

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

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NEWS RELEASE

FOR RELEASE

February 27, 2018

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Jesup, Iowa.

The City's receipts totaled \$6,114,099 for the year ended June 30, 2017, a 101% increase over the prior year. The receipts included \$1,337,375 of property tax, \$919,951 of charges for service, \$443,665 of operating grants, contributions and restricted interest, \$21,350 of capital grants, contributions and restricted interest, \$238,165 of local option sales tax, \$26,734 of unrestricted interest on investments, \$3,038,619 of bond and note proceeds and \$88,240 of other general receipts.

Disbursements for the year ended June 30, 2017 totaled \$4,168,597, a 29% increase over the prior year, and included \$1,394,321 for capital projects, \$872,505 for debt service and \$521,319 for public safety. Also, disbursements for business type activities totaled \$524,937.

The significant increase in receipts and disbursements is due primarily to bond and note proceeds received and disbursed for capital projects during the year.

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 <https://auditor.iowa.gov/reports/1720-0077-B00F>.

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CITY OF JESUP

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

JUNE 30, 2017

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City of Jesup

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Thompson	Mayor	Jan 2018
Dawn Vogel	Mayor Pro tem	Jan 2020
Jill Chemin	Council Member	Jan 2018
Russ Solomon	Council Member	Jan 2020
Richard Mott	Council Member	Jan 2020
Melissa Trumbauer	Council Member	Jan 2018
LeAnn Even	City Clerk	(Resigned Nov 2016)
Koley Mead (Appointed Nov 2016)	City Clerk	Indefinite
Carter Stevens	Attorney	Indefinite

City of Jesup



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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, 2017, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information


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. The financial statements for the four years ended June 30, 2016 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The 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.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 14 and 36 through 42, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2018 on our consideration of the City of Jesup's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Jesup's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

February 15, 2018

City of Jesup

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, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 131%, or approximately \$3,040,000, from fiscal year 2016 to fiscal year 2017. Bond proceeds increased approximately \$3,025,000.
- Disbursements of the City's governmental activities increased 26%, or approximately \$758,000, in fiscal year 2017 from fiscal year 2016. Capital projects disbursements increased approximately \$698,000.
- The City's total cash basis net position increased 75%, or approximately \$1,945,500, from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net position of the governmental activities increased approximately \$2,117,400 and the cash basis net position of the business type activities decreased approximately \$171,900.

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 Cash Basis Statement of Activities and Net Position. 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 and the City's proportionate share of the net pension liability and related contributions.

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 Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, 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, sanitary sewer system and utility deposits/sales tax. 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 three Enterprise Funds to provide separate information for the Water, Sewer Funds, considered to be major funds of the City, and the Utility Deposit/Sales Tax Fund.

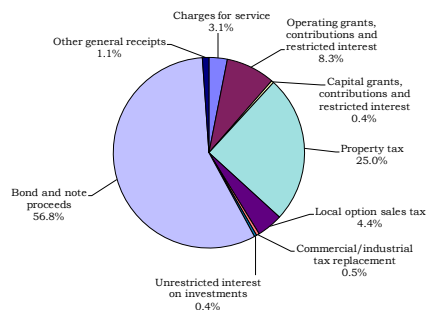
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

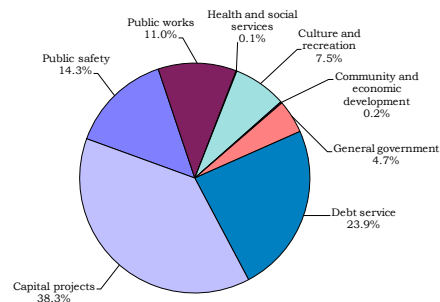
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from approximately \$2.127 million to approximately \$4.245 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service	\$ 166,901	130,073
Operating grants, contributions and restricted interest	443,665	377,192
Capital grants, contributions and restricted interest	21,350	10,700
General receipts:		
Property tax	1,337,375	1,310,814
Local option sales tax	238,165	209,980
Commercial/industrial tax replacement	27,212	30,327
Unrestricted interest on investments	22,483	9,316
Bond and note proceeds	3,038,619	13,900
Other general receipts	61,028	224,368
Total receipts	5,356,798	2,316,670
Disbursements:		
Public safety	521,319	649,112
Public works	399,394	557,356
Health and social services	1,900	2,000
Culture and recreation	272,755	237,435
Community and economic development	8,755	7,489
General government	172,711	181,416
Debt service	872,505	555,237
Capital projects	1,394,321	695,924
Total disbursements	3,643,660	2,885,969
Change in cash basis net position before transfers	1,713,138	(569,299)
Transfers, net	404,294	444,996
Change in cash basis net position	2,117,432	(124,303)
Cash basis net position beginning of year	2,127,221	2,251,524
Cash basis net position end of year	\$ 4,244,653	2,127,221

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities were approximately \$5,356,800. The total cost of all programs and services increased approximately \$757,700 with no new programs added this year. The increase in receipts was primarily the result of general obligation bond and note proceeds received during the year. The cash basis net assets of the City's governmental activities increased approximately \$2,117,400 from June 30, 2016.

