



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

NEWS RELEASE

FOR RELEASE

March 12, 2010

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 \$2,715,651 for the year ended June 30, 2009, a 28.7% increase over 2008. The receipts included \$843,287 in property tax, \$6,907 from tax increment financing, \$687,689 from charges for service, \$321,919 from operating grants, contributions and restricted interest, \$68,098 from capital grants, contributions and restricted interest, \$174,298 from local option sales tax, \$20,611 from unrestricted interest on investments, \$568,680 from note proceeds and \$24,162 from other general receipts.

Disbursements for the year totaled \$2,786,407, a 25.7% increase over the prior year, and included \$804,923 for capital projects, \$449,386 for public safety and \$382,207 for public works. Also, disbursements for business type activities totaled \$486,247.

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

###

CITY OF JESUP

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

JUNE 30, 2009

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-12
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	18
Notes to Financial Statements		19-25
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		28-29
Notes to Required Supplementary Information – Budgetary Reporting		30
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	32-33
Schedule of Indebtedness	2	34-35
Bond and Note Maturities	3	36-37
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	38
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		41-42
Schedule of Findings		43-47
Staff		48

City of Jesup

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jacob Spiegel	Mayor	Jan 2010
Darren Engbretson	Mayor Pro tem	Jan 2012
James Geweke (Appointed)	Council Member	Nov 2009
Richard Quackenbush	Council Member	Jan 2010
Mike Joblinske	Council Member	Jan 2012
Rich Schaefer	Council Member	Jan 2012
Linda Michael	Clerk/Treasurer	Indefinite
LeAnn Ever	Deputy Clerk	Indefinite
Susan Brown	Billing Clerk	Indefinite
John S. Pieters	Attorney	Indefinite

City of Jesup



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup, Iowa, as of and for the year ended June 30, 2009, 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.

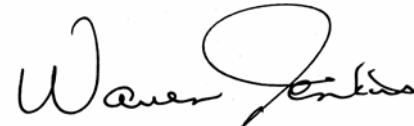
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2010 on our consideration of the City of Jesup's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jesup's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2008 (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

February 15, 2010

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- The City's total receipts for governmental activities increased 39.4%, or approximately \$633,000, from fiscal year 2008. The total cost of all governmental activities programs and services increased 28.8%, or approximately \$514,000. The increase in receipts and disbursements was primarily the result of \$568,680 of general obligation capital loan note proceeds and using the proceeds for sidewalk, curb and gutter, storm sewer and street improvements.
- The City's governmental activities cash balance at June 30, 2009 decreased 2.9%, or approximately \$64,000, from June 30, 2008.
- The cost of all governmental activities this year was approximately \$2,300,000 compared to approximately \$1,786,000 last year. The amount taxpayers ultimately financed for these activities was approximately \$1,693,000 because some of the cost was paid by those directly benefited from the programs (\$217,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$390,000).

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.

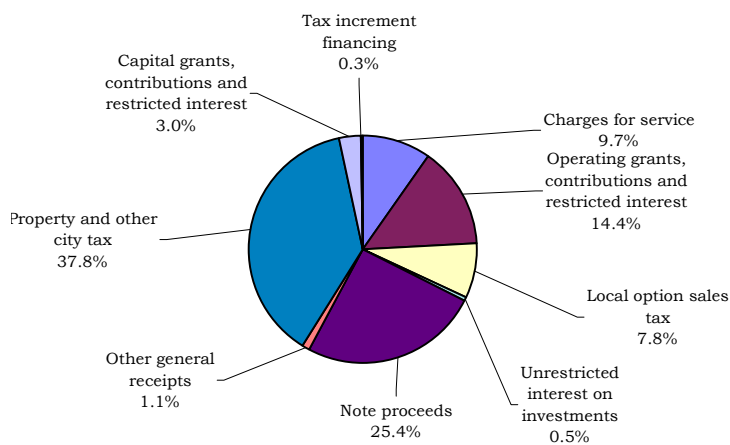
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

