



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

October 9, 2023

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$11,382,306 for the year ended June 30, 2023, a 100.1% increase over the prior year. Disbursements for the year ended June 30, 2023 totaled \$9,966,237, a 75.1% increase over the prior year. The significant increase in receipts is due primarily to bond proceeds received during the fiscal year. The significant increase in disbursements is due primarily to capital improvements.

AUDIT FINDINGS:

Sand reported four findings related to the receipt and disbursement of taxpayer funds. They are found on pages 46 through 49 of this report. The findings address issues such as a lack of segregation of duties and questionable disbursements. Sand provided the City with recommendations to address each of the findings.

Three of the four findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

###

CITY OF JESUP

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

JUNE 30, 2023

City of Jesup



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

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

September 26, 2023

Officials of the City of Jesup
Jesup, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Jesup, Iowa, for the year ended June 30, 2023. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand", written in a cursive style.

Rob Sand
Auditor of State

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	10-11
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	12-13
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	15
Notes to Financial Statements		16-28
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds		30-31
Notes to Other Information – Budgetary Reporting		33
Schedule of the City’s Proportionate Share of the Net Pension Liability (Asset)		34-35
Schedule of City Contributions		36-37
Notes to Other Information – Pension Liability		38
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	40-41
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	2	42-43
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		44-45
Schedule of Findings		46-49
Staff		50

City of Jesup

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Chris Even	Mayor	Jan 2024
David Bishop	Mayor Pro tem	Jan 2024
Curtis Schares	Council Member	Jan 2024
Craig Wright	Council Member	Jan 2024
Denny Bell	Council Member	Jan 2026
Todd Rohlfen	Council Member	Jan 2026
Koley Mead	City Clerk	Indefinite
Heather Prendergast	Attorney	Indefinite

City of Jesup



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Jesup and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Jesup's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Jesup's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Jesup's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Jesup's basic financial statements. The financial statements for the three years ended June 30, 2016 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. We previously audited, in accordance with the standards referred to in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report, the financial statements for the six years ended June 30, 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 and 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information in Schedules 1 and 2 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

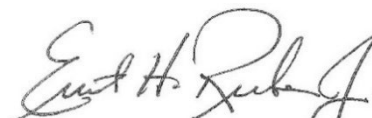
Other Information

Management is responsible for the other information included in this report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 30 through 38 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2023 on our consideration of the City of Jesup's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Jesup's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

September 26, 2023

City of Jesup

Basic Financial Statements

City of Jesup

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2023

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,103,715	132,567	272,520	-
Public works	476,648	12,520	348,170	-
Health and social services	1,900	-	-	-
Culture and recreation	323,538	1,647	48,225	-
Community and economic development	22,537	-	-	-
General government	204,156	2,145	-	-
Debt service	463,337	-	-	-
Capital projects	1,113,871	-	-	208,626
Total governmental activities	3,709,702	148,879	668,915	208,626
Business type activities:				
Water	223,790	377,167	-	-
Sewer	6,004,175	630,834	-	-
Utility deposits/sales tax	28,570	28,461	-	-
Total business type activities	6,256,535	1,036,462	-	-
Total	\$ 9,966,237	1,185,341	668,915	208,626
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
American Rescue Plan Act				
Bond proceeds, net of \$2,616 premium				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted for:				
Streets				
Local option sales tax				
Capital projects				
Debt service				
Fire and ambulance				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(698,628)	-	(698,628)
(115,958)	-	(115,958)
(1,900)	-	(1,900)
(273,666)	-	(273,666)
(22,537)	-	(22,537)
(202,011)	-	(202,011)
(463,337)	-	(463,337)
(905,245)	-	(905,245)
(2,683,282)	-	(2,683,282)
-	153,377	153,377
-	(5,373,341)	(5,373,341)
-	(109)	(109)
-	(5,220,073)	(5,220,073)
(2,683,282)	(5,220,073)	(7,903,355)
1,193,821	-	1,193,821
349,377	-	349,377
33,695	-	33,695
335,453	-	335,453
22,651	-	22,651
114,532	52,162	166,694
202,080	-	202,080
1,335,416	5,655,278	6,990,694
23,209	-	23,209
1,750	-	1,750
820,000	(820,000)	-
4,431,984	4,887,440	9,319,424
1,748,702	(332,633)	1,416,069
2,426,407	990,723	3,417,130
\$ 4,175,109	658,090	4,833,199
\$ 218,481	-	218,481
144,121	-	144,121
2,389,744	-	2,389,744
-	26,895	26,895
227,193	-	227,193
252,532	-	252,532
930,976	631,195	1,562,171
\$ 4,175,109	658,090	4,833,199

