



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ November 1, 2004 \_\_\_\_\_ 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 has implemented new reporting standards for the year ended June 30, 2004, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$2,306,679 for the year ended June 30, 2004. The receipts included \$530,906 in property tax, \$200,106 from tax increment financing collections, \$664,257 from charges for service, \$484,457 from operating grants, contributions and restricted interest, \$173,012 from capital grants, contributions and restricted interest, \$122,996 from local option sales tax, \$24,681 from unrestricted investment earnings, \$77,000 from loan proceeds and \$29,264 from other general receipts.

Disbursements for the year totaled \$2,506,370, and included \$604,197 for public safety, \$462,439 for capital projects and \$323,761 for public works. Also, disbursements for business type activities totaled \$406,370.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

###

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

**JUNE 30, 2004**

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**City of Jesup**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2004)</b>		
Mark J. H. Collett	Mayor	Jan 2006
Paul Gudenkauf	Mayor Pro tem	Resigned
Richard Quackenbush (Appointed Dec 2003)	Mayor Pro tem	Jan 2006
Mark Hansen	Council Member	Jan 2004
Randy McGill	Council Member	Jan 2004
Roger J. Williams	Council Member	Jan 2004
Jacob Spiegel	Council Member	Jan 2006
<b>(After January 2004)</b>		
Mark J. H. Collett	Mayor	Jan 2006
Richard Quackenbush	Mayor Pro tem	Jan 2006
Jacob Spiegel	Council Member	Jan 2006
Darren Engbretson	Council Member	Jan 2008
Mike Jablinske	Council Member	Jan 2008
Roger J. Williams	Council Member	Jan 2008
Amber L. Youngblut	Clerk/Treasurer	Indefinite
Linda Bunnell	Deputy Clerk	Indefinite
LeAnn Nichols	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, 2004, 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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.

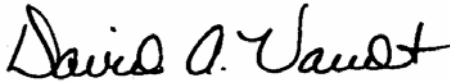
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup as of June 30, 2004, 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.

As described in Note 14, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2004 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 and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering 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 applied 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 year ended June 30, 2003 (which are not presented herein) and expressed an unqualified opinion on those financial statements. 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

September 16, 2004

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Jesup provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

### 2004 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 1.3%, or \$22,971, from fiscal 2003 to fiscal 2004. Property tax increased approximately \$51,000.
- Disbursements for the City's governmental activities increased 1.7%, or \$35,002, from fiscal 2003 to fiscal 2004. Public safety disbursements increased \$233,344, while community and economic development, debt service and capital projects disbursements decreased \$108,855, \$27,108 and \$221,714, respectively.
- The City's total cash basis net assets decreased 8.5%, or \$199,691, from June 30, 2003 to June 30, 2004, as restated. Of this amount, the assets of the governmental activities decreased \$92,441 and the assets of the business type activities decreased \$107,250.

### 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.



## **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, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 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.

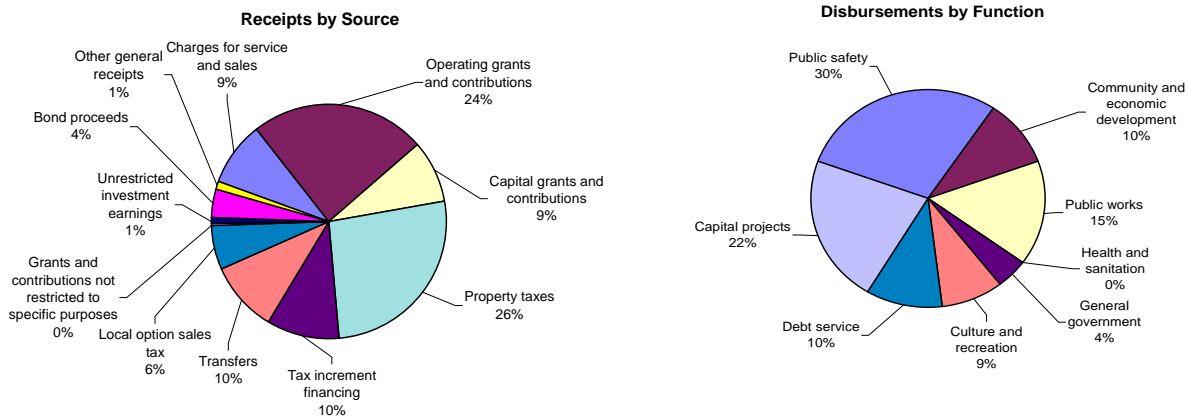
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

