



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

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

February 13, 2020

Contact: Marlys Gaston  
515/281-5834

Auditor of State Rob Sand today released an audit report on the City of Jesup, Iowa.

**FINANCIAL HIGHLIGHTS:**

The City's receipts totaled \$3,311,104 for the year ended June 30, 2019, a 3.4% increase over the prior year. Disbursements for the year ended June 30, 2019 totaled \$2,885,728 a 41.8% decrease from the prior year. The significant decrease in disbursements is due primarily to a decrease in capital projects disbursements for capital projects which were completed during the prior year.

**AUDIT FINDINGS:**

Sand reported four findings related to the receipt and disbursement of taxpayer funds. They are found on pages 46 through 49 of this report. The findings address issues such as a lack of segregation of duties and the lack of a review of the reconciliations of utility billings, collections and delinquent accounts for part of the year. Sand provided the City with recommendations to address each of the findings.

The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

###

**CITY OF JESUP**

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

**JUNE 30, 2019**

**City of Jesup**



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January 7, 2020

Officials of the City of Jesup  
Jesup, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Jesup, Iowa, for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Jesup throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand".

Rob Sand  
Auditor of State

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**City of Jesup**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Larry Thompson	Mayor	Jan 2020
Dawn Vogel	Mayor Pro tem	Jan 2020
Richard Mott	Council Member	Jan 2020
Russ Solomon	Council Member	Jan 2020
Denny Bell	Council Member	Jan 2022
Todd Rohlfen	Council Member	Jan 2022
Koley Mead	City Clerk	Indefinite
Heather Prendergast	Attorney	Indefinite

**City of Jesup**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup as of June 30, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### *Supplementary and Other Information*

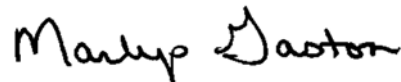
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jesup's basic financial statements. The financial statements for the four years ended June 30, 2016 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2018 and the three years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 28 through 34, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance in it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2020 on our consideration of the City of Jesup's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Jesup's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA  
Deputy Auditor of State

January 7, 2020

**City of Jesup**

## **Basic Financial Statements**

City of Jesup

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 620,495	109,360	122,232	-
Public works	441,797	12,355	329,961	-
Health and social services	1,900	-	-	-
Culture and recreation	233,050	1,328	42,910	-
Community and economic development	148	-	-	-
General government	197,272	2,814	-	-
Debt service	599,047	-	-	-
Capital projects	197,805	-	-	96,360
Total governmental activities	2,291,514	125,857	495,103	96,360
Business type activities:				
Water	317,144	359,973	-	-
Sewer	252,333	448,145	-	-
Utility deposits/sales tax	24,737	26,635	-	-
Total business type activities	594,214	834,753	-	-
Total	\$ 2,885,728	960,610	495,103	96,360
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted for:				
Debt service				
Streets				
Local option sales tax				
Capital projects				
Fire and ambulance				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(388,903)	-	(388,903)
(99,481)	-	(99,481)
(1,900)	-	(1,900)
(188,812)	-	(188,812)
(148)	-	(148)
(194,458)	-	(194,458)
(599,047)	-	(599,047)
(101,445)	-	(101,445)
(1,574,194)	-	(1,574,194)
-	42,829	42,829
-	195,812	195,812
-	1,898	1,898
-	240,539	240,539
(1,574,194)	240,539	(1,333,655)
1,085,599	-	1,085,599
322,600	-	322,600
231,408	-	231,408
26,916	-	26,916
41,689	10,991	52,680
39,649	-	39,649
179	-	179
71,668	(71,668)	-
1,819,708	(60,677)	1,759,031
245,514	179,862	425,376
2,347,487	426,208	2,773,695
\$ 2,593,001	606,070	3,199,071
\$ 29,992	-	29,992
171,966	-	171,966
408,837	-	408,837
342,572	-	342,572
149,552	-	149,552
305,831	-	305,831
1,184,251	606,070	1,790,321
\$ 2,593,001	606,070	3,199,071