City of Jesup

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

As of and for the year ended June 30, 2023

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 959,051	-	-
Local option sales tax	-	-	335,453
Tax increment financing	-	-	-
Other city tax	4,388	-	-
Licenses and permits	10,207	-	-
Use of money and property	113,392	-	29,807
Intergovernmental	101,799	345,129	-
Charges for service	129,335	-	-
Miscellaneous	71,496	-	100
Total receipts	1,389,668	345,129	365,360
Disbursements:			
Operating:			
Public safety	862,679	-	-
Public works	235,797	195,607	-
Health and social services	1,900	-	-
Culture and recreation	291,823	-	-
Community and economic development	7,273	-	-
General government	160,554	-	-
Debt service	-	-	114,713
Capital projects	-	-	7,679
Total disbursements	1,560,026	195,607	122,392
Excess (deficiency) of receipts over disbursements	(170,358)	149,522	242,968
Other financing sources (uses):			
Sale of capital assets	1,750	-	-
General obligation bond proceeds	-	-	-
Transfers in	108,508	-	-
Transfers out	(2,500)	-	(715,742)
Total other financing sources (uses)	107,758	-	(715,742)
Change in cash balances	(62,600)	149,522	(472,774)
Cash balances beginning of year	1,075,304	68,959	616,895
Cash balances end of year	\$ 1,012,704	218,481	144,121
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	218,481	-
Local option sales tax	-	-	144,121
Capital projects	-	-	-
Fire and ambulance	-	-	-
Other purposes	81,728	-	-
Committed for capital equipment and improvements	260,792	-	-
Unassigned	670,184	-	-
Total cash basis fund balances	\$ 1,012,704	218,481	144,121

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
349,377	-	228,441	1,536,869
-	-	-	335,453
-	-	33,695	33,695
1,168	-	773	6,329
-	-	-	10,207
5,040	-	2,641	150,880
5,101	202,080	3,374	657,483
-	-	-	129,335
-	178,819	190,572	440,987
360,686	380,899	459,496	3,301,238
-	-	241,036	1,103,715
-	-	45,244	476,648
-	-	-	1,900
-	-	31,715	323,538
-	-	15,264	22,537
-	-	43,602	204,156
348,624	-	-	463,337
-	1,106,192	-	1,113,871
348,624	1,106,192	376,861	3,709,702
12,062	(725,293)	82,635	(408,464)
-	-	-	1,750
-	1,335,416	-	1,335,416
-	1,535,742	2,500	1,646,750
-	(42,449)	(66,059)	(826,750)
-	2,828,709	(63,559)	2,157,166
12,062	2,103,416	19,076	1,748,702
-	286,328	378,921	2,426,407
12,062	2,389,744	397,997	4,175,109
-	-	-	218,481
-	-	-	144,121
-	2,389,744	-	2,389,744
-	-	227,193	227,193
-	-	170,804	252,532
-	-	-	260,792
-	-	-	670,184
12,062	2,389,744	397,997	4,175,109