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 balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2004
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 180,541
Operating grants, contributions and restricted interest	484,457
Capital grants, contributions and restricted interest	173,012
General receipts:	
Property tax	530,906
Tax increment financing	200,106
Local option sales tax	122,996
Grants and contributions not restricted to specific purposes	6,072
Unrestricted investment earnings	16,981
Loan proceeds	77,000
Other general receipts	23,192
Transfers, net	192,296
Total receipts and transfers	<u>2,007,559</u>
Disbursements:	
Public safety	604,197
Public works	323,761
Health and social services	1,925
Culture and recreation	182,682
Community and economic development	215,114
General government	90,537
Debt service	219,345
Capital projects	462,439
Total disbursements	<u>2,100,000</u>
Decrease in cash basis net assets	(92,441)
Cash basis net assets beginning of year, as restated	<u>1,700,108</u>
Cash basis net assets end of year	<u><u>\$ 1,607,667</u></u>



The City's total receipts and transfers for governmental activities were \$2,007,559. The total cost of all programs and services was \$2,100,000, with no new programs added this year. The \$92,441 difference between revenues and disbursements came from cash balances on hand.

The City increased property tax rates for 2004 by an average of 3.5 percent. This increase, plus the increase in the total assessed valuation, raised the City's property tax receipts by approximately \$51,000 in 2004.

The cost of all governmental activities this year was \$2,100,000. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$1,261,990 because some of the cost was paid by those directly benefited from the programs (\$180,541) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$657,469).

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2004
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 204,437
Sewer	279,279
General receipts:	
Unrestricted interest on investments	7,700
Total receipts	<u>491,416</u>
Disbursements and transfers:	
Water	158,505
Sewer	247,865
Transfers	192,296
Total disbursements and transfers	<u>598,666</u>
Decrease in cash basis net assets	(107,250)
Cash basis net assets beginning of year	<u>640,688</u>
Cash basis net assets end of year	<u>\$ 533,438</u>

Total business type activities receipts for the fiscal year were \$491,416 compared to \$491,482 last year. Total disbursements and transfers for the fiscal year increased by 12.5% to a total of \$598,666, due to funding a sewer interceptor repair project.

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

As the City of Jesup completed the year, its governmental funds reported a combined fund balance of \$1,607,667, a decrease of \$92,441 from last year's restated total of \$1,700,108. 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 decreased \$96,856 from the prior year to \$241,852. This decrease is attributable to purchases of an ambulance, a police car, a fire rescue unit and park equipment.
- The Road Use Tax Fund cash balance increased by \$81,507 to \$378,600 during the fiscal year. The City intends to use this money 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 \$622,635, a decrease of \$63,558 from the previous year. The decrease was the result of financing the lagoon aeration replacement project currently in process. Other monies will be used for various projects within the urban renewal district.
- The Capital Projects Fund cash balance increased by \$48,425 to \$163,127 during the fiscal year. This increase was due to transferring money to cover project costs for fiscal year 2005.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$14,623 to \$222,000, due primarily to an increase in water connections and increased water sales.
- The Sewer Fund cash balance decreased by \$121,873 to \$311,438, due primarily to payment for the Phase III sewer interceptor repair project. Blower motor repairs also contributed to the decreased cash balance.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget two times. The first amendment was approved on January 8, 2004. The second amendment was approved on May 6, 2004. Both amendments provided for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

#### **DEBT ADMINISTRATION**

At June 30, 2004, the City had \$1,605,756 in outstanding notes, bonds and other long-term debt, compared to \$1,807,673 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2004	2003
General obligation capital loan notes	\$ 535,000	695,000
Water revenue bonds	270,000	290,000
Sewer revenue bonds	745,000	810,000
Real estate contract	5,756	11,185
Bank loan	50,000	-
Lease purchase agreement	-	1,488
Total	<u>\$1,605,756</u>	<u>1,807,673</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 \$590,756 is significantly below its constitutional debt limit of \$4,367,000.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Jesup's elected and appointed officials and department heads considered many factors when setting the fiscal year 2005 budget, tax rates and fees that will be charged for various City activities.

When adopting the budget for fiscal year 2005, it was recommended departments cut 8-10% from their previous budget. Although property tax valuations increased, the City expects lower revenues from the state, leading to a reduction of approximately \$24,000 in General Fund revenues. Revenues from road use tax will pay for street lighting and street projects. The City is planning to issue general obligation debt for the Phase IV sewer interceptor project set to begin in the spring of 2005. The City has added no major new programs to the 2005 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 Amber L. Youngblut, City Clerk/Treasurer, 601 Young Street, Jesup, Iowa.

