



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

February 12, 2009

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$2,110,853 for the year ended June 30, 2008, a 13.8% decrease from 2007. The receipts included \$764,760 in property tax, \$11,741 from tax increment financing, \$695,296 from charges for service, \$391,951 from operating grants, contributions and restricted interest, \$52,324 from capital grants, contributions and restricted interest, \$160,506 from local option sales tax, \$22,722 from unrestricted interest on investments and \$11,553 from other general receipts. The significant decrease in receipts is due primarily to note proceeds received in the prior year.

Disbursements for the year totaled \$2,216,738, a 2.4% increase over the prior year, and included \$502,417 for public safety, \$365,543 for capital projects and \$320,566 for public works. Also, disbursements for business type activities totaled \$430,485.

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

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**CITY OF JESUP**

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

**JUNE 30, 2008**

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**City of Jesup**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
Mark J. H. Collett	Mayor	Jan 2008
Richard Quackenbush	Mayor Pro tem	Jan 2010
Darren Engbretson	Council Member	Jan 2008
Mike Joblinske	Council Member	Jan 2008
Roger J. Williams	Council Member	Jan 2008
Jacob Spiegel	Council Member	Jan 2010
Linda Bunnell	Clerk/Treasurer	Indefinite
LeAnn Nichols	Deputy Clerk	Indefinite
Susan Brown	Billing Clerk	Indefinite
John S. Pieters	Attorney	Indefinite
<b>(After January 2008)</b>		
Jacob Spiegel	Mayor	Jan 2010
Darren Engbretson	Mayor Pro tem	Jan 2012
James Geweke (Appointed)	Council Member	Nov 2009
Richard Quackenbush	Council Member	Jan 2010
Mike Joblinske	Council Member	Jan 2012
Rich Schaefer	Council Member	Jan 2012
Linda Bunnell	Clerk/Treasurer	Indefinite
LeAnn Nichols	Deputy Clerk	Indefinite
Susan Brown	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, 2008, 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.

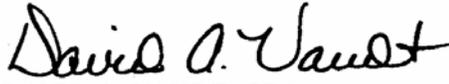
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

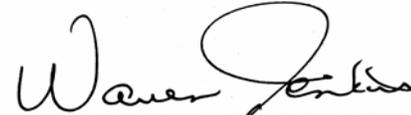
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup as of June 30, 2008, 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 January 16, 2009 on our consideration of the City of Jesup's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 12 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was 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 five years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 16, 2009

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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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2008 FINANCIAL HIGHLIGHTS

- The City's total receipts for governmental activities decreased 18.1%, or approximately \$354,000, from fiscal year 2007. The total cost of all governmental activities programs and services increased 2.2%, or approximately \$37,700. The decrease in receipts was primarily the result of \$391,770 in general obligation capital loan note proceeds for the storm sewer improvement project received in fiscal year 2007. The increase in disbursements was not significant.
- The City's governmental activities cash balance at June 30, 2008 decreased 7.7%, or approximately \$184,000, from June 30, 2007.
- The cost of all governmental activities this year was approximately \$1,786,000 compared to approximately \$1,749,000 last year. The amount taxpayers ultimately financed for these activities was approximately \$1,146,000 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 (\$444,000).

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Tax Increment Financing and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

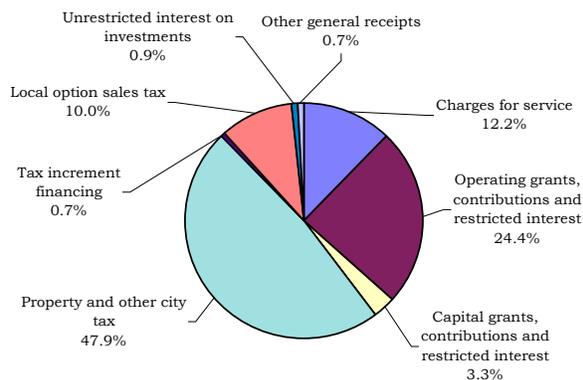
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