City of Jesup

City of Jesup

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

As of and for the year ended June 30, 2023

	Enterprise			
	Non-Major			Total
	Water	Sewer	Utility Deposits Sales Tax	
Operating receipts:				
Charges for service	\$ 376,109	629,294	28,461	1,033,864
Miscellaneous	1,058	1,540	-	2,598
Total operating receipts	377,167	630,834	28,461	1,036,462
Operating disbursements:				
Business type activities	188,485	230,139	28,570	447,194
Excess (deficiency) of operating receipts over (under) operating disbursements	188,682	400,695	(109)	589,268
Non-operating receipts (disbursements):				
Interest	23,060	27,880	1,222	52,162
Sewer revenue bond proceeds	-	5,655,278	-	5,655,278
Equipment	(35,305)	(1,975)	-	(37,280)
Capital outlay	-	(5,699,366)	-	(5,699,366)
Debt service	-	(72,695)	-	(72,695)
Net non-operating receipts (disbursements)	(12,245)	(90,878)	1,222	(101,901)
Excess of receipts over disbursements	176,437	309,817	1,113	487,367
Transfers out	(660,000)	(160,000)	-	(820,000)
Change in cash balances	(483,563)	149,817	1,113	(332,633)
Cash balances beginning of year	491,571	470,112	29,040	990,723
Cash balances end of year	\$ 8,008	619,929	30,153	658,090
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	26,895	-	26,895
Unrestricted	8,008	593,034	30,153	631,195
Total cash basis fund balances	\$ 8,008	619,929	30,153	658,090

See notes to financial statements.

City of Jesup

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Blended Component Units

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

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

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

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Buchanan County Assessor's Conference Board, Buchanan County Emergency Management Commission, Buchanan County Economic Development and Joint 911 Service Board. The City also participates in the Buchanan County Solid Waste Commission, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in the funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects tax asking contained in the budget certified to the City Council in March 2022.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2023, disbursements exceeded the amounts budgeted in the community and economic development and business-type activities functions. Disbursements in the public safety, culture and recreation and business-type activities functions exceeded the budget prior to amendment.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2023 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Bonds, Notes, Leases, and IT Subscriptions Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2023 is as follows:

	Beginning			Ending	Due
	Balances	Increases	Decreases	Balances	Within
					One Year
Governmental activities:					
General obligation notes	\$ 855,000	1,360,000	295,000	1,920,000	300,000
Local option sales and services tax revenue and refunding bonds	1,335,000	-	70,000	1,265,000	75,000
Governmental activities total	<u>\$ 2,190,000</u>	<u>1,360,000</u>	<u>365,000</u>	<u>3,185,000</u>	<u>375,000</u>
Business type activities:					
Sewer revenue bonds - direct borrowing	<u>\$ 1,216,727</u>	<u>5,655,278</u>	<u>-</u>	<u>6,872,005</u>	<u>-</u>

General Obligation Notes

A summary of the City's June 30, 2023 general obligation notes payable is as follows:

Year Ending June 30,	Street Improvement Issued Jul 20, 2016			Street Improvement Issued Jul 6, 2022		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	1.70%	\$ 235,000	11,410	2.10%	\$ 65,000	38,745
2025	1.85	190,000	7,415	3.00	125,000	37,380
2026	2.00	195,000	3,900	3.00	135,000	33,630
2027		-	-	3.00	160,000	29,580
2028		-	-	3.00	160,000	24,780
2029-2032		-	-	3.00-3.10	655,000	50,355
Total		<u>\$ 620,000</u>	<u>22,725</u>		<u>\$ 1,300,000</u>	<u>214,470</u>

Year Ending June 30,	Totals		
	Principal	Interest	Total
2024	\$ 300,000	50,155	350,155
2025	315,000	44,795	359,795
2026	330,000	37,530	367,530
2027	160,000	29,580	189,580
2028	160,000	24,780	184,780
2029-2032	655,000	50,355	705,355
Total	<u>\$ 1,920,000</u>	<u>237,195</u>	<u>2,157,195</u>

On April 1, 2013, the City issued \$1,280,000 of general obligation notes with interest rates ranging from 1.25% to 1.85% per annum. The notes were issued for improvements to streets, highways and public grounds, the removal and replacement of trees, street repairs and improvements and the acquisition, installation and repair of traffic control devices and to refund the general obligation capital loan notes, dated March 1, 2007 and July 7, 2008. During the year ended June 30, 2023, the City paid the remaining \$135,000 of principal and \$2,498 of interest on the notes.

