



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

January 17, 2008

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 \$2,449,925 for the year ended June 30, 2007, a 12.5% increase over 2006. The receipts included \$781,496 in property tax, \$5,587 from tax increment financing, \$664,302 from charges for service, \$309,981 from operating grants, contributions and restricted interest, \$23,806 from capital grants, contributions and restricted interest, \$178,918 from local option sales tax, \$47,244 from unrestricted interest on investments, \$391,770 from note proceeds and \$41,821 from other general receipts.

Disbursements for the year totaled \$2,164,303, a 3.6% decrease from the prior year, and included \$528,962 for public works, \$395,643 for public safety and \$238,198 for debt service. Also, disbursements for business type activities totaled \$415,789.

The significant increase in receipts is due primarily to the issuance of general obligation capital loan notes for the 3rd Street Sewer project started during the year ended June 30, 2007.

A copy of the 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/reports.htm>.

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

JUNE 30, 2007

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City of Jesup

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Mark J. H. Collett	Mayor	Jan 2008
Richard Quackenbush	Mayor Pro tem	Jan 2010
Darren Engbretson	Council Member	Jan 2008
Mike Joblinske	Council Member	Jan 2008
Roger J. Williams	Council Member	Jan 2008
Jacob Spiegel	Council Member	Jan 2010
Linda Bunnell	Clerk/Treasurer	Indefinite
LeAnn Nichols	Deputy Clerk	Indefinite
Susan Brown	Billing Clerk	Indefinite
John S. Pieters	Attorney	Indefinite

City of Jesup



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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, 2007, 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.

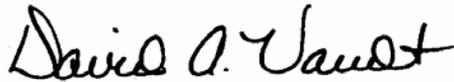
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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, 2007, 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 November 5, 2007 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed 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 four years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 5, 2007

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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- The City's total receipts for governmental activities increased 16.2%, or approximately \$273,200, over fiscal year 2006. The total cost of all governmental activities programs and services decreased 2.2%, or approximately \$38,900. The increase in receipts was primarily the result of \$391,770 in general obligation capital loan note proceeds for the storm sewer improvement project. The decrease in disbursements was not significant.
- The City's governmental activities cash balance at June 30, 2007 increased 10.6%, or approximately \$229,000, over June 30, 2006.
- The cost of all governmental activities this year was approximately \$1,749,000 compared to \$1,787,000 last year. The amount taxpayers ultimately financed for these activities was approximately \$1,220,000 because some of the cost was paid by those directly benefited from the programs (\$195,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$334,000).

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

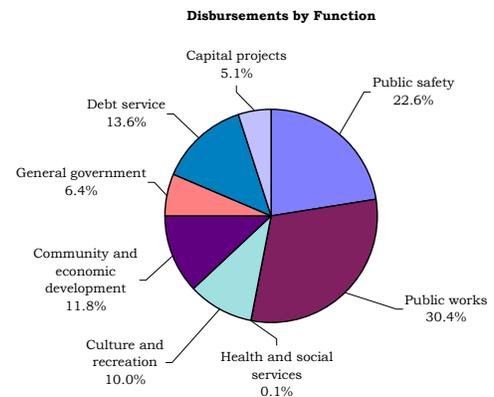
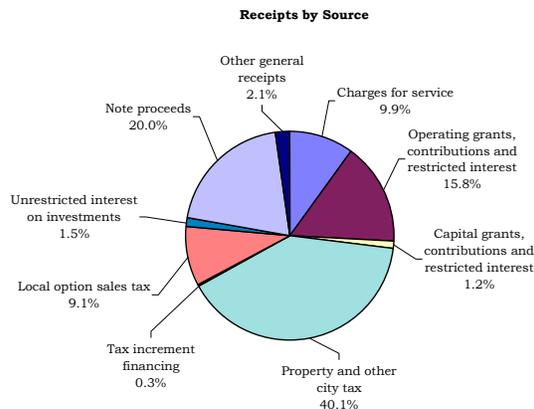
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The 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,	
	2007	2006
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 194,537	188,824
Operating grants, contributions and restricted interest	309,981	320,073
Capital grants, contributions and restricted interest	23,806	114,042
General receipts		
Property and other city tax	781,496	650,690
Tax increment financing	5,587	236,915
Local option sales tax	178,918	127,748
Unrestricted interest on investments	29,748	27,485
Note proceeds	391,770	-
Other general receipts	41,821	18,700
Transfers, net	19,643	-
Total receipts and transfers	<u>1,977,307</u>	<u>1,684,477</u>
Disbursements:		
Public safety	395,643	353,916
Public works	528,962	340,591
Health and social services	1,925	1,925
Culture and recreation	175,644	155,436
Community and economic development	206,428	189,345
General government	112,409	117,256
Debt service	238,198	218,214
Capital projects	89,305	410,686
Total disbursements	<u>1,748,514</u>	<u>1,787,369</u>
Increase (decrease) in cash basis net assets	228,793	(102,892)
Cash basis net assets beginning of year	2,149,381	2,252,273
Cash basis net assets end of year	<u>\$ 2,378,174</u>	<u>2,149,381</u>



