



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

State Capitol Building  
Des Moines, Iowa 50319-0004

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David A. Vaudt, CPA  
Auditor of State

NEWS RELEASE

FOR RELEASE

March 1, 2013

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 \$3,287,998 for the year ended June 30, 2012, a 37.0% decrease from the prior year. The receipts included \$1,096,393 in property tax, \$53,241 from tax increment financing, \$789,210 from charges for service, \$631,615 from operating grants, contributions and restricted interest, \$461,500 from capital grants, contributions and restricted interest, \$203,268 from local option sales tax, \$13,293 from unrestricted interest on investments and \$39,478 from other general receipts.

Disbursements for the year totaled \$5,121,747, a 39.3% increase over the prior year, and included \$2,588,450 for capital projects, \$625,595 public safety and \$580,841 for debt service. Also, disbursements for business type activities totaled \$470,162.

The significant decrease in receipts is due primarily to bond and note proceeds received in the prior year. The significant increase in disbursements is due primarily to payments for street improvements.

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/1220-0077-B00F.pdf>.

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**CITY OF JESUP**

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

**JUNE 30, 2012**

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**City of Jesup**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2012)</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
Chris Even	Public Works Director	Indefinite
Carter Stevens	Attorney	Indefinite
<b>(After January 2012)</b>		
Richard Quackenbush	Mayor	Jan 2014
Dave Bishop	Mayor Pro tem	Jan 2014
James Geweke	Council Member	Jan 2014
Darren Engbretson	Council Member	Jan 2016
Todd Rohlfen	Council Member	Jan 2016
Susan Schabacker	Council Member	Jan 2016
LeAnn Even	Clerk/Treasurer	Indefinite
Koley Mead	Deputy Clerk	Indefinite
Chris Even	Public Works Director	Indefinite
Carter Stevens	Attorney	Indefinite

**City of Jesup**



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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, 2012, 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, 2012, 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 February 4, 2013 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.

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 nine years ended June 30, 2011 (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. The supplementary

information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 28 through 30 are presented for purposes of additional analysis and are not required parts of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 4, 2013



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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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- The City's total receipts for governmental activities decreased 41.5%, or approximately \$1,913,000, from fiscal year 2011. The total cost of all governmental activities programs and services increased 46.3%, or approximately \$1,471,000. The significant decrease in receipts is due primarily to bond and note proceeds received in the prior year. This resulted in a \$2,145,478 decrease. The significant increase in disbursements is due primarily to payments for many street improvements.
- The City's governmental activities cash balance at June 30, 2012 decreased 51.4%, or approximately \$1,860,000, from June 30, 2011.
- The cost of all governmental activities this year was approximately \$4,652,000 compared to approximately \$3,181,000 last year. The amount taxpayers ultimately financed for these activities was approximately \$3,357,000 because some of the cost was paid by those directly benefited from the programs (\$202,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$1,093,000).

### **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.

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **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 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.

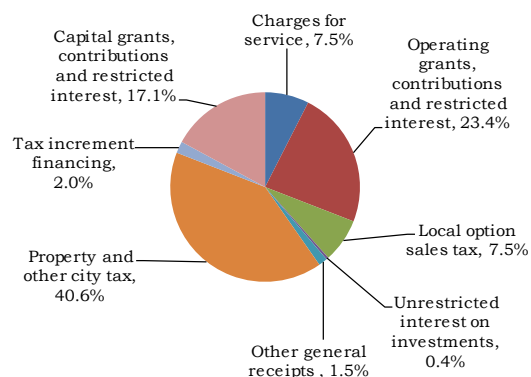
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

