



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

January 26, 2012

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 \$5,220,768 for the year ended June 30, 2011, a 60.9% increase over the prior year. The receipts included \$1,007,393 in property tax, \$100,258 from tax increment financing, \$860,552 from charges for service, \$413,820 from operating grants, contributions and restricted interest, \$475,000 from capital grants, contributions and restricted interest, \$179,461 from local option sales tax, \$17,633 from unrestricted interest on investments, \$1,497,843 from note proceeds, \$647,635 from bond proceeds and \$21,173 from other general receipts.

Disbursements for the year totaled \$3,677,346 a 3.5% increase over the prior year, and included \$1,515,202 for capital projects, \$459,888 for public safety and \$403,864 for public works. Also, disbursements for business type activities totaled \$496,798.

The significant increase in receipts and disbursements is due primarily to bond proceeds received and disbursed to pay for street improvements and a new City Hall.

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/1120-0077-B00F.pdf>.

###

CITY OF JESUP

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

JUNE 30, 2011

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	18
Notes to Financial Statements		19-26
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		28-29
Notes to Required Supplementary Information – Budgetary Reporting		30
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	32-33
Schedule of Indebtedness	2	34-35
Bond and Note Maturities	3	36-37
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	38-39
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>		41-42
Schedule of Findings		43-45
Staff		46

City of Jesup

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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
Chris Even	Public Works Director	Indefinite
Carter Stevens	Attorney	Indefinite

City of Jesup



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2011, 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.

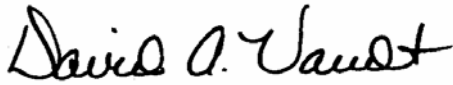
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, 2011, 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.

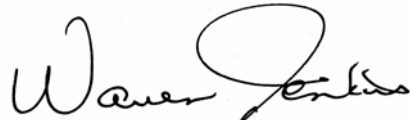
In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2011 on our consideration of the City of Jesup's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 eight years ended June 30, 2010 (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

December 20, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- The City's total receipts for governmental activities increased 66.6%, or approximately \$1,844,000, over fiscal year 2010. The total cost of all governmental activities programs and services increased 3.2%, or approximately \$99,000. The increase in receipts and disbursements was primarily the result of receiving note and bond proceeds of \$2,145,178 and an I-Jobs grant for \$475,000 to pay for street improvements and a new City Hall.
- The City's governmental activities cash balance at June 30, 2011 increased 99.2%, or approximately \$1,801,000, over June 30, 2010.
- The cost of all governmental activities this year was approximately \$3,216,000 compared to approximately \$3,081,000 last year. The amount taxpayers ultimately financed for these activities was approximately \$2,071,000 because some of the cost was paid by those directly benefited from the programs (\$257,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$889,000).

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 financial 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.

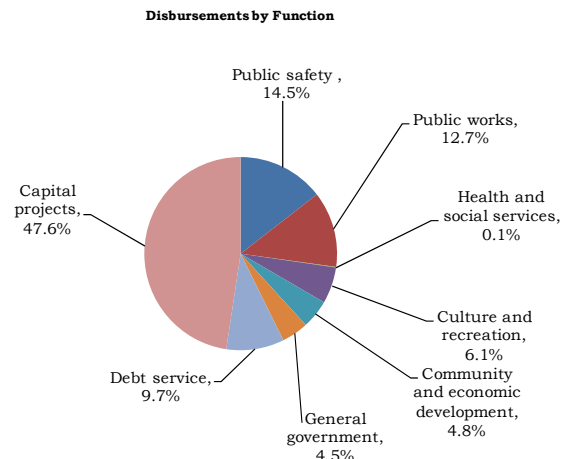
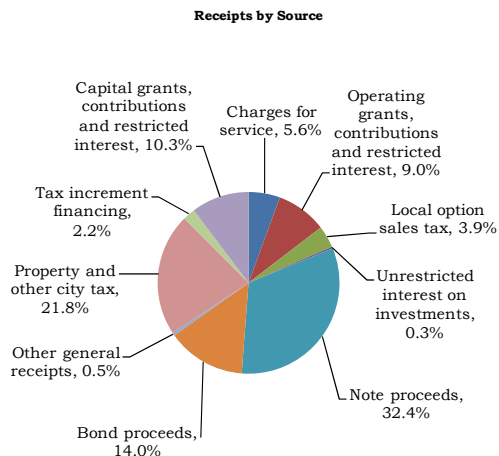
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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 increased from a year ago, increasing from approximately \$1.817 million to approximately \$3.618 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,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service	\$ 256,517	198,728
Operating grants, contributions and restricted interest	413,820	393,027
Capital grants, contributions and restricted interest	475,000	-
General receipts:		
Property and other city tax	1,007,393	833,213
Tax increment financing	100,258	196,237
Local option sales tax	179,461	171,528
Unrestricted interest on investments	11,960	14,345
Note proceeds	1,497,843	851,072
Bond proceeds	647,635	-
Other general receipts	21,173	109,204
Total receipts	<u>4,611,060</u>	<u>2,767,354</u>
Disbursements:		
Public safety	459,888	461,475
Public works	403,864	650,275
Health and social services	1,925	1,925
Culture and recreation	194,326	175,873
Community and economic development	152,545	507,639
General government	144,351	137,150
Debt service	308,447	853,490
Capital projects	1,515,202	293,326
Total disbursements	<u>3,180,548</u>	<u>3,081,153</u>
Change in cash basis net assets before transfers	1,430,512	(313,799)
Transfers, net	370,976	-
Change in cash basis net assets	<u>1,801,488</u>	<u>(313,799)</u>
Cash basis net assets beginning of year	1,816,594	2,130,393
Cash basis net assets end of year	<u>\$ 3,618,082</u>	<u>1,816,594</u>