The City's total receipts for governmental activities were \$1,957,664. The total cost of all programs and services was \$1,748,514, with no new programs added this year. The cash basis net assets for the City's governmental activities increased due to the sale of general obligation capital loan notes during fiscal 2007 and due to a general decrease in overall disbursements in fiscal 2007.

The City decreased property tax rates for 2007 by an average of 1.1%.

The cost of all governmental activities this year was \$1,748,514. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was approximately \$1,220,000 because some of the cost was paid by those directly benefited from the programs (\$195,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$334,000).

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2007	2006
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 194,618	199,703
Sewer	280,147	278,910
General receipts:		
Unrestricted interest on investments	17,496	15,224
Total receipts	<u>492,261</u>	<u>493,837</u>
Disbursements and transfers:		
Water	172,980	204,035
Sewer	242,809	253,163
Transfers	19,643	-
Total disbursements and transfers	<u>435,432</u>	<u>457,198</u>
Net change in cash basis net assets	56,829	36,639
Cash basis net assets beginning of year	<u>632,730</u>	<u>596,091</u>
Cash basis net assets end of year	<u>\$ 689,559</u>	<u>632,730</u>

Total business type activities receipts for the fiscal year were \$492,261 compared to \$493,837 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Jesup completed the year, its governmental funds reported a combined fund balance of \$2,378,174, an increase of \$228,793 over last year's total of \$2,149,381. 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 \$70,003 over the prior year to \$373,510. This increase is due to an increase in receipts compared to the prior year.
- The Road Use Tax Fund cash balance decreased \$181,321 to \$314,547 during the fiscal year. The City intends to use the Road Use Tax Fund to maintain or upgrade the condition of all City roads and finance street lighting to offset budget cuts.
- The Tax Increment Financing Fund cash balance was \$625,770, a decrease of \$215,189 from the previous year. The decrease was the result of the City spending down the fund, as no TIF was certified.

- The Local Option Sales Tax Fund cash balance increased \$108,374 over the prior year to \$263,929. The increase was a result of adding a township to the City through annexation and increased sales at area businesses.
- The Debt Service Fund cash balance was \$41,872, an increase of \$15,802 over the previous year. Note principal and interest payments increased by \$19,984 in fiscal year 2007.
- The Capital Projects Fund cash balance increased \$354,092 to \$369,124 during the fiscal year. This increase was due to receiving note proceeds from the issuance of general obligation capital loan notes of \$391,770 in fiscal year 2007.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$7,690 to \$254,554.
- The Sewer Fund cash balance increased \$49,139 to \$435,005 due to receipts outpacing disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on February 1, 2007. 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 \$179,554 more than budgeted. This was primarily due to the City under budgeting in the areas of interest on investments, other city tax receipts and miscellaneous receipts.