## **Basic Financial Statements**

City of Jesup

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2004

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions / Programs:</b>				
Governmental activities:				
Public safety	\$ 604,197	104,793	112,971	43,575
Public works	323,761	68,318	195,424	16,417
Health and social services	1,925	-	-	-
Culture and recreation	182,682	1,553	35,047	4,426
Community and economic development	215,114	-	48,516	107,844
General government	90,537	5,877	-	-
Debt service	219,345	-	-	-
Capital projects	462,439	-	92,499	750
Total governmental activities	2,100,000	180,541	484,457	173,012
Business type activities:				
Water	158,505	204,437	-	-
Sewer	247,865	279,279	-	-
Total business type activities	406,370	483,716	-	-
Total	\$ 2,506,370	664,257	484,457	173,012
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Loan proceeds				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Tax increment financing				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(342,858)	-	(342,858)
(43,602)	-	(43,602)
(1,925)	-	(1,925)
(141,656)	-	(141,656)
(58,754)	-	(58,754)
(84,660)	-	(84,660)
(219,345)	-	(219,345)
(369,190)	-	(369,190)
(1,261,990)	-	(1,261,990)
-	45,932	45,932
-	31,414	31,414
-	77,346	77,346
(1,261,990)	77,346	(1,184,644)
489,642	-	489,642
200,106	-	200,106
41,264	-	41,264
122,996	-	122,996
6,072	-	6,072
16,981	7,700	24,681
77,000	-	77,000
7,682	-	7,682
15,510	-	15,510
192,296	(192,296)	-
1,169,549	(184,596)	984,953
(92,441)	(107,250)	(199,691)
1,700,108	640,688	2,340,796
\$ 1,607,667	533,438	2,141,105
\$ 378,600	-	378,600
622,635	-	622,635
792	393,562	394,354
204,584	-	204,584
401,056	139,876	540,932
\$ 1,607,667	533,438	2,141,105



City of Jesup

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

As of and for the year ended June 30, 2004

	Special Revenue		
	General	Road Use Tax	Tax Increment Financing
<b>Receipts:</b>			
Property tax	\$ 362,762	-	-
Tax increment financing collections	-	-	200,106
Other city tax	13,173	-	-
Licenses and permits	14,679	-	-
Use of money and property	6,988	-	7,856
Intergovernmental	59,661	186,909	-
Charges for service	148,376	-	-
Special assessments	16,417	-	-
Miscellaneous	67,179	-	-
Total receipts	<u>689,235</u>	<u>186,909</u>	<u>207,962</u>
<b>Disbursements:</b>			
Operating:			
Public safety	430,433	-	-
Public works	195,094	105,402	-
Health and social services	1,925	-	-
Culture and recreation	163,797	-	-
Community and economic development	2,028	-	60,000
General government	84,212	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>877,489</u>	<u>105,402</u>	<u>60,000</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(188,254)</u>	<u>81,507</u>	<u>147,962</u>
<b>Other financing sources (uses):</b>			
Bank loan proceeds	50,000	-	-
Sale of capital assets	15,510	-	-
Operating transfers in	32,079	-	-
Operating transfers out	(6,191)	-	(211,520)
Total other financing sources (uses)	<u>91,398</u>	<u>-</u>	<u>(211,520)</u>
Net change in cash balances	(96,856)	81,507	(63,558)
Cash balances beginning of year, as restated	338,708	297,093	686,193
Cash balances end of year	<u>\$ 241,852</u>	<u>378,600</u>	<u>622,635</u>
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	\$ -	-	-
Unreserved:			
General fund	241,852	-	-
Special revenue funds	-	378,600	622,635
Capital projects fund	-	-	-
Total cash basis fund balances	<u>\$ 241,852</u>	<u>378,600</u>	<u>622,635</u>

See notes to financial statements.