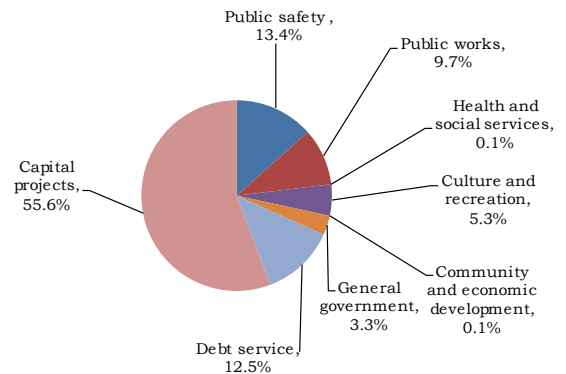
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$3.618 million to approximately \$1.758 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service	\$ 201,783	256,517
Operating grants, contributions and restricted interest	631,615	413,820
Capital grants, contributions and restricted interest	461,500	475,000
General receipts:		
Property and other city tax	1,096,393	1,007,393
Tax increment financing	53,241	100,258
Local option sales tax	203,268	179,461
Unrestricted interest on investments	10,332	11,960
Note proceeds	-	1,497,843
Bond proceeds	-	647,635
Other general receipts	39,478	21,173
Total receipts	2,697,610	4,611,060
Disbursements:		
Public safety	625,595	459,888
Public works	453,006	403,864
Health and social services	1,925	1,925
Culture and recreation	247,481	194,326
Community and economic development	42	152,545
General government	154,245	144,351
Debt service	580,841	308,447
Capital projects	2,588,450	1,515,202
Total disbursements	4,651,585	3,180,548
Change in cash basis net assets before transfers	(1,953,975)	1,430,512
Transfers, net	94,265	370,976
Change in cash basis net assets	(1,859,710)	1,801,488
Cash basis net assets beginning of year	3,618,082	1,816,594
Cash basis net assets end of year	\$ 1,758,372	3,618,082

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities were approximately \$2,698,000. The total cost of all programs and services was approximately \$4,652,000, with no new programs added this year. The decrease in receipts was primarily the result of general obligation capital loan note proceeds and local option sales tax revenue bond proceeds received in the prior year. The cash basis net assets of the City's governmental activities decreased approximately \$1,860,000 from June 30, 2011.

As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was approximately \$3,357,000 because some of the cost was paid by those directly benefited from the programs (\$202,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$1,093,000).

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 317,631	294,353
Sewer	269,796	309,682
General receipts:		
Unrestricted interest on investments	2,961	5,673
Total receipts	<u>590,388</u>	<u>609,708</u>
Disbursements:		
Water	217,573	223,784
Sewer	252,589	273,014
Total disbursements	<u>470,162</u>	<u>496,798</u>
Increase in cash basis net assets before transfers	120,226	112,910
Transfers	<u>(94,265)</u>	<u>(370,976)</u>
Change in cash basis net assets	25,961	(258,066)
Cash basis net assets beginning of year	<u>509,723</u>	<u>767,789</u>
Cash basis net assets end of year	<u>\$ 535,684</u>	<u>509,723</u>

Total business type activities receipts for the year were approximately \$590,000 compared to approximately \$610,000 last year due to a decrease in sewer receipts.

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

As the City of Jesup completed the year, its governmental funds reported a combined fund balance of \$1,758,372, a decrease of \$1,859,710 from last year's total of \$3,618,082. 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 \$168,793 over the prior year to \$1,188,319. The increase is partially due to an increase in the property tax valuation and increases in intergovernmental receipts.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$136,705 to \$35,188. The decrease is due primarily to operating transfers of \$163,830 to other funds for road repair.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$216,179 from the prior year to \$116,244. The decrease was due primarily to transfers of \$346,370 to other funds to help fund capital projects.

- The Debt Service Fund cash balance decreased \$67,824 from the prior year to \$695. The decrease was due primarily to making the required principal payments.
- The Capital Projects Fund cash balance decreased \$1,632,606 to \$202,714. The decrease was due primarily to increased disbursements to pay for several major capital projects.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased \$57,452 to \$245,369, due primarily to an increase in the sale of water and less transfers out than in the prior year.
- The Sewer Fund cash balance decreased \$31,491 to \$290,315 due primarily to transfers out of \$50,570 to help fund capital projects.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on December 6, 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 only \$2,592 more than budgeted.