Total disbursements were \$710,272 less than the amended budget. The actual disbursements for the public works, community and economic development and capital projects functions were \$80,896, \$145,622 and \$410,695, respectively, less than the amended budget. This was primarily due to anticipating more hiring than was actually accomplished, road work that did not progress as anticipated and a drainage project stalled due to easement problems.

DEBT ADMINISTRATION

At June 30, 2007, the City had \$2,030,000 in outstanding notes and bonds, compared to \$1,920,000 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2007	2006
General obligation capital loan notes	\$1,295,000	1,085,000
Water revenue bonds	205,000	230,000
Sewer revenue notes	530,000	605,000
Total	<u>\$2,030,000</u>	<u>1,920,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,295,000 is significantly below its constitutional debt limit of \$3,073,098.

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 2008 budget, tax rates and fees charged for various City activities.

When adopting the budget for fiscal year 2008, the elected officials looked for places to lower costs in each department. They also looked at each department to make sure the budget would meet the realistic monetary requirements for each department. Revenues from the Road Use Tax Fund will pay for street lighting and equipment. The City is planning a drainage project for 2008. This project will be funded by a note issue. The City has added no major new programs to the 2008 budget.

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 Linda Bunnell, City Clerk/Treasurer, 601 Young Street, 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, 2007

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 395,643	120,199	62,147	-
Public works	528,962	70,426	203,913	-
Health and social services	1,925	-	-	-
Culture and recreation	175,644	556	31,066	-
Community and economic development	206,428	-	6,576	23,806
General government	112,409	3,356	-	-
Debt service	238,198	-	5,205	-
Capital projects	89,305	-	1,074	-
Total governmental activities	1,748,514	194,537	309,981	23,806
Business type activities:				
Water	172,980	194,618	-	-
Sewer	242,809	280,147	-	-
Total business type activities	415,789	474,765	-	-
Total	\$ 2,164,303	669,302	309,981	23,806

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
 Local option sales tax
 Unrestricted interest on investments
 Note proceeds, net of discount and issuance costs of \$8,230
 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:

Streets
 Tax increment financing
 Debt service
 Capital projects
 Local option sales tax
 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
(213,297)	-	(213,297)
(254,623)	-	(254,623)
(1,925)	-	(1,925)
(144,022)	-	(144,022)
(176,046)	-	(176,046)
(109,053)	-	(109,053)
(232,993)	-	(232,993)
(88,231)	-	(88,231)
(1,220,190)	-	(1,220,190)

-	21,638	21,638
-	37,338	37,338
-	58,976	58,976
(1,220,190)	58,976	(1,161,214)

648,892	-	648,892
5,587	-	5,587
132,604	-	132,604
178,918	-	178,918
29,748	17,496	47,244
391,770	-	391,770
41,821	-	41,821
19,643	(19,643)	-
1,448,983	(2,147)	1,446,836
228,793	56,829	285,622
2,149,381	632,730	2,782,111
\$ 2,378,174	689,559	3,067,733

\$ 314,547	-	314,547
625,770	-	625,770
41,872	522,279	564,151
369,124	-	369,124
263,929	-	263,929
391,285	-	391,285
371,647	167,280	538,927
\$ 2,378,174	689,559	3,067,733