On July 20, 2016, the City issued \$1,420,000 of general obligation notes with interest rates ranging from 1.00% to 2.00% per annum. The notes were issued for street improvement projects. During the year ended June 30, 2023, the City paid \$100,000 of principal and \$12,960 of interest on the notes.

On July 6, 2022, the City issued \$1,360,000 of general obligation notes with interest rates ranging from 2.10% to 3.10% per annum. The notes were issued for street improvement projects. During the year ended June 30, 2023, the City paid \$60,000 of principal and \$36,116 of interest on the notes. The City received a good faith deposit of \$27,200 in the prior fiscal year.

Local Option Sales and Services Tax Revenue and Refunding Bonds

The City's June 30, 2023 local option sales and services tax revenue bonds payable is as follows:

Year Ending June 30,	Interest Rates	LOST and Refunding Bonds		
		Series 2017		Total
		Principal	Interest	
2024	2.50%	\$ 75,000	42,212	117,212
2025	2.50	75,000	40,338	115,338
2026	3.00	80,000	38,463	118,463
2027	3.00	80,000	36,062	116,062
2028	3.50	80,000	33,663	113,663
2029-2033	3.50-3.75	450,000	127,563	577,563
2034-2038	3.75	425,000	40,498	465,498
Total		\$ 1,265,000	358,799	1,623,799

On May 4, 2017, the City issued \$1,660,000 of local option sales and services tax revenue and refunding bonds. Proceeds from the bonds provided financing for acquiring, constructing, furnishing, and equipping of city facilities, including an emergency services facility and to refund local option sales and services tax revenue bonds, series 2010B.

The City has pledged 60% of future local option sales tax receipts, net of specified operating disbursements to repay the bonds. The bonds are payable solely from a portion of local option sales tax receipts and are payable through 2037. Annual principal and interest payments on the bonds are expected to require 56% of net receipts. The total principal and interest remaining to be paid on the bonds is \$1,623,799. For the current year, principal and interest paid was \$113,963 and the 60% allocated portion of the local option sales tax receipts were \$201,272.

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

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

Sewer Revenue Notes – Direct Borrowing

On April 1, 2022, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of up to \$9,238,000 of sewer revenue bonds with interest at 1.75% per annum. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of construction of certain wastewater treatment facilities. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. In the event of default, the issuer shall have the right to take any action authorized under the regulations, the revenue note or the agreement and to take whatever other action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2022, the City drew down \$5,655,278, leaving a balance of \$2,365,995 to draw. An initiation fee of \$46,190, 0.50% of the authorized borrowing for the sewer revenue bonds, was charged by the IFA and was withheld from the first proceeds of the sewer revenue bonds drawn. The agreement also requires the City to pay 0.25% servicing fee on the outstanding principal balance. A final repayment schedule has not yet been adopted for the notes. The City paid no principal and interest of \$60,314 on the note.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) User rates shall be established at the level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds/ notes falling due in the same year.
- (c) Sufficient monthly transfers shall be made to separate sewer revenue note sinking account within the Enterprise, Sewer Fund for the purpose of making the note principal and interest payments when due.

(4) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2023, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2023 totaled \$67,049.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the City reported a liability of \$102,826 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the City's proportion was 0.002722%, which was a decrease of 0.052594% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City's pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(7,026), \$349,584 and \$370,518, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
Total	100.0%	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 372,384	102,826	(134,197)

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

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2023, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 31,000
Compensatory time	<u>4,000</u>
Total	<u>\$ 35,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2023.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	TIF	\$ 8,509
	Special Revenue:	
	Jesup Fire Association	57,150
	Special Revenue:	
	Friends of the Jesup Public Library	400
	Capital Projects:	
	American Rescue Plan	<u>42,449</u>
		108,508
Special Revenue:	General	
Friends of the Jesup Public Library		2,500
Capital Projects	Special Revenue:	
	Local Option Sales Tax	715,742
	Enterprise:	
	Water	660,000
	Sewer	<u>160,000</u>
		<u>1,535,742</u>
Total		<u>\$ 1,646,750</u>

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

(7) Risk Management

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

(8) Developer Agreement

The City has entered into a tax increment financing (TIF) development agreement with NRFW Investments, LLC (the developer). The City agrees to pay the developer from TIF collections, up to \$600,000 to complete 18 housing units as well as public improvements which will serve the housing units. The agreement also requires a Low and Moderate Income (LMI) assistance set aside. The City agrees to make semi-annual payments to the developer to reimburse it for all or a portion of the cost of the public improvements once work is completed. During the year ended June 30, 2023, the City rebated \$15,264 of incremental property tax to the developer.