Total disbursements were \$589,066 less than the amended budget. Actual disbursements for the capital projects, culture and recreation and public safety functions were \$336,575, \$97,189 and \$68,537, respectively, less than the amended budget. This was primarily due to road work not progressing as rapidly as anticipated.

**DEBT ADMINISTRATION**

At June 30, 2012, the City had \$3,190,000 of outstanding notes and bonds, compared to \$3,785,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
General obligation capital loan notes	\$ 2,425,000	2,840,000
Water revenue bonds	70,000	100,000
Local option sales tax revenue bonds	595,000	650,000
Sewer revenue notes	100,000	195,000
Total	\$ 3,190,000	3,785,000

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 \$3,020,000 is significantly below its constitutional debt limit of \$6,641,894.

## **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 2013 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 savings towards the ambulance vehicle replacement funds and salaries for ambulance officers

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

Increases were budgeted for the other employee benefits levy as rates for IPERS increased and all full-time employees were provided clothing and dental expense allowances.

Increases were budgeted for completion of the two railroad crossing improvement projects and the pedestrian crossing at 5<sup>th</sup> Street.

## **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, 2012

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 625,595	191,998	338,714	-
Public works	453,006	1,731	244,652	-
Health and social services	1,925	-	47,709	-
Culture and recreation	247,481	4,280	-	-
Community and economic development	42	-	-	-
General government	154,245	3,774	540	-
Debt service	580,841	-	-	-
Capital projects	2,588,450	-	-	461,500
Total governmental activities	4,651,585	201,783	631,615	461,500
Business type activities:				
Water	217,573	317,631	-	-
Sewer	252,589	269,796	-	-
Total business type activities	470,162	587,427	-	-
Total	\$ 5,121,747	789,210	631,615	461,500

**General Receipts and Transfers:**

Property tax levied for:  
 General purposes  
 Debt service  
 Tax increment financing  
 Local option sales tax  
 Unrestricted interest on investments  
 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  
 Local option sales tax  
 Tax increment financing  
 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
(94,883)	-	(94,883)
(206,623)	-	(206,623)
45,784	-	45,784
(243,201)	-	(243,201)
(42)	-	(42)
(149,931)	-	(149,931)
(580,841)	-	(580,841)
(2,126,950)	-	(2,126,950)
(3,356,687)	-	(3,356,687)
-	100,058	100,058
-	17,207	17,207
-	117,265	117,265
(3,356,687)	117,265	(3,239,422)
909,418	-	909,418
186,975	-	186,975
53,241	-	53,241
203,268	-	203,268
10,332	2,961	13,293
39,478	-	39,478
94,265	(94,265)	-
1,496,977	(91,304)	1,405,673
(1,859,710)	25,961	(1,833,749)
3,618,082	509,723	4,127,805
\$ 1,758,372	535,684	2,294,056
\$ 35,188	-	35,188
44,140	-	44,140
122	-	122
72,799	157,420	230,219
202,714	-	202,714
215,090	-	215,090
1,188,319	378,264	1,566,583
\$ 1,758,372	535,684	2,294,056