City of Jesup

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

As of and for the year ended June 30, 2007

	General	Special Revenue	
		Road Use Tax	Tax Increment Financing
Receipts:			
Property tax	\$ 520,748	-	-
Tax increment financing	-	-	5,587
Other city tax	-	-	-
Licenses and permits	18,338	-	-
Use of money and property	15,748	-	18,097
Intergovernmental	47,120	187,620	-
Charges for service	146,624	-	-
Special assessments	9,615	-	-
Miscellaneous	58,309	-	-
Total receipts	<u>816,502</u>	<u>187,620</u>	<u>23,684</u>
Disbursements:			
Operating:			
Public safety	324,354	-	-
Public works	136,587	364,063	-
Health and social services	1,925	-	-
Culture and recreation	156,606	-	-
Community and economic development	2,146	-	196,773
General government	99,791	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>721,409</u>	<u>364,063</u>	<u>196,773</u>
Excess (deficiency) of receipts over (under) disbursements	<u>95,093</u>	<u>(176,443)</u>	<u>(173,089)</u>
Other financing sources (uses):			
Note proceeds, net of discount and issuance costs of \$8,230	-	-	-
Operating transfers in	7,911	-	7,900
Operating transfers out	(33,001)	(4,878)	(50,000)
Total other financing sources (uses)	<u>(25,090)</u>	<u>(4,878)</u>	<u>(42,100)</u>
Net change in cash balances	70,003	(181,321)	(215,189)
Cash balances beginning of year	<u>303,507</u>	<u>495,868</u>	<u>840,959</u>
Cash balances end of year	<u>\$ 373,510</u>	<u>314,547</u>	<u>625,770</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	373,510	-	-
Special revenue funds	-	314,547	625,770
Capital projects fund	-	-	-
Total cash basis fund balances	<u>\$ 373,510</u>	<u>314,547</u>	<u>625,770</u>

See notes to financial statements.

Local Option Sales Tax	Debt Service	Capital Projects	Nonmajor	Total
-	132,604	-	128,144	781,496
-	-	-	-	5,587
178,918	-	-	-	178,918
-	-	-	-	18,338
4,456	5,205	-	8,330	51,836
-	-	-	23,806	258,546
-	-	-	-	146,624
-	-	-	-	9,615
-	-	1,074	55,551	114,934
183,374	137,809	1,074	215,831	1,565,894
-	-	-	71,289	395,643
-	-	-	28,312	528,962
-	-	-	-	1,925
-	-	-	19,038	175,644
-	-	-	7,509	206,428
-	-	-	12,618	112,409
-	238,198	-	-	238,198
-	-	89,305	-	89,305
-	238,198	89,305	138,766	1,748,514
183,374	(100,389)	(88,231)	77,065	(182,620)
-	-	391,770	-	391,770
-	116,191	58,453	3,000	193,455
(75,000)	-	(7,900)	(3,033)	(173,812)
(75,000)	116,191	442,323	(33)	411,413
108,374	15,802	354,092	77,032	228,793
155,555	26,070	15,032	312,390	2,149,381
263,929	41,872	369,124	389,422	2,378,174
-	41,872	-	-	41,872
-	-	-	-	373,510
263,929	-	-	389,422	1,593,668
-	-	369,124	-	369,124
263,929	41,872	369,124	389,422	2,378,174

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, 2007

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 194,618	280,147	474,765
Operating disbursements:			
Business type activities	136,480	138,216	274,696
Excess of operating receipts over operating disbursements	58,138	141,931	200,069
Non-operating receipts (disbursements):			
Interest on investments	5,695	11,801	17,496
Debt service	(36,500)	(104,593)	(141,093)
Total non-operating receipts (disbursements)	(30,805)	(92,792)	(123,597)
Excess of receipts over disbursements	27,333	49,139	76,472
Operating transfers out	(19,643)	-	(19,643)
Net change in cash balances	7,690	49,139	56,829
Cash balances beginning of year	246,864	385,866	632,730
Cash balances end of year	\$ 254,554	435,005	689,559
Cash Basis Fund Balances			
Reserved for debt service	\$ 146,028	376,251	522,279
Unreserved	108,526	58,754	167,280
Total cash basis fund balances	\$ 254,554	435,005	689,559

See notes to financial statements.

City of Jesup

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Jesup is a political subdivision of the State of Iowa located in Buchanan County. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of Jesup (the primary government), and the following component units: the Jesup Fire Association, the Jesup Ambulance Crew Association, the Jesup Library Endowment Fund Incorporated and the Friends of the Jesup Public Library. These component units are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

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

The Jesup Ambulance Crew Association is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds.