(9) Contractual Commitment

The City has entered into various construction contracts totaling \$10,883,086. As of June 30, 2023, \$6,663,976 has been paid on the contracts. The remaining \$4,219,110 will be paid as work on the projects progresses.

(10) Subsequent Event

In July 2023, the City entered into a construction contract totaling \$249,468 for the purposes of building a splash pad.

Other Information

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

Other Information

Year ended June 30, 2023

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,536,869	-	-
Tax increment financing	33,695	-	-
Other city tax	341,782	-	-
Licenses and permits	10,207	-	-
Use of money and property	150,880	52,162	2,641
Intergovernmental	657,483	-	-
Charges for service	129,335	1,033,864	-
Miscellaneous	440,987	2,598	190,572
Total receipts	<u>3,301,238</u>	<u>1,088,624</u>	<u>193,213</u>
Disbursements:			
Public safety	1,103,715	-	137,129
Public works	476,648	-	-
Health and social services	1,900	-	-
Culture and recreation	323,538	-	7,310
Community and economic development	22,537	-	-
General government	204,156	-	-
Debt service	463,337	-	-
Capital projects	1,113,871	-	-
Business type activities	-	6,256,535	-
Total disbursements	<u>3,709,702</u>	<u>6,256,535</u>	<u>144,439</u>
Excess (deficiency) of receipts over (under) disbursements	(408,464)	(5,167,911)	48,774
Other financing sources, net	<u>2,157,166</u>	<u>4,835,278</u>	<u>(55,050)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,748,702	(332,633)	(6,276)
Balances beginning of year	<u>2,426,407</u>	<u>990,723</u>	<u>265,528</u>
Balances end of year	<u>\$ 4,175,109</u>	<u>658,090</u>	<u>259,252</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,536,869	1,541,396	1,541,396	(4,527)
33,695	10,000	33,535	160
341,782	315,656	315,656	26,126
10,207	21,600	21,600	(11,393)
200,401	9,790	149,750	50,651
657,483	613,127	647,955	9,528
1,163,199	1,166,950	1,174,745	(11,546)
253,013	659,350	238,675	14,338
4,196,649	4,337,869	4,123,312	73,337
966,586	703,268	1,042,166	75,580
476,648	559,529	568,238	91,590
1,900	1,900	1,900	-
316,228	267,559	361,199	44,971
22,537	17,775	17,775	(4,762)
204,156	201,395	207,595	3,439
463,337	350,367	464,829	1,492
1,113,871	11,770,197	12,352,318	11,238,447
6,256,535	805,034	808,434	(5,448,101)
9,821,798	14,677,024	15,824,454	6,002,656
(5,625,149)	(10,339,155)	(11,701,142)	6,075,993
7,047,494	10,508,125	10,509,770	(3,462,276)
1,422,345	168,970	(1,191,372)	2,613,717
3,151,602	1,800,935	6,267,363	(3,115,761)
4,573,947	1,969,905	5,075,991	(502,044)

City of Jesup

City of Jesup

Notes to Other Information – Budgetary Reporting

June 30, 2023

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendments increased budgeted disbursements by \$1,147,430. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2023, disbursements exceeded the amounts budgeted for the community and economic development and business-type activities functions. Also, disbursements in the public safety, culture and recreation and business-type activities functions exceeded the budget prior to an amendment.

City of Jesup

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

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

Other Information

	2023	2022	2021	2020
City's proportion of the net pension liability (asset)	0.002722%	0.055316% **	0.005115%	0.004858%
City's proportionate share of the net pension liability (asset)	\$ 103	(191)	359	281
City's covered payroll	\$ 654	605	575	603
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	15.75%	-31.57%	62.43%	46.60%
IPERS' net position as a percentage of the total pension liability (asset)	91.40%	100.81%	82.90%	85.45%

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

** Overall plan net pension asset.

See accompanying independent auditor's report.