Capital Projects	Nonmajor Governmental Funds	Total
-	149,460	512,222
-	-	200,106
-	128,506	141,679
-	-	14,679
528	3,565	18,937
75,745	151,419	473,734
-	-	148,376
-	-	16,417
17,295	112,129	196,603
93,568	545,079	1,722,753
-	173,764	604,197
-	23,265	323,761
-	-	1,925
-	18,885	182,682
-	153,086	215,114
-	6,325	90,537
-	219,345	219,345
462,439	-	462,439
462,439	594,670	2,100,000
(368,871)	(49,591)	(377,247)
-	27,000	77,000
-	-	15,510
417,296	156,154	605,529
-	(195,522)	(413,233)
417,296	(12,368)	284,806
48,425	(61,959)	(92,441)
114,702	263,412	1,700,108
163,127	201,453	1,607,667
-	792	792
-	-	241,852
-	200,661	1,201,896
163,127	-	163,127
163,127	201,453	1,607,667

**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, 2004

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 204,437	279,279	483,716
Operating disbursements:			
Business type activities	124,005	144,247	268,252
Excess of operating receipts over operating disbursements	80,432	135,032	215,464
Non-operating receipts (disbursements):			
Interest on investments	2,430	5,270	7,700
Debt service	(34,500)	(103,618)	(138,118)
Total non-operating receipts (disbursements)	(32,070)	(98,348)	(130,418)
Excess of receipts over disbursements	48,362	36,684	85,046
Operating transfers out	(33,739)	(158,557)	(192,296)
Net change in cash balances	14,623	(121,873)	(107,250)
Cash balances beginning of year	207,377	433,311	640,688
Cash balances end of year	\$ 222,000	311,438	533,438
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ 95,248	298,314	393,562
Unreserved	126,752	13,124	139,876
Total cash basis fund balances	\$ 222,000	311,438	533,438

See notes to financial statements.

City of Jesup

Notes to Financial Statements

June 30, 2004

**(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 Department, 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 Department 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 Department 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 Department 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 in the development of its collection and maintaining 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.

#### 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 services.

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 that do not meet 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 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.

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, 2004, disbursements exceeded the amount budgeted in the public safety function. In addition, the disbursements for community and economic development and capital projects functions exceeded the amounts budgeted prior to budget amendment.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2004 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.

**(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		Revenue Bonds Water		Revenue Notes Sewer		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2005	\$ 90,000	24,528	20,000	13,500	70,000	35,458	180,000
2006	95,000	20,683	20,000	12,500	70,000	32,343	185,000	65,526
2007	80,000	16,435	25,000	11,500	75,000	29,193	180,000	57,128
2008	40,000	13,015	25,000	10,250	80,000	25,780	145,000	49,045
2009	40,000	11,255	25,000	9,000	80,000	22,100	145,000	42,355
2010	45,000	9,415	25,000	7,750	85,000	18,340	155,000	35,505
2011	45,000	7,255	30,000	6,500	90,000	14,260	165,000	28,015
2012	50,000	5,050	30,000	5,000	95,000	9,850	175,000	19,900
2013	50,000	2,550	30,000	3,500	100,000	5,100	180,000	11,150
2014	-	-	30,000	2,000	-	-	30,000	2,000
2015	-	-	10,000	500	-	-	10,000	500
Total	\$ 535,000	110,186	270,000	82,000	745,000	192,424	1,550,000	384,610

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. The balances in the water and sewer reserve accounts at June 30, 2004 were \$37,563 and \$32,883, respectively. The balance in the sewer reserve account was less than the \$108,000 balance required by the sewer note resolution.

On November 12, 2003, the City entered into a loan agreement with Bank Iowa for \$50,000 for a street sweeper. The loan bears interest at 3.25% per annum and matures on November 12, 2005. Principal and interest on this note are payable in two equal annual installments of \$26,244 on November 12, 2004 and 2005. During the year ended June 30, 2004, no payments were made, leaving a balance of \$50,000.

#### **(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.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$26,380, \$26,991 and \$23,887, 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 termination payments payable to employees at June 30, 2004, primarily relating to the General Fund was \$22,000. This liability has been computed based on rates of pay in effect at June 30, 2004.



**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Emergency Planning	\$ 10,403
	Library Memorial	1,500
	Park Equipment	20,176
Special Revenue:		
Park Equipment	General	5,000
Debt Service	General	1,191
	Special Revenue:	
	Local Option Sales Tax	138,443
	Tax Increment Financing	11,520
Capital Projects	Special Revenue:	
	Local Option Sales Tax	25,000
	Tax Increment Financing	200,000
	Enterprise:	
	Water	33,739
	Sewer	158,557
Total		<u>\$ 605,529</u>

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

**(7) Community Development Block Grants**

Loan:

During the year ended June 30, 2000, the City was awarded State of Iowa, Community Development Block Grant (CDBG) funds of \$230,000 from the Iowa Department of Economic Development. The City subsequently loaned \$225,000 to a business in Jesup in accordance with the grant contract. The remaining \$5,000 was used by the City for administrative costs.