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

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

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: County Assessor's Conference Board and Joint E911 Service Board. The City also participates in the Buchanan County Solid Waste Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

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

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

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

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

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

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

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

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

The City reports the following major proprietary funds:

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

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Jesup 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 incurred, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Capital Loan Notes		Water Revenue Bonds		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 150,000	51,940	25,000	10,250	80,000	25,780	255,000	87,970
2009	150,000	46,490	25,000	9,000	80,000	22,100	255,000	77,590
2010	160,000	40,848	25,000	7,750	85,000	18,340	270,000	66,938
2011	165,000	34,585	30,000	6,500	90,000	14,260	285,000	55,345
2012	175,000	27,940	30,000	5,000	95,000	9,850	300,000	42,790
2013-2016	495,000	43,545	70,000	6,000	100,000	5,100	665,000	54,645
Total	\$1,295,000	245,348	205,000	44,500	530,000	95,430	2,030,000	385,278

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

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond/note sinking accounts within the Enterprise Funds for the purpose of making the bond/note principal and interest payments when due.
- (c) A required amount is to be held in water and sewer reserve accounts. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repair to the systems or, when necessary, for the purpose of making principal and interest payments when due.

On March 1, 2007, the City issued \$400,000 of general obligation capital loan notes. The note proceeds are to be used to pay the costs of acquisition, construction, reconstruction, extension, improvement and equipping of works and facilities useful for the collection and disposal of surface waters and streams.

(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 plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% 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, 2007, 2006 and 2005 were \$27,322, \$25,210 and \$24,827, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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 payments payable to employees at June 30, 2007, primarily relating to the General Fund, was \$26,600. This liability has been computed based on rates of pay in effect at June 30, 2007.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 4,878
	Friends of the Jesup Public Library	3,033
Special Revenue:		
Tax Increment Financing	Capital Projects	7,900
Park Equipment	General	3,000
Debt Service	General	1,191
	Special Revenue:	
	Tax Increment Financing	40,000
	Local Option Sales Tax	75,000
Capital Projects	General	28,810
	Special Revenue:	
	Tax Increment Financing	10,000
	Enterprise:	
	Water	19,643
Total		<u>\$ 193,455</u>

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

(7) Housing Rehabilitation Grant

During the year ended June 30, 2002, the City was awarded State of Iowa, CDBG funds of \$423,500 from the Iowa Department of Economic Development for housing rehabilitation. At June 30, 2007, the City had received \$352,277 of the grant funds awarded.

(8) Risk Management

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

(9) Construction Contracts

During the year ended June 30, 2007, the City entered into construction contracts totaling \$410,952 for 3rd Street Drainage, 12th Street Widening and Hopkins Street Drainage. The City made payments totaling \$307,979 during the fiscal year ended June 30, 2007. The balances remaining on the contracts at June 30, 2007 totaled \$102,973. Project costs will be paid as work on the unfinished projects is completed.

(10) Tax Increment Development Commitment

The City entered into an agreement with a business in the City of Jesup under which incremental property tax collections are to be paid to the business, \$40,000 per year for ten years, up to \$400,000, when certain conditions are met. Payments totaling \$40,000 were made to the business during the year ended June 30, 2007. The cumulative amount paid to the business from the inception of this agreement to June 30, 2007 is \$240,000.

(11) Deficit Balance

The Special Revenue, Housing Rehabilitation Fund had a deficit balance of \$1,863 at June 30, 2007. The City intends to fully fund the deficit with local sources once the project is completed and approved.