City of Jesup

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

As of and for the year ended June 30, 2019

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 875,427	-	-
Other city tax	1,130	-	231,408
Licenses and permits	10,767	-	-
Use of money and property	40,614	-	9,004
Intergovernmental	89,967	325,548	-
Charges for service	106,924	-	-
Special assessments	137	-	-
Miscellaneous	66,781	-	-
Total receipts	1,191,747	325,548	240,412
Disbursements:			
Operating:			
Public safety	456,999	-	-
Public works	195,631	194,386	-
Health and social services	1,900	-	-
Culture and recreation	206,035	-	-
Community and economic development	148	-	-
General government	161,432	-	-
Debt service	-	-	118,512
Capital projects	-	-	-
Total disbursements	1,022,145	194,386	118,512
Excess (deficiency) of receipts over disbursements	169,602	131,162	121,900
Other financing sources (uses):			
Sale of capital assets	179	-	-
Transfers in	-	-	-
Transfers out	(19,841)	(87,594)	(154,179)
Total other financing sources (uses)	(19,662)	(87,594)	(154,179)
Change in cash balances	149,940	43,568	(32,279)
Cash balances beginning of year	1,207,102	128,398	441,116
Cash balances end of year	\$ 1,357,042	171,966	408,837
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Debt service	\$ -	-	-
Streets	-	171,966	-
Local option sales tax	-	-	408,837
Capital projects	-	-	-
Fire and ambulance	-	-	-
Other purposes	172,791	-	-
Committed for capital equipment and improvements	608,768	-	-
Unassigned	575,483	-	-
Total cash basis fund balances	\$ 1,357,042	171,966	408,837

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
322,600	-	209,042	1,407,069
-	-	-	232,538
-	-	-	10,767
3,125	-	1,278	54,021
6,171	-	3,998	425,684
-	-	-	106,924
-	-	-	137
-	87,356	73,904	228,041
<b>331,896</b>	<b>87,356</b>	<b>288,222</b>	<b>2,465,181</b>
-	-	163,496	620,495
-	-	51,780	441,797
-	-	-	1,900
-	-	27,015	233,050
-	-	-	148
-	-	35,840	197,272
480,535	-	-	599,047
-	197,805	-	197,805
<b>480,535</b>	<b>197,805</b>	<b>278,131</b>	<b>2,291,514</b>
<b>(148,639)</b>	<b>(110,449)</b>	<b>10,091</b>	<b>173,667</b>
-	-	-	179
159,262	174,020	-	333,282
-	-	-	(261,614)
<b>159,262</b>	<b>174,020</b>	<b>-</b>	<b>71,847</b>
10,623	63,571	10,091	245,514
19,369	279,001	272,501	2,347,487
<b>29,992</b>	<b>342,572</b>	<b>282,592</b>	<b>2,593,001</b>
29,992	-	-	29,992
-	-	-	171,966
-	-	-	408,837
-	342,572	-	342,572
-	-	149,552	149,552
-	-	133,040	305,831
-	-	-	608,768
-	-	-	575,483
<b>29,992</b>	<b>342,572</b>	<b>282,592</b>	<b>2,593,001</b>



**City of Jesup**

City of Jesup

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

As of and for the year ended June 30, 2019

	Enterprise			
	Non-Major			Total
	Water	Sewer	Utility Deposits Sales Tax	
Operating receipts:				
Charges for service	\$ 359,217	447,425	26,635	833,277
Miscellaneous	756	720	-	1,476
Total operating receipts	359,973	448,145	26,635	834,753
Operating disbursements:				
Business type activities	284,284	215,651	24,737	524,672
Excess of operating receipts over operating disbursements	75,689	232,494	1,898	310,081
Non-operating receipts (disbursements):				
Interest	2,413	7,709	869	10,991
Equipment	(24,154)	(9,335)	-	(33,489)
Capital outlay	(8,706)	(27,347)	-	(36,053)
Net non-operating receipts (disbursements)	(30,447)	(28,973)	869	(58,551)
Excess of receipts over disbursements	45,242	203,521	2,767	251,530
Transfers out	(25,482)	(46,186)	-	(71,668)
Change in cash balances	19,760	157,335	2,767	179,862
Cash balances beginning of year	107,812	275,749	42,647	426,208
Cash balances end of year	\$ 127,572	433,084	45,414	606,070
<b>Cash Basis Fund Balances</b>				
Unrestricted	\$ 127,572	433,084	45,414	606,070

See notes to financial statements.