City of Jesup

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

As of and for the year ended June 30, 2012

	Special Revenue			Debt Service
	General	Road Use Tax	Local Sales Tax	
<b>Receipts:</b>				
Property tax	\$ 677,769	-	-	186,975
Tax increment financing	-	-	-	-
Other city tax	1,248	-	203,268	-
Licenses and permits	16,520	-	-	-
Use of money and property	7,194	-	2,060	540
Intergovernmental	200,300	242,534	-	-
Charges for service	149,866	-	-	-
Special assessments	2,118	-	-	-
Miscellaneous	190,587	-	-	-
<b>Total receipts</b>	<b>1,245,602</b>	<b>242,534</b>	<b>205,328</b>	<b>187,515</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	485,941	-	-	-
Public works	190,404	215,409	-	-
Health and social services	1,925	-	-	-
Culture and recreation	214,314	-	-	-
Community and economic development	42	-	-	-
General government	132,390	-	-	-
Debt service	-	-	75,137	505,704
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>1,025,016</b>	<b>215,409</b>	<b>75,137</b>	<b>505,704</b>
Excess (deficiency) of receipts over (under) disbursements	220,586	27,125	130,191	(318,189)
<b>Other financing sources (uses):</b>				
Sale of capital assets	17,967	-	-	-
Operating transfers in	8,299	-	-	250,365
Operating transfers out	(78,059)	(163,830)	(346,370)	-
<b>Total other financing sources (uses)</b>	<b>(51,793)</b>	<b>(163,830)</b>	<b>(346,370)</b>	<b>250,365</b>
Change in cash balances	168,793	(136,705)	(216,179)	(67,824)
Cash balances beginning of year, as restated	1,019,526	171,893	332,423	68,519
Cash balances end of year	\$ 1,188,319	35,188	116,244	695
<b>Cash Basis Fund Balances</b>				
<b>Restricted for:</b>				
Streets	\$ -	35,188	-	-
Local option sales tax	-	-	44,140	-
Urban renewal purposes	-	-	-	-
Debt service	-	-	72,104	695
Capital projects	-	-	-	-
Other purposes	-	-	-	-
<b>Unassigned</b>	<b>1,188,319</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total cash basis fund balances</b>	<b>\$ 1,188,319</b>	<b>35,188</b>	<b>116,244</b>	<b>695</b>

See notes to financial statements.

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Capital Projects	Nonmajor	Total
-	230,401	1,095,145
-	53,241	53,241
-	-	204,516
-	-	16,520
-	1,648	11,442
437,500	-	880,334
-	-	149,866
-	-	2,118
24,000	51,874	266,461
461,500	337,164	2,679,643

-	139,654	625,595
-	47,193	453,006
-	-	1,925
-	33,167	247,481
-	-	42
-	21,855	154,245
-	-	580,841
2,588,450	-	2,588,450
2,588,450	241,869	4,651,585
(2,126,950)	95,295	(1,971,942)

-	-	17,967
494,344	-	753,008
-	(70,484)	(658,743)
494,344	(70,484)	112,232
(1,632,606)	24,811	(1,859,710)
1,835,320	190,401	3,618,082
202,714	215,212	1,758,372

-	-	35,188
-	-	44,140
-	122	122
-	-	72,799
202,714	-	202,714
-	215,090	215,090
-	-	1,188,319
202,714	215,212	1,758,372

**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, 2012

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 317,631	269,796	587,427
Operating disbursements:			
Business type activities	182,573	147,239	329,812
Excess of operating receipts over operating disbursements	135,058	122,557	257,615
Non-operating receipts (disbursements):			
Interest on investments	1,089	1,872	2,961
Debt service	(35,000)	(105,350)	(140,350)
Total non-operating receipts (disbursements)	(33,911)	(103,478)	(137,389)
Excess of receipts over disbursements	101,147	19,079	120,226
Transfers out	(43,695)	(50,570)	(94,265)
Change in cash balances	57,452	(31,491)	25,961
Cash balances beginning of year	187,917	321,806	509,723
Cash balances end of year	\$ 245,369	290,315	535,684
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ 35,771	121,649	157,420
Unrestricted	209,598	168,666	378,264
Total cash basis fund balances	\$ 245,369	290,315	535,684

See notes to financial statements.