The City's total receipts for governmental activities were approximately \$4,611,000. The total cost of all programs and services was approximately \$3,181,000, with no new programs added this year. The increase in receipts was primarily the result of general obligation capital loan note proceeds and local option sales tax revenue bond proceeds. The cash basis net assets of the City's governmental activities increased approximately \$1,801,000 from June 30, 2010.

As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was approximately \$2,071,000 because some of the cost was paid by those directly benefited from the programs (\$257,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$889,000).

	Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 294,353	191,394
Sewer	309,682	277,891
General receipts:		
Unrestricted interest on investments	5,673	7,750
Sale of capital assets	-	215
Total receipts	<u>609,708</u>	<u>477,250</u>
Disbursements:		
Water	223,784	217,039
Sewer	273,014	253,121
Total disbursements	<u>496,798</u>	<u>470,160</u>
Increase in cash basis net assets before transfers	112,910	7,090
Transfers	<u>(370,976)</u>	-
Net change in cash basis net assets	(258,066)	7,090
Cash basis net assets beginning of year	<u>767,789</u>	<u>760,699</u>
Cash basis net assets end of year	<u>\$ 509,723</u>	<u>767,789</u>

Total business type activities receipts for the year were approximately \$610,000 compared to approximately \$477,000 last year due to an increase in water and sewer rates.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Jesup completed the year, its governmental funds reported a combined fund balance of \$3,618,082, an increase of \$1,801,488 from last year's total of \$1,816,594. 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 \$286,625 over the prior year to \$1,019,526. The increase is partially due to an increase in the property tax valuation and increases in charges for service and reimbursements.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$29,639 to \$171,893. The decrease is due primarily to operating transfers of \$57,469 to other funds for road repairs.
- The Special Revenue, Tax Increment Financing Fund cash balance decreased \$88,501 to \$1,688. The decrease was due primarily to the City's repayment to Blackhawk County for \$94,062.

- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$157,602 from the prior year to \$332,423. The decrease was due primarily to net operating transfers of \$329,618 to other funds to help fund capital projects.
- The Debt Service Fund cash balance decreased \$40,864 from the prior year to \$68,519. The decrease was due primarily to the City making required principal payments.
- The Capital Projects Fund cash balance increased \$1,929,917 to \$1,835,320. The increase was due primarily to bond and note proceeds of \$2,180,980 to fund several major capital projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$57,062 to \$187,917, due primarily to operating transfers out of \$129,439 to help fund capital projects.
- The Sewer Fund cash balance decreased \$201,004 to \$321,806 due primarily to operating transfers out of \$241,537 to help fund capital projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 3, 2011. 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 \$750,550 more than budgeted. This was primarily due to the City not budgeting for an I-Jobs grant totaling \$475,000 received during the fiscal year.