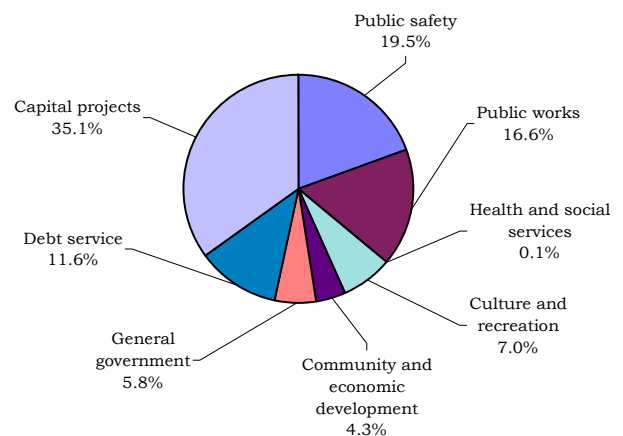
Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service	\$ 217,484	196,348
Operating grants, contributions and restricted interest	321,919	391,951
Capital grants, contributions and restricted interest	68,098	52,324
General receipts:		
Property and other city tax	843,287	764,760
Tax increment financing	6,907	11,741
Local option sales tax	174,298	160,506
Unrestricted interest on investments	11,284	14,404
Note proceeds	568,680	-
Other general receipts	24,162	11,553
Total receipts	2,236,119	1,603,587
Disbursements:		
Public safety	449,386	502,417
Public works	382,207	320,566
Health and social services	1,925	1,925
Culture and recreation	162,105	158,822
Community and economic development	98,877	106,308
General government	133,584	127,532
Debt service	267,153	203,140
Capital projects	804,923	365,543
Total disbursements	2,300,160	1,786,253
Decrease in cash basis net assets before transfers	(64,041)	(182,666)
Transfers, net	-	(1,074)
Net change in cash basis net assets	(64,041)	(183,740)
Cash basis net assets beginning of year	2,194,434	2,378,174
Cash basis net assets end of year	\$ 2,130,393	2,194,434

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities was approximately \$2,236,000. The total cost of all programs and services was approximately \$2,300,000, with no new programs added this year. The significant increase in receipts was due primarily to proceeds received from the issuance of notes. The cash basis net assets of the City's governmental activities decreased approximately \$64,000, or 2.9%, from June 30, 2008.

As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was approximately \$1,693,000 because some of the cost was paid by those directly benefited from the programs (\$217,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$390,000).

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 193,506	208,734
Sewer	276,699	290,214
General receipts:		
Unrestricted interest on investments	9,327	8,318
Total receipts	<u>479,532</u>	<u>507,266</u>
Disbursements:		
Water	206,853	193,165
Sewer	279,394	237,320
Total disbursements	<u>486,247</u>	<u>430,485</u>
Increase (decrease) in cash basis net assets before transfers	(6,715)	76,781
Transfers	-	1,074
Net change in cash basis net assets	<u>(6,715)</u>	<u>77,855</u>
Cash basis net assets beginning of year	<u>767,414</u>	<u>689,559</u>
Cash basis net assets end of year	<u>\$ 760,699</u>	<u>767,414</u>

Total business type activities receipts for the year were approximately \$480,000 compared to approximately \$507,000 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Jesup completed the year, its governmental funds reported a combined fund balance of \$2,130,393, a decrease of \$64,041 from last year's total of \$2,194,434. 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 \$130,382 over the prior year to \$551,231. The increase is in large part due to an increase in property tax receipts over the prior year.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$375 to \$373,676. There were no significant changes.
- The Special Revenue, Tax Increment Financing Fund cash balance was \$450,286, a decrease of \$101,225 from the previous year, due primarily to the City having a balance in the Tax Increment Financing Fund that was larger than necessary.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$6,553 from the prior year to \$373,248. There were no major changes.