The cost of all governmental activities this year was approximately \$3,643,700 compared to approximately \$2,886,000 last year. However, as shown in the Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$3,011,700 because some of the cost was paid by those directly benefited from the programs (approximately \$166,900) or by other governments which subsidized certain programs with grants, contributions and restricted interest (approximately \$465,000).

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 344,967	338,693
Sewer	379,658	348,583
Utility deposits/sales tax	28,425	27,342
General receipts:		
Sale of assets	-	1,570
Unrestricted interest on investments	4,251	4,147
Total receipts	<u>757,301</u>	<u>720,335</u>
Disbursements:		
Water	174,945	126,085
Sewer	324,192	190,265
Utility deposits/sales tax	25,800	25,559
Total disbursements	<u>524,937</u>	<u>341,909</u>
Change in cash basis net position before transfers	232,364	378,426
Transfers, net	<u>(404,294)</u>	<u>(444,996)</u>
Change in cash basis net position	(171,930)	(66,570)
Cash basis net position beginning of year	<u>455,679</u>	<u>522,249</u>
Cash basis net position end of year	<u>\$ 283,749</u>	<u>455,679</u>

Total business type activities receipts for the fiscal year were approximately \$757,300 compared to approximately \$720,300 last year. The increase was due primarily to rate increases for water and sewer. Total disbursements increased 53.5% or approximately \$183,000. The increase in disbursements was primarily due to a sewer system cleaning project and the purchase of water and sewer system equipment.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Jesup completed the year, its governmental funds reported a combined fund balance of \$4,244,653, an increase of \$2,117,432 above last year's total of \$2,127,221. 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 \$127,090 over the prior year to \$1,256,369. \$39,334 of this increase was due to property tax, while the public works function disbursements decreased approximately \$110,000 from the prior year, due primarily to the purchase of a dump truck during fiscal year 2016.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$22,058 to \$36,645.
- The Special Revenue, Local Option Sales Tax Fund increased 32,217 to \$232,055 due primarily to higher local option sales tax received.
- The Debt Service Fund cash balance decreased \$9,761 to \$10,292. This decrease was due to increased bond principal and interest payments.
- The Capital Projects Fund began the year with a cash balance of \$493,888 and ended with a balance of \$2,474,953, an increase of \$1,981,065. The balance increase due to a receipt of bond and note proceeds for projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$59,890 to \$100,213, due primarily to an increase in operating expenses including the purchase of a vacuum excavator.
- The Enterprise, Sewer Fund cash balance decreased \$114,973 to \$142,478, due primarily to an increase in operating expenses including sewer flow study, trailer washing station and cleaning of the sewer system.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 2, 2017 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$139,743 more than budgeted. This was primarily due to the City receiving bond and note proceeds for capital projects.

Total disbursements were \$1,193,694 less than the amended budget. Actual disbursements for the public safety, public works and capital projects functions were \$92,472, \$40,950 and \$1,040,479, respectively, less than the amended budget. This was primarily due to slower progress on city capital projects than expected.

The City exceeded the amount budgeted in the business type activities functions for the year ended June 30, 2017 due to higher costs for sewer projects.

DEBT ADMINISTRATION

At June 30, 2017, the City had \$4,617,274 of debt outstanding, compared to \$2,351,548 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2017	2016
General obligation notes	\$ 2,940,000	1,967,000
Revenue bonds	1,660,000	350,000
Lease purchase agreement	17,274	34,548
Total	\$ 4,617,274	2,351,548

The increase in general obligation debt is primarily due to the City issuing \$1,420,000 of general obligation capital loan notes to pay costs of construction of street, sidewalk repairs, water improvements, sanitary sewer and storm sewer improvements. Additionally, the City issued \$1,660,000 in local option sales tax revenue and refunding bonds to pay costs of an emergency services building and to refund the 2010B local option sales tax revenue bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Jesup's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in Buchanan County was 3.0% and the State of Iowa was 3.2% at June 30, 2017.