The City's liability for the repayment of this loan is limited to the amounts collected from the business. Therefore, the liability for this loan is not included on the Schedule of Indebtedness. The unpaid principal balance at June 30, 2004 was \$35,935.

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, 2004, the City had received \$141,387 of grant funds.

**(8) Jesup Economic Development Foundation Grant**

During the year ended June 30, 2002, the City received a rural initiative grant from the Jesup Economic Development Foundation to support the cost of improvements in the affordable housing subdivision, including engineering costs and installation of water, sanitary sewer and streets. The City will also use its own funds and proceeds of the street, sewer and water improvement general obligation capital loan notes issued June 1, 2002 to pay for the project. At June 30, 2004, the City had received \$291,757 from the Jesup Economic Development Foundation for this project.

**(9) Real Estate Contract**

The City of Jesup entered into a contract on June 5, 1998 to purchase real estate for \$35,000. The contract requires annual installments of \$6,101, including interest at 6% per annum, each July 1 for six years beginning on July 1, 1999. The unpaid balance at June 30, 2004 was \$5,756.

**(10) 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.

**(11) Construction Contracts**

During the year ended June 30, 2004, the City entered into a construction contract totaling \$225,000 to replace aeration equipment at the lagoon. No payments were made on the contract.

**(12) Tax Increment Development Commitment**

The City entered into an agreement with a business in the City of Jesup under which incremental 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 \$60,000 were made to the business during the year ended June 30, 2004. However, \$20,000 paid during 2004 was for the year ended June 30, 2003. The cumulative amount paid to the business from the inception of this agreement to June 30, 2004 is \$120,000.

**(13) Deficit Balances**

The Special Revenue Fund, Housing Rehabilitation Account had a deficit balance of \$2,378 at June 30, 2004. The deficit will be eliminated when state grant proceeds are received by the City. Also, the Capital Projects Fund, West Industrial Area Account had a deficit balance of \$23,175 at June 30, 2004. The deficit will be eliminated when the City is reimbursed by the company for which the improvements were made.

**(14) Accounting Change**

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures and Statement No. 41,

Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City's governmental and business type activities.

**(15) Restatements**

The beginning balances for the Special Revenue Funds, Library Endowment and Friends of the Library were restated at \$5,046 and \$3,353, respectively, as these were previously not reported. Since each is an entity legally separate from the City, but so intertwined with the City that they are, in substance, part of the City, the Library Endowment and Friends of the Library are reported as part of the City as blended component units.

In addition, accounts reported as trust funds in the prior year have been reclassified as special revenue funds in the Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Non-Major Governmental Funds.

**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, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 512,222	-	-
Tax increment financing collections	200,106	-	-
Other city tax	141,679	-	-
Licenses and permits	14,679	-	-
Use of money and property	18,937	7,700	1,700
Intergovernmental	473,734	-	43,575
Charges for service	148,376	483,716	-
Special assessments	16,417	-	-
Miscellaneous	196,603	-	59,286
Total receipts	1,722,753	491,416	104,561
Disbursements:			
Public safety	604,197	-	121,827
Public works	323,761	-	-
Health and social services	1,925	-	-
Culture and recreation	182,682	-	3,497
Community and economic development	215,114	-	-
General government	90,537	-	-
Debt service	219,345	-	27,572
Capital projects	462,439	-	-
Business type activities	-	406,370	-
Total disbursements	2,100,000	406,370	152,896
Excess (deficiency) of receipts over (under) disbursements	(377,247)	85,046	(48,335)
Other financing sources (uses), net	284,806	(192,296)	27,000
Deficiency of receipts and other financing sources under disbursements and other financing uses	(92,441)	(107,250)	(21,335)
Balances beginning of year	1,700,108	640,688	108,104
Balances end of year	\$ 1,607,667	533,438	86,769