City of Jesup

Notes to Financial Statements

June 30, 2019

**(1) Summary of Significant Accounting Policies**

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

A. Reporting Entity

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

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

Blended Component Units

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

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

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

Pursuant to Chapter 501B of the Code of Iowa, the Friends of the Jesup Public Library (Friends) is an unincorporated nonprofit association. The purpose is to benefit the City of Jesup (the primary government) by maintaining an association of persons interested in the Jesup Public Library, to promote and stimulate use of the Jesup Public Library, to work with and support the library staff and Board of Trustees in their efforts to inform and educate the public as to the Library's resources and services and to generate financial support for the further development of library services. Based on these criteria, Friends is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. In accordance with criteria set forth by the Governmental Accounting Standards Board, Friends meets the definition of a component unit which should be blended. It is reported as part of the City and blended into the Special Revenue Funds.

#### 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: Buchanan County Assessor's Conference Board, Buchanan County Emergency Management Commission, Buchanan County Economic Development and Joint 911 Service Board. The City also participates in the Buchanan County Solid Waste Commission, a jointly governed organization established pursuant to the Chapter 28E of the Code of Iowa.

#### B. Basis of Presentation

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

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

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax (LOST) Fund is used to account for revenues and expenditures of local option sales tax, for purposes authorized in the LOST referendum.

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

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

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2019, disbursements in the capital projects function exceeded the budget prior to the budget amendment.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 395,000	41,380	65,000	49,763	460,000	91,143
2021	410,000	33,633	70,000	47,813	480,000	81,446
2022	425,000	25,048	70,000	45,713	495,000	70,761
2023	235,000	15,458	70,000	43,963	305,000	59,421
2024	235,000	11,410	75,000	42,212	310,000	53,622
2025-2029	385,000	11,315	400,000	179,788	785,000	191,103
2030-2034	-	-	465,000	112,238	465,000	112,238
2035-2037	-	-	325,000	24,560	325,000	24,560
Total	\$ 2,085,000	138,244	1,540,000	546,050	3,625,000	684,294

Revenue Bonds

On May 14, 2017, the City issued \$1,660,000 of local option sales and services tax revenue and refunding bonds. Proceeds from the bonds provided financing for acquiring, constructing, furnishing, and equipping of city facilities, including an emergency services facility and to refund local option sales and services tax revenue bonds, series 2010B.

The City has pledged 60% of future local option sales tax receipts, net of specified operating disbursements to repay the bonds. The bonds are payable solely from a portion of local option sales tax receipts and are payable through 2037. Annual principal and interest payments on the bonds are expected to require 85% of net receipts. The total principal and interest remaining to be paid on the bonds is \$2,086,050. For the current year, principal and interest paid was \$118,012 and the 60% allocated portion of the local option sales tax receipts was \$138,845, respectively.

The resolution providing for the issuance of the revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings/receipts of the local option sales tax receipts and the bond holders hold a lien on the future earnings/receipts of the fund.
- (b) Sufficient monthly transfers shall be made to a separate local option sales tax revenue bond sinking account within the Special Revenue, Local Option Sales Tax Fund for the purpose of making the bond principal and interest payments when due.
- (c) Specified amounts are required to be held in a local option sales tax reserve account. This account is restricted for the purpose of paying for any additional improvements, extensions or repair to the systems or, when necessary, for the purpose of making the principal and interest payments when due.

**(4) Pension Plan**

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

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

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member’s monthly IPERS benefit includes:

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



If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

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

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

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

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City's contributions to IPERS for the year ended June 30, 2019 totaled \$58,587.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$308,906 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the City's proportion was 0.004881%, which was a decrease of 0.000325% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$61,386, \$67,928 and \$24,305, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 653,543	308,906	19,999

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

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2019, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 22,000
Compensatory time	18,000
Total	<u>\$ 40,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2019.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
Debt Service:	Special Revenue:	
	Road Use Tax	\$ 87,594
	Enterprise:	
	Water	25,482
	Sewer	46,186
		<u>159,262</u>
Capital Projects	General Fund	19,841
	Special Revenue:	
	Local Option Sales Tax	154,179
		<u>174,020</u>
		<u>\$ 333,282</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) Employee Health Insurance Plan**

To obtain a lower health insurance premium, the City has agreed to be responsible for reimbursing employees for the higher employee deductible. The City assumes liability for claims between \$250 and \$500 for all coverage. Claims in excess of the deductible are insured through the purchase of insurance. For the year ended June 30, 2019 payments totaling \$750 were recorded as disbursements in the General Fund.

