



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

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ December 5, 2005

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Auditor of State David A. Vaudt today released an audit report on the City of Jesup, Iowa.

The City's receipts totaled \$2,895,717 for the year ended June 30, 2005, a 25% increase from 2004. The receipts included \$509,334 in property tax, \$312,355 from tax increment financing, \$669,914 from charges for service, \$316,608 from operating grants, contributions and restricted interest, \$69,671 from capital grants, contributions and restricted interest, \$163,836 from local option sales tax, \$35,703 from unrestricted interest on investments, \$785,200 from note proceeds and \$33,096 from other general receipts.

Disbursements for the year totaled \$2,188,458, a 13% decrease from the prior year, and included \$607,305 for capital projects, \$342,490 for public safety and \$238,806 for public works. Also, disbursements for business type activities totaled \$420,727.

The significant increase in receipts is due primarily to the issuance of general obligation capital loan notes for the sewer improvement project. The significant decrease in disbursements is due primarily to major equipment purchases in fiscal 2004.

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

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**CITY OF JESUP**

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

**JUNE 30, 2005**

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**City of Jesup**

**Officials**

| <u>Name</u>         | <u>Title</u>    | <u>Term Expires</u> |
|---------------------|-----------------|---------------------|
| 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 Joblinske      | Council Member  | Jan 2008            |
| Roger J. Williams   | Council Member  | Jan 2008            |
| Linda Bunnell       | Clerk/Treasurer | Indefinite          |
| LeAnn Nichols       | Deputy Clerk    | Indefinite          |
| Linda Ostlie        | 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, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Jesup's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

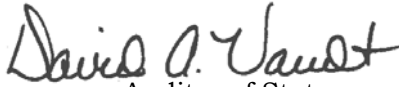
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

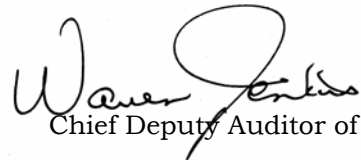
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2005 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, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 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 two years ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions 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.

  
Auditor of State

  
Chief Deputy Auditor of State

August 18, 2005

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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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2005 FINANCIAL HIGHLIGHTS

- The City's total receipts for governmental activities increased 20.2%, or approximately \$405,000, from fiscal year 2004 to 2005. The total cost of all governmental activities programs and services decreased 15.8%, or approximately \$332,000. The increase in receipts was primarily the result of \$785,200 in general obligation capital loan note proceeds for the sewer improvement project. The decrease in disbursements was due primarily to major equipment purchases in fiscal 2004.
- The City's governmental funds' cash balance at June 30, 2005 increased 40%, or approximately \$645,000, from June 30, 2004 to June 30, 2005, mainly due to the issuance of capital loan notes. The sewer improvement project is just getting underway in fiscal year 2005.
- The cost of all governmental activities this year was approximately \$1,768,000 compared to \$2,100,000 last year. The amount taxpayers ultimately financed for these activities was approximately \$1,186,000 because some of the cost was paid by those directly benefited from the programs (\$196,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$386,000).

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.



## **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, |                  |
|   | 2005                | 2004             |
| Receipts and transfers:                                     |                     |                  |
| Program receipts:   |                     |                  |
| Charges for service   | \$ 195,540          | 180,541          |
| Operating grants, contributions and restricted interest     | 316,608             | 484,457          |
| Capital grants, contributions and restricted interest       | 69,671              | 173,012          |
| General receipts:   |                     |                  |
| Property and other city tax                                 | 509,334             | 530,906          |
| Tax increment financing                                     | 312,355             | 200,106          |
| Local option sales tax                                      | 163,836             | 122,996          |
| Grants and contributions not restricted                     | 10,136              | 6,072            |
| Unrestricted interest on investments                        | 26,697              | 16,981           |
| Note/loan proceeds  | 785,200             | 77,000           |
| Other general receipts                                      | 22,960              | 23,192           |
| Transfers, net  | -                   | 192,296          |
| Total receipts and transfers                                | <u>2,412,337</u>    | <u>2,007,559</u> |
| Disbursements:  |                     |                  |
| Public safety   | 342,490             | 604,197          |
| Public works  | 238,806             | 323,761          |
| Health and social services                                  | 1,925               | 1,925            |
| Culture and recreation                                      | 148,931             | 182,682          |
| Community and economic development                          | 220,884             | 215,114          |
| General government  | 92,063              | 90,537           |
| Debt service  | 115,327             | 219,345          |
| Capital projects  | 607,305             | 462,439          |
| Total disbursements   | <u>1,767,731</u>    | <u>2,100,000</u> |
| Increase (decrease) in cash basis net assets                | 644,606             | (92,441)         |
| Cash basis net assets beginning of year                     | <u>1,607,667</u>    | <u>1,700,108</u> |
| Cash basis net assets end of year                           | <u>\$2,252,273</u>  | <u>1,607,667</u> |

The City's total receipts and transfers for governmental activities were \$2,412,337. The total cost of all programs and services was \$1,767,731, with no new programs added this year. The cash basis net assets for the City's governmental funds increased due to the sale of essential corporate purpose notes during fiscal 2005 and due to a decrease in public safety disbursements for fire and ambulance equipment purchases made during fiscal 2004.

The City decreased property tax rates for 2005 by an average of 2 percent. The decrease lowered the City's property tax receipts by approximately \$20,000 in 2005.