An increase was budgeted for property and other city tax due to increased taxable property valuations. An increase was budgeted for use of money and property, intergovernmental, charges for services, and miscellaneous revenue sources.

Capital Projects expenditures were increased for 4th, 5th, and Purdy Street capital project, and emergency services building capital project.

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 Koley Mead, City Clerk, PO Box 592, Jesup, Iowa 50648-0592.

Basic Financial Statements

City of Jesup

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2017

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 521,319	117,308	93,093	-
Public works	399,394	12,254	315,779	-
Health and social services	1,900	-	-	-
Culture and recreation	272,755	1,315	34,793	-
Community and economic development	8,755	-	-	-
General government	172,711	4,137	-	-
Debt service	872,505	-	-	-
Capital projects	1,394,321	31,887	-	21,350
Total governmental activities	3,643,660	166,901	443,665	21,350
Business type activities:				
Water	174,945	344,967	-	-
Sewer	324,192	379,658	-	-
Utility deposits/sales tax	25,800	28,425	-	-
Total business type activities	524,937	753,050	-	-
Total	\$ 4,168,597	919,951	443,665	21,350
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Bond and note proceeds, net of \$27,481 discount and \$13,900 good faith deposit received in 2016				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Expendable:				
Debt service				
Streets				
Local option sales tax				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(310,918)	-	(310,918)
(71,361)	-	(71,361)
(1,900)	-	(1,900)
(236,647)	-	(236,647)
(8,755)	-	(8,755)
(168,574)	-	(168,574)
(872,505)	-	(872,505)
<u>(1,341,084)</u>	<u>-</u>	<u>(1,341,084)</u>
<u>(3,011,744)</u>	<u>-</u>	<u>(3,011,744)</u>
-	170,022	170,022
-	55,466	55,466
-	2,625	2,625
<u>-</u>	<u>228,113</u>	<u>228,113</u>
<u>(3,011,744)</u>	<u>228,113</u>	<u>(2,783,631)</u>
1,006,009	-	1,006,009
331,366	-	331,366
238,165	-	238,165
27,212	-	27,212
22,483	4,251	26,734
3,038,619	-	3,038,619
60,765	-	60,765
263	-	263
<u>404,294</u>	<u>(404,294)</u>	<u>-</u>
<u>5,129,176</u>	<u>(400,043)</u>	<u>4,729,133</u>
2,117,432	(171,930)	1,945,502
2,127,221	455,679	2,582,900
<u>\$ 4,244,653</u>	<u>283,749</u>	<u>4,528,402</u>
\$ 10,292	-	10,292
36,645	-	36,645
232,055	-	232,055
2,474,953	-	2,474,953
347,890	-	347,890
<u>1,142,818</u>	<u>283,749</u>	<u>1,426,567</u>
<u>\$ 4,244,653</u>	<u>283,749</u>	<u>4,528,402</u>

City of Jesup

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

As of and for the year ended June 30, 2017

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 810,876	-	-
Other city tax	1,100	-	238,165
Licenses and permits	18,108	-	-
Use of money and property	22,578	-	2,205
Intergovernmental	91,271	312,842	-
Charges for service	117,110	-	-
Special assessments	157	-	-
Miscellaneous	63,344	-	-
Total receipts	<u>1,124,544</u>	<u>312,842</u>	<u>240,370</u>
Disbursements:			
Operating:			
Public safety	411,117	-	-
Public works	219,619	138,170	-
Health and social services	1,900	-	-
Culture and recreation	226,959	-	-
Community and economic development	7,774	-	-
General government	149,553	-	-
Debt service	-	-	361,534
Capital projects	-	-	57,565
Total disbursements	<u>1,016,922</u>	<u>138,170</u>	<u>419,099</u>
Excess (deficiency) of receipts over disbursements	<u>107,622</u>	<u>174,672</u>	<u>(178,729)</u>
Other financing sources (uses):			
Bond and note proceeds, net of \$27,481 discount and \$13,900 good faith deposit received in 2016	-	-	354,840
Sale of capital assets	263	-	-
Transfers in	19,205	-	-
Transfers out	-	(196,730)	(143,894)
Total other financing sources (uses)	<u>19,468</u>	<u>(196,730)</u>	<u>210,946</u>
Change in cash balances	127,090	(22,058)	32,217
Cash balances beginning of year	1,129,279	58,703	199,838
Cash balances end of year	<u>\$ 1,256,369</u>	<u>36,645</u>	<u>232,055</u>
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	-	-
Streets	-	36,645	-
Local option sales tax	-	-	232,055
Capital projects	-	-	-
Other purposes	113,551	-	-
Committed for capital equipment and improvements	490,148	-	-
Unassigned	652,670	-	-
Total cash basis fund balances	<u>\$ 1,256,369</u>	<u>36,645</u>	<u>232,055</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
331,366	-	194,033	1,336,275
-	-	-	239,265
-	-	-	18,108
1,186	-	1,560	27,529
6,750	-	3,951	414,814
-	31,887	-	148,997
-	-	-	157
-	19,145	50,282	132,771
339,302	51,032	249,826	2,317,916
-	-	110,202	521,319
-	-	41,605	399,394
-	-	-	1,900
-	-	45,796	272,755
-	-	981	8,755
-	-	23,158	172,711
510,971	-	-	872,505
-	1,336,756	-	1,394,321
510,971	1,336,756	221,742	3,643,660
(171,669)	(1,285,724)	28,084	(1,325,744)
-	2,683,779	-	3,038,619
-	-	-	263
161,908	597,730	-	778,843
-	(14,720)	(19,205)	(374,549)
161,908	3,266,789	(19,205)	3,443,176
(9,761)	1,981,065	8,879	2,117,432
20,053	493,888	225,460	2,127,221
10,292	2,474,953	234,339	4,244,653
10,292	-	-	10,292
-	-	-	36,645
-	-	-	232,055
-	2,474,953	-	2,474,953
-	-	234,339	347,890
-	-	-	490,148
-	-	-	652,670
10,292	2,474,953	234,339	4,244,653