2019	2018	2017	2016	2015
0.004881%	0.005206%	0.005453%	0.004977%	0.004589%
309	347	343	246	182
579	584	540	529	518
53.37%	59.42%	63.52%	46.50%	35.16%
83.62%	82.21%	81.82%	85.19%	87.61%

City of Jesup

Schedule of City Contributions

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

Other Information

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 67	61	57	55
Contributions in relation to the statutorily required contribution	<u>(67)</u>	<u>(61)</u>	<u>(57)</u>	<u>(55)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 714	654	605	575
Contributions as a percentage of covered payroll	9.38%	9.33%	9.42%	9.57%

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
59	54	54	50	49	48
(59)	(54)	(54)	(50)	(49)	(48)
-	-	-	-	-	-
603	579	584	540	529	518
9.78%	9.33%	9.25%	9.26%	9.26%	9.27%

City of Jesup

Notes to Other Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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

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

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

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

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

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

Supplementary Information

City of Jesup

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

As of and for the year ended June 30, 2023

				Special
	Employee	Tax	Jesup	Jesup
	Benefits	Increment	Fire	Ambulance
		Financing	Association	Crew
				Association
Receipts:				
Property tax	\$ 228,441	-	-	-
Tax increment financing	-	33,695	-	-
Other city taxes	773	-	-	-
Use of money and property	-	-	634	1,121
Intergovernmental	3,374	-	-	-
Miscellaneous	-	-	154,054	27,351
Total receipts	232,588	33,695	154,688	28,472
Disbursements:				
Operating:				
Public safety	103,907	-	131,804	5,325
Public works	45,244	-	-	-
Culture and recreation	24,405	-	-	-
Community and economic development	-	15,264	-	-
General government	43,602	-	-	-
Total disbursements	217,158	15,264	131,804	5,325
Excess (deficiency) of receipts over (under) disbursements	15,430	18,431	22,884	23,147
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(8,509)	(57,150)	-
Total other financing sources (uses)	-	(8,509)	(57,150)	-
Change in cash balances	15,430	9,922	(34,266)	23,147
Cash balances beginning of year	107,981	5,412	158,458	79,854
Cash balances end of year	\$ 123,411	15,334	124,192	103,001
Cash Basis Fund Balances				
Restricted for:				
Fire and ambulance	\$ -	-	124,192	103,001
Other purposes	123,411	15,334	-	-
Total cash basis fund balances	\$ 123,411	15,334	124,192	103,001

See accompanying independent auditor's report.

Revenue		
Jesup Library Endowment Fund Incorporated	Friends of the Jesup Public Library	Total
-	-	228,441
-	-	33,695
-	-	773
461	425	2,641
-	-	3,374
-	9,167	190,572
461	9,592	459,496
-	-	241,036
-	-	45,244
-	7,310	31,715
-	-	15,264
-	-	43,602
-	7,310	376,861
461	2,282	82,635
-	2,500	2,500
-	(400)	(66,059)
-	2,100	(63,559)
461	4,382	19,076
20,395	6,821	378,921
20,856	11,203	397,997
-	-	227,193
20,856	11,203	170,804
20,856	11,203	397,997

City of Jesup

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

For the Last Ten Years

	2023	2022	2021	2020
Receipts:				
Property tax	\$ 1,536,869	1,494,332	1,473,231	1,431,239
Local option sales tax	335,453	346,073	321,155	250,808
Tax increment financing	33,695	5,412	-	-
Other city tax	6,329	1,317	1,006	1,988
Licenses and permits	10,207	16,106	9,726	15,685
Use of money and property	150,880	22,596	9,856	32,088
Intergovernmental	657,483	662,772	538,512	429,960
Charges for service	129,335	143,918	138,873	93,260
Special assessments	-	-	-	123
Miscellaneous	440,987	695,893	302,466	225,464
Total	\$ 3,301,238	3,388,419	2,794,825	2,480,615
Disbursements:				
Operating:				
Public safety	\$ 1,103,715	1,297,613	864,936	1,073,655
Public works	476,648	514,521	432,447	466,171
Health and social services	1,900	1,900	1,900	1,900
Culture and recreation	323,538	277,197	251,479	228,605
Community and economic development	22,537	7,637	10,646	32,226
General government	204,156	195,074	200,524	207,326
Debt service	463,337	567,760	563,446	552,144
Capital projects	1,113,871	2,270,224	624,321	329,048
Total	\$ 3,709,702	5,131,926	2,949,699	2,891,075