City of Jesup

Notes to Financial Statements

June 30, 2012

**(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 (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 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 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 (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 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) 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 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 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 (Friends) 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 Friends 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, Buchanan County Emergency Management Commission 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 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 Other Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2012 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
2013	\$ 415,000	74,607	30,000	3,500	60,000	18,125	100,000	5,100	605,000	101,332
2014	385,000	63,908	30,000	2,000	60,000	16,475	-	-	475,000	82,383
2015	385,000	51,980	10,000	500	60,000	14,825	-	-	455,000	67,305
2016	240,000	39,940	-	-	65,000	13,175	-	-	305,000	53,115
2017	200,000	32,113	-	-	65,000	11,388	-	-	265,000	43,501
2018-2022	800,000	74,602	-	-	285,000	25,100	-	-	1,085,000	99,702
Total	\$ 2,425,000	337,150	70,000	6,000	595,000	99,088	100,000	5,100	3,190,000	447,338

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 26% of net receipts. The total principal and interest remaining to be paid on the bonds is \$76,000. For the current year, principal and interest paid and total customer net receipts were \$35,000 and \$135,058, 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 37% of net receipts. The total principal and interest remaining to be paid on the bonds is \$694,088. For the current year, principal and interest paid and local option sales tax receipts were \$74,638 and \$203,268, 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 86% of net receipts. The total principal and interest remaining to be paid on the notes is \$105,100. For the current year, principal and interest paid and total customer net receipts were \$104,850 and \$122,557, 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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$42,520, \$37,411 and \$34,384, 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 their families. There are 11 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 \$563 for single coverage and \$1,381 for family coverage. For the year ended June 30, 2012, the City contributed \$126,902 and plan members eligible for benefits contributed \$31,725 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, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 25,000
Compensatory time	<u>13,000</u>
Total	<u>\$ 38,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Library Community Room	\$ 1,222
	Library Memorial	2,918
	Friends of the Jesup Public Library	<u>4,159</u>
		<u>8,299</u>
Debt Service	Special Revenue:	
	Road Use Tax	88,506
	Local Option Sales Tax	29,252
	Tax Increment Financing	54,807
	Enterprise:	
	Water	27,230
	Sewer	<u>50,570</u>
		<u>250,365</u>
Capital Projects	General	78,059
	Special Revenue:	
	Road Use Tax	75,324
	Local Option Sales Tax	317,118
	Community Development	7,378
	Enterprise:	
	Water	<u>16,465</u>
		<u>494,344</u>
Total		<u>\$ 753,008</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**

At June 30, 2012, the City had remaining contract balances totaling \$72,320 for on-going projects. Project costs will be paid as work on the unfinished projects progresses.

**(10) 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, 2012, deductible payments totaling \$3,343 were recorded as disbursements in the General Fund.

## **Other 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

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,095,145	-	-
Tax increment financing	53,241	-	-
Other city tax	204,516	-	-
Licenses and permits	16,520	-	-
Use of money and property	11,442	2,961	1,432
Intergovernmental	880,334	-	-
Charges for service	149,866	587,427	-
Special assessments	2,118	-	-
Miscellaneous	266,461	-	46,432
Total receipts	2,679,643	590,388	47,864
<b>Disbursements:</b>			
Public safety	625,595	-	57,578
Public works	453,006	-	-
Health and social services	1,925	-	-
Culture and recreation	247,481	-	27
Community and economic development	42	-	-
General government	154,245	-	-
Debt service	580,841	-	-
Capital projects	2,588,450	-	-
Business type activities	-	470,162	-
Total disbursements	4,651,585	470,162	57,605
Excess (deficiency) of receipts over (under) disbursements	(1,971,942)	120,226	(9,741)
Other financing sources (uses), net	112,232	(94,265)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,859,710)	25,961	(9,741)
Balances beginning of year	3,618,082	509,723	145,559
Balances end of year	\$ 1,758,372	535,684	135,818