City of Jesup

City of Jesup

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

As of and for the year ended June 30, 2017

	Enterprise			
	Water	Sewer	Non-Major	
			Utility Deposits	Total
			Sales Tax	
Operating receipts:				
Charges for service	\$ 344,026	378,805	28,425	751,256
Miscellaneous	941	853	-	1,794
Total operating receipts	344,967	379,658	28,425	753,050
Operating disbursements:				
Business type activities	160,914	230,627	25,800	417,341
Excess of operating receipts over operating disbursements	184,053	149,031	2,625	335,709
Non-operating receipts (disbursements):				
Interest	1,848	2,095	308	4,251
Equipment	(14,031)	(18,380)	-	(32,411)
Capital projects	-	(75,185)	-	(75,185)
Net non-operating receipts (disbursements)	(12,183)	(91,470)	308	(103,345)
Excess of receipts over disbursements	171,870	57,561	2,933	232,364
Transfers in	-	14,720	-	14,720
Transfers out	(231,760)	(187,254)	-	(419,014)
Total operating transfers	(231,760)	(172,534)	-	(404,294)
Change in cash balances	(59,890)	(114,973)	2,933	(171,930)
Cash balances beginning of year	160,103	257,451	38,125	455,679
Cash balances end of year	\$ 100,213	142,478	41,058	283,749
Cash Basis Fund Balances				
Unrestricted	\$ 100,213	142,478	41,058	283,749

See notes to financial statements.

City of Jesup

City of Jesup

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

The City of Jesup is a political subdivision of the State of Iowa located in Buchanan and Black Hawk Counties. 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 primarily 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 discussed below are included in the City's report entity because of the significance of their operational or financial relationship.

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 the 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 primarily government) by providing the above services and by soliciting contributions and managing those funds.

The Jesup Ambulance Crew 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. Although the Association is legally separate from the City, its purpose is to benefit the City of Jesup (the primarily government) by providing the above services and 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 Association is legally separate from the City, its purpose is to benefit the City of Jesup (the primarily government) by providing the above services and by soliciting contributions and managing those funds.

Pursuant to Chapter 501B of the Code of Iowa, the Friends of the Jesup Public Library (Friends) is an unincorporated nonprofit association. The 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. In accordance with criteria set forth by the Governmental Accounting Standards Board, Friends meets the definition of a component unit which should be blended. Based on these criteria, 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. 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, Buchanan County Economic Development and joint E-911 Service Board. The City also participates in the Buchanan County Solid Waste Commission, a jointly governed organization established pursuant to the Chapter 28E of the Code of Iowa.

B. Basis of Presentation

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. 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 used to account for revenues and expenditures of local option sales tax.