Total disbursements were \$709,951 less than the amended budget. Actual disbursements for the public works, business type activities and capital projects functions were \$144,252, \$116,928 and \$387,724, respectively, less than the amended budget. This was primarily due to road work not progressing as anticipated.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$3,785,000 of outstanding notes and bonds, compared to \$2,000,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2011	2010
General obligation capital loan notes	\$2,840,000	1,585,000
Water revenue bonds	100,000	130,000
Sewer revenue notes	195,000	285,000
Local option sales tax revenue bonds	650,000	-
Total	\$3,785,000	2,000,000

The City issued \$1,500,000 of general obligation capital loan notes in the current fiscal year to pay costs of constructing street, water, sanitary sewer, storm sewer and water improvements.

The City also issued \$650,000 of revenue bonds for the purpose of paying costs of capital projects, including constructing, equipping and furnishing a new City Hall.

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 and local option sales tax revenue debt of \$3,490,000 is significantly below its constitutional debt limit of \$6,511,940.

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 2012 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.

Increases were budgeted for savings towards the fire building and fire vehicle replacement funds.

Increases were budgeted for liability, property and self-insurance.

Increases were budgeted for the other employee benefits levy as rates for health insurance and IPERS increased.

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, 2011

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 459,888	248,845	72,631	-
Public works	403,864	965	235,480	-
Health and social services	1,925	-	-	-
Culture and recreation	194,326	3,413	104,923	-
Community and economic development	152,545	-	-	-
General government	144,351	3,294	-	-
Debt service	343,949	-	764	-
Capital projects	1,515,202	-	22	475,000
Total governmental activities	3,216,050	256,517	413,820	475,000
Business type activities:				
Water	223,784	294,353	-	-
Sewer	273,014	309,682	-	-
Total business type activities	496,798	604,035	-	-
Total	\$ 3,712,848	860,552	413,820	475,000
General Receipts and Transfers:				
Property tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Note proceeds, net of \$22,350 premium				
Bond proceeds, net of \$8,630 premium				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Expendable:				
Streets				
Tax increment financing				
Local option sales tax				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(138,412)	-	(138,412)
(167,419)	-	(167,419)
(1,925)	-	(1,925)
(85,990)	-	(85,990)
(152,545)	-	(152,545)
(141,057)	-	(141,057)
(343,185)	-	(343,185)
(1,040,180)	-	(1,040,180)
(2,070,713)	-	(2,070,713)
-	70,569	70,569
-	36,668	36,668
-	107,237	107,237
(2,070,713)	107,237	(1,963,476)
787,806	-	787,806
219,587	-	219,587
100,258	-	100,258
179,461	-	179,461
11,960	5,673	17,633
1,522,350	-	1,522,350
658,630	-	658,630
21,173	-	21,173
370,976	(370,976)	-
3,872,201	(365,303)	3,506,898
1,801,488	(258,066)	1,543,422
1,816,594	767,789	2,584,383
\$ 3,618,082	509,723	4,127,805
\$ 171,893	-	171,893
1,688	-	1,688
265,427	-	265,427
135,515	156,180	291,695
1,835,320	-	1,835,320
188,713	-	188,713
1,019,526	353,543	1,373,069
\$ 3,618,082	509,723	4,127,805

City of Jesup

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

As of and for the year ended June 30, 2011

	General	Special Revenue	
		Road Use Tax	Tax Increment Financing
Receipts:			
Property tax	\$ 607,446	-	-
Tax increment financing	-	-	100,258
Other city tax	1,118	-	-
Licenses and permits	18,818	-	-
Use of money and property	6,152	-	-
Intergovernmental	67,235	212,869	-
Charges for service	203,817	-	-
Special assessments	6,650	-	-
Miscellaneous	123,786	-	-
Total receipts	<u>1,035,022</u>	<u>212,869</u>	<u>100,258</u>
Disbursements:			
Operating:			
Public safety	330,921	-	-
Public works	183,887	175,049	-
Health and social services	1,925	-	-
Culture and recreation	168,055	-	-
Community and economic development	949	-	151,596
General government	122,985	-	-
Debt service	-	-	-
Capital projects	-	9,990	-
Total disbursements	<u>808,722</u>	<u>185,039</u>	<u>151,596</u>
Excess (deficiency) of receipts over (under) disbursements	<u>226,300</u>	<u>27,830</u>	<u>(51,338)</u>
Other financing sources (uses):			
Note proceeds	-	-	-
Bond proceeds	-	-	-
Sale of capital assets	1,619	-	-
Operating transfers in	112,161	-	-
Operating transfers out	(53,455)	(57,469)	(37,163)
Total other financing sources (uses)	<u>60,325</u>	<u>(57,469)</u>	<u>(37,163)</u>
Net change in cash balances	286,625	(29,639)	(88,501)
Cash balances beginning of year, as restated	732,901	201,532	90,189
Cash balances end of year	<u>\$ 1,019,526</u>	<u>171,893</u>	<u>1,688</u>
Cash Basis Fund Balances			
Restricted for:			
Urban renewal purposes	\$ -	-	1,688
Debt service	-	-	-
Streets	-	171,893	-
Capital projects fund	-	-	-
Other purposes	-	-	-
Unassigned	1,019,526	-	-
Total cash basis fund balances	<u>\$ 1,019,526</u>	<u>171,893</u>	<u>1,688</u>