**(9) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

**City of Jesup**

## **Other Information**

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

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,407,069	-	-
Other city tax	232,538	-	-
Licenses and permits	10,767	-	-
Use of money and property	54,021	10,991	1,278
Intergovernmental	425,684	-	-
Charges for service	106,924	833,277	-
Special assessments	137	-	-
Miscellaneous	228,041	1,476	73,904
Total receipts	2,465,181	845,744	75,182
<b>Disbursements:</b>			
Public safety	620,495	-	72,387
Public works	441,797	-	-
Health and social services	1,900	-	-
Culture and recreation	233,050	-	4,603
Community and economic development	148	-	-
General government	197,272	-	-
Debt service	599,047	-	-
Capital projects	197,805	-	-
Business type activities	-	594,214	-
Total disbursements	2,291,514	594,214	76,990
Excess (deficiency) of receipts over (under) disbursements	173,667	251,530	(1,808)
Other financing sources, net	71,847	(71,668)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	245,514	179,862	(1,808)
Balances beginning of year	2,347,487	426,208	178,728
Balances end of year	\$ 2,593,001	606,070	176,920

See accompanying independent auditor's report.

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Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
1,407,069	1,386,814	1,386,814	20,255
232,538	241,782	241,782	(9,244)
10,767	25,100	25,100	(14,333)
63,734	30,030	41,900	21,834
425,684	407,535	407,535	18,149
940,201	964,450	962,950	(22,749)
137	200	200	(63)
155,613	46,700	153,109	2,504
<u>3,235,743</u>	<u>3,102,611</u>	<u>3,219,390</u>	<u>16,353</u>
548,108	624,940	634,298	86,190
441,797	470,320	499,203	57,406
1,900	1,900	1,900	-
228,447	245,888	254,888	26,441
148	7,682	7,682	7,534
197,272	184,276	204,821	7,549
599,047	599,046	599,049	2
197,805	152,650	352,550	154,745
594,214	676,279	744,663	150,449
<u>2,808,738</u>	<u>2,962,981</u>	<u>3,299,054</u>	<u>490,316</u>
427,005	139,630	(79,664)	506,669
179	1,000	1,000	(821)
427,184	140,630	(78,664)	505,848
<u>2,594,967</u>	<u>3,063,996</u>	<u>3,063,996</u>	<u>(469,029)</u>
<u>3,022,151</u>	<u>3,204,626</u>	<u>2,985,332</u>	<u>36,819</u>

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City of Jesup

Notes to Other Information – Budgetary Reporting

June 30, 2019

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$336,073. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements in the capital projects function exceeded the budget prior to the budget amendment.

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City of Jesup

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

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

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.004881%	0.005206%	0.005453%	0.004977%	0.004589%
City's proportionate share of the net pension liability	\$ 309	347	343	246	182
City's covered payroll	\$ 579	584	540	529	518
City's proportionate share of the net pension liability as a percentage of its covered payroll	53.37%	59.42%	63.52%	46.50%	35.16%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

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City of Jesup

Schedule of City Contributions

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

Other Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 59	54	54	50
Contributions in relation to the statutorily required contribution	<u>(59)</u>	<u>(54)</u>	<u>(54)</u>	<u>(50)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 603	579	584	540
Contributions as a percentage of covered payroll	9.78%	9.33%	9.25%	9.26%

See accompanying independent auditor's report.

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2015	2014	2013	2012	2011	2010
49	48	45	43	37	34
(49)	(48)	(45)	(43)	(37)	(34)
-	-	-	-	-	-
529	518	488	491	478	462
9.26%	9.27%	9.22%	8.76%	7.74%	7.36%

City of Jesup

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

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

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

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

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

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

**Supplementary Information**

City of Jesup

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

As of and for the year ended June 30, 2019

			Special
	Employee Benefits	Jesup Fire Association	Jesup Ambulance Crew Association
Receipts:			
Property tax	\$ 209,042	-	-
Use of money and property	-	66	821
Intergovernmental	3,998	-	-
Miscellaneous	-	67,491	3,178
Total receipts	<u>213,040</u>	<u>67,557</u>	<u>3,999</u>
Disbursements:			
Operating:			
Public safety	91,109	69,776	2,611
Public works	51,780	-	-
Culture and recreation	22,412	-	-
General government	35,840	-	-
Total disbursements	<u>201,141</u>	<u>69,776</u>	<u>2,611</u>
Change in cash balances	11,899	(2,219)	1,388
Cash balances beginning of year	<u>93,773</u>	<u>105,148</u>	<u>45,235</u>
Cash balances end of year	<u>\$ 105,672</u>	<u>102,929</u>	<u>46,623</u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Fire and ambulance	\$ -	102,929	46,623
Other purposes	<u>105,672</u>	-	-
Total cash basis fund balances	<u>\$ 105,672</u>	<u>102,929</u>	<u>46,623</u>

See accompanying independent auditor's report.