The cost of all governmental activities this year was \$1,767,731. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was approximately \$1,186,000 because some of the cost was paid by those directly benefited from the programs (\$196,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$386,000).

| Changes in Cash Basis Net Assets of Business Type Activities |                   |                |
|--|-------------------|----------------|
|  | Year ended        |                |
|  | June 30,          |                |
|  | 2005              | 2,004          |
| Receipts:  |                   |                |
| Program receipts:  |                   |                |
| Charges for service:   |                   |                |
| Water  | \$ 196,659        | 204,437        |
| Sewer  | 277,715           | 279,279        |
| General receipts:  |                   |                |
| Unrestricted interest on investments                         | 9,006             | 7,700          |
| Total receipts   | <u>483,380</u>    | <u>491,416</u> |
| Disbursements and transfers:                                 |                   |                |
| Water  | 176,328           | 158,505        |
| Sewer  | 244,399           | 247,865        |
| Transfers  | -                 | 192,296        |
| Total disbursements and transfers                            | <u>420,727</u>    | <u>598,666</u> |
| Increase (decrease) in cash balance                          | 62,653            | (107,250)      |
| Cash basis net assets beginning of year                      | <u>533,438</u>    | <u>640,688</u> |
| Cash basis net assets end of year                            | <u>\$ 596,091</u> | <u>533,438</u> |

Total business type activities receipts for the fiscal year were \$483,380 compared to \$491,416 last year.

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

As the City of Jesup completed the year, its governmental funds reported a combined fund balance of \$2,252,273, an increase of \$644,606 from last year's total of \$1,607,667. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$52,719 from the prior year to \$294,571. This increase is due to a decrease in expenditures compared to the prior year. Prior year expenditures included an ambulance, a police car, a fire rescue unit and park equipment.
- The Road Use Tax Fund cash balance increased by \$106,969 to \$485,569 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 \$728,890, an increase of \$106,255 from the previous year. The increase was the result of an increase in tax increment financing due to increased construction of homes in the TIF district.
- The Capital Projects Fund cash balance increased by \$233,751 to \$396,878 during the fiscal year. This increase was due to receiving note proceeds from the issuance of general obligation capital loan notes of \$785,200 and an increase in capital projects expenditures for the Phase III Sewer and Lagoon Aeration projects.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$23,548 to \$245,548 due to revenues outpacing expenditures.
- The Sewer Fund cash balance increased by \$39,105 to \$350,543, primarily due to a decrease in expenditures during 2005.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on April 7, 2005. The amendment provided for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

**DEBT ADMINISTRATION**

At June 30, 2005, the City had \$2,195,000 in outstanding notes, bonds and other long-term debt, compared to \$1,602,756 last year, as shown below.

|                                       | Outstanding Debt at Year-End |           |
|---------------------------------------|------------------------------|-----------|
|                                       | June 30,                     |           |
|                                       | 2005                         | 2004      |
| General obligation capital loan notes | \$1,245,000                  | 535,000   |
| Water revenue bonds                   | 250,000                      | 270,000   |
| Sewer revenue bonds                   | 675,000                      | 745,000   |
| Real estate contract                  | -                            | 2,756     |
| Bank loan                             | 25,000                       | 50,000    |
| Total                                 | \$2,195,000                  | 1,602,756 |

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$1,270,000 is significantly below its constitutional debt limit of \$4,300,000.

**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 2006 budget, tax rates and fees that will be charged for various City activities.

When adopting the budget for fiscal year 2006, departments were asked to reduce their budget requests by 8-10% of 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 has issued general obligation debt for the Phase IV sewer interceptor project which began during the spring of 2005. The City has added no major new programs to the 2006 budget. The new debt issued in 2005 will have an impact on property tax as payments come due in 2006.

**CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Bunnell, City Clerk/Treasurer, 601 Young Street, Jesup, Iowa 50648.

**City of Jesup**

## **Basic Financial Statements**

City of Jesup

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2005

|                                    | Disbursements | Program Receipts    |  |
|------------------------------------|---------------|---------------------|--|
|                                    |               | Charges for Service | Operating Grants, Contributions, and Restricted Interest |
| <b>Functions/Programs:</b>         |               |                     |  |
| Governmental activities:           |               |                     |  |
| Public safety                      | \$ 342,490    | 120,521             | 58,413   |
| Public works                       | 238,806       | 70,799              | 187,412  |
| Health and social services         | 1,925         | -                   | -  |
| Culture and recreation             | 148,931       | 1,811               | 26,761   |
| Community and economic development | 220,884       | -                   | 41,430   |
| General government                 | 92,063        | 2,409               | 2,592  |
| Debt service                       | 115,327       | -                   | -  |
| Capital projects                   | 607,305       | -                   | -  |
| Total governmental activities      | 1,767,731     | 195,540             | 316,608  |
| Business type activities:          |               |                     |  |
| Water                              | 176,328       | 196,659             | -  |
| Sewer                              | 244,399       | 277,715             | -  |
| Total business type activities     | 420,727       | 474,374             | -  |
| Total                              | \$ 2,188,458  | 669,914             | 316,608  |

**General Receipts:**

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  
Miscellaneous  
Note proceeds  
Sale of assets

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

    Streets  
    Tax increment financing  
    Debt service  
    Capital projects  
    Other purposes

Unrestricted

**Total cash basis net assets**

See notes to financial statements.