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
512,222	495,317	495,317	16,905
200,106	195,000	195,000	5,106
141,679	162,088	162,088	(20,409)
14,679	13,535	13,535	1,144
24,937	30,975	30,975	(6,038)
430,159	245,761	245,761	184,398
632,092	599,780	599,780	32,312
16,417	-	15,000	1,417
137,317	415,366	415,366	(278,049)
<u>2,109,608</u>	<u>2,157,822</u>	<u>2,172,822</u>	<u>(63,214)</u>
482,370	367,128	467,128	(15,242)
323,761	439,056	439,056	115,295
1,925	1,925	1,925	-
179,185	182,197	207,197	28,012
215,114	250	288,766	73,652
90,537	105,260	105,260	14,723
191,773	191,774	191,774	1
462,439	332,005	557,005	94,566
406,370	585,814	585,814	179,444
<u>2,353,474</u>	<u>2,205,409</u>	<u>2,843,925</u>	<u>490,451</u>
(243,866)	(47,587)	(671,103)	427,237
65,510	-	-	65,510
(178,356)	(47,587)	(671,103)	492,747
<u>2,232,692</u>	<u>1,759,605</u>	<u>2,232,390</u>	<u>302</u>
<u>2,054,336</u>	<u>1,712,018</u>	<u>1,561,287</u>	<u>493,049</u>

City of Jesup

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

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 blended component units, Internal Service Funds and Fiduciary 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and 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, two budget amendments increased budgeted disbursements by \$638,516. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the public safety function. In addition, disbursements exceeded the amounts budgeted in the community and economic development and capital projects functions prior to budget amendments.

**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, 2004

	Special Revenue				
	Employee Benefits	Local Option Sales Tax	Emergency Planning	Economic Development #2	Economic Development Bertch
Receipts:					
Property tax	\$ 98,829	-	10,834	-	-
Other city tax	3,643	122,996	400	-	-
Use of money and property	881	728	-	-	-
Intergovernmental	-	-	-	-	-
Miscellaneous	-	-	-	-	48,516
Total receipts	103,353	123,724	11,234	-	48,516
Disbursements:					
Operating:					
Public safety	51,937	-	-	-	-
Public works	23,265	-	-	-	-
Culture and recreation	15,388	-	-	-	-
Community and economic development	-	-	-	-	48,516
General government	6,325	-	-	-	-
Debt service	-	-	-	-	-
Total disbursements	96,915	-	-	-	48,516
Excess (deficiency) of receipts over (under) disbursements	6,438	123,724	11,234	-	-
Other financing sources (uses):					
Loan proceeds	-	-	-	-	-
Operating transfers in	-	-	-	-	-
Operating transfers out	-	(163,443)	(10,403)	-	-
Total other financing sources (uses)	-	(163,443)	(10,403)	-	-
Net change in cash balances	6,438	(39,719)	831	-	-
Cash balances beginning of year, as restated	85,235	40,206	64	133	-
Cash balances end of year	\$ 91,673	487	895	133	-
<b>Cash Basis Fund Balances</b>					
Unreserved:					
Special revenue funds	91,673	487	895	133	-
Debt service fund	-	-	-	-	-
Total cash basis fund balances	\$ 91,673	487	895	133	-

See accompanying independent auditor's report.

										Debt Service	
Housing Rehabilitation	Jesup Fire Department	Jesup Ambulance	Library Memorial	Library Community Room	Park Board	Library Endowment	Friends of the Library	Park Equipment	Debt Service	Total	
-	-	-	-	-	-	-	-	-	39,797	149,460	
-	-	-	-	-	-	-	-	-	1,467	128,506	
-	844	817	124	6	15	26	13	111	-	3,565	
107,844	43,575	-	-	-	-	-	-	-	-	151,419	
-	23,141	19,367	4,302	25	-	7,540	9,238	-	-	112,129	
107,844	67,560	20,184	4,426	31	15	7,566	9,251	111	41,264	545,079	
-	88,837	32,990	-	-	-	-	-	-	-	173,764	
-	-	-	-	-	-	-	-	-	-	23,265	
-	-	-	-	-	-	-	3,497	-	-	18,885	
104,570	-	-	-	-	-	-	-	-	-	153,086	
-	-	-	-	-	-	-	-	-	-	6,325	
-	27,572	-	-	-	-	-	-	-	191,773	219,345	
104,570	116,409	32,990	-	-	-	-	3,497	-	191,773	594,670	
3,274	(48,849)	(12,806)	4,426	31	15	7,566	5,754	111	(150,509)	(49,591)	
-	27,000	-	-	-	-	-	-	-	-	27,000	
-	-	-	-	-	-	-	-	5,000	151,154	156,154	
-	-	-	(1,500)	-	-	-	-	(20,176)	-	(195,522)	
-	27,000	-	(1,500)	-	-	-	-	(15,176)	151,154	(12,368)	
3,274	(21,849)	(12,806)	2,926	31	15	7,566	5,754	(15,065)	645	(61,959)	
(5,652)	26,750	72,955	7,634	427	3,810	5,046	3,353	23,304	147	263,412	
(2,378)	4,901	60,149	10,560	458	3,825	12,612	9,107	8,239	792	201,453	
(2,378)	4,901	60,149	10,560	458	3,825	12,612	9,107	8,239	-	200,661	
-	-	-	-	-	-	-	-	-	792	792	
(2,378)	4,901	60,149	10,560	458	3,825	12,612	9,107	8,239	792	201,453	