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

The Capital Projects Fund is used 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 position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

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

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

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the business type activities function.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 425,000	56,467	55,000	59,945	480,000	116,412
2019	430,000	49,035	65,000	53,013	495,000	102,048
2020	395,000	41,380	65,000	49,762	460,000	91,142
2021	410,000	33,633	70,000	47,813	480,000	81,446
2022	425,000	25,048	70,000	45,712	495,000	70,760
2023-2027	855,000	38,182	380,000	201,038	1,235,000	239,220
2028-2032	-	-	435,000	141,962	435,000	141,962
2033-2037	-	-	520,000	59,762	520,000	59,762
Total	\$ 2,940,000	243,745	1,660,000	659,007	4,600,000	902,752

Revenue Bonds

The City has pledged 60% of future local option sales tax receipts, net of specified operating disbursements, to repay \$1,660,000 of local option sales tax revenue and refunding bonds issued in May 2017. Proceeds from the bonds refunded the remaining principal on the series 2010B bonds and provided financing for acquiring, constructing, furnishing, and equipping of city facilities, including an emergency services facility. The bonds are payable solely from a portion of local option sales tax receipts and are payable through 2037. Annual principal and interest payments on the bonds are expected to require less than 81% of net receipts. The total principal and interest remaining to be paid on the bonds is \$2,319,007. For fiscal year 2018, the principal and interest scheduled to be paid is \$114,945 and the 60% allocated portion of the local option sales tax receipts for fiscal year 2017 was \$142,899.

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

- (a) The bonds will only be redeemed from the future receipts of the Special Revenue, Local Option Sales Tax fund receipts and the bond holders hold a lien on the future receipts of the funds.
- (b) Allocation of the designated portion of the local option sales tax shall be made to a separate local option sales tax revenue bond sinking account with the Special Revenue, Local Option Sales Tax Funds for the purpose of making the bond principal and interest payments when due.

Lease Purchase Agreement

The City entered into an installment purchase agreement for emergency services equipment with a cost of \$51,823. The agreement calls for three equal annual payments. The second installment of \$17,274 was made on September 6, 2016.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement

reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

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

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

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

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%

The City's contributions to IPERS for the year ended June 30, 2017 totaled \$54,068.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$343,174 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the City's proportion was 0.005453%, which was an increase of 0.000476% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$53,080, \$137,989 and \$97,127, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 634,817	343,174	97,127

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

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours 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, 2017, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 17,000
Compensatory time	18,000
Total	<u>\$ 35,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2017.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Library Memorial	<u>\$ 19,205</u>
Debt Service	Special Revenue: Road Use Tax	89,049
	Enterprise: Water	25,905
	Sewer	<u>46,954</u>
		<u>161,908</u>
Capital Projects	Enterprise: Water	205,855
	Sewer	140,300
	Special Revenue: Road Use Tax	107,681
	Local Options Sales Tax	<u>143,894</u>
		<u>597,730</u>
Enterprise: Sewer	Capital Projects	<u>14,720</u>
		<u>\$ 793,563</u>

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

(7) Risk Management

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

(8) Contractual Commitments

The City has entered into various construction contracts totaling approximately \$2,767,000. As of June 30, 2017, approximately \$446,600 has been paid on the contracts. The remaining \$2,320,400 will be paid as work on the projects progresses.

(9) 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 \$1,045 were recorded as disbursements in the General Fund.

(10) New Accounting Pronouncement

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements.

(11) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

City of Jesup

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, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,336,275	-	-
Other city tax	239,265	-	-
Licenses and permits	18,108	-	-
Use of money and property	27,529	4,251	1,538
Intergovernmental	414,814	-	-
Charges for service	148,997	753,050	-
Special assessments	157	-	-
Miscellaneous	132,771		50,282
Total receipts	<u>2,317,916</u>	<u>757,301</u>	<u>51,820</u>
Disbursements:			
Public safety	521,319	-	24,198
Public works	399,394	-	-
Health and social services	1,900	-	-
Culture and recreation	272,755	-	2,193
Community and economic development	8,755	-	-
General government	172,711	-	-
Debt service	872,505	-	-
Capital projects	1,394,321	-	-
Business type activities	-	524,937	-
Total disbursements	<u>3,643,660</u>	<u>524,937</u>	<u>26,391</u>
Excess of receipts over disbursements	(1,325,744)	232,364	25,429
Other financing sources, net	3,443,176	(404,294)	-
Excess of receipts and other financing sources over disbursements and other financing uses	2,117,432	(171,930)	25,429
Balances beginning of year	2,127,221	455,679	183,359
Balances end of year	<u>\$ 4,244,653</u>	<u>283,749</u>	<u>208,788</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,336,275	1,313,480	1,313,480	22,795
239,265	233,749	233,749	5,516
18,108	20,525	20,525	(2,417)
30,242	9,577	25,577	4,665
414,814	395,599	395,599	19,215
902,047	854,270	846,470	55,577
157	300	300	(143)
82,489	312,440	327,440	(244,951)
<u>3,023,397</u>	<u>3,139,940</u>	<u>3,163,140</u>	<u>(139,743)</u>
497,121	588,393	589,593	92,472
399,394	488,344	440,344	40,950
1,900	1,900	1,900	-
270,562	255,567	284,105	13,543
8,755	7,934	9,434	679
172,711	192,115	197,115	24,404
872,505	583,574	872,864	359
1,394,321	1,565,200	2,434,800	1,040,479
524,937	448,345	505,745	(19,192)
<u>4,142,206</u>	<u>4,131,372</u>	<u>5,335,900</u>	<u>1,193,694</u>
(1,118,809)	(991,432)	(2,172,760)	1,053,951
<u>3,038,882</u>	<u>1,301,050</u>	<u>2,645,350</u>	<u>393,532</u>
1,920,073	309,618	472,590	1,447,483
<u>2,399,541</u>	<u>2,188,799</u>	<u>2,444,914</u>	<u>(45,373)</u>
<u><u>4,319,614</u></u>	<u><u>2,498,417</u></u>	<u><u>2,917,504</u></u>	<u><u>1,402,110</u></u>