| Capital Grants,<br>Contributions<br>and Restricted<br>Interest | Net (Disbursements) Receipts and<br>Changes in Cash Basis Net Assets |                             |                    |
|--|--|-----------------------------|--------------------|
|  | Governmental<br>Activities   | Business Type<br>Activities | Total              |
| -  | (163,556)  | -                           | (163,556)          |
| 2,265  | 21,670   | -                           | 21,670             |
| -  | (1,925)  | -                           | (1,925)            |
| 1,980  | (118,379)  | -                           | (118,379)          |
| 65,426   | (114,028)  | -                           | (114,028)          |
| -  | (87,062)   | -                           | (87,062)           |
| -  | (115,327)  | -                           | (115,327)          |
| -  | (607,305)  | -                           | (607,305)          |
| <u>69,671</u>  | <u>(1,185,912)</u>   | <u>-</u>                    | <u>(1,185,912)</u> |
| -  | -  | 20,331                      | 20,331             |
| -  | -  | 33,316                      | 33,316             |
| -  | -  | 53,647                      | 53,647             |
| <u>69,671</u>  | <u>(1,185,912)</u>   | <u>53,647</u>               | <u>(1,132,265)</u> |
|  | 477,837  | -                           | 477,837            |
|  | 312,355  | -                           | 312,355            |
|  | 31,497   | -                           | 31,497             |
|  | 163,836  | -                           | 163,836            |
|  | 10,136   | -                           | 10,136             |
|  | 26,697   | 9,006                       | 35,703             |
|  | 22,685   | -                           | 22,685             |
|  | 785,200  | -                           | 785,200            |
|  | 275  | -                           | 275                |
|  | <u>1,830,518</u>   | <u>9,006</u>                | <u>1,839,524</u>   |
|  | 644,606  | 62,653                      | 707,259            |
|  | <u>1,607,667</u>   | <u>533,438</u>              | <u>2,141,105</u>   |
|  | <u>\$ 2,252,273</u>  | <u>596,091</u>              | <u>2,848,364</u>   |
|  | 485,569  | -                           | 485,569            |
|  | 728,890  | -                           | 728,890            |
|  | -  | 438,864                     | 438,864            |
|  | 396,878  | -                           | 396,878            |
|  | 350,368  | -                           | 350,368            |
|  | 290,568  | 157,227                     | 447,795            |
|  | <u>\$ 2,252,273</u>  | <u>596,091</u>              | <u>2,848,364</u>   |



City of Jesup

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

As of and for the year ended June 30, 2005

|  | General    | Special Revenue |                            |
|--|------------|-----------------|----------------------------|
|  |            | Road Use<br>Tax | Tax Increment<br>Financing |
| <b>Receipts:</b>   |            |                 |                            |
| Property tax   | \$ 366,465 | -               | -                          |
| Tax increment financing                                    | -          | -               | 312,355                    |
| Other city tax   | 1,321      | -               | -                          |
| Licenses and permits                                       | 17,529     | -               | -                          |
| Use of money and property                                  | 10,626     | -               | 10,325                     |
| Intergovernmental  | 57,662     | 187,412         | -                          |
| Charges for service  | 156,331    | -               | -                          |
| Special assessments  | 2,265      | -               | -                          |
| Miscellaneous  | 49,616     | -               | -                          |
| Total receipts   | 661,815    | 187,412         | 322,680                    |
| <b>Disbursements:</b>                                      |            |                 |                            |
| Operating:   |            |                 |                            |
| Public safety  | 253,065    | -               | -                          |
| Public works   | 132,279    | 80,443          | -                          |
| Health and social services                                 | 1,925      | -               | -                          |
| Culture and recreation                                     | 128,342    | -               | -                          |
| Community and economic development                         | 6,555      | -               | 40,000                     |
| General government   | 83,014     | -               | -                          |
| Debt service   | -          | -               | -                          |
| Capital projects   | -          | -               | -                          |
| Total disbursements  | 605,180    | 80,443          | 40,000                     |
| Excess (deficiency) of receipts over (under) disbursements | 56,635     | 106,969         | 282,680                    |
| <b>Other financing sources (uses):</b>                     |            |                 |                            |
| Note proceeds  | -          | -               | -                          |
| Sale of assets   | 275        | -               | -                          |
| Operating transfers in                                     | -          | -               | -                          |
| Operating transfers out                                    | (4,191)    | -               | (176,425)                  |
| Total other financing sources (uses)                       | (3,916)    | -               | (176,425)                  |
| Net change in cash balances                                | 52,719     | 106,969         | 106,255                    |
| Cash balances beginning of year                            | 241,852    | 378,600         | 622,635                    |
| Cash balances end of year                                  | \$ 294,571 | 485,569         | 728,890                    |
| <b>Cash Basis Fund Balances</b>                            |            |                 |                            |
| Unreserved:  |            |                 |                            |
| General fund   | \$ 294,571 | -               | -                          |
| Special revenue funds                                      | -          | 485,569         | 728,890                    |
| Debt service fund  | -          | -               | -                          |
| Capital projects fund                                      | -          | -               | -                          |
| Total cash basis fund balances                             | \$ 294,571 | 485,569         | 728,890                    |

See notes to financial statements.

| Capital<br>Projects | Nonmajor | Total     |
|---------------------|----------|-----------|
| -                   | 136,573  | 503,038   |
| -                   | -        | 312,355   |
| -                   | 168,811  | 170,132   |
| -                   | -        | 17,529    |
| 2,482               | 4,748    | 28,181    |
| -                   | 69,675   | 314,749   |
| -                   | -        | 156,331   |
| -                   | -        | 2,265     |
| -                   | 72,666   | 122,282   |
| 2,482               | 452,473  | 1,626,862 |
| -                   | 89,425   | 342,490   |
| -                   | 26,084   | 238,806   |
| -                   | -        | 1,925     |
| -                   | 20,589   | 148,931   |
| -                   | 174,329  | 220,884   |
| -                   | 9,049    | 92,063    |
| -                   | 115,327  | 115,327   |
| 607,305             | -        | 607,305   |
| 607,305             | 434,803  | 1,767,731 |
| (604,823)           | 17,670   | (140,869) |
| 785,200             | -        | 785,200   |
| -                   | -        | 275       |
| 165,390             | 193,251  | 358,641   |
| (112,016)           | (66,009) | (358,641) |
| 838,574             | 127,242  | 785,475   |
| 233,751             | 144,912  | 644,606   |
| 163,127             | 201,453  | 1,607,667 |
| 396,878             | 346,365  | 2,252,273 |
| -                   | -        | 294,571   |
| -                   | 350,368  | 1,564,827 |
| -                   | (4,003)  | (4,003)   |
| 396,878             | -        | 396,878   |
| 396,878             | 346,365  | 2,252,273 |