City of Jesup

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 781,496	-	-
Tax increment financing	5,587	-	-
Other city tax	178,918	-	-
Licenses and permits	18,338	-	-
Use of money and property	51,836	17,496	732
Intergovernmental	258,546	-	-
Charges for service	146,624	474,765	-
Special assessments	9,615	-	-
Miscellaneous	114,934	-	34,290
Total receipts	1,565,894	492,261	35,022
Disbursements:			
Public safety	395,643	-	19,360
Public works	528,962	-	-
Health and social services	1,925	-	-
Culture and recreation	175,644	-	-
Community and economic development	206,428	-	-
General government	112,409	-	-
Debt service	238,198	-	-
Capital projects	89,305	-	-
Business type activities	-	415,789	-
Total disbursements	1,748,514	415,789	19,360
Excess (deficiency) of receipts over (under) disbursements	(182,620)	76,472	15,662
Other financing sources (uses), net	411,413	(19,643)	(3,033)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	228,793	56,829	12,629
Balances beginning of year	2,149,381	632,730	79,297
Balances end of year	\$ 2,378,174	689,559	91,926

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
781,496	759,448	759,448	22,048
5,587	-	-	5,587
178,918	147,530	147,530	31,388
18,338	12,275	12,275	6,063
68,600	20,650	20,650	47,950
258,546	276,816	276,816	(18,270)
621,389	601,860	601,860	19,529
9,615	4,000	4,000	5,615
80,644	21,000	21,000	59,644
<u>2,023,133</u>	<u>1,843,579</u>	<u>1,843,579</u>	<u>179,554</u>
376,283	377,799	377,799	1,516
528,962	609,858	609,858	80,896
1,925	1,925	1,925	-
175,644	183,080	183,080	7,436
206,428	202,050	352,050	145,622
112,409	113,775	123,775	11,366
238,198	97,235	242,735	4,537
89,305	-	500,000	410,695
415,789	463,993	463,993	48,204
<u>2,144,943</u>	<u>2,049,715</u>	<u>2,855,215</u>	<u>710,272</u>
(121,810)	(206,136)	(1,011,636)	889,826
<u>394,803</u>	<u>511,577</u>	<u>511,577</u>	<u>(116,774)</u>
272,993	305,441	(500,059)	773,052
<u>2,702,814</u>	<u>2,768,662</u>	<u>1,849,878</u>	<u>852,936</u>
<u>2,975,807</u>	<u>3,074,103</u>	<u>1,349,819</u>	<u>1,625,988</u>

City of Jesup

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component units which manage their funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$805,500. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted.

Other Supplementary Information

City of Jesup

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

As of and for the year ended June 30, 2007

	Employee Benefits	Emergency Planning	Economic Development #2	Community Development	Housing Rehabilitation
Receipts:					
Property tax	\$ 112,094	16,050	-	-	-
Use of money and property	1,956	1,592	-	2,492	-
Intergovernmental	-	-	-	-	23,806
Miscellaneous	7	-	-	12,100	8,016
Total receipts	114,057	17,642	-	14,592	31,822
Disbursements:					
Operating:					
Public safety	51,929	-	-	-	-
Public works	28,312	-	-	-	-
Culture and recreation	19,038	-	-	-	-
Community and economic development	-	-	-	-	7,509
General government	12,618	-	-	-	-
Total disbursements	111,897	-	-	-	7,509
Excess (deficiency) of receipts over (under) disbursements	2,160	17,642	-	14,592	24,313
Other financing sources (uses):					
Operating transfers in	-	-	-	-	-
Operating transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in cash balances	2,160	17,642	-	14,592	24,313
Cash balances beginning of year	92,816	24,073	133	97,702	(26,176)
Cash balances end of year	\$ 94,976	41,715	133	112,294	(1,863)
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	\$ 94,976	41,715	133	112,294	(1,863)

See accompanying independent auditor's report.