- The Debt Service Fund cash balance was \$74,864, an increase of \$4,043 over the previous year.
- The Capital Projects Fund cash balance decreased \$13,443 to a deficit of \$10,936 during the year. This decrease was due to projects being completed during fiscal year 2009 which were started in fiscal year 2008 or earlier.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$9,960 to \$267,983.
- The Sewer Fund cash balance increased \$3,245 to \$492,716 due to receipts outpacing disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on April 6, 2009. 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 \$159,787 more than budgeted. This was primarily due to the City under budgeting in the areas of other city tax receipts and other miscellaneous receipts.

Total disbursements were \$1,629,039 less than the amended budget. Actual disbursements for the public works, community and economic development and capital projects functions were \$214,178, \$96,123 and \$1,243,135, respectively, less than the amended budget. This was primarily due to road work not progressing as anticipated and a project not getting completed in the fiscal year as anticipated.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$2,050,000 in outstanding notes and bonds, compared to \$1,775,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2009	2008
General obligation capital loan notes	\$1,525,000	1,145,000
Water revenue bonds	155,000	180,000
Sewer revenue notes	370,000	450,000
Total	\$2,050,000	1,775,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$1,525,000 is significantly below its constitutional debt limit of \$6,239,813.

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 2010 budget, tax rates and fees charged for various City activities.

When adopting the budget for fiscal year 2010, 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 minor street repairs. The City is planning a street project for fiscal year 2010 funded by TIF funds. The City has added no major new programs to the fiscal year 2010 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 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, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 449,386	130,698	102,911	-
Public works	382,207	70,690	192,854	-
Health and social services	1,925	-	-	-
Culture and recreation	162,105	13,176	24,821	-
Community and economic development	98,877	-	-	-
General government	133,584	2,920	-	-
Debt service	267,153	-	1,333	-
Capital projects	804,923	-	-	68,098
Total governmental activities	2,300,160	217,484	321,919	68,098
Business type activities:				
Water	206,853	193,506	-	-
Sewer	279,394	276,699	-	-
Total business type activities	486,247	470,205	-	-
Total	\$ 2,786,407	687,689	321,919	68,098
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Note proceeds, net of discount and issuance costs of \$11,320				
Total general receipts				
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				
Local option sales tax				
Debt service				
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
(215,777)	-	(215,777)
(118,663)	-	(118,663)
(1,925)	-	(1,925)
(124,108)	-	(124,108)
(98,877)	-	(98,877)
(130,664)	-	(130,664)
(265,820)	-	(265,820)
(736,825)	-	(736,825)
(1,692,659)	-	(1,692,659)
-	(13,347)	(13,347)
-	(2,695)	(2,695)
-	(16,042)	(16,042)
(1,692,659)	(16,042)	(1,708,701)
675,615	-	675,615
6,907	-	6,907
167,672	-	167,672
174,298	-	174,298
11,284	9,327	20,611
24,162	-	24,162
568,680	-	568,680
1,628,618	9,327	1,637,945
(64,041)	(6,715)	(70,756)
2,194,434	767,414	2,961,848
\$ 2,130,393	760,699	2,891,092
\$ 373,676	-	373,676
450,286	-	450,286
373,248	-	373,248
74,864	388,526	463,390
318,024	-	318,024
540,295	372,173	912,468
\$ 2,130,393	760,699	2,891,092

City of Jesup

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

As of and for the year ended June 30, 2009

	General	Special Revenue	
		Road Use Tax	Tax Increment Financing
Receipts:			
Property tax	\$ 578,030	-	-
Tax increment financing	-	-	6,907
Other city tax	2,418	-	-
Licenses and permits	14,968	-	-
Use of money and property	9,892	-	-
Intergovernmental	53,666	187,052	-
Charges for service	174,982	-	-
Special assessments	4,954	-	-
Miscellaneous	40,772	-	-
Total receipts	879,682	187,052	6,907
Disbursements:			
Operating:			
Public safety	317,972	-	-
Public works	160,899	167,913	-
Health and social services	1,925	-	-
Culture and recreation	139,392	-	-
Community and economic development	8,096	-	57,132
General government	119,820	-	-
Debt service	-	-	-
Capital projects	-	19,514	-
Total disbursements	748,104	187,427	57,132
Excess (deficiency) of receipts over (under) disbursements	131,578	(375)	(50,225)
Other financing sources (uses):			
Note proceeds	-	-	-
Operating transfers in	2,995	-	-
Operating transfers out	(4,191)	-	(51,000)
Total other financing sources (uses)	(1,196)	-	(51,000)
Net change in cash balances	130,382	(375)	(101,225)
Cash balances beginning of year	420,849	374,051	551,511
Cash balances end of year	\$ 551,231	373,676	450,286
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	551,231	-	-
Special revenue funds	-	373,676	450,286
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 551,231	373,676	450,286

See notes to financial statements.

