1876 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 Jesup 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 Jesup (the primary government), and the following component units: the Jesup Fire Association, the Jesup Ambulance Crew Association, the Jesup Library Endowment Fund Incorporated and the Friends of the Jesup Public Library. These component units are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

The Jesup Fire Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The Jesup Fire Association has been established pursuant to local ordinance to prevent and extinguish fires and to protect lives and property against fires, to promote fire prevention and fire safety and to answer all emergency calls for which there is no other established agency. Although the Jesup Fire Association is legally separate from the City, its purpose is to benefit the City of Jesup (the primary government) by providing the above services and by soliciting contributions and managing those funds.

The Jesup Ambulance Crew Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Jesup Ambulance Crew Association is legally separate from the City, its purpose is to benefit the City of Jesup (the primary government) by soliciting contributions and managing those funds.

The Jesup Library Endowment Fund Incorporated (Endowment Fund) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The purpose of the Endowment Fund is to provide additional financial support for the library and to continue the development of its collection and maintain excellent service to the public. Although the Endowment Fund is legally separate from the City, its purpose is to benefit the City of Jesup (the primary government) by providing the above services and by soliciting contributions and managing those funds.

The Friends of the Jesup Public Library is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Friends of the Jesup Public Library is legally separate from the City, its purpose is to benefit the City of Jesup (the primary government) by maintaining an association of persons interested in the Jesup Public Library, to promote and stimulate use of the Jesup Public Library, to work with and support the library staff and Board of Trustees in their efforts to inform and educate the public as to the library's resources and services and to generate financial support for the further development of library services. Since June 2006, the City of Jesup has been responsible for accounting for the Friends of the Jesup Public Library.

#### 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: County Assessor's Conference Board and Joint E911 Service Board. The City also participates in the Buchanan County Solid Waste Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

#### B. Basis of Presentation

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

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

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

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

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 not paid from other funds.

Special Revenue:

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

The Tax Increment Financing Fund is used to account for projects financed by tax increment financing.

The Local Option Sales Tax Fund is utilized to account for the collection and use of the local option sales tax.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through proprietary funds.

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer 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 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 exceeded the amounts budgeted in the general government and debt service functions.

**(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 had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Capital Loan Notes		Water Revenue Bonds		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 245,000	51,829	30,000	6,500	90,000	14,260	365,000	72,589
2012	295,000	42,898	30,000	5,000	95,000	9,850	420,000	57,748
2013	290,000	35,325	30,000	3,500	100,000	5,100	420,000	43,925
2014	255,000	27,750	30,000	2,000	-	-	285,000	29,750
2015	255,000	19,072	10,000	500	-	-	265,000	19,572
2016-2018	245,000	18,962	-	-	-	-	245,000	18,962
Total	\$ 1,585,000	195,836	130,000	17,500	285,000	29,210	2,000,000	242,546



### Refunding Notes

On April 15, 2010, the City issued \$850,000 of general obligation capital loan notes. The notes were issued as a current refunding to retire the outstanding balances of \$145,000 of the \$415,000 general obligation capital loan notes issued June 1, 2002, \$435,000 of the \$800,000 general obligation capital loan notes issued February 15, 2005 and to purchase a dump truck and pay for the Young and South Street improvement projects. The notes bear interest at rates ranging from 2.00% to 3.00% per annum and mature June 1, 2015.

The refunding reduced total debt service payments over the next five years by \$20,250 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$19,609.

### Revenue Bonds/Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$600,000 of water revenue bonds issued in November 1975. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2015. Annual principal and interest payments on the bonds are expected to require more than 100% of net receipts. The total principal and interest remaining to be paid on the bonds is \$147,500. For the current year, principal and interest paid and total customer net income were \$32,750 and \$7,105, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,080,000 of sewer revenue notes issued in December 1998. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2013. Annual principal and interest payments on the notes are expected to require less than 81% of net receipts. The total principal and interest remaining to be paid on the notes is \$314,210. For the current year, principal and interest paid and total customer net receipts were \$103,340 and \$128,510, respectively.

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

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/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 bond/note sinking accounts within the Enterprise Funds for the purpose of making the bond/note principal and interest payments when due.
- (c) Specified amounts are required to be held in water and sewer reserve accounts. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repair to the systems or, when necessary, for the purpose of making principal and interest payments when due.

**(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 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 \$34,384, \$31,704 and \$29,590, respectively, equal to the required contributions for each year.