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,095,145	1,073,233	1,073,233	21,912
53,241	53,000	53,000	241
204,516	203,523	203,523	993
16,520	14,640	14,640	1,880
12,971	12,538	13,338	(367)
880,334	1,008,600	898,336	(18,002)
737,293	757,625	769,955	(32,662)
2,118	-	700	1,418
220,029	31,650	192,850	27,179
3,222,167	3,154,809	3,219,575	2,592
568,017	462,544	636,554	68,537
453,006	557,987	484,887	31,881
1,925	1,925	1,925	-
247,454	348,023	344,643	97,189
42	2,000	2,000	1,958
154,245	244,804	160,966	6,721
580,841	339,298	580,742	(99)
2,588,450	2,172,783	2,925,025	336,575
470,162	583,766	516,466	46,304
5,064,142	4,713,130	5,653,208	589,066
(1,841,975)	(1,558,321)	(2,433,633)	591,658
17,967	1,400,000	(12,330)	30,297
(1,824,008)	(158,321)	(2,445,963)	621,955
3,982,246	1,263,498	3,982,244	2
2,158,238	1,105,177	1,536,281	621,957

City of Jesup

Notes to Other Information – Budgetary Reporting

June 30, 2012

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the 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 Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$940,078. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function. Also, disbursements exceeded the amount budgeted in the capital projects function prior to adoption of the budget amendment.



**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, 2012

	Special				
	Employee	Community	Housing	Library	Library
	Benefits	Development	Rehabilitation	Memorial	Community
					Room
<b>Receipts:</b>					
Property tax	\$ 230,401	-	-	-	-
Tax increment financing	-	-	-	-	-
Use of money and property	-	37	-	116	2
Miscellaneous	-	-	-	1,345	96
Total receipts	230,401	37	-	1,461	98
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	82,076	-	-	-	-
Public works	47,193	-	-	-	-
Culture and recreation	33,140	-	-	-	-
General government	21,855	-	-	-	-
Total disbursements	184,264	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	46,137	37	-	1,461	98
<b>Other financing uses:</b>					
Operating transfers out	-	(7,378)	-	(2,918)	(1,222)
Change in cash balances	46,137	(7,341)	-	(1,457)	(1,124)
Cash balances beginning of year	-	7,341	981	22,654	1,195
Cash balances end of year	\$ 46,137	-	981	21,197	71
<b>Cash Basis Fund Balances</b>					
Urban renewal purposes	\$ -	-	-	-	-
Restricted for other purposes	46,137	-	981	21,197	71
Total cash basis fund balances	\$ 46,137	-	981	21,197	71

See accompanying independent auditor's report.

Revenue						
Tax Increment Financing	Jesup Fire Association	Jesup Ambulance Crew Association	Jesup Library Endowment Fund Incorporated	Friends of the Jesup Public Library	Total	
-	-	-	-	-	-	230,401
53,241	-	-	-	-	-	53,241
-	524	339	569	61	-	1,648
-	27,286	19,146	-	4,001	-	51,874
53,241	27,810	19,485	569	4,062	-	337,164
-	53,371	4,207	-	-	-	139,654
-	-	-	-	-	-	47,193
-	-	-	27	-	-	33,167
-	-	-	-	-	-	21,855
-	53,371	4,207	27	-	-	241,869
53,241	(25,561)	15,278	542	4,062	-	95,295
(54,807)	-	-	-	(4,159)	-	(70,484)
(1,566)	(25,561)	15,278	542	(97)	-	24,811
1,688	76,759	52,463	16,337	10,983	-	190,401
122	51,198	67,741	16,879	10,886	-	215,212
122	-	-	-	-	-	122
-	51,198	67,741	16,879	10,886	-	215,090
122	51,198	67,741	16,879	10,886	-	215,212

City of Jesup  
Schedule of Indebtedness  
Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Storm sewer drainage	Mar 1, 2007	4.10-4.25 %	\$ 400,000
Essential corporate purpose	Jul 15, 2008	3.70-4.25	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	Dec 1, 2010	2.75-3.70	650,000
Total			
Revenue notes:			
Sewer	Dec 1, 1998	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
215,000	-	40,000	175,000	8,930
430,000	-	55,000	375,000	17,068
695,000	-	200,000	495,000	16,900
1,500,000	-	120,000	1,380,000	46,056
<u>\$ 2,840,000</u>	<u>-</u>	<u>415,000</u>	<u>2,425,000</u>	<u>88,954</u>
100,000	-	30,000	70,000	5,000
650,000	-	55,000	595,000	19,638
<u>\$ 750,000</u>	<u>-</u>	<u>85,000</u>	<u>665,000</u>	<u>24,638</u>
195,000	-	95,000	100,000	9,850