Local Option Sales Tax	Debt Service	Capital Projects	Nonmajor	Total
-	167,672	-	95,167	840,869
-	-	-	-	6,907
174,298	-	-	-	176,716
-	-	-	-	14,968
4,337	1,333	-	5,928	21,490
-	-	-	-	240,718
-	-	-	-	174,982
-	-	-	-	4,954
-	-	68,098	76,965	185,835
178,635	169,005	68,098	178,060	1,667,439
-	-	-	131,414	449,386
-	-	-	53,395	382,207
-	-	-	-	1,925
-	-	-	22,713	162,105
-	-	-	33,649	98,877
-	-	-	13,764	133,584
-	267,153	-	-	267,153
135,188	-	650,221	-	804,923
135,188	267,153	650,221	254,935	2,300,160
43,447	(98,148)	(582,123)	(76,875)	(632,721)
-	-	568,680	-	568,680
-	102,191	-	3,000	108,186
(50,000)	-	-	(2,995)	(108,186)
(50,000)	102,191	568,680	5	568,680
(6,553)	4,043	(13,443)	(76,870)	(64,041)
379,801	70,821	2,507	394,894	2,194,434
373,248	74,864	(10,936)	318,024	2,130,393
-	74,864	-	-	74,864
-	-	-	-	551,231
373,248	-	-	318,024	1,515,234
-	-	(10,936)	-	(10,936)
373,248	74,864	(10,936)	318,024	2,130,393

City of Jesup

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

As of and for the year ended June 30, 2009

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 193,506	276,699	470,205
Operating disbursements:			
Business type activities	172,853	176,894	349,747
Excess of operating receipts over operating disbursements	20,653	99,805	120,458
Non-operating receipts (disbursements):			
Interest on investments	3,387	5,940	9,327
Debt service	(34,000)	(102,500)	(136,500)
Total non-operating receipts (disbursements)	(30,613)	(96,560)	(127,173)
Net change in cash balances	(9,960)	3,245	(6,715)
Cash balances beginning of year	277,943	489,471	767,414
Cash balances end of year	\$ 267,983	492,716	760,699
Cash Basis Fund Balances			
Reserved for debt service	\$ 77,092	311,434	388,526
Unreserved	190,891	181,282	372,173
Total cash basis fund balances	\$ 267,983	492,716	760,699

See notes to financial statements.

City of Jesup

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Blended Component Units

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

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

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

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in 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 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 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, 2009, disbursements exceeded the amount budgeted in the general government function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 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
2010	\$ 210,000	61,140	25,000	7,750	85,000	18,340	320,000	87,230
2011	215,000	53,328	30,000	6,500	90,000	14,260	335,000	74,088
2012	230,000	45,007	30,000	5,000	95,000	9,850	355,000	59,857
2013	230,000	35,790	30,000	3,500	100,000	5,100	360,000	44,390
2014	195,000	26,292	30,000	2,000	-	-	225,000	28,292
2015-2018	445,000	37,478	10,000	500	-	-	455,000	37,978
Total	\$ 1,525,000	259,035	155,000	25,250	370,000	47,550	2,050,000	331,835

Revenue Bonds/Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$600,000 of water revenue bonds issued in November 1975. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2015. Annual principal and interest payments on the bonds are expected to require less than 70 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$180,250. For the current year, principal and interest paid and total customer net receipts were \$34,000 and \$20,653, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,080,000 of sewer revenue notes issued in December 1998. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2013. Annual principal and interest payments on the notes are expected to require less than 70 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$417,550. For the current year, principal and interest paid and total customer net receipts were \$102,100 and \$99,805, respectively.