**(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 10 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$594 for single coverage and \$1,481 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2010, the City contributed \$119,420 and plan members eligible for benefits contributed \$29,855 to the plan.

**(6) 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 payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 19,900
Comp time	10,500
Total	<u>\$ 30,400</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

**(7) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Emergency	\$ 9,570
	Friends of the Jesup Public Library	4,480
	Debt Service	50,000
Special Revenue:	General	3,000
Park Equipment		
Debt Service	Special Revenue:	
	Tax Increment Financing	51,000
	Local Option Sales Tax	50,000
Capital Projects	Debt Service	200,000
Total		<u>\$ 368,050</u>

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

**(8) 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.

**(9) Construction Contracts**

During the year ended June 30, 2010, the City entered into construction contracts totaling \$702,944 for the South Street reconstruction, Douglas Street Storm Sewer and 10<sup>th</sup> Street and Prospect projects. The balances remaining on the contracts started in 2010 and on-going projects from prior years totaled \$730,766 at June 30, 2010. Project costs will be paid as work on the unfinished projects are completed.

**(9) Tax Increment Development Commitment**

The City entered into an agreement with a business in the City under which incremental property tax collections are to be paid to the business, \$40,000 per year for ten years, up to \$400,000, when certain conditions are met. Payments totaling \$40,000 were made to the business during the year ended June 30, 2010. The cumulative amount paid to the business from inception of this agreement to June 30, 2010 is \$360,000.

**(10) Deficit Balances**

The Capital Projects and Special Revenue, Employee Benefits Funds had deficit balances of \$94,597 and \$62,511, respectively, at June 30, 2010. The City is currently investigating alternatives to eliminate these deficits to return these funds to a sound financial position.

**(11) Subsequent Events**

In November 2010, the City issued \$650,000 of local option sales and service tax revenue bonds and entered into a construction contract totaling \$1,083,980 for the Jesup City Hall project. The balance of the contract will be paid with an I-Jobs grant and other local option sales tax.

**Required Supplementary Information**

City of Jesup  
 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	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 830,846	-	-
Tax increment financing	196,237	-	-
Other city tax	173,896	-	-
Licenses and permits	21,475	-	-
Use of money and property	16,022	7,750	1,589
Intergovernmental	267,294	-	-
Charges for service	148,209	469,285	-
Special assessments	25,674	-	-
Miscellaneous	234,008	-	92,848
Total receipts	1,913,661	477,035	94,437
<b>Disbursements:</b>			
Public safety	461,475	-	51,969
Public works	650,275	-	-
Health and social services	1,925	-	-
Culture and recreation	175,873	-	-
Community and economic development	507,639	-	-
General government	137,150	-	-
Debt service	853,490	-	-
Capital projects	293,326	-	-
Business type activities	-	470,160	-
Total disbursements	3,081,153	470,160	51,969
Excess (deficiency) of receipts over (under) disbursements	(1,167,492)	6,875	42,468
Other financing sources (uses), net	853,693	215	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(313,799)	7,090	42,468
Balances beginning of year	2,130,393	760,699	111,810
Balances end of year	\$ 1,816,594	767,789	154,278

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
830,846	823,177	823,177	7,669
196,237	100,000	100,000	96,237
173,896	117,271	164,671	9,225
21,475	12,750	12,750	8,725
22,183	24,070	24,070	(1,887)
267,294	227,713	791,969	(524,675)
617,494	672,665	672,665	(55,171)
25,674	1,500	1,500	24,174
141,160	10,500	10,500	130,660
<u>2,296,259</u>	<u>1,989,646</u>	<u>2,601,302</u>	<u>(305,043)</u>
409,506	407,995	471,180	61,674
650,275	504,706	784,724	134,449
1,925	1,925	3,025	1,100
175,873	196,510	213,510	37,637
507,639	41,000	622,530	114,891
137,150	135,898	136,198	(952)
853,490	272,741	409,231	(444,259)
293,326	610,000	618,500	325,174
470,160	743,108	610,848	140,688
<u>3,499,344</u>	<u>2,913,883</u>	<u>3,869,746</u>	<u>370,402</u>
(1,203,085)	(924,237)	(1,268,444)	65,359
<u>853,908</u>	<u>630,000</u>	<u>266,660</u>	<u>587,248</u>
(349,177)	(294,237)	(1,001,784)	652,607
<u>2,779,282</u>	<u>2,338,036</u>	<u>2,338,036</u>	<u>441,246</u>
<u>2,430,105</u>	<u>2,043,799</u>	<u>1,336,252</u>	<u>1,093,853</u>

City of Jesup

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 except the blended component units which manage their funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$955,863. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the general government and debt service functions.