<u>Revenue</u>		
Jesup Library Endowment Fund Incorporated	Friends of the Jesup Public Library	Total
-	-	209,042
227	164	1,278
-	-	3,998
-	3,235	73,904
227	3,399	288,222
-	-	163,496
-	-	51,780
-	4,603	27,015
-	-	35,840
-	4,603	278,131
227	(1,204)	10,091
19,126	9,219	272,501
19,353	8,015	282,592
-	-	149,552
19,353	8,015	133,040
19,353	8,015	282,592



City of Jesup  
 Schedule of Indebtedness  
 Year ended June 30, 2019

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Corporate purpose, series 2011	May 1, 2011	2.50-3.40%	\$ 1,500,000
Corporate purpose and refunding, series 2013A	Apr 1, 2013	1.25-1.85	1,280,000
Corporate purpose, series 2016	Jul 20, 2016	1.00-2.00	1,420,000
Total			
Revenue bonds:			
Local option and services tax revenue and refunding bonds, series 2017	May 4, 2017	2.50-5.00	\$ 1,660,000

See accompanying independent auditor's report.

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Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
590,000	-	140,000	450,000	18,762
665,000	-	130,000	535,000	10,530
1,260,000	-	160,000	1,100,000	19,743
<u>\$ 2,515,000</u>	-	430,000	2,085,000	49,035
<u>1,605,000</u>	-	65,000	1,540,000	53,012

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**City of Jesup**

City of Jesup  
Bond and Note Maturities  
June 30, 2019

General Obligation Notes							
Year Ending June 30,	Corporate Purpose Series 2011		Corporate Purpose Series 2013A		Corporate Purpose Series 2016		Total
	Issued May 1, 2011		Issued April 1, 2013		Issued July 20, 2016		
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2020	3.05%	\$ 145,000	1.45%	\$ 130,000	1.20%	\$ 120,000	395,000
2021	3.20	150,000	1.60	135,000	1.30	125,000	410,000
2022	3.40	155,000	1.75	135,000	1.45	135,000	425,000
2023		-	1.85	135,000	1.55	100,000	235,000
2024		-		-	1.70	235,000	235,000
2025		-		-	1.85	190,000	190,000
2026		-		-	2.00	195,000	195,000
Total		<u>\$ 450,000</u>		<u>\$ 535,000</u>		<u>\$ 1,100,000</u>	<u>2,085,000</u>

Revenue Bonds		
Year Ending June 30,	LOST and Refunding Bonds	
	Issued May 4, 2017	
	Interest Rates	Amount
2020	3.00%	\$ 65,000
2021	3.00	70,000
2022	2.50	70,000
2023	2.50	70,000
2024	2.50	75,000
2025	2.50	75,000
2026	3.00	80,000
2027	3.00	80,000
2028	3.00	80,000
2029	3.00	85,000
2030	3.50	85,000
2031	3.50	90,000
2032	3.50	95,000
2033	3.50	95,000
2034	3.75	100,000
2035	3.75	105,000
2036	3.75	110,000
2037	3.75	110,000
Total		<u>\$ 1,540,000</u>

See accompanying independent auditor's report.

City of Jesup

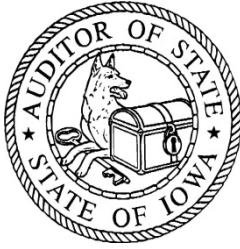
Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Ten Years