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

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

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$31,704, \$29,590 and \$27,322, 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, 2009, primarily relating to the General Fund, was \$27,000. This liability has been computed based on rates of pay in effect at June 30, 2009.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Library Memorial	\$ 719
	Friends of the Jesup Public Library	2,276
Special Revenue:		
Park Equipment	General	3,000
Debt Service	General	1,191
	Special Revenue:	
	Tax Increment Financing	51,000
	Local Option Sales Tax	50,000
Total		<u>\$ 108,186</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) Construction Contracts

During the year ended June 30, 2009, the City entered into construction contracts totaling \$647,207 for the South Street reconstruction, Stevens Street extension and water tower painting projects. The balances remaining on the contracts started in 2009 and on-going projects from prior years totaled \$583,323 at June 30, 2009. Project costs will be paid as work on the unfinished projects are completed.

(9) Tax Increment Development Commitment

The City entered into an agreement with a business in the City under which incremental property tax collections are to be paid to the business, \$40,000 per year for ten years, up to \$400,000, when certain conditions are met. Payments totaling \$40,000 were made to the business during the year ended June 30, 2009. The cumulative amount paid to the business from inception of this agreement to June 30, 2009 is \$320,000.

(10) Deficit Balance

The Capital Projects Fund had a deficit balance of \$10,936 at June 30, 2009. The deficit balance was a result of project costs incurred prior to receipt of funds. The deficit will be eliminated upon receipt of grant money or additional bond proceeds.

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, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 840,869	-	-
Tax increment financing	6,907	-	-
Other city tax	176,716	-	-
Licenses and permits	14,968	-	-
Use of money and property	21,490	9,327	2,548
Intergovernmental	240,718	-	-
Charges for service	174,982	470,205	-
Special assessments	4,954	-	-
Miscellaneous	185,835	-	73,935
Total receipts	1,667,439	479,532	76,483
Disbursements:			
Public safety	449,386	-	72,529
Public works	382,207	-	-
Health and social services	1,925	-	-
Culture and recreation	162,105	-	-
Community and economic development	98,877	-	-
General government	133,584	-	-
Debt service	267,153	-	-
Capital projects	804,923	-	-
Business type activities	-	486,247	-
Total disbursements	2,300,160	486,247	72,529
Excess (deficiency) of receipts over (under) disbursements	(632,721)	(6,715)	3,954
Other financing sources (uses), net	568,680	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(64,041)	(6,715)	3,954
Balances beginning of year	2,194,434	767,414	107,856
Balances end of year	\$ 2,130,393	760,699	111,810

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
840,869	822,937	822,937	17,932
6,907	-	-	6,907
176,716	116,284	116,284	60,432
14,968	11,850	11,850	3,118
28,269	54,080	54,080	(25,811)
240,718	222,800	222,800	17,918
645,187	671,950	671,950	(26,763)
4,954	1,000	1,000	3,954
111,900	9,800	9,800	102,100
<u>2,070,488</u>	<u>1,910,701</u>	<u>1,910,701</u>	<u>159,787</u>
376,857	385,715	385,715	8,858
382,207	571,385	596,385	214,178
1,925	1,925	1,925	-
162,105	203,228	203,228	41,123
98,877	145,000	195,000	96,123
133,584	127,675	132,675	(909)
267,153	197,331	267,331	178
804,923	2,048,058	2,048,058	1,243,135
486,247	512,600	512,600	26,353
<u>2,713,878</u>	<u>4,192,917</u>	<u>4,342,917</u>	<u>1,629,039</u>
(643,390)	(2,282,216)	(2,432,216)	1,788,826
<u>568,680</u>	<u>1,761,403</u>	<u>1,761,403</u>	<u>(1,192,723)</u>
(74,710)	(520,813)	(670,813)	596,103
<u>2,853,992</u>	<u>1,994,592</u>	<u>1,994,592</u>	<u>859,400</u>
<u>2,779,282</u>	<u>1,473,779</u>	<u>1,323,779</u>	<u>1,455,503</u>

City of Jesup

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$150,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the general government function.