**Other Supplementary Information**

City of Jesup

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

As of and for the year ended June 30, 2010

	Employee Benefits	Emergency	Economic Development #2	Community Development	Housing Rehabilitation	Library Memorial
<b>Receipts:</b>						
Property tax	\$ 81,834	17,097	-	-	-	-
Use of money and property	218	216	-	1,083	-	182
Intergovernmental	-	-	-	-	-	-
Miscellaneous	-	-	-	81,370	-	6,633
Total receipts	82,052	17,313	-	82,453	-	6,815
<b>Disbursements:</b>						
Operating:						
Public safety	75,546	-	-	-	-	-
Public works	43,074	32,539	-	-	-	-
Culture and recreation	24,221	-	-	-	-	-
Community and economic development	-	-	-	801	-	-
General government	17,548	-	-	-	-	-
Total disbursements	160,389	32,539	-	801	-	-
Excess (deficiency) of receipts over (under) disbursements	(78,337)	(15,226)	-	81,652	-	6,815
<b>Other financing sources (uses):</b>						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	(9,570)	-	-	-	-
Total other financing sources (uses)	-	(9,570)	-	-	-	-
Net change in cash balances	(78,337)	(24,796)	-	81,652	-	6,815
Cash balances beginning of year	15,826	61,654	133	69,774	981	14,147
Cash balances end of year	\$ (62,511)	36,858	133	151,426	981	20,962
<b>Cash Basis Fund Balances</b>						
Unreserved:						
Special revenue funds	\$ (62,511)	36,858	133	151,426	981	20,962

See accompanying independent auditor's report.

Special Revenue									
Library Community Room	Park Board	Park Equipment	I-Jobs	Jesup Fire Association	Jesup Ambulance Crew Association	Jesup Library Endowment Fund Incorporated	Friends of the Jesup Public Library	Total	
-	-	-	-	-	-	-	-	98,931	
11	-	-	-	92	967	530	107	3,406	
-	-	-	9,661	-	-	-	-	9,661	
25	4	253	-	89,003	3,840	5	1,644	182,777	
36	4	253	9,661	89,095	4,807	535	1,751	294,775	
-	-	-	-	35,459	16,510	-	-	127,515	
-	-	-	-	-	-	-	-	75,613	
-	-	-	-	-	-	-	-	24,221	
-	-	-	-	-	-	-	-	801	
-	-	-	-	-	-	-	-	17,548	
-	-	-	-	35,459	16,510	-	-	245,698	
36	4	253	9,661	53,636	(11,703)	535	1,751	49,077	
-	-	3,000	-	-	-	-	-	3,000	
-	-	-	-	-	-	-	(4,480)	(14,050)	
-	-	3,000	-	-	-	-	(4,480)	(11,050)	
36	4	3,253	9,661	53,636	(11,703)	535	(2,729)	38,027	
1,091	3,966	24,676	-	35,300	61,258	15,252	13,966	318,024	
1,127	3,970	27,929	9,661	88,936	49,555	15,787	11,237	356,051	
1,127	3,970	27,929	9,661	88,936	49,555	15,787	11,237	356,051	

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Street, sewer and water improvements	Jun 1, 2002	3.50-5.10%	\$ 415,000
Essential corporate purpose	Feb 15, 2005	2.70-4.70	800,000
Storm sewer drainage	Mar 1, 2007	3.90-4.25	400,000
Essential corporate purpose	Jul 15, 2008	3.10-4.25	580,000
Essential corporate purpose	Apr 15, 2010	2.00-3.00	850,000
Total			
Revenue bonds:			
Water	Nov 25, 1975	5.00%	\$ 600,000
Revenue notes:			
Sewer	Dec 1, 1998	4.15-5.10%	\$ 1,080,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
190,000	-	190,000	-	9,415
515,000	-	515,000	-	19,520
290,000	-	35,000	255,000	11,913
530,000	-	50,000	480,000	20,292
-	850,000	-	850,000	-
<u>\$ 1,525,000</u>	<u>850,000</u>	<u>790,000</u>	<u>1,585,000</u>	<u>61,140</u>
155,000	-	25,000	130,000	7,750
<u>370,000</u>	<u>-</u>	<u>85,000</u>	<u>285,000</u>	<u>18,340</u>