	2019	2018	2017	2016
Receipts:				
Property tax	\$ 1,407,069	1,367,926	1,336,275	1,310,814
Tax increment financing	-	-	-	-
Other city tax	232,538	205,927	239,265	209,980
Licenses and permits	10,767	10,126	18,108	16,836
Use of money and property	54,021	37,344	27,529	13,177
Intergovernmental	425,684	420,534	414,814	414,624
Charges for service	106,924	87,613	148,997	112,803
Special assessments	137	147	157	168
Miscellaneous	228,041	230,730	132,771	224,368
Total	<u>\$ 2,465,181</u>	<u>2,360,347</u>	<u>2,317,916</u>	<u>2,302,770</u>
Disbursements:				
Operating:				
Public safety	\$ 620,495	602,697	521,319	649,112
Public works	441,797	435,456	399,394	557,356
Health and social services	1,900	1,900	1,900	2,000
Culture and recreation	233,050	251,491	272,755	237,435
Community and economic development	148	7,400	8,755	7,489
General government	197,272	231,738	172,711	181,416
Debt service	599,047	598,413	872,505	555,237
Capital projects	197,805	2,372,925	1,394,321	695,924
Total	<u>\$ 2,291,514</u>	<u>4,502,020</u>	<u>3,643,660</u>	<u>2,885,969</u>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
1,275,683	1,230,501	1,159,930	1,095,145	1,006,275	830,846
23,448	23,381	47,368	53,241	100,258	196,237
218,133	217,626	211,208	204,516	180,579	173,896
17,078	20,266	21,673	16,520	18,818	21,475
5,962	7,020	8,773	11,442	12,745	16,022
341,239	316,913	301,205	880,334	766,859	267,294
104,836	103,967	153,066	149,866	203,817	148,209
178	3,458	1,055	2,118	6,650	25,674
179,136	148,976	156,662	266,461	167,962	234,008
<u>2,165,693</u>	<u>2,072,108</u>	<u>2,060,940</u>	<u>2,679,643</u>	<u>2,463,963</u>	<u>1,913,661</u>
645,603	631,275	438,876	625,595	459,888	461,475
549,071	376,979	289,002	453,006	403,864	650,275
2,000	2,000	2,000	1,925	1,925	1,925
228,312	211,462	201,111	247,481	194,326	175,873
7,458	170	436	42	152,545	507,639
189,858	185,467	184,677	154,245	144,351	137,150
520,638	569,887	1,024,577	580,841	343,949	853,490
166,952	960,881	667,936	2,588,450	1,515,202	293,326
<u>2,309,892</u>	<u>2,938,121</u>	<u>2,808,615</u>	<u>4,651,585</u>	<u>3,216,050</u>	<u>3,081,153</u>



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 7, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Jesup's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) and (C) to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jesup's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

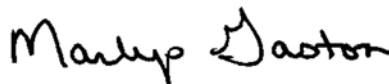
### The City of Jesup's Responses to the Findings

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

### Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Jesup during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Marlys K. Gaston, CPA  
Deputy Auditor of State

January 7, 2020



City of Jesup

Schedule of Findings

Year ended June 30, 2019

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

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

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

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

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

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

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – Segregation of duties is controlled as much as possible considering the limited number of individuals

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

City of Jesup

Schedule of Findings

Year ended June 30, 2019

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

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

Condition – Utility billings and collections were reconciled throughout the year. However, there was no evidence an independent review of the reconciliations and delinquent accounts was performed for the period July 2018 through October 2018.

Cause – Prior to November 2018, policies had not been established and procedures had not been implemented to independently review utility reconciliations and delinquent account balances.

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

Recommendation – The City Council or a Council-designated independent person should review the utility reconciliations and monitor delinquent accounts for all months. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response – The City has addressed this issue. An independent person is now reviewing the utility reconciliation and delinquent accounts on a monthly basis.

Conclusion – Response accepted.

(C) Ambulance Crew Association – Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances. Supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Monthly bank statements are not reconciled to the Ambulance Association's account balances.

Cause – Procedures have not been designed and implemented to ensure bank reconciliations are completed and independently reviewed for completeness and accuracy.

Effect – The lack of a bank reconciliation can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

City of Jesup

Schedule of Findings

Year ended June 30, 2019

Recommendation – The Ambulance Crew Association should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

Response – The City will work with the Ambulance Association to address this issue.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Jesup

Schedule of Findings

Year ended June 30, 2019

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – During the year ended June 30, 2019, disbursements in the capital projects function exceeded the amount budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The budget will be amended in the future prior to allowing disbursements to exceed the budget, if applicable.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements which did not appear to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (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 – No instances of non-compliance with the revenue bond resolution were noted.

City of Jesup

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Michelle B. Meyer, CPA, Manager  
Alex N. Kawamura, CPA, Senior Auditor  
Ethan M. Snedigar, Staff Auditor