City of Jesup  
Schedule of Indebtedness  
Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Street improvement	Mar 1, 1994	4.20-5.25%	\$ 115,000
Essential corporate purpose	Jun 1, 1995	4.90-5.45%	100,000
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
Total			
Revenue bonds:			
Water	Nov 25, 1975	5.00%	\$ 600,000
Revenue notes:			
Sewer	Dec 1, 1998	4.15-5.10%	\$ 1,080,000
Bank loan:			
Street sweeper	Nov 12, 2003	3.25%	\$ 50,000
Real estate contract	Jun 5, 1998	6.00%	\$ 35,000
Lease purchase agreement:			
Digital document recorder	Oct 10, 2001	8.81%	\$ 6,701

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
30,000	-	10,000	20,000	1,520
35,000	-	10,000	25,000	1,878
215,000	-	105,000	110,000	9,142
415,000	-	35,000	380,000	18,633
<u>\$ 695,000</u>	<u>-</u>	<u>160,000</u>	<u>535,000</u>	<u>31,173</u>
<u>290,000</u>	<u>-</u>	<u>20,000</u>	<u>270,000</u>	<u>14,500</u>
<u>810,000</u>	<u>-</u>	<u>65,000</u>	<u>745,000</u>	<u>38,318</u>
<u>-</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
<u>11,185</u>	<u>-</u>	<u>5,429</u>	<u>5,756</u>	<u>671</u>
<u>1,488</u>	<u>-</u>	<u>1,488</u>	<u>-</u>	<u>31</u>

City of Jesup  
Bond and Note Maturities  
June 30, 2004

Year Ending June 30,	General Obligation Capital Loan Notes								Total
	Street Improvement		Essential Corporate Purpose		Sewer Improvement and Refunding		Street, Sewer, and Water Improvements		
	Issued Mar 1, 1994		Issued Jun 1, 1995		Issued Jan 1, 1999		Issued Jun 1, 2002		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2005	5.10%	\$ 10,000	5.35%	\$ 10,000	4.25%	\$ 35,000	3.75%	\$ 35,000	90,000
2006	5.25	10,000	5.45	15,000	4.30	35,000	4.00	35,000	95,000
2007		-		-		40,000	4.20	40,000	80,000
2008		-		-		-	4.40	40,000	40,000
2009		-		-		-	4.60	40,000	40,000
2010		-		-		-	4.80	45,000	45,000
2011		-		-		-	4.90	45,000	45,000
2012		-		-		-	5.00	50,000	50,000
2013		-		-		-	5.10	50,000	50,000
Total		<u>\$ 20,000</u>		<u>\$ 25,000</u>		<u>\$ 110,000</u>		<u>\$380,000</u>	<u>535,000</u>

See accompanying independent auditor's report.

Year Ending June 30,	Revenue Bonds		Revenue Notes		Total
	Water		Sewer		
	Issued Nov 25, 1975		Issued Dec 1, 1998		
	Interest Rates	Amount	Interest Rates	Amount	
2005	5.00%	\$ 20,000	4.45%	\$ 70,000	90,000
2006	5.00	20,000	4.50	70,000	90,000
2007	5.00	25,000	4.55	75,000	100,000
2008	5.00	25,000	4.60	80,000	105,000
2009	5.00	25,000	4.70	80,000	105,000
2010	5.00	25,000	4.80	85,000	110,000
2011	5.00	30,000	4.90	90,000	120,000
2012	5.00	30,000	5.00	95,000	125,000
2013	5.00	30,000	5.10	100,000	130,000
2014	5.00	30,000		-	30,000
2015	5.00	10,000		-	10,000
Total		<u>\$ 270,000</u>		<u>\$ 745,000</u>	<u>1,015,000</u>