Special Revenue									
Library Memorial	Library Community Room	Park Board	Park Equipment	Jesup Fire Association	Jesup Ambulance Crew Association	Jesup Library Endowment Fund Incorporated	Friends of the Jesup Public Library		Total
-	-	-	-	-	-	-	-	-	128,144
576	138	53	413	94	89	549	378	-	8,330
-	-	-	-	-	-	-	-	-	23,806
-	-	-	-	26,977	4,280	-	4,171	-	55,551
576	138	53	413	27,071	4,369	549	4,549	-	215,831
-	-	-	-	13,704	5,656	-	-	-	71,289
-	-	-	-	-	-	-	-	-	28,312
-	-	-	-	-	-	-	-	-	19,038
-	-	-	-	-	-	-	-	-	7,509
-	-	-	-	-	-	-	-	-	12,618
-	-	-	-	13,704	5,656	-	-	-	138,766
576	138	53	413	13,367	(1,287)	549	4,549	-	77,065
-	-	-	3,000	-	-	-	-	-	3,000
-	-	-	-	-	-	-	(3,033)	-	(3,033)
-	-	-	3,000	-	-	-	(3,033)	-	(33)
576	138	53	3,413	13,367	(1,287)	549	1,516	-	77,032
13,267	647	3,890	14,663	15,660	49,992	13,645	12,078	-	312,390
13,843	785	3,943	18,076	29,027	48,705	14,194	13,594	-	389,422
13,843	785	3,943	18,076	29,027	48,705	14,194	13,594	-	389,422

City of Jesup
 Schedule of Indebtedness
 Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Sewer improvement and refunding	Jan 1, 1999	4.00-4.35%	\$ 830,000
Street, sewer and water improvements	Jun 1, 2002	3.50-5.10	415,000
Essential corporate purpose	Feb 15, 2005	2.70-4.70	800,000
Storm sewer drainage	Mar 1, 2007	3.90-4.25	400,000
Total			
Revenue bonds:			
Water	Nov 25, 1975	5.00%	\$ 600,000
Revenue notes:			
Sewer	Dec 1, 1998	4.15-5.10%	\$ 1,080,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
40,000	-	40,000	-	1,740
310,000	-	40,000	270,000	14,695
735,000	-	70,000	665,000	26,312
-	400,000	40,000	360,000	4,051
<u>\$ 1,085,000</u>	<u>400,000</u>	<u>190,000</u>	<u>1,295,000</u>	<u>46,798</u>
<u>230,000</u>	<u>-</u>	<u>25,000</u>	<u>205,000</u>	<u>11,500</u>
<u>605,000</u>	<u>-</u>	<u>75,000</u>	<u>530,000</u>	<u>29,193</u>

City of Jesup
 Bond and Note Maturities
 June 30, 2007

Year Ending June 30,	General Obligation Capital Loan Notes							Total
	Street, Sewer and Water Improvements		Essential Corporate Purpose		Storm Sewer Drainage			
	Issued Jun 1, 2002		Issued Feb 15, 2005		Issued Mar 1, 2007			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2008	4.40%	\$ 40,000	3.10%	\$ 75,000	3.90%	\$ 35,000	150,000	
2009	4.60	40,000	3.25	75,000	3.90	35,000	150,000	
2010	4.80	45,000	3.40	80,000	3.95	35,000	160,000	
2011	4.90	45,000	3.55	80,000	4.00	40,000	165,000	
2012	5.00	50,000	3.70	85,000	4.05	40,000	175,000	
2013	5.10	50,000	3.85	85,000	4.10	40,000	175,000	
2014		-	4.00	90,000	4.15	45,000	135,000	
2015		-	4.15	95,000	4.20	45,000	140,000	
2016		-		-	4.25	45,000	45,000	
Total		<u>\$ 270,000</u>		<u>\$ 665,000</u>		<u>\$ 360,000</u>	<u>1,295,000</u>	

See accompanying independent auditor's report.