See notes to financial statements.

Local Option Sales Tax	Debt Service	Capital Projects	Nonmajor	Total
-	219,587	-	179,242	1,006,275
-	-	-	-	100,258
179,461	-	-	-	180,579
-	-	-	-	18,818
2,624	764	22	3,183	12,745
-	-	475,000	11,755	766,859
-	-	-	-	203,817
-	-	-	-	6,650
-	-	-	44,176	167,962
182,085	220,351	475,022	238,356	2,463,963
-	-	-	128,967	459,888
-	-	-	44,928	403,864
-	-	-	-	1,925
-	-	-	26,271	194,326
-	-	-	-	152,545
-	-	-	21,366	144,351
10,069	298,378	35,502	-	343,949
-	-	1,505,212	-	1,515,202
10,069	298,378	1,540,714	221,532	3,216,050
172,016	(78,027)	(1,065,692)	16,824	(752,087)
-	-	1,522,350	-	1,522,350
-	-	658,630	-	658,630
-	-	-	-	1,619
65,382	37,163	980,011	53,455	1,248,172
(395,000)	-	(165,382)	(168,727)	(877,196)
(329,618)	37,163	2,995,609	(115,272)	2,553,575
(157,602)	(40,864)	1,929,917	(98,448)	1,801,488
490,025	109,383	(94,597)	287,161	1,816,594
332,423	68,519	1,835,320	188,713	3,618,082
-	-	-	-	1,688
66,996	68,519	-	-	135,515
-	-	-	-	171,893
-	-	1,835,320	-	1,835,320
265,427	-	-	188,713	454,140
-	-	-	-	1,019,526
332,423	68,519	1,835,320	188,713	3,618,082

Exhibit C

City of Jesup

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

As of and for the year ended June 30, 2011

	Enterprise		Total
	Water	Sewer	
Operating receipts:			
Charges for service	\$ 294,353	309,682	604,035
Operating disbursements:			
Business type activities	187,284	151,712	338,996
Excess of operating receipts over operating disbursements	107,069	157,970	265,039
Non-operating receipts (disbursements):			
Interest on investments	1,808	3,865	5,673
Debt service	(36,500)	(104,710)	(141,210)
Capital projects	-	(16,592)	(16,592)
Total non-operating receipts (disbursements)	(34,692)	(117,437)	(152,129)
Excess of receipts over disbursements	72,377	40,533	112,910
Operating transfers out	(129,439)	(241,537)	(370,976)
Net change in cash balances	(57,062)	(201,004)	(258,066)
Cash balances beginning of year	244,979	522,810	767,789
Cash balances end of year	\$ 187,917	321,806	509,723
Cash Basis Fund Balances			
Restricted for debt service	\$ 35,181	120,999	156,180
Unrestricted	152,736	200,807	353,543
Total cash basis fund balances	\$ 187,917	321,806	509,723

See notes to financial statements.

City of Jesup

Notes to Financial Statements

June 30, 2011

(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, 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 proprietary 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 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 Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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 property tax and other revenues to be used 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.

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 imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 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		Local Option Sales Tax Revenue Bonds		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2012	\$ 415,000	88,704	30,000	5,000	55,000	19,362	95,000	9,850	595,000
2013	415,000	74,607	30,000	3,500	60,000	17,850	100,000	5,100	605,000	101,057
2014	385,000	63,908	30,000	2,000	60,000	16,200	-	-	475,000	82,108
2015	385,000	51,981	10,000	500	60,000	14,550	-	-	455,000	67,031
2016	240,000	39,940	-	-	65,000	12,900	-	-	305,000	52,840
2017-2021	845,000	101,444	-	-	350,000	36,352	-	-	1,195,000	137,796
2022	155,000	5,270	-	-	-	-	-	-	155,000	5,270
Total	\$ 2,840,000	425,854	100,000	11,000	650,000	117,214	195,000	14,950	3,785,000	569,018

General Obligation Capital Loan Notes

On May 1, 2011, the City issued \$1,500,000 of general obligation capital loan notes. The notes were issued to pay costs of constructing street, water, sanitary sewer, storm sewer and water improvements. The notes bear interest at rates ranging from 2.50% to 3.40% per annum and mature June 1, 2022.