City of Jesup

Notes to Other Information – Budgetary Reporting

June 30, 2017

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 Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent 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 \$1,204,528. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements exceeded the amount budgeted in the business type activities function.

City of Jesup

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

Iowa Public Employees' Retirement System
For the Last Three Years*
(In Thousands)

Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.005453%	0.004977%	0.004589%
City's proportionate share of the net pension liability	\$ 343	246	182
City's covered-employee payroll	\$ 540	529	518
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	63.52%	46.50%	35.16%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

City of Jesup

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 54	50	49	48
Contributions in relation to the statutorily required contribution	<u>(54)</u>	<u>(50)</u>	<u>(49)</u>	<u>(48)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 584	540	529	518
Contributions as a percentage of covered-employee payroll	9.25%	9.26%	9.26%	9.27%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
45	43	37	34	32	30
(45)	(43)	(37)	(34)	(32)	(30)
-	-	-	-	-	-
488	491	478	462	454	355
9.22%	8.76%	7.74%	7.36%	7.05%	8.45%

City of Jesup

Notes to Other Information – Pension Liability

Year ended June 30, 2017

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Supplementary Information

City of Jesup

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

As of and for the year ended June 30, 2017

	Special		
	Employee Benefits	Housing Rehabilitation	Library
Receipts:			
Property tax	\$ 194,033	-	-
Use of money and property	-	-	22
Intergovernmental	3,951	-	-
Miscellaneous	-	-	-
Total receipts	197,984	-	22
Disbursements:			
Operating:	-		
Public safety	86,004	-	-
Public works	41,605	-	-
Culture and recreation	43,603	-	-
Community and economic development	-	981	-
General government	23,158	-	-
Total disbursements	194,370	981	-
Excess (deficiency) of receipts over (under) disbursements	3,614	(981)	22
Other financing uses:			
Transfers out	-	-	(19,205)
Change in cash balances	3,614	(981)	(19,183)
Cash balances beginning of year	58,108	981	19,183
Cash balances end of year	\$ 61,722	-	-
Cash Basis Fund Balances			
Restricted for other purposes	\$ 61,722	-	-
Total cash basis fund balances	\$ 61,722	-	-

See accompanying independent auditor's report.

Revenue				
Jesup Fire Association	Jesup Ambulance Crew Association	Jesup Library Endowment Fund	Friends of the Jesup Public Library	Total
-	-	-	-	194,033
57	1,236	167	78	1,560
-	-	-	-	3,951
33,581	13,035	-	3,666	50,282
33,638	14,271	167	3,744	249,826
16,115	8,083	-	-	110,202
-	-	-	-	41,605
-	-	-	2,193	45,796
-	-	-	-	981
-	-	-	-	23,158
16,115	8,083	-	2,193	221,742
17,523	6,188	167	1,551	28,084
-	-	-	-	(19,205)
17,523	6,188	167	1,551	8,879
75,949	43,437	18,597	9,205	225,460
93,472	49,625	18,764	10,756	234,339
93,472	49,625	18,764	10,756	234,339
93,472	49,625	18,764	10,756	234,339