Revenue Bonds		Revenue Notes		
Water		Sewer		
Issued Nov 25, 1975		Issued Dec 1, 1988		
Interest Rates	Amount	Interest Rates	Amount	Total
5.00%	\$ 25,000	4.60%	\$ 80,000	105,000
5.00	25,000	4.70	80,000	105,000
5.00	25,000	4.80	85,000	110,000
5.00	30,000	4.90	90,000	120,000
5.00	30,000	5.00	95,000	125,000
5.00	30,000	5.10	100,000	130,000
5.00	30,000		-	30,000
5.00	10,000		-	10,000
	-		-	-
	<u>\$ 205,000</u>		<u>\$ 530,000</u>	<u>735,000</u>

Schedule 4

City of Jesup

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

For the Last Five Years

	2007	2006	2005	2004	2003
Receipts:					
Property tax	\$ 781,496	650,691	503,038	512,222	460,782
Tax increment financing	5,587	236,915	312,355	200,106	315,334
Other city tax	178,918	127,748	170,132	141,679	175,310
Licenses and permits	18,338	15,617	17,529	14,679	15,147
Use of money and property	51,836	47,709	28,181	18,937	32,500
Intergovernmental	258,546	344,344	314,749	473,734	486,451
Charges for service	146,624	157,037	156,331	148,376	154,394
Special assessments	9,615	5,334	2,265	16,417	9,471
Miscellaneous	114,934	99,082	122,282	196,603	96,335
Total	\$ 1,565,894	1,684,477	1,626,862	1,722,753	1,745,724
Disbursements:					
Operating:					
Public safety	\$ 395,643	353,916	342,490	604,197	370,853
Public works	528,962	340,591	238,806	323,761	131,870
Health and social services	1,925	1,925	1,925	1,925	1,925
Culture and recreation	175,644	155,436	148,931	182,682	184,258
Community and economic development	206,428	189,345	220,884	215,114	323,969
General government	112,409	117,256	92,063	90,537	121,517
Debt service	238,198	218,214	115,327	219,345	246,453
Capital projects	89,305	410,686	607,305	462,439	684,153
Total	\$ 1,748,514	1,787,369	1,767,731	2,100,000	2,064,998

See accompanying independent auditor's report.

**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**

City of Jesup



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STATE OF IOWA

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To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Jesup, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 5, 2007. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Jesup's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Jesup's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Jesup's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects City of Jesup's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of City of Jesup's financial statements that is more than inconsequential will not be prevented or detected by City of Jesup's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by City of Jesup's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

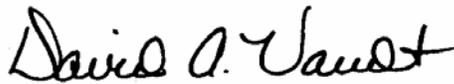
As part of obtaining reasonable assurance about whether the City of Jesup's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts and grant agreements, non-compliance with which could have a direct and material 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 that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance that is 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, 2007 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.

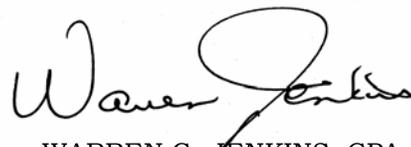
The City of Jesup's response to the finding identified in our audit is described in the accompanying Schedule of Findings. While we have expressed our conclusion on the City's response, we did not audit the City of Jesup's response and, accordingly, we express no opinion on it.

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. This report 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

November 5, 2007

City of Jesup
Schedule of Findings
Year ended June 30, 2007

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over financial reporting were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Mike Joblinske, Council Member, owner of Joblinske Home Improvement	Install steel door for police	\$ 983

In accordance with Chapter 362.5(11) of the Code of Iowa, the above transaction with the Council Member does not appear to represent a conflict of interest since the cumulative amount did not exceed \$2,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds and Notes – No instances of non-compliance with the provisions of the revenue bond/note indentures were noted.

City of Jesup

Schedule of Findings

Year ended June 30, 2007

- (9) Financial Condition – The Special Revenue, Housing Rehabilitation Fund had a deficit balance at June 30, 2007 of \$1,863.

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

Response – We had not received quarterly payment for grant as of June 30, 2007.

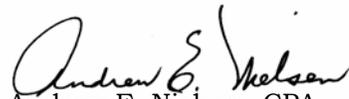
Conclusion – Response accepted.

City of Jesup

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager
Shawn R. Elsbury, Staff Auditor
John G. Vanis, CGFM, Senior Auditor
Brett M. Zeller, Assistant Auditor


Andrew E. Nielsen, CPA
Deputy Auditor of State