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 less than 35% of net receipts. The total principal and interest remaining to be paid on the bonds is \$111,000. For the current year, principal and interest paid and total customer net receipts were \$36,500 and \$107,069, respectively.

The City has pledged future local option sales tax receipts, net of specified operating disbursements, to repay \$650,000 of local option sales tax revenue bonds issued in December 2010. Proceeds from the bonds provided financing for constructing, equipping and furnishing a new City Hall. The bonds are payable solely from a portion of local option sales tax receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 44% of net receipts. The total principal and interest remaining to be paid on the bonds is \$767,214. For the current year, interest paid and local option sales tax receipts were \$9,819 and \$179,461, 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 66% of net receipts. The total principal and interest remaining to be paid on the notes is \$209,950. For the current year, principal and interest paid and total customer net receipts were \$104,260 and \$157,970, 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/receipts of the enterprise fund activity and local option sales tax receipts and the bond/note holders hold a lien on the future earnings/receipts of the funds.
- (b) Sufficient monthly transfers shall be made to separate water, sewer and local option sales tax revenue bond/note sinking accounts within the Enterprise or Special Revenue, Local Option Sales Tax 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, sewer and local option sales tax 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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011, 2010 and 2009 were \$37,411, \$34,384 and \$31,704, 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 \$637 for single coverage and \$1,566 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2011, the City contributed \$117,288 and plan members eligible for benefits contributed \$29,322 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, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 25,800
Compensatory time	<u>6,000</u>
Total	<u>\$ 31,800</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	I-Jobs	\$ 9,661
	Friends of the Jesup Public Library	2,500
	Capital Projects	<u>100,000</u>
		<u>112,161</u>
Special Revenue:	Capital Projects	65,382
Local Option Sales Tax	General	<u>53,455</u>
Employee Benefits		<u>118,837</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	<u>37,163</u>
Capital Projects	Special Revenue:	
	Road Use Tax	57,469
	Local Option Sales Tax	395,000
	Community Development	144,811
	I-Jobs	11,755
	Enterprise:	
	Water	129,439
	Sewer	<u>241,537</u>
		<u>980,011</u>
Total		<u>\$1,248,172</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, 2011, the City entered into construction contracts totaling \$2,565,232 for the South Street Phase III, Steven Street, 7th Street, Prospect Street and Jesup City Hall projects. The balances remaining on the contracts started in 2011 and on-going projects from prior years totaled \$2,104,132 at June 30, 2011. Project costs will be paid as work on the unfinished projects are completed.

(10) 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, 2011. The cumulative amount paid to the business from inception of this agreement to June 30, 2011 is \$400,000.

(11) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassification is as follows:

	Balances June 30, 2010, as previously reported	Change in fund type classification per implementation of GASB Statement No. 54	Balances July 1, 2010, as restated
General Fund	\$ 664,011	68,890	732,901
Special Revenue Funds:			
Emergency	36,858	(36,858)	-
Economic Development #2	133	(133)	-
Park Board	3,970	(3,970)	-
Park Equipment	27,929	(27,929)	-

(12) Employee Health Insurance Plan

The City assumes liability for claims between \$250 and \$750 for single coverage and \$500 and \$1,500 for family coverage. Claims in excess of the deductible are insured through the purchase of insurance. For the year ended June 30, 2011, payments totaling \$3,576 for these liabilities were recorded as disbursements in the General Fund.