**Schedule 4**

## City of Jesup

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

For the Last Two Years

	<u>2004</u>	<u>2003</u>
Receipts:		
Property tax	\$ 512,222	460,782
Tax increment financing collections	200,106	315,334
Other city tax	141,679	175,310
Licenses and permits	14,679	15,147
Use of money and property	18,937	32,500
Intergovernmental	473,734	486,451
Charges for service	148,376	154,394
Special assessments	16,417	9,471
Miscellaneous	196,603	96,335
	<u>1,722,753</u>	<u>1,745,724</u>
Total	\$ 1,722,753	1,745,724
Disbursements:		
Operating:		
Public safety	\$ 604,197	370,853
Public works	323,761	131,870
Health and social services	1,925	1,925
Culture and recreation	182,682	184,258
Community and economic development	215,114	323,969
General government	90,537	121,517
Debt service	219,345	246,453
Capital projects	462,439	684,153
	<u>2,100,000</u>	<u>2,064,998</u>
Total	\$ 2,100,000	2,064,998

See accompanying independent auditor's report.



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Honorable Mayor and  
Members of the City Council:

We have audited the financial statements of the City of Jesup, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 16, 2004. Our report expressed an unqualified opinion 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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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, 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 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, 2004 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. Prior year statutory comments have been resolved except for items (2), (10) and (11).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Jesup's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

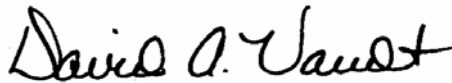
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their



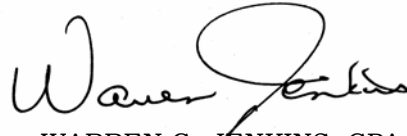
assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

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

September 16, 2004

City of Jesup  
Schedule of Findings  
Year ended June 30, 2004

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

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

**Other Findings Related to Statutory Reporting:**

- (1) Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- (2) Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the community and economic development and capital projects functions prior to budget amendments. In addition, disbursements exceeded the amended budget in the public safety function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – It is the City’s policy to follow Chapter 384.18 of the Code of Iowa and will ensure compliance in the future.

Conclusion – Response accepted.

- (3) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Jesup

Schedule of Findings

Year ended June 30, 2004

- (5) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Shane Clark, Volunteer Fireman, owner of Ward Service Center, Inc. & Clark General Store	Auto parts	\$ 228
Randy McGill, Council Member, employed at Hawkeye Tile	Materials and repair	58
Roger Williams, Council Member, owner of Williams Electrical Service	Electrical services and parts	156

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Council Members and Volunteer Fireman do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

- (6) 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.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (8) 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.
- (9) Revenue Bonds and Notes – No instances of non-compliance with the provisions of the revenue bonds/notes indentures were noted, except as noted in finding (12).
- (10) Employee Benefits – The City appears to have used proceeds of the Special Revenue, Employee Benefits Fund property tax levy for the Enterprise, Water and Sewer Funds, which is contrary to rules adopted by the City Finance Committee.

Recommendation – The City should review this matter and take appropriate corrective action. Also, the City should ensure property tax is levied and expended for employee benefits only for employees paid from the General Fund and the Special Revenue, Road Use Tax Fund.

Response – The City will review this matter to ensure compliance.

Conclusion – Response accepted.

City of Jesup

Schedule of Findings

Year ended June 30, 2004

- (11) Contract Change Orders – The City has entered into various construction contracts. The City Council did not approve change orders for items that caused costs to exceed the contract amount.

Recommendation – The City should review and approve change orders for items that will cause costs to exceed the contract amount.

Response – In the future, the City will review and approve change orders for items that will cause costs to exceed the contract amount.

Conclusion – Response accepted.

- (12) Sewer Revenue Notes – The sewer revenue notes resolution requires the City to maintain a \$108,000 balance in the sewer reserve account. At June 30, 2004, the sewer reserve account had a balance of \$32,883, which was \$75,117 less than the required balance. At June 30, 2004, the balance in the sewer sinking account was \$234,962, which was sufficient to meet the balances required for both the sewer reserve account and the sewer sinking account.

Recommendation – The City should transfer the funds necessary from the sewer sinking account to the sewer reserve account to meet the required \$108,000 balance.

Response – The City will make this transfer.

Conclusion – Response accepted.

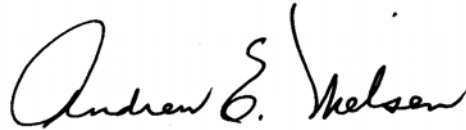
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City of Jesup

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Darryl T. Brumm, CPA, Senior Auditor II  
Heather B. Allen, Staff 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