City of Jesup  
 Bond and Note Maturities  
 June 30, 2010

Year Ending June 30,	General Obligation Capital Loan Notes						Total
	Storm Sewer Drainage		Essential Corporate Purpose		Essential Corporate Purpose		
	Issued Mar 1, 2007		Issued July 15, 2008		Issued April 15, 2010		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2011	4.00%	40,000	3.35%	50,000	2.00%	155,000	245,000
2012	4.05	40,000	3.55	55,000	2.00	200,000	295,000
2013	4.10	40,000	3.70	55,000	2.00	195,000	290,000
2014	4.15	45,000	3.85	60,000	3.00	150,000	255,000
2015	4.20	45,000	4.00	60,000	3.00	150,000	255,000
2016	4.25	45,000	4.10	65,000	-	-	110,000
2017	-	-	4.20	65,000	-	-	65,000
2018	-	-	4.25	70,000	-	-	70,000
Total		<u>\$ 255,000</u>		<u>\$ 480,000</u>		<u>\$ 850,000</u>	<u>1,585,000</u>

See accompanying independent auditor's report.

Revenue Bonds		Revenue Notes	
Water		Sewer	
Issued Nov 25, 1975		Issued Dec 1, 1998	
Interest Rates	Amount	Interest Rates	Amount
5.00%	30,000	4.90%	90,000
5.00	30,000	5.00	95,000
5.00	30,000	5.10	100,000
5.00	30,000		-
5.00	10,000		-
	-		-
	-		-
	-		-
	<u>\$ 130,000</u>		<u>\$ 285,000</u>

**Schedule 4**

## City of Jesup

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Eight Years

	2010	2009	2008	2007	2006	2005	2004	2003
<b>Receipts:</b>								
Property tax	\$ 830,846	840,869	761,075	781,496	650,691	503,038	512,222	460,782
Tax increment financing	196,237	6,907	11,741	5,587	236,915	312,355	200,106	315,334
Other city tax	173,896	176,716	164,191	178,918	127,748	170,132	141,679	175,310
Licenses and permits	21,475	14,968	16,894	18,338	15,617	17,529	14,679	15,147
Use of money and property	16,022	21,490	26,468	51,836	47,709	28,181	18,937	32,500
Intergovernmental	267,294	240,718	296,560	258,546	344,344	314,749	473,734	486,451
Charges for service	148,209	174,982	182,426	146,624	157,037	156,331	148,376	154,394
Special assessments	25,674	4,954	2,902	9,615	5,334	2,265	16,417	9,471
Miscellaneous	234,008	185,835	141,330	114,934	99,082	122,282	196,603	96,335
<b>Total</b>	<b>\$ 1,913,661</b>	<b>\$1,667,439</b>	<b>1,603,587</b>	<b>1,565,894</b>	<b>1,684,477</b>	<b>1,626,862</b>	<b>1,722,753</b>	<b>1,745,724</b>
<b>Disbursements:</b>								
<b>Operating:</b>								
Public safety	\$ 461,475	\$ 449,386	502,417	395,643	353,916	342,490	604,197	370,853
Public works	650,275	382,207	320,566	528,962	340,591	238,806	323,761	131,870
Health and social services	1,925	1,925	1,925	1,925	1,925	1,925	1,925	1,925
Culture and recreation	175,873	162,105	158,822	175,644	155,436	148,931	182,682	184,258
Community and economic development	507,639	98,877	106,308	206,428	189,345	220,884	215,114	323,969
General government	137,150	133,584	127,532	112,409	117,256	92,063	90,537	121,517
Debt service	853,490	267,153	203,140	238,198	218,214	115,327	219,345	246,453
Capital projects	293,326	804,923	365,543	89,305	410,686	607,305	462,439	684,153
<b>Total</b>	<b>\$ 3,081,153</b>	<b>\$2,300,160</b>	<b>1,786,253</b>	<b>1,748,514</b>	<b>1,787,369</b>	<b>1,767,731</b>	<b>2,100,000</b>	<b>2,064,998</b>

See accompanying independent auditor's report.





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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Jesup, 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 January 21, 2011. 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 Jesup'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 an opinion on the effectiveness of the City of Jesup's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Jesup'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, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be 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 Jesup'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) and (B) 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 the accompanying Schedule of Findings as items (C), (D) and (E) to be significant deficiencies.