Other Supplementary Information

City of Jesup

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

As of and for the year ended June 30, 2009

	Employee Benefits	Economic Development #2	Community Development	Housing Rehabilitation
Receipts:				
Property tax	\$ 77,044	18,123	-	-
Use of money and property	803	528	-	1,162
Miscellaneous	734	-	-	-
Total receipts	78,581	18,651	-	1,162
Disbursements:				
Operating:				
Public safety	58,885	-	-	-
Public works	37,529	15,866	-	-
Culture and recreation	21,674	-	-	-
Community and economic development	-	-	-	33,649
General government	13,764	-	-	-
Total disbursements	131,852	15,866	-	33,649
Excess (deficiency) of receipts over (under) disbursements	(53,271)	2,785	-	(32,487)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in cash balances	(53,271)	2,785	-	(32,487)
Cash balances beginning of year	69,097	58,869	133	102,261
Cash balances end of year	\$ 15,826	61,654	133	69,774
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 15,826	61,654	133	69,774

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
-	-	-	-	-	-	-	-	95,167
335	103	6	274	640	1,253	655	169	5,928
-	-	-	-	63,535	10,400	-	2,296	76,965
335	103	6	274	64,175	11,653	655	2,465	178,060
-	-	-	-	67,886	4,643	-	-	131,414
-	-	-	-	-	-	-	-	53,395
-	-	-	-	-	-	-	1,039	22,713
-	-	-	-	-	-	-	-	33,649
-	-	-	-	-	-	-	-	13,764
-	-	-	-	67,886	4,643	-	1,039	254,935
335	103	6	274	(3,711)	7,010	655	1,426	(76,875)
-	-	-	3,000	-	-	-	-	3,000
(719)	-	-	-	-	-	-	(2,276)	(2,995)
(719)	-	-	3,000	-	-	-	(2,276)	5
(384)	103	6	3,274	(3,711)	7,010	655	(850)	(76,870)
14,531	988	3,960	21,402	39,011	54,248	14,597	14,816	394,894
14,147	1,091	3,966	24,676	35,300	61,258	15,252	13,966	318,024
14,147	1,091	3,966	24,676	35,300	61,258	15,252	13,966	318,024

City of Jesup
 Schedule of Indebtedness
 Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Street, sewer and water improvements	Jun 1, 2002	3.50-5.10%	\$ 415,000
Essential corporate purpose	Feb 15, 2005	2.70-4.70	800,000
Storm sewer drainage	Mar 1, 2007	3.90-4.25	400,000
Essential corporate purpose	Jul 15, 2008	3.10-4.25	580,000
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
230,000	-	40,000	190,000	11,255
590,000	-	75,000	515,000	21,957
325,000	-	35,000	290,000	13,278
-	580,000	50,000	530,000	19,063
<u>\$ 1,145,000</u>	<u>580,000</u>	<u>200,000</u>	<u>1,525,000</u>	<u>65,553</u>
<u>180,000</u>	<u>-</u>	<u>25,000</u>	<u>155,000</u>	<u>9,000</u>
<u>450,000</u>	<u>-</u>	<u>80,000</u>	<u>370,000</u>	<u>22,100</u>

City of Jesup
Bond and Note Maturities
June 30, 2009

Year Ending June 30,	General Obligation Capital Loan Notes							
	Street, Sewer and Water Improvements		Essential Corporate Purpose		Storm Sewer Drainage		Essential Corporate Purpose	
	Issued Jun 1, 2002		Issued Feb 15, 2005		Issued Mar 1, 2007		Issued July 15, 2008	
	Interest		Interest		Interest		Interest	
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2010	4.80%	\$ 45,000	3.40%	\$ 80,000	3.95%	\$ 35,000	3.10%	\$ 50,000
2011	4.90	45,000	3.55	80,000	4.00	40,000	3.35	50,000
2012	5.00	50,000	3.70	85,000	4.05	40,000	3.55	55,000
2013	5.10	50,000	3.85	85,000	4.10	40,000	3.70	55,000
2014	-	-	4.00	90,000	4.15	45,000	3.85	60,000
2015	-	-	4.15	95,000	4.20	45,000	4.00	60,000
2016	-	-	-	-	4.25	45,000	4.10	65,000
2017	-	-	-	-	-	-	4.20	65,000
2018	-	-	-	-	-	-	4.25	70,000
Total		<u>\$ 190,000</u>		<u>\$ 515,000</u>		<u>\$ 290,000</u>		<u>\$ 530,000</u>

See accompanying independent auditor's report.