City of Jesup
Schedule of Indebtedness
Year ended June 30, 2017

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Corporate purpose, series 2011	May 1, 2011	2.50-3.40%	\$ 1,500,000
Corporate purpose and refunding, series 2013A	Apr 1, 2013	1.25-1.85	1,280,000
Corporate purpose, series 2015A	May 6, 2015	1.99	370,000
Corporate purpose, series 2016	Jul 20, 2016	1.00-2.00	1,420,000
Total			
Revenue bonds:			
Local option and services tax revenue bonds, series 2010B	Dec 1, 2010	2.75-3.70%	\$ 650,000
Local option and services tax revenue and refunding bonds, series 2017	May 4, 2017	2.50-5.00	\$ 1,660,000
Total			
Lease purchase agreement:			
Emergency services equipment	May 25, 2015	0.00%	\$ 51,823

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
865,000	-	135,000	730,000	26,408
915,000	-	125,000	790,000	13,655
187,000	-	187,000	-	3,721
-	1,420,000	-	1,420,000	18,438
\$ 1,967,000	1,420,000	447,000	2,940,000	62,222
350,000	-	350,000	-	10,534
-	1,660,000	-	1,660,000	-
\$ 350,000	1,660,000	350,000	1,660,000	10,534
34,548	-	17,274	17,274	-

City of Jesup

City of Jesup
Bond and Note Maturities
June 30, 2017

Year Ending June 30,	General Obligation Notes						Total
	Corporate Purpose Series 2011		Corporate Purpose Series 2013A		Corporate Purpose Series 2016		
	Issued May 1, 2011		Issued April 1, 2013		Issued July 20, 2016		
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2018	3.05%	\$ 140,000	1.25%	\$ 125,000	1.00%	\$ 160,000	425,000
2019	3.05	140,000	1.25	130,000	1.10	160,000	430,000
2020	3.05	145,000	1.45	130,000	1.20	120,000	395,000
2021	3.20	150,000	1.60	135,000	1.30	125,000	410,000
2022	3.40	155,000	1.75	135,000	1.45	135,000	425,000
2023	-	-	1.85	135,000	1.55	100,000	235,000
2024	-	-	-	-	1.70	235,000	235,000
2025	-	-	-	-	1.85	190,000	190,000
2026	-	-	-	-	2.00	195,000	195,000
Total		<u>\$ 730,000</u>		<u>790,000</u>		<u>1,420,000</u>	<u>2,940,000</u>

Year Ending June 30,	Revenue Bonds	
	LOST and Refunding Bonds	
	Issued May 4, 2017	
	Interest Rates	Amount
2018	5.00%	\$ 55,000
2019	5.00	65,000
2020	3.00	65,000
2021	3.00	70,000
2022	2.50	70,000
2023	2.50	70,000
2024	2.50	75,000
2025	2.50	75,000
2026	3.00	80,000
2027	3.00	80,000
2028	3.00	80,000
2029	3.00	85,000
2030	3.50	85,000
2031	3.50	90,000
2032	3.50	95,000
2033	3.50	95,000
2034	3.75	100,000
2035	3.75	105,000
2036	3.75	110,000
2037	3.75	110,000
Total		<u>\$ 1,660,000</u>

See accompanying independent auditor's report.

City of Jesup

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

For the Last Ten Years

	2017	2016	2015	2014
Receipts:				
Property tax	\$ 1,336,275	1,310,814	1,275,683	1,230,501
Tax increment financing	-	-	23,448	23,381
Other city tax	239,265	209,980	218,133	217,626
Licenses and permits	18,108	16,836	17,078	20,266
Use of money and property	27,529	13,177	5,962	7,020
Intergovernmental	414,814	414,624	341,239	316,913
Charges for service	148,997	112,803	104,836	103,967
Special assessments	157	168	178	3,458
Miscellaneous	132,771	224,368	179,136	148,976
Total	<u>\$ 2,317,916</u>	<u>2,302,770</u>	<u>2,165,693</u>	<u>2,072,108</u>
Disbursements:				
Operating:				
Public safety	\$ 521,319	649,112	645,603	631,275
Public works	399,394	557,356	549,071	376,979
Health and social services	1,900	2,000	2,000	2,000
Culture and recreation	272,755	237,435	228,312	211,462
Community and economic development	8,755	7,489	7,458	170
General government	172,711	181,416	189,858	185,467
Debt service	872,505	555,237	520,638	569,887
Capital projects	1,394,321	695,924	166,952	960,881
Total	<u>\$ 3,643,660</u>	<u>2,885,969</u>	<u>2,309,892</u>	<u>2,938,121</u>