**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, 2005

|  | Enterprise Funds |           |           |
|--|------------------|-----------|-----------|
|  | Water            | Sewer     | Total     |
| Operating receipts:  |                  |           |           |
| Charges for service  | \$ 196,659       | 277,715   | 474,374   |
| Operating disbursements:                                     |                  |           |           |
| Business type activities                                     | 142,828          | 138,542   | 281,370   |
| Excess of operating receipts over<br>operating disbursements | 53,831           | 139,173   | 193,004   |
| Non-operating receipts (disbursements):                      |                  |           |           |
| Interest on investments                                      | 3,217            | 5,789     | 9,006     |
| Debt service   | (33,500)         | (105,857) | (139,357) |
| Total non-operating receipts (disbursements)                 | (30,283)         | (100,068) | (130,351) |
| Net change in cash balances                                  | 23,548           | 39,105    | 62,653    |
| Cash balances beginning of year                              | 222,000          | 311,438   | 533,438   |
| Cash balances end of year                                    | \$ 245,548       | 350,543   | 596,091   |
| <b>Cash Basis Fund Balances</b>                              |                  |           |           |
| Reserved for debt service                                    | \$ 110,628       | 328,236   | 438,864   |
| Unreserved   | 134,920          | 22,307    | 157,227   |
| Total cash basis fund balances                               | \$ 245,548       | 350,543   | 596,091   |

See notes to financial statements.

City of Jesup

Notes to Financial Statements

June 30, 2005

**(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 the development of its collection and maintain excellent service to the public. Although the Endowment Fund is legally separate from the City, its purpose is to benefit the City of Jesup (the primary government) by providing the above services and by soliciting contributions and managing those funds.

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The City reports the following major proprietary funds:

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

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

### C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are incurred, there

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the debt service function. In addition, the disbursements for general government, debt service 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, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

**(3) Bonds and Notes Payable**

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

| Year<br>Ending<br>June 30, | General Obligation<br>Capital Loan Notes |            | Water<br>Revenue Bonds |          | Sewer<br>Revenue Notes |          | Total     |          |
|----------------------------|--|------------|------------------------|----------|------------------------|----------|-----------|----------|
|                            | Principal                                | Interest   | Principal              | Interest | Principal              | Interest | Principal | Interest |
|                            | 2006                                     | \$ 130,000 | 61,183                 | 20,000   | 12,500                 | 70,000   | 32,343    | 220,000  |
| 2007                       | 125,000                                  | 46,776     | 25,000                 | 11,500   | 75,000                 | 29,193   | 225,000   | 87,469   |
| 2008                       | 85,000                                   | 42,053     | 25,000                 | 10,250   | 80,000                 | 25,780   | 190,000   | 78,083   |
| 2009                       | 85,000                                   | 38,897     | 25,000                 | 9,000    | 80,000                 | 22,100   | 190,000   | 69,997   |
| 2010                       | 90,000                                   | 35,595     | 25,000                 | 7,750    | 85,000                 | 18,340   | 200,000   | 61,685   |
| 2011-2015                  | 410,000                                  | 119,021    | 130,000                | 17,500   | 285,000                | 29,210   | 825,000   | 165,731  |
| 2016-2020                  | 320,000                                  | 45,045     | -                      | -        | -                      | -        | 320,000   | 45,045   |
| Total                      | \$1,245,000                              | 388,570    | 250,000                | 68,500   | 675,000                | 156,966  | 2,170,000 | 614,036  |

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

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

On 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, 2005, \$26,244 was paid, leaving a balance of \$25,000.

**(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.

Most plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$24,827, \$26,380 and \$26,991, 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, 2005, primarily relating to the General Fund, was \$24,000. This liability has been computed based on rates of pay in effect at June 30, 2005.



**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

| <u>Transfer to</u>    | <u>Transfer from</u>    | <u>Amount</u>     |
|-----------------------|-------------------------|-------------------|
| Special Revenue:      |                         |                   |
| Community Development | Capital Projects        | \$ 112,016        |
| Park Equipment        | General                 | 3,000             |
| Debt Service          | General                 | 1,191             |
|                       | Special Revenue:        |                   |
|                       | Local Option Sales Tax  | 66,009            |
|                       | Tax Increment Financing | 11,035            |
| Capital Projects      | Special Revenue:        |                   |
|                       | Tax Increment Financing | <u>165,390</u>    |
| Total                 |                         | <u>\$ 358,641</u> |

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

**(7) Housing Rehabilitation Grant**

During the year ended June 30, 2002, the City was awarded State of Iowa, CDBG funds of \$423,500 from the Iowa Department of Economic Development for housing rehabilitation. At June 30, 2005, the City had received \$206,413 of grant funds.

**(8) 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. During the year ended June 30, 2005, the final payment of \$2,756, including interest, was paid under this agreement.

**(9) 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.

**(10) Construction Contracts**

During the year ended June 30, 2005, the City entered into a contract totaling \$597,649 for the construction of sanitary sewer interceptor – Phase IV – Lagoon to South Street. The City made payments totaling \$270,898. The balance remaining on the contract at June 30, 2005 totaled \$326,751.