	Revenue Bonds		Revenue Notes	
	Water		Sewer	
	Issued Nov 25, 1975		Issued Dec 1, 1998	
	Interest		Interest	
Total	Rates	Amount	Rates	Amount
210,000	5.00%	\$ 25,000	4.80%	\$ 85,000
215,000	5.00	30,000	4.90	90,000
230,000	5.00	30,000	5.00	95,000
230,000	5.00	30,000	5.10	100,000
195,000	5.00	30,000		-
200,000	5.00	10,000		-
110,000		-		-
65,000		-		-
70,000		-		-
<u>1,525,000</u>		<u>\$ 155,000</u>		<u>\$ 370,000</u>

Schedule 4

City of Jesup

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

For the Last Seven Years

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



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated February 15, 2010. 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 the City of Jesup's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Jesup's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

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 the 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 the City of Jesup's financial statements that is more than inconsequential will not be prevented or detected by the City of Jesup's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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 the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) are material weaknesses.

Compliance and Other Matters

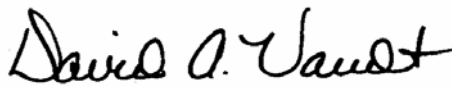
As part of obtaining reasonable assurance about whether the City of Jesup's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that 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, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

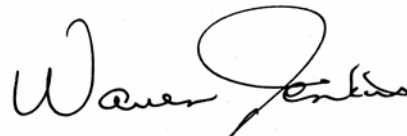
The City of Jesup's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Jesup's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Jesup and other parties to whom the City of Jesup may report. 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

February 15, 2010

City of Jesup

Schedule of Findings

Year ended June 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Fund Balance – The City records receipts and disbursements for each fund on its computer system software. However, the City does not use the computer system software to track fund balances. Monthly reports are prepared using a spreadsheet which summarizes each fund's total receipts, total disbursements, total transfers in/out and reconciles the beginning fund balance with the ending fund balance.

Adjustments were made to the monthly spreadsheets which were not documented or recorded on the City's computer system software. Therefore, the beginning fund balance plus year to date receipts and minus year to date disbursements did not reconcile with the ending fund balance. This matter was resolved for audit purposes.

Additionally, one correction was incorrectly made to the financial statements, resulting in a misstatement of \$20,000 to the General Fund and the Special Revenue, Tax Increment Financing Fund. This error was resolved for audit purposes.

Recommendation – Corrections to the spreadsheets should be documented and recorded on the City's computer system software.

Also, the City should consider recording fund balances on the City's computer system software.

Response – Corrections will be made to the monthly spreadsheets and those spreadsheets will be maintained for the entire year.

Conclusion – Response acknowledged. The City should also consider recording fund balances on the City's computer system software.

- (B) Utility Billings – Utility billings, collections and delinquent accounts are not reconciled on a monthly basis. The reconciliation should be reviewed by an independent person and traced to the general ledger.

Recommendation – Procedures should be established by the City to prepare and reconcile utility billings, collections and delinquencies 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 the delinquent accounts.

Response – The City is developing a process to reconcile delinquent and collection accounts in order to address this issue.

Conclusion – Response acknowledged. Procedures should be implemented to require independent review of the utility billing reconciliations.

City of Jesup

Schedule of Findings

Year ended June 30, 2009

- (C) Disbursements – Certain disbursements lacked proper support. Article III, Section 31 of the Constitution of the State of Iowa provides public funds may only be spent for the public benefit.