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, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,006,275	-	-
Tax increment financing	100,258	-	-
Other city tax	180,579	-	-
Licenses and permits	18,818	-	-
Use of money and property	12,745	5,673	2,159
Intergovernmental	766,859	-	-
Charges for service	203,817	604,035	-
Special assessments	6,650	-	-
Miscellaneous	167,962	-	40,424
Total receipts	<u>2,463,963</u>	<u>609,708</u>	<u>42,583</u>
Disbursements:			
Public safety	459,888	-	51,302
Public works	403,864	-	-
Health and social services	1,925	-	-
Culture and recreation	194,326	-	-
Community and economic development	152,545	-	-
General government	144,351	-	-
Debt service	343,949	-	-
Capital projects	1,515,202	-	-
Business type activities	-	496,798	-
Total disbursements	<u>3,216,050</u>	<u>496,798</u>	<u>51,302</u>
Excess (deficiency) of receipts over (under) disbursements	(752,087)	112,910	(8,719)
Other financing sources (uses), net	<u>2,553,575</u>	<u>(370,976)</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,801,488	(258,066)	(8,719)
Balances beginning of year	<u>1,816,594</u>	<u>767,789</u>	<u>154,278</u>
Balances end of year	<u>\$ 3,618,082</u>	<u>509,723</u>	<u>145,559</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,006,275	957,378	957,378	48,897
100,258	93,000	93,000	7,258
180,579	197,495	197,495	(16,916)
18,818	12,700	12,700	6,118
16,259	17,945	17,945	(1,686)
766,859	238,600	238,600	528,259
807,852	709,620	709,620	98,232
6,650	1,500	1,500	5,150
127,538	52,300	52,300	75,238
<u>3,031,088</u>	<u>2,280,538</u>	<u>2,280,538</u>	<u>750,550</u>
408,586	429,318	478,315	69,729
403,864	578,258	548,116	144,252
1,925	1,925	1,925	-
194,326	187,454	223,328	29,002
152,545	94,550	153,079	534
144,351	120,731	151,853	7,502
343,949	269,928	298,229	(45,720)
1,515,202	1,675,000	1,902,926	387,724
496,798	534,376	613,726	116,928
<u>3,661,546</u>	<u>3,891,540</u>	<u>4,371,497</u>	<u>709,951</u>
(630,458)	(1,611,002)	(2,090,959)	1,460,501
<u>2,182,599</u>	<u>1,139,000</u>	<u>1,027,815</u>	<u>1,154,784</u>
1,552,141	(472,002)	(1,063,144)	2,615,285
2,430,105	2,158,209	2,504,981	(74,876)
<u>3,982,246</u>	<u>1,686,207</u>	<u>1,441,837</u>	<u>2,540,409</u>

City of Jesup

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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 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 \$479,957. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the debt service function.

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, 2011

	Special				
	Employee	Community	Housing	Library	Library
	Benefits	Development	Rehabilitation	Memorial	Community
					Room
Receipts:					
Property tax	\$ 179,242	-	-	-	-
Use of money and property	44	726	-	166	9
Intergovernmental	-	-	-	-	-
Miscellaneous	-	-	-	1,526	59
Total receipts	<u>179,286</u>	<u>726</u>	<u>-</u>	<u>1,692</u>	<u>68</u>
Disbursements:					
Operating:					
Public safety	77,665	-	-	-	-
Public works	44,928	-	-	-	-
Culture and recreation	26,271	-	-	-	-
General government	21,366	-	-	-	-
Total disbursements	<u>170,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>9,056</u>	<u>726</u>	<u>-</u>	<u>1,692</u>	<u>68</u>
Other financing sources (uses):					
Operating transfers in	53,455	-	-	-	-
Operating transfers out	-	(144,811)	-	-	-
Total other financing sources (uses)	<u>53,455</u>	<u>(144,811)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	62,511	(144,085)	-	1,692	68
Cash balances beginning of year	(62,511)	151,426	981	20,962	1,127
Cash balances end of year	<u>\$ -</u>	<u>7,341</u>	<u>981</u>	<u>22,654</u>	<u>1,195</u>
Cash Basis Fund Balances					
Restricted for other purposes	<u>\$ -</u>	<u>7,341</u>	<u>981</u>	<u>22,654</u>	<u>1,195</u>

See accompanying independent auditor's report.