**(11) 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 \$40,000 were made to the business during the year ended June 30, 2005. The cumulative amount paid to the business from the inception of this agreement to June 30, 2005 is \$160,000.

**(12) Deficit Balances**

The Special Revenue, Housing Rehabilitation Fund had a deficit balance of \$70,831 at June 30, 2005. The deficit will be eliminated when state grant proceeds are received by the City. Also, the Debt Service Fund had a deficit of \$4,003 at June 30, 2005. The deficit will be eliminated through subsequent collection of property tax.

**City of Jesup**

**Required Supplementary Information**

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

Required Supplementary Information

Year ended June 30, 2005

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Less<br>Funds not<br>Required to<br>be Budgeted |
|---|---------------------------------|--------------------------------|---|
| Receipts:   |                                 |                                |   |
| Property tax  | \$ 503,038                      | -                              | -   |
| Tax increment financing   | 312,355                         | -                              | -   |
| Other city tax  | 170,132                         | -                              | -   |
| Licenses and permits  | 17,529                          | -                              | -   |
| Use of money and property   | 28,181                          | 9,006                          | 1,134   |
| Intergovernmental   | 314,749                         | -                              | 4,649   |
| Charges for service   | 156,331                         | 474,374                        | -   |
| Special assessments   | 2,265                           | -                              | -   |
| Miscellaneous   | 122,282                         | -                              | 33,182  |
| Total receipts  | 1,626,862                       | 483,380                        | 38,965  |
| Disbursements:  |                                 |                                |   |
| Public safety   | 342,490                         | -                              | 37,925  |
| Public works  | 238,806                         | -                              | -   |
| Health and social services  | 1,925                           | -                              | -   |
| Culture and recreation  | 148,931                         | -                              | 3,005   |
| Community and economic development  | 220,884                         | -                              | -   |
| General government  | 92,063                          | -                              | -   |
| Debt service  | 115,327                         | -                              | -   |
| Capital projects  | 607,305                         | -                              | -   |
| Business type activities  | -                               | 420,727                        | -   |
| Total disbursements   | 1,767,731                       | 420,727                        | 40,930  |
| Excess (deficiency) of receipts<br>over (under) disbursements   | (140,869)                       | 62,653                         | (1,965)   |
| Other financing sources, net  | 785,475                         | -                              | -   |
| Excess (deficiency) of receipts and other financing<br>sources over (under) disbursements and other<br>financing uses | 644,606                         | 62,653                         | (1,965)   |
| Balances beginning of year  | 1,607,667                       | 533,438                        | 86,769  |
| Balances end of year  | \$ 2,252,273                    | 596,091                        | 84,804  |

See accompanying independent auditor's report.

| Net              | Budgeted Amounts |                  | Final to<br>Net<br>Variance |
|------------------|------------------|------------------|-----------------------------|
|                  | Original         | Final            |                             |
| 503,038          | 507,232          | 507,232          | (4,194)                     |
| 312,355          | 195,000          | 195,000          | 117,355                     |
| 170,132          | 147,735          | 147,735          | 22,397                      |
| 17,529           | 12,525           | 12,525           | 5,004                       |
| 36,053           | 19,650           | 19,650           | 16,403                      |
| 310,100          | 429,506          | 429,506          | (119,406)                   |
| 630,705          | 600,805          | 600,805          | 29,900                      |
| 2,265            | -                | -                | 2,265                       |
| 89,100           | 13,800           | 13,800           | 75,300                      |
| <u>2,071,277</u> | <u>1,926,253</u> | <u>1,926,253</u> | <u>145,024</u>              |
| 304,565          | 299,130          | 309,130          | 4,565                       |
| 238,806          | 387,350          | 387,350          | 148,544                     |
| 1,925            | 1,925            | 1,925            | -                           |
| 145,926          | 163,961          | 163,961          | 18,035                      |
| 220,884          | 238,766          | 238,766          | 17,882                      |
| 92,063           | 96,610           | 99,610           | 7,547                       |
| 115,327          | 115,129          | 115,129          | (198)                       |
| 607,305          | 350,000          | 1,100,000        | 492,695                     |
| 420,727          | 461,513          | 474,513          | 53,786                      |
| <u>2,147,528</u> | <u>2,114,384</u> | <u>2,890,384</u> | <u>742,856</u>              |
| (76,251)         | (188,131)        | (964,131)        | 887,880                     |
| <u>785,475</u>   | <u>-</u>         | <u>800,000</u>   | <u>(14,525)</u>             |
| 709,224          | (188,131)        | (164,131)        | 873,355                     |
| <u>2,054,336</u> | <u>1,680,183</u> | <u>1,680,183</u> | <u>374,153</u>              |
| <u>2,763,560</u> | <u>1,492,052</u> | <u>1,516,052</u> | <u>1,247,508</u>            |

City of Jesup

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$776,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amount budgeted in the debt service function. In addition, disbursements exceeded the amounts budgeted in the general government, debt service and capital project functions prior to budget amendment.