## Compliance and Other Matters

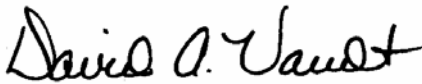
As part of obtaining reasonable assurance about whether the City of Jesup's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

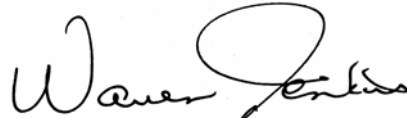
The City of Jesup's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Jesup's responses and, accordingly, we express no opinion on them.

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 Jesup and other parties to whom the City of Jesup may report and 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 Jesup 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 21, 2011

City of Jesup

Schedule of Findings

Year ended June 30, 2010

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

(A) 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. Inadequate segregation of duties was noted in the following areas:

- Responsibilities for receipt collection, deposit preparation and reconciliation functions are not segregated from those of recording and accounting for disbursements or receipts.
- Responsibilities for disbursement preparation are not segregated from those for recording cash disbursements.
- There is no independent approval of bank reconciliation.
- Mail is not opened by someone who does not have access to the accounting system.
- Responsibilities for maintaining detailed utility account billing records are not segregated from collections and records posting.

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 – The Mayor will be approving the monthly bank reconciliation. The City will continue to segregate responsibilities for disbursements, receipts and reconciliations to the best of their ability with limited staff.

Conclusion – Response accepted.

(B) Utility Billings – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. The Council or a Council – designated independent person should review the reconciliations and monitor delinquencies.

Response – A report has been established reconciling utility billings, collections and delinquent accounts for each month. This will be reviewed and monitored each month by the Mayor.

Conclusion – Response accepted.

City of Jesup

Schedule of Findings

Year ended June 30, 2010

- (C) Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to 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.
- (4) Ensure city accounts are appropriately utilized.

Response – The City is compiling a daily procedures manual to be used at City Hall. The administrative committee will review and revise this manual.

Conclusion – Response accepted.

- (D) Component Units – The Jesup Fire Association and the Jesup Ambulance Crew Association do not prepare bank reconciliations on a monthly basis.

Recommendation – The Jesup Fire Association and the Jesup Ambulance Crew Association should prepare monthly bank reconciliations and the reconciliations should be reviewed by an independent individual.

Responses –

Jesup Fire Association – A monthly bank reconciliation will be performed and a committee will review and approve the reconciliation.

Jesup Ambulance Crew Association – A bank reconciliation will be done monthly with the Ambulance Chief.

Conclusion – Responses accepted.

- (E) Fire Department Billing – One reimbursement for the use of City equipment for a train derailment was deposited to the Fire Association bank account.

Recommendation – Reimbursements for use of City equipment should be deposited to a City account.

Responses – The Fire Association has paid this to the City's account

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Jesup

Schedule of Findings

Year ended June 30, 2010

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public works and community and economic development functions before the May 3, 2010 budget amendment was adopted.

In addition disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the general government and debt service functions at year end. 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 sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Amendments will be adopted so budgets are not exceeded.

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 – No business transactions between the City and City officials were noted.
- (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) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds and Notes – No instances of non-compliance with the provisions of the revenue bond and note indentures were noted.
- (9) Financial Condition – The Capital Projects and Special Revenue, Employee Benefits Funds had deficit balances of \$94,597 and \$62,511, respectively, at June 30, 2010.

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

City of Jesup

Schedule of Findings

Year ended June 30, 2010

Response – Funds will be transferred accordingly upon completion of the capital projects. Employee benefits have been levied and the remainder will be paid out of the General Fund.

Conclusion – Response accepted.

- (10) Tax Increment Financing – The City’s tax increment financing (TIF) certification required by Chapter 403 of the Code of Iowa and filed November 2006 certified \$489,625 of TIF debt outstanding. The City has over certified debt to be paid from TIF, resulting in excess TIF funds.

In addition the City has earned interest on TIF funds. Investment income earned on debt proceeds should be used for the payment of principal and interest in accordance with the debt covenants under which the debt was issued or for the same project for which the debt was issued. Investment income from unspent debt proceeds should not be used outside the scope and purpose of the original debt covenants or for other projects unless specifically allowed by the debt covenants.

Recommendation – The City should consult Buchanan County and decertify excess TIF funds.

Response – The City has subsequently decertified excess TIF to Buchanan County in the amount of \$158,920.

Conclusion – Response accepted.


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City of Jesup

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Aaron P. Wagner, CPA, Staff Auditor  
Rosemary E. Nielsen, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, prominent initial "A".

Andrew E. Nielsen, CPA  
Deputy Auditor of State