Revenue					
I-Jobs	Jesup Fire Association	Jesup Ambulance Crew Association	Jesup Library Endowment Fund Incorporated	Friends of the Jesup Public Library	Total
-	-	-	-	-	179,242
-	1,013	596	550	79	3,183
11,755	-	-	-	-	11,755
-	37,079	3,345	-	2,167	44,176
11,755	38,092	3,941	550	2,246	238,356
-	50,269	1,033	-	-	128,967
-	-	-	-	-	44,928
-	-	-	-	-	26,271
-	-	-	-	-	21,366
-	50,269	1,033	-	-	221,532
11,755	(12,177)	2,908	550	2,246	16,824
-	-	-	-	-	53,455
(21,416)	-	-	-	(2,500)	(168,727)
(21,416)	-	-	-	(2,500)	(115,272)
(9,661)	(12,177)	2,908	550	(254)	(98,448)
9,661	88,936	49,555	15,787	11,237	287,161
-	76,759	52,463	16,337	10,983	188,713
-	76,759	52,463	16,337	10,983	188,713

City of Jesup
Schedule of Indebtedness
Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Storm sewer drainage	Mar 1, 2007	4.05-4.25 %	\$ 400,000
Essential corporate purpose	Jul 15, 2008	3.55-4.25	580,000
Essential corporate purpose	Apr 15, 2010	2.00-3.00	850,000
Essential corporate purpose	May 1, 2011	2.50-3.40	1,500,000
Total			
Revenue bonds:			
Water	Nov 25, 1975	5.00 %	\$ 600,000
Local option sales tax - City Hall	Dec 1, 2010	5.00-5.10	650,000
Total			
Revenue notes:			
Sewer	Dec 1, 1998	5.00-5.10 %	\$ 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
255,000	-	40,000	215,000	10,530
480,000	-	50,000	430,000	18,743
850,000	-	155,000	695,000	22,556
-	1,500,000	-	1,500,000	-
\$ 1,585,000	1,500,000	245,000	2,840,000	51,828
130,000	-	30,000	100,000	6,500
-	650,000	-	650,000	9,819
\$ 130,000	650,000	30,000	750,000	16,319
285,000	-	90,000	195,000	14,260

City of Jesup
Bond and Note Maturities
June 30, 2011

Year Ending June 30,	General Obligation Capital Loan Notes					
	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
2012	4.05%	\$ 40,000	3.55%	\$ 55,000	2.00%	\$ 200,000
2013	4.10	40,000	3.70	55,000	2.00	195,000
2014	4.15	45,000	3.85	60,000	3.00	150,000
2015	4.20	45,000	4.00	60,000	3.00	150,000
2016	4.25	45,000	4.10	65,000		-
2017		-	4.20	65,000		-
2018		-	4.25	70,000		-
2019		-		-		-
2020		-		-		-
2021		-		-		-
2022		-		-		-
Total		<u>\$ 215,000</u>		<u>\$ 430,000</u>		<u>\$ 695,000</u>

Year Ending June 30,	Revenue Bonds					Revenue Notes	
	Water		Local Option Sales Tax - City Hall			Sewer	
	Issued Nov 25, 1975		Issued Dec 1, 2010			Issued Dec 1, 1998	
	Interest Rates	Amount	Interest Rates	Amount	Total	Interest Rates	Amount
2012	5.00%	\$ 30,000	2.75%	\$ 55,000	85,000	5.00%	\$ 95,000
2013	5.00	30,000	2.75	60,000	90,000	5.10	100,000
2014	5.00	30,000	2.75	60,000	90,000		-
2015	5.00	10,000	2.75	60,000	70,000		-
2016		-	2.75	65,000	65,000		-
2017		-	2.75	65,000	65,000		-
2018		-	3.00	70,000	70,000		-
2019		-	3.25	70,000	70,000		-
2020		-	3.50	70,000	70,000		-
2021		-	3.70	75,000	75,000		-
Total		<u>\$ 100,000</u>		<u>\$ 650,000</u>	<u>750,000</u>		<u>\$ 195,000</u>

See accompanying independent auditor's report.

Essential		
Corporate Purpose		
Issued May 1, 2011		
Interest		
Rates	Amount	Total
2.50%	\$ 120,000	415,000
2.50	125,000	415,000
2.50	130,000	385,000
2.50	130,000	385,000
2.50	130,000	240,000
2.50	135,000	200,000
3.05	140,000	210,000
3.05	140,000	140,000
3.05	145,000	145,000
3.20	150,000	150,000
3.40	155,000	155,000
	<u>\$1,500,000</u>	<u>2,840,000</u>