**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, 2005

|  | Employee<br>Benefits | Local<br>Option<br>Sales<br>Tax | Emergency<br>Planning | Economic<br>Development<br>#2 | Economic<br>Development<br>Bertch | Community<br>Development |
|--|----------------------|---------------------------------|-----------------------|-------------------------------|-----------------------------------|--------------------------|
| <b>Receipts:</b>   |                      |                                 |                       |                               |                                   |                          |
| Property tax   | \$ 95,493            | -                               | 10,650                | -                             | -                                 | -                        |
| Other city tax   | 3,529                | 163,836                         | 379                   | -                             | -                                 | -                        |
| Use of money and property                                  | 920                  | 599                             | -                     | -                             | -                                 | 1,743                    |
| Intergovernmental  | -                    | -                               | -                     | -                             | -                                 | -                        |
| Miscellaneous  | -                    | -                               | -                     | -                             | 36,342                            | -                        |
| Total receipts   | 99,942               | 164,435                         | 11,029                | -                             | 36,342                            | 1,743                    |
| <b>Disbursements:</b>                                      |                      |                                 |                       |                               |                                   |                          |
| Operating:   |                      |                                 |                       |                               |                                   |                          |
| Public safety  | 51,500               | -                               | -                     | -                             | -                                 | -                        |
| Public works   | 26,084               | -                               | -                     | -                             | -                                 | -                        |
| Culture and recreation                                     | 17,584               | -                               | -                     | -                             | -                                 | -                        |
| Community and economic development                         | -                    | -                               | -                     | -                             | 36,342                            | 4,108                    |
| General government   | 9,049                | -                               | -                     | -                             | -                                 | -                        |
| Debt service   | -                    | -                               | -                     | -                             | -                                 | -                        |
| Total disbursements  | 104,217              | -                               | -                     | -                             | 36,342                            | 4,108                    |
| Excess (deficiency) of receipts over (under) disbursements | (4,275)              | 164,435                         | 11,029                | -                             | -                                 | (2,365)                  |
| <b>Other financing sources (uses):</b>                     |                      |                                 |                       |                               |                                   |                          |
| Operating transfers in                                     | -                    | -                               | -                     | -                             | -                                 | 112,016                  |
| Operating transfers out                                    | -                    | (66,009)                        | -                     | -                             | -                                 | -                        |
| Total other financing sources (uses)                       | -                    | (66,009)                        | -                     | -                             | -                                 | 112,016                  |
| Net change in cash balances                                | (4,275)              | 98,426                          | 11,029                | -                             | -                                 | 109,651                  |
| Cash balances beginning of year                            | 91,673               | 487                             | 895                   | 133                           | -                                 | -                        |
| Cash balances end of year                                  | \$ 87,398            | 98,913                          | 11,924                | 133                           | -                                 | 109,651                  |
| <b>Cash Basis Fund Balances</b>                            |                      |                                 |                       |                               |                                   |                          |
| Unreserved:  |                      |                                 |                       |                               |                                   |                          |
| Special revenue funds                                      | 87,398               | 98,913                          | 11,924                | 133                           | -                                 | 109,651                  |
| Debt service fund  | -                    | -                               | -                     | -                             | -                                 | -                        |
| Total cash basis fund balances                             | \$ 87,398            | 98,913                          | 11,924                | 133                           | -                                 | 109,651                  |

See accompanying independent auditor's report.

| Special Revenue        |                       |                 |                  |                        |            |                   |                        |                |              |          |
|------------------------|-----------------------|-----------------|------------------|------------------------|------------|-------------------|------------------------|----------------|--------------|----------|
| 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    |
| -                      | -                     | -               | -                | -                      | -          | -                 | -                      | -              | 30,430       | 136,573  |
| -                      | -                     | -               | -                | -                      | -          | -                 | -                      | -              | 1,067        | 168,811  |
| -                      | 67                    | 519             | 183              | 8                      | 25         | 506               | 42                     | 136            | -            | 4,748    |
| 65,026                 | 4,649                 | -               | -                | -                      | -          | -                 | -                      | -              | -            | 69,675   |
| 400                    | 23,486                | 4,493           | 1,797            | 145                    | -          | -                 | 5,203                  | -              | 800          | 72,666   |
| 65,426                 | 28,202                | 5,012           | 1,980            | 153                    | 25         | 506               | 5,245                  | 136            | 32,297       | 452,473  |
| -                      | 21,231                | 16,694          | -                | -                      | -          | -                 | -                      | -              | -            | 89,425   |
| -                      | -                     | -               | -                | -                      | -          | -                 | -                      | -              | -            | 26,084   |
| -                      | -                     | -               | -                | -                      | -          | -                 | 3,005                  | -              | -            | 20,589   |
| 133,879                | -                     | -               | -                | -                      | -          | -                 | -                      | -              | -            | 174,329  |
| -                      | -                     | -               | -                | -                      | -          | -                 | -                      | -              | -            | 9,049    |
| -                      | -                     | -               | -                | -                      | -          | -                 | -                      | -              | 115,327      | 115,327  |
| 133,879                | 21,231                | 16,694          | -                | -                      | -          | -                 | 3,005                  | -              | 115,327      | 434,803  |
| (68,453)               | 6,971                 | (11,682)        | 1,980            | 153                    | 25         | 506               | 2,240                  | 136            | (83,030)     | 17,670   |
| -                      | -                     | -               | -                | -                      | -          | -                 | -                      | 3,000          | 78,235       | 193,251  |
| -                      | -                     | -               | -                | -                      | -          | -                 | -                      | -              | -            | (66,009) |
| -                      | -                     | -               | -                | -                      | -          | -                 | -                      | 3,000          | 78,235       | 127,242  |
| (68,453)               | 6,971                 | (11,682)        | 1,980            | 153                    | 25         | 506               | 2,240                  | 3,136          | (4,795)      | 144,912  |
| (2,378)                | 4,901                 | 60,149          | 10,560           | 458                    | 3,825      | 12,612            | 9,107                  | 8,239          | 792          | 201,453  |
| (70,831)               | 11,872                | 48,467          | 12,540           | 611                    | 3,850      | 13,118            | 11,347                 | 11,375         | (4,003)      | 346,365  |
| (70,831)               | 11,872                | 48,467          | 12,540           | 611                    | 3,850      | 13,118            | 11,347                 | 11,375         | -            | 350,368  |
| -                      | -                     | -               | -                | -                      | -          | -                 | -                      | -              | (4,003)      | (4,003)  |
| (70,831)               | 11,872                | 48,467          | 12,540           | 611                    | 3,850      | 13,118            | 11,347                 | 11,375         | (4,003)      | 346,365  |