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
1,159,930	1,095,145	1,006,275	830,846	840,869	761,075
47,368	53,241	100,258	196,237	6,907	11,741
211,208	204,516	180,579	173,896	176,716	164,191
21,673	16,520	18,818	21,475	14,968	16,894
8,773	11,442	12,745	16,022	21,490	26,468
301,205	880,334	766,859	267,294	240,718	296,560
153,066	149,866	203,817	148,209	174,982	182,426
1,055	2,118	6,650	25,674	4,954	2,902
156,662	266,461	167,962	234,008	185,835	141,330
<u>2,060,940</u>	<u>2,679,643</u>	<u>2,463,963</u>	<u>1,913,661</u>	<u>1,667,439</u>	<u>1,603,587</u>
438,876	625,595	459,888	461,475	449,386	502,417
289,002	453,006	403,864	650,275	382,207	320,566
2,000	1,925	1,925	1,925	1,925	1,925
201,111	247,481	194,326	175,873	162,105	158,822
436	42	152,545	507,639	98,877	106,308
184,677	154,245	144,351	137,150	133,584	127,532
1,024,577	580,841	343,949	853,490	267,153	203,140
667,936	2,588,450	1,515,202	293,326	804,923	365,543
<u>2,808,615</u>	<u>4,651,585</u>	<u>3,216,050</u>	<u>3,081,153</u>	<u>2,300,160</u>	<u>1,786,253</u>

City of Jesup



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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 15, 2018. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of 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 deficiency described in the accompanying Schedule of Findings as item C 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 which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2017 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 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 the Findings

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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State

February 15, 2018

City of Jesup

Schedule of Findings

Year ended June 30, 2017

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

Condition – Generally, one or two individuals have control over the following areas:

- (1) Responsibilities for receipt collection, deposit preparation and reconciliation functions are not segregated from those of recording and accounting for receipts or disbursements.
- (2) Responsibilities for disbursement preparation are not segregated from those for recording cash disbursements.
- (3) Mail is not opened by someone who does not have access to the accounting system.
- (4) Responsibilities for maintaining detailed accounts receivable records are not segregated from collections and records posting.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

Recommendation – The City should review its control activities 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 individuals

Conclusion – Response acknowledged. The City could utilize elected officials to review financial reports and transactions. Reviews should be evidenced by the initials and date of the reviewer.

City of Jesup

Schedule of Findings

Year ended June 30, 2017

(B) Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts.

Condition – Utility billings and collections were not reconciled for the months of May and June 2017. Also, no independent review of the reconciliations and delinquent accounts were performed.

Cause – Policies have not been established and procedures have not been implemented to maintain reconcile utility billings, collections and delinquent account balances.

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

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquents. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response – The City will work to address these issues. The City is now reconciling utility billing on a monthly basis.

Conclusion – Response accepted.

(C) Capital Projects

Criteria – An effective internal control system provides for internal controls related to reconciling current capital project disbursements to contract awards and subsequent change orders to ensure disbursements do not exceed contract awards unless an approved change order exists.

Condition – The City does not formally reconcile contract awards and subsequent change orders to payments. The City relies on the contracted engineer to reconcile each contract and subsequent change orders to payments. We noted one contract in which the City overpaid the contractor \$821.

Cause – The City has limited number of employees and procedures have not been designed to reconcile current capital projects.

Effect – The City may overpay a contract award.

City of Jesup

Schedule of Findings

Year ended June 30, 2017

Recommendation – The City should ensure all contracts are reconciled to ensure approved contract totals are not exceeded. Also, the City should seek repayment of \$821 from the contractor.

Response – The City will work to address this issue.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amount budgeted in the business type activities 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 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 the future, if applicable.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements which did not appear to 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) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

City of Jesup

Schedule of Findings

Year ended June 30, 2017

- (7) Deposits and Investments – Except as noted, 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.

A resolution naming official depositories has been adopted by the City. However, the maximum deposit amount for one bank was exceeded.

Recommendation – The City should review the depository resolution amount for each bank and ensure the maximum amounts allowed are sufficient.

Response – We will review the depository resolution.

Conclusion – Response accepted.

- (8) Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

- (9) Urban Renewal Report – The Urban Renewal Annual Report was approved and was certified to the Iowa Department of Management on or before December 1. No instances of non-compliances with the Urban Renewal Annual Report were noted.

- (10) Salaries – Certain employees were paid in excess of their authorized salary due to an additional pay period in fiscal year 2017.

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

Response – The City Council will consult legal counsel.


Conclusion – Response accepted.

City of Jesup

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Alex W. Case, Staff Auditor
Cole J. Hanley, CPA, Staff Auditor
Heather M. Poula, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State