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
1,407,069	1,367,926	1,336,275	1,310,814	1,275,683	1,230,501
231,408	204,770	238,165	209,980	218,133	217,626
-	-	-	-	23,448	23,381
1,130	1,157	1,100	-	-	-
10,767	10,126	18,108	16,836	17,078	20,266
54,021	37,344	27,529	13,177	5,962	7,020
425,684	420,534	414,814	414,624	341,239	316,913
106,924	87,613	148,997	112,803	104,836	103,967
137	147	157	168	178	3,458
228,041	230,730	132,771	224,368	179,136	148,976
2,465,181	2,360,347	2,317,916	2,302,770	2,165,693	2,072,108
620,495	602,697	521,319	649,112	645,603	631,275
441,797	435,456	399,394	557,356	549,071	376,979
1,900	1,900	1,900	2,000	2,000	2,000
233,050	251,491	272,755	237,435	228,312	211,462
148	7,400	8,755	7,489	7,458	170
197,272	231,738	172,711	181,416	189,858	185,467
599,047	598,413	872,505	555,237	520,638	569,887
197,805	2,372,925	1,394,321	695,924	166,952	960,881
2,291,514	4,502,020	3,643,660	2,885,969	2,309,892	2,938,121



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Jesup, Iowa, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 26, 2023. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2023-001 and 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Jesup's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 noncompliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2023 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.

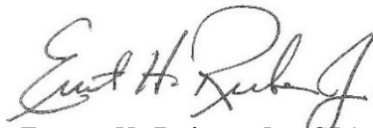
City of Jesup's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Jesup's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The City of Jesup's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

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



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

September 26, 2023

City of Jesup

Schedule of Findings

Year ended June 30, 2023

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2023-001 Segregation of Duties

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

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

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

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

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

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

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

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

City of Jesup

Schedule of Findings

Year ended June 30, 2023

2023-002 Journal Entries

Criteria – Supporting documentation for all journal entries supports the accuracy of the entries by employees and an independent review helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – Supporting documentation is not maintained for all journal entries. Approval and review for journal entries is not documented.

Cause – The City has a limited number of employees and procedures have not been designed to clearly document supporting documentation for journal entries and to document the review and approval of journal entries.

Effect – Inadequate supporting documentation or lack of independent approval of transactions could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriations on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – Journal entries should be supported, and the support should be provided to an independent person for review and approval.

Response – The City will work to add supporting documentation to journal entries and reviewed for approval.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Jesup

Schedule of Findings

Year ended June 30, 2023

Findings Related to Required Statutory Reporting:

2023-A Certified Budget – Disbursements during the year ended June 30, 2023 exceeded the amounts budgeted for public safety, culture and recreation and business-type activities expenditures before the budget amendment and exceeded community and economic development and business-type activities expenditures at year end. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

2023-B Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Visa	Employee dinner for Library employees	\$ 78
American Union	Sales tax	15

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these types of disbursements prior to authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper public purpose documentation.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

2023-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2023-D Business Transactions – No business transactions between the City and City officials or employees were noted.

City of Jesup

Schedule of Findings

Year ended June 30, 2023

- 2023-E Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 2023-F Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- 2023-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- 2023-H 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.
- 2023-I Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.
- 2023-J Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1.
- 2023-K Tax Increment Financing – The City of Jesup properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

City of Jesup

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Cole L. Hocker, CPA, Manager
Jared M. Ernst, CPA, Staff Auditor
Enoch Duval, Staff Auditor
Benjamin I. Manchester, Staff Auditor