Recommendation – The City should ensure all disbursements are adequately supported to demonstrate compliance with the Constitution of the State of Iowa.

Response – The City will ensure future disbursements are supported.

Conclusion – Response accepted.

- (D) Receipts – An initial listing of receipts is prepared but is not reviewed by an independent person. Additionally, the City's bank reconciliation is prepared by an employee who handles and records cash and the bank reconciliation is not reviewed by an independent person.

Recommendation – The City should ensure the initial listing of receipts is reviewed by an independent person. Additionally, the bank reconciliation should be prepared by an employee who does not handle or record cash. The bank reconciliation should also be reviewed by an independent person.

Response – The initial listing is checked against the bank statement and utility bill software. The city will review procedures to identify areas where further segregation of duties can be accomplished.

Conclusion – Response accepted.

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

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

Responses –

Jesup Fire Association – A bank reconciliation will be started for the fiscal year.

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

Conclusion – Responses acknowledged. Procedures should be implemented to require independent reviews of the bank reconciliations.

- (F) Information System – In order to maintain computer security, passwords should be changed periodically. Also, the City's computer system does not require passwords to be changed periodically and one person in the office requires all other office personnel submit their passwords to them.

Recommendation – The City should ensure the computer system requires the users to change passwords every 60 to 90 days. Employees should not share passwords.

Response – All City personnel with computer logins have been informed to change their passwords every 60 to 90 days. Employees will no longer share passwords.

Conclusion – Response accepted.

City of Jesup

Schedule of Findings

Year ended June 30, 2009

- (G) Insufficient Fund Checks – When customer checks are returned for insufficient funds, the City covers the deficiency with cash from an employee refreshment fund. When the customer pays, cash is used to reimburse the employee refreshment fund.

Recommendation – The City should utilize the utility billing software to account for insufficient funds checks rather than using employee refreshment funds to cover the checks.

Response – The City will begin using software to track insufficient funds checks.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Jesup

Schedule of Findings

Year ended June 30, 2009

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in sufficient amount in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – We will be monitoring the disbursements more closely to ensure this doesn’t happen in the future.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds and Notes – No instances of non-compliance with the provisions of the revenue bond and note indentures were noted.
- (9) Tax Increment Financing – The City has tax increment financing (TIF) debt of \$336,173 outstanding at June 30, 2009. The City has cash on hand of \$450,286 at June 30, 2009 in the Special Revenue, Tax Increment Financing Fund to pay for the outstanding TIF debt. Therefore the City has \$114,113 more cash on hand than is needed to pay the outstanding TIF debt.

Additionally, the City has been certifying the same debt to Black Hawk and Buchanan Counties, resulting in excess TIF revenues from these Counties.

City of Jesup

Schedule of Findings

Year ended June 30, 2009

Recommendation – The City should consult legal counsel as well as Black Hawk and Buchanan Counties to determine the disposition of this issue, including corrective action.

Also, the City should ensure future certifications and use of TIF funds are in accordance with Chapters 403.19(2) and 403.19(5) of the Code of Iowa.

Response – The City will allocate TIF indebtedness between Counties and will document methodology behind allocation. The City will use TIF funds for certified debt. Additionally, the City is discussing options with Black Hawk and Buchanan Counties and will be working to resolve any issues regarding TIF.

Conclusion – Response accepted.

- (10) Local Option Sales Tax – The amended ballot for the Local Option Sales Tax authorized the City to allocate 40% of the collections for water and sewer improvements and 60% for capital improvements. There is no mechanism in place to ensure the local option sales tax proceeds are used in accordance with the approved amendment.

Recommendation – The City should establish procedures to ensure compliance with the local option sales tax ballot.

Response – The City will develop procedures to evidence the following of the ballot.

Conclusion – Response accepted.

- (11) Financial Condition – The Capital Projects Fund had a deficit balance at June 30, 2009 of \$10,936.

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

Response – Our capital projects are ongoing and potential future bond proceeds will be used to replenish this fund.

Conclusion – Response accepted.

City of Jesup

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Shawn R. Elsbury, Senior Auditor
Kurt D. Goldsmith, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State