City of Jesup  
Bond and Note Maturities  
June 30, 2012

Year Ending June 30,	General Obligation Capital Loan Notes								
	Storm Sewer Drainage		Essential Corporate Purpose		Essential Corporate Purpose		Essential Corporate Purpose		Total
	Issued Mar 1, 2007		Issued July 15, 2008		Issued April 15, 2010		Issued May 1, 2011		
	Interest		Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount		
2013	4.10%	\$ 40,000	3.70%	\$ 55,000	2.00%	\$ 195,000	2.50%	\$ 125,000	415,000
2014	4.15	45,000	3.85	60,000	3.00	150,000	2.50	130,000	385,000
2015	4.20	45,000	4.00	60,000	3.00	150,000	2.50	130,000	385,000
2016	4.25	45,000	4.10	65,000	-	-	2.50	130,000	240,000
2017	-	-	4.20	65,000	-	-	2.50	135,000	200,000
2018	-	-	4.25	70,000	-	-	3.05	140,000	210,000
2019	-	-	-	-	-	-	3.05	140,000	140,000
2020	-	-	-	-	-	-	3.05	145,000	145,000
2021	-	-	-	-	-	-	3.20	150,000	150,000
2022	-	-	-	-	-	-	3.40	155,000	155,000
Total		<u>\$ 175,000</u>		<u>\$ 375,000</u>		<u>\$ 495,000</u>		<u>\$ 1,380,000</u>	<u>2,425,000</u>

Year Ending June 30,	Revenue Bonds					Revenue Notes	
	Water		Local Option Sales Tax		Total	Sewer	
	Issued Nov 25, 1975		Issued Dec 1, 2010			Issued Dec 1, 1998	
	Interest		Interest			Interest	
Rates	Amount	Rates	Amount	Rates		Amount	
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>\$ 70,000</u>		<u>\$ 595,000</u>	<u>665,000</u>		<u>\$ 100,000</u>

See accompanying independent auditor's report.

**City of Jesup**

City of Jesup

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

For the Last Ten Years

	2012	2011	2010	2009
<b>Receipts:</b>				
Property tax	\$ 1,095,145	1,006,275	830,846	840,869
Tax increment financing	53,241	100,258	196,237	6,907
Other city tax	204,516	180,579	173,896	176,716
Licenses and permits	16,520	18,818	21,475	14,968
Use of money and property	11,442	12,745	16,022	21,490
Intergovernmental	880,334	766,859	267,294	240,718
Charges for service	149,866	203,817	148,209	174,982
Special assessments	2,118	6,650	25,674	4,954
Miscellaneous	266,461	167,962	234,008	185,835
<b>Total</b>	<b>\$ 2,679,643</b>	<b>2,463,963</b>	<b>1,913,661.0</b>	<b>1,667,439</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 625,595	459,888	461,475.0	449,386
Public works	453,006	403,864	650,275.0	382,207
Health and social services	1,925	1,925	1,925.0	1,925
Culture and recreation	247,481	194,326	175,873.0	162,105
Community and economic development	42	152,545	507,639.0	98,877
General government	154,245	144,351	137,150.0	133,584
Debt service	580,841	343,949	853,490.0	267,153
Capital projects	2,588,450	1,515,202	293,326.0	804,923
<b>Total</b>	<b>\$ 4,651,585</b>	<b>3,216,050</b>	<b>3,081,153.0</b>	<b>2,300,160</b>

See accompanying independent auditor's report.