City of Jesup  
 Schedule of Indebtedness  
 Year ended June 30, 2005

| Obligation                             | Date of Issue | Interest Rates |
|--|---------------|----------------|
| General obligation capital loan notes: |               |                |
| Street improvement                     | Mar 1, 1994   | 4.20-5.25%     |
| Essential corporate purpose            | Jun 1, 1995   | 4.90-5.45      |
| Sewer improvement and refunding        | Jan 1, 1999   | 4.00-4.35      |
| Street, sewer, and water improvements  | Jun 1, 2002   | 3.50-5.10      |
| Essential corporate purpose            | Feb 15, 2005  | 2.70-4.70      |
| Total                                  |               |                |
| Revenue bonds:                         |               |                |
| Water                                  | Nov 25, 1975  | 5.00%          |
| Revenue notes:                         |               |                |
| Sewer                                  | Dec 1, 1998   | 4.15-5.10%     |
| Bank loan:                             |               |                |
| Street sweeper                         | Nov 12, 2003  | 3.25%          |
| Real estate contract                   | Jun 5, 1998   | 6.00%          |

See accompanying independent auditor's report.

| Amount<br>Originally<br>Issued | Balance<br>Beginning<br>of Year | Issued<br>During<br>Year | Redeemed<br>During<br>Year | Balance<br>End of<br>Year | Interest<br>Paid |
|--------------------------------|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| \$ 115,000                     | 20,000                          | -                        | 10,000                     | 10,000                    | 1,035            |
| 100,000                        | 25,000                          | -                        | 10,000                     | 15,000                    | 1,352            |
| 830,000                        | 110,000                         | -                        | 35,000                     | 75,000                    | 4,733            |
| 415,000                        | 380,000                         | -                        | 35,000                     | 345,000                   | 17,407           |
| 800,000                        | -                               | 800,000                  | -                          | 800,000                   | -                |
|                                | <u>\$ 535,000</u>               | <u>800,000</u>           | <u>90,000</u>              | <u>1,245,000</u>          | <u>24,527</u>    |
| \$ 600,000                     | <u>270,000</u>                  | -                        | 20,000                     | 250,000                   | 13,500           |
| \$ 1,080,000                   | <u>745,000</u>                  | -                        | 70,000                     | 675,000                   | 35,457           |
| \$ 50,000                      | <u>50,000</u>                   | -                        | 25,000                     | 25,000                    | 1,245            |
| \$ 35,000                      | <u>2,756</u>                    | -                        | 2,756                      | -                         | 345              |

City of Jesup  
Bond and Note Maturities  
June 30, 2005

| Year<br>Ending<br>June 30, | General Obligation Capital Loan Notes |                  |                                |                  |                                    |                  |  |                   |
|----------------------------|---------------------------------------|------------------|--------------------------------|------------------|------------------------------------|------------------|--|-------------------|
|                            | Street<br>Improvement                 |                  | Essential<br>Corporate Purpose |                  | Sewer Improvement<br>and Refunding |                  | Street, Sewer, and Water<br>Improvements |                   |
|                            | Issued Mar 1, 1994                    |                  | Issued Jun 1, 1995             |                  | Issued Jan 1, 1999                 |                  | Issued Jun 1, 2002                       |                   |
|                            | Interest                              |                  | Interest                       |                  | Interest                           |                  | Interest                                 |                   |
|                            | Rates                                 | Amount           | Rates                          | Amount           | Rates                              | Amount           | Rates                                    | Amount            |
| 2006                       | 5.25%                                 | \$ 10,000        | 5.45%                          | \$ 15,000        | 4.30%                              | \$ 35,000        | 4.00%                                    | \$ 35,000         |
| 2007                       |                                       | -                |                                | -                |                                    | 40,000           | 4.20                                     | 40,000            |
| 2008                       |                                       | -                |                                | -                |                                    | -                | 4.40                                     | 40,000            |
| 2009                       |                                       | -                |                                | -                |                                    | -                | 4.60                                     | 40,000            |
| 2010                       |                                       | -                |                                | -                |                                    | -                | 4.80                                     | 45,000            |
| 2011                       |                                       | -                |                                | -                |                                    | -                | 4.90                                     | 45,000            |
| 2012                       |                                       | -                |                                | -                |                                    | -                | 5.00                                     | 50,000            |
| 2013                       |                                       | -                |                                | -                |                                    | -                | 5.10                                     | 50,000            |
| 2014                       |                                       | -                |                                | -                |                                    | -                |  | -                 |
| 2015                       |                                       | -                |                                | -                |                                    | -                |  | -                 |
| 2016                       |                                       | -                |                                | -                |                                    | -                |  | -                 |
| 2017                       |                                       | -                |                                | -                |                                    | -                |  | -                 |
| 2018                       |                                       | -                |                                | -                |                                    | -                |  | -                 |
| 2019                       |                                       | -                |                                | -                |                                    | -                |  | -                 |
| 2020                       |                                       | -                |                                | -                |                                    | -                |  | -                 |
| Total                      |                                       | <u>\$ 10,000</u> |                                | <u>\$ 15,000</u> |                                    | <u>\$ 75,000</u> |  | <u>\$ 345,000</u> |