City of Jesup

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

For the Last Nine Years

	2011	2010	2009	2008
Receipts:				
Property tax	\$ 1,006,275	830,846	840,869	761,075
Tax increment financing	100,258	196,237	6,907	11,741
Other city tax	180,579	173,896	176,716	164,191
Licenses and permits	18,818	21,475	14,968	16,894
Use of money and property	12,745	16,022	21,490	26,468
Intergovernmental	766,859	267,294	240,718	296,560
Charges for service	203,817	148,209	174,982	182,426
Special assessments	6,650	25,674	4,954	2,902
Miscellaneous	167,962	234,008	185,835	141,330
Total	\$ 2,463,963	\$ 1,913,661	1,667,439	1,603,587
Disbursements:				
Operating:				
Public safety	\$ 459,888	\$ 461,475	449,386	502,417
Public works	403,864	650,275	382,207	320,566
Health and social services	1,925	1,925	1,925	1,925
Culture and recreation	194,326	175,873	162,105	158,822
Community and economic development	152,545	507,639	98,877	106,308
General government	144,351	137,150	133,584	127,532
Debt service	308,447	853,490	267,153	203,140
Capital projects	1,515,202	293,326	804,923	365,543
Total	\$ 3,180,548	\$ 3,081,153	2,300,160	1,786,253

See accompanying independent auditor's report.

2007	2006	2005	2004	2003
781,496	650,691	503,038	512,222	460,782
5,587	236,915	312,355	200,106	315,334
178,918	127,748	170,132	141,679	175,310
18,338	15,617	17,529	14,679	15,147
51,836	47,709	28,181	18,937	32,500
258,546	344,344	314,749	473,734	486,451
146,624	157,037	156,331	148,376	154,394
9,615	5,334	2,265	16,417	9,471
114,934	99,082	122,282	196,603	96,335
1,565,894	1,684,477	1,626,862	1,722,753	1,745,724
395,643	353,916	342,490	604,197	370,853
528,962	340,591	238,806	323,761	131,870
1,925	1,925	1,925	1,925	1,925
175,644	155,436	148,931	182,682	184,258
206,428	189,345	220,884	215,114	323,969
112,409	117,256	92,063	90,537	121,517
238,198	218,214	115,327	219,345	246,453
89,305	410,686	607,305	462,439	684,153
1,748,514	1,787,369	1,767,731	2,100,000	2,064,998

City of Jesup



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 20, 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

Management of the City of Jesup is responsible for establishing and maintaining effective 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

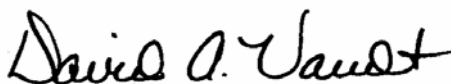
As part of obtaining reasonable assurance about whether the City of Jesup's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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, 2011 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.

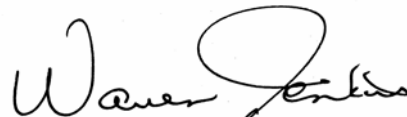
The City of Jesup's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Jesup's responses and, accordingly, we express no opinion on them.

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

December 20, 2011

City of Jesup

Schedule of Findings

Year ended June 30, 2011

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.
- Mail is not opened by someone who does not have access to the accounting system.
- Responsibilities for maintaining detailed accounts receivable 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 utilizing currently available staff, including elected officials.

Response – Segregation of duties is controlled as much as possible considering the limited number of employees.

Conclusion – Response acknowledged. Elected officials could be utilized to further strengthen controls.

(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 delinquent accounts for each billing period. The Council or a Council – designated independent person should review the reconciliations and monitor delinquencies.

Response – A monthly report reconciling utility billings, collections, and delinquent accounts is being generated that will be reviewed and signed by the Mayor or a Council member each month.

Conclusion – Response accepted.

City of Jesup

Schedule of Findings

Year ended June 30, 2011

- (C) 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.

Response – We will work on it.

Conclusion – Response accepted.

- (D) Disbursements – Detailed supporting documentation was not retained for two disbursements tested.

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

Response – Documentation will be kept for all disbursements.

Conclusion – Response accepted.

- (E) Fund Balances – Certain fund balances and revenue totals were incorrect due to miscoded receipts. This was corrected for financial reporting.

Recommendation – The City should implement procedures to help ensure all receipts are properly coded.

Response – This has been corrected.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Jesup

Schedule of Findings

Year ended June 30, 2011

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the community and economic development function before the May 3, 2011 budget amendment was adopted.

In addition disbursements during the year ended June 30, 2011 exceeded the amount budgeted in the debt service function. 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 – The budget will be amended in accordance with Chapter 384.18 of the Code of Iowa.

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 or employees 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 revenue bond and note resolutions were noted.

City of Jesup

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Daniel L. Grady, Senior Auditor
Keith C. Kistenmacher, Staff Auditor
Jamie T. Reuter, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State