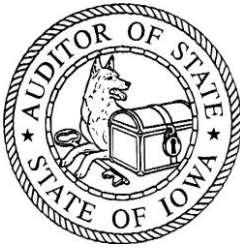
2008	2007	2006	2005	2004	2003
761,075	781,496	650,691	503,038	512,222	460,782
11,741	5,587	236,915	312,355	200,106	315,334
164,191	178,918	127,748	170,132	141,679	175,310
16,894	18,338	15,617	17,529	14,679	15,147
26,468	51,836	47,709	28,181	18,937	32,500
296,560	258,546	344,344	314,749	473,734	486,451
182,426	146,624	157,037	156,331	148,376	154,394
2,902	9,615	5,334	2,265	16,417	9,471
141,330	114,934	99,082	122,282	196,603	96,335
1,603,587	1,565,894	1,684,477	1,626,862	1,722,753	1,745,724
502,417	395,643	353,916	342,490	604,197	370,853
320,566	528,962	340,591	238,806	323,761	131,870
1,925	1,925	1,925	1,925	1,925	1,925
158,822	175,644	155,436	148,931	182,682	184,258
106,308	206,428	189,345	220,884	215,114	323,969
127,532	112,409	117,256	92,063	90,537	121,517
203,140	238,198	218,214	115,327	219,345	246,453
365,543	89,305	410,686	607,305	462,439	684,153
1,786,253	1,748,514	1,787,369	1,767,731	2,100,000	2,064,998

City of Jesup  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Homeland Security: Assistance to Firefighters Grant	97.044	EMW-2010-FR-00010	\$ 122,906
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-3817(604)--70-10	423,232
Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	11-03, Task 495	4,209
State and Community Highway Safety	20.600	12-03, Task 190	4,442
			<u>8,651</u>
Total indirect			<u>431,883</u>
Total			<u>\$ 554,789</u>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Jesup and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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 the City of Jesup, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 4, 2013. 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

The 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 and Questioned Costs, we identified a deficiency in internal control over financial reporting we consider to be a material weakness and another deficiency we consider to be a significant deficiency.

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 deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-12 to be a significant deficiency.

## 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 an instance of non-compliance or other matters which is described in Part IV of the accompanying Schedule of Findings and Questioned Costs.


Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 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 and Questioned Costs. 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, including federal awarding agencies and pass-through entities, 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

February 4, 2013

**Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133**

**City of Jesup**



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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
on Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the City of Jesup, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Jesup's major federal program for the year ended June 30, 2012. The City of Jesup's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Jesup's management. Our responsibility is to express an opinion on the City of Jesup's compliance based on our audit.

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

In our opinion, the City of Jesup complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

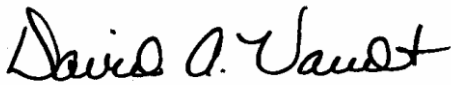
Internal Control Over Compliance

The management of the City of Jesup is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Jesup's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Jesup's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

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, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

February 4, 2013



City of Jesup

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency and a material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Jesup did not qualify as a low-risk auditee.

City of Jesup

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-12 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 receipts or disbursements.
- 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.

II-B-12 Component Units – The Jesup Fire Association did not prepare monthly bank reconciliations until November 2011 and the Jesup Ambulance Crew Association did not prepare bank reconciliations for any months during the year.

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 person. The review should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – We will attempt to convince the respective associations to comply.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Jesup

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES:**

No material weaknesses in internal control over the major program were noted.

City of Jesup

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

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

IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the capital projects function before the budget amendment was adopted on December 6, 2011.

In addition disbursements during the year ended June 30, 2012 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 348.18 of the Code of Iowa.

Conclusion – Response accepted.

IV-B-12 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.

IV-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-12 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Doug Shaffer, Ambulance Chief, Owner of Primrose Heating and Air Conditioning	Plumbing	\$ 797

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Ambulance Chief do not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

IV-E-12 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.

IV-F-12 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-12 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.

IV-H-12 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  
Keith C. Kistenmacher, Senior Auditor  
William B. Corley, Assistant Auditor  
April D. Harbst, Auditor Intern

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