See accompanying independent auditor's report.

| Essential<br>Corporate Purpose<br>Issued Feb 15, 2005 |                   |                  | Revenue Bonds<br>Water<br>Issued Nov 25, 1975 |                   | Revenue Notes<br>Sewer<br>Issued Dec 1, 1988 |                   |
|---|-------------------|------------------|---|-------------------|--|-------------------|
| Interest  |                   |                  | Interest                                      |                   | Interest                                     |                   |
| Rates   | Amount            | Total            | Rates   | Amount            | Rates  | Amount            |
| 2.70%   | \$ 35,000         | 130,000          | 5.00%   | \$ 20,000         | 4.50%  | \$ 70,000         |
| 2.90  | 45,000            | 125,000          | 5.00  | 25,000            | 4.55   | 75,000            |
| 3.10  | 45,000            | 85,000           | 5.00  | 25,000            | 4.60   | 80,000            |
| 3.25  | 45,000            | 85,000           | 5.00  | 25,000            | 4.70   | 80,000            |
| 3.40  | 45,000            | 90,000           | 5.00  | 25,000            | 4.80   | 85,000            |
| 3.55  | 50,000            | 95,000           | 5.00  | 30,000            | 4.90   | 90,000            |
| 3.70  | 50,000            | 100,000          | 5.00  | 30,000            | 5.00   | 95,000            |
| 3.85  | 55,000            | 105,000          | 5.00  | 30,000            | 5.10   | 100,000           |
| 4.00  | 55,000            | 55,000           | 5.00  | 30,000            |  | -                 |
| 4.15  | 55,000            | 55,000           | 5.00  | 10,000            |  | -                 |
| 4.30  | 60,000            | 60,000           |   | -                 |  | -                 |
| 4.40  | 60,000            | 60,000           |   | -                 |  | -                 |
| 4.50  | 65,000            | 65,000           |   | -                 |  | -                 |
| 4.60  | 65,000            | 65,000           |   | -                 |  | -                 |
| 7.00  | 70,000            | 70,000           |   | -                 |  | -                 |
|   | <u>\$ 800,000</u> | <u>1,245,000</u> |   | <u>\$ 250,000</u> |  | <u>\$ 675,000</u> |

**Schedule 4**

## City of Jesup

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

For the Last Three Years

|                                    | 2005             | 2004             | 2003             |
|------------------------------------|------------------|------------------|------------------|
| Receipts:                          |                  |                  |                  |
| Property tax                       | \$ 503,038       | 512,222          | 460,782          |
| Tax increment financing            | 312,355          | 200,106          | 315,334          |
| Other city tax                     | 170,132          | 141,679          | 175,310          |
| Licenses and permits               | 17,529           | 14,679           | 15,147           |
| Use of money and property          | 28,181           | 18,937           | 32,500           |
| Intergovernmental                  | 314,749          | 473,734          | 486,451          |
| Charges for service                | 156,331          | 148,376          | 154,394          |
| Special assessments                | 2,265            | 16,417           | 9,471            |
| Miscellaneous                      | 122,282          | 196,603          | 96,335           |
|                                    | <u>1,626,862</u> | <u>1,722,753</u> | <u>1,745,724</u> |
| Total                              | \$ 1,626,862     | 1,722,753        | 1,745,724        |
| Disbursements:                     |                  |                  |                  |
| Operating:                         |                  |                  |                  |
| Public safety                      | \$ 342,490       | 604,197          | 370,853          |
| Public works                       | 238,806          | 323,761          | 131,870          |
| Health and social services         | 1,925            | 1,925            | 1,925            |
| Culture and recreation             | 148,931          | 182,682          | 184,258          |
| Community and economic development | 220,884          | 215,114          | 323,969          |
| General government                 | 92,063           | 90,537           | 121,517          |
| Debt service                       | 115,327          | 219,345          | 246,453          |
| Capital projects                   | 607,305          | 462,439          | 684,153          |
|                                    | <u>1,767,731</u> | <u>2,100,000</u> | <u>2,064,998</u> |
| Total                              | \$ 1,767,731     | 2,100,000        | 2,064,998        |

See accompanying independent auditor's report.

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



**City of Jesup**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Jesup, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 18, 2005. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Jesup's internal control over financial reporting 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. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

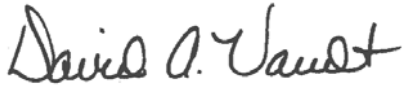
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jesup's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations 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 an immaterial instance of non-compliance that is described in the accompanying Schedule of Findings.

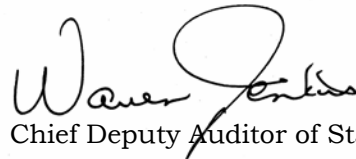
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions 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.

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.



Auditor of State



Chief Deputy Auditor of State

August 18, 2005

City of Jesup  
Schedule of Findings  
Year ended June 30, 2005

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

No matters were noted.

**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, 2005.
- (2) Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the general government, debt service and capital projects functions prior to budget amendment. In addition, disbursements exceeded the amended budget in the debt service 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 in sufficient amount 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 comply with Chapter 384.18 of the Code of Iowa. In the future we will amend the budget when needed.

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.
- (5) Business Transactions – There were no business transactions between the City and City officials or employees.
- (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.

City of Jesup

Schedule of Findings

Year ended June 30, 2005

- (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.

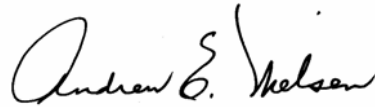
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City of Jesup

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager  
Billie Jo Heth, Senior Auditor  
Kara E. Rasmussen, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State