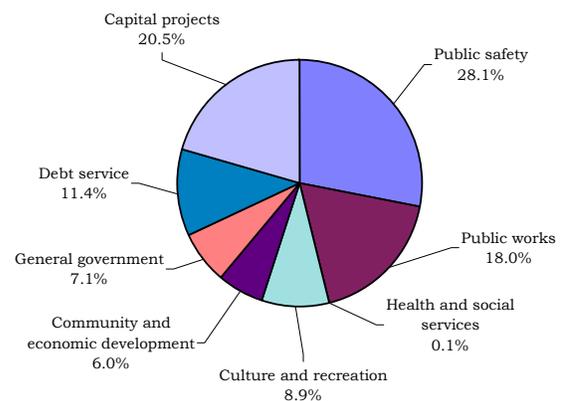
Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service	\$ 196,348	194,537
Operating grants, contributions and restricted interest	391,951	309,981
Capital grants, contributions and restricted interest	52,324	23,806
General receipts:		
Property and other city tax	764,760	781,496
Tax increment financing	11,741	5,587
Local option sales tax	160,506	178,918
Unrestricted interest on investments	14,404	29,748
Note proceeds	-	391,770
Other general receipts	11,553	41,821
Total receipts	1,603,587	1,957,664
Disbursements:		
Public safety	502,417	395,643
Public works	320,566	528,962
Health and social services	1,925	1,925
Culture and recreation	158,822	175,644
Community and economic development	106,308	206,428
General government	127,532	112,409
Debt service	203,140	238,198
Capital projects	365,543	89,305
Total disbursements	1,786,253	1,748,514
Increase (decrease) in cash basis net assets before transfers	(182,666)	209,150
Transfers, net	(1,074)	19,643
Net change in cash basis net assets	(183,740)	228,793
Cash basis net assets beginning of year	2,378,174	2,149,381
Cash basis net assets end of year	\$ 2,194,434	2,378,174

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities were \$1,603,587. The total cost of all programs and services was \$1,786,253, with no new programs added this year. The cash basis net assets for the City's governmental activities decreased approximately \$184,000, or 7.7%, from June 30, 2007.

The City decreased property tax rates for 2009 by an average of seven cents per thousand dollars of taxable valuation.

The cost of all governmental activities this year was \$1,786,253. As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was approximately \$1,146,000 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 (\$444,000).

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 208,734	194,618
Sewer	290,214	280,147
General receipts:		
Unrestricted interest on investments	8,318	17,496
Total receipts	<u>507,266</u>	<u>492,261</u>
Disbursements:		
Water	193,165	172,980
Sewer	237,320	242,809
Total disbursements	<u>430,485</u>	<u>415,789</u>
Increase in cash basis net assets before transfers	76,781	76,472
Transfers	1,074	(19,643)
Net change in cash basis net assets	<u>77,855</u>	<u>56,829</u>
Cash basis net assets beginning of year	<u>689,559</u>	<u>632,730</u>
Cash basis net assets end of year	<u>\$ 767,414</u>	<u>689,559</u>

Total business type activities receipts for the fiscal year were \$507,266 compared to \$492,261 last year.

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

As the City of Jesup completed the year, its governmental funds reported a combined fund balance of \$2,194,434, a decrease of \$183,740 from last year's total of \$2,378,174. 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 \$47,339 over the prior year to \$420,849. There were no significant changes.
- The Special Revenue, Road Use Tax Fund cash balance increased \$59,504 to \$374,051 during the fiscal year. The City completed certain street projects in FY2007 and FY2008 projects were started late in the fiscal year.
- The Special Revenue, Tax Increment Financing Fund cash balance was \$551,511, a decrease of \$74,259 from the previous year.

- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$115,872 over the prior year to \$379,801. The increase was a result of no disbursements in FY2008.
- The Debt Service Fund cash balance was \$70,821, an increase of \$28,949 over the previous year. Bond and note principal and interest payments decreased \$35,058 over FY2007.
- The Capital Projects Fund cash balance decreased \$366,617 to \$2,507 during the fiscal year. This decrease was due to projects being completed during fiscal year 2008 which were started in fiscal year 2007 or earlier.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased \$23,389 to \$277,943.
- The Sewer Fund cash balance increased \$54,466 to \$489,471 due to receipts outpacing disbursements.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 6, 2008. The amendment provided for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City’s receipts were \$205,244 more than budgeted. This was primarily due to the City under budgeting in the areas of charges for service, other city tax receipts and intergovernmental receipts.

Total disbursements were \$573,788 less than the amended budget. The actual disbursements for the public works, community and economic development and capital projects functions were \$186,149, \$124,692 and \$184,457, respectively, less than the amended budget. This was primarily due to anticipating more hiring than was actually accomplished, road work not progressing as anticipated and a project not getting completed in the fiscal year as anticipated.

**DEBT ADMINISTRATION**

At June 30, 2008, the City had \$1,775,000 in outstanding notes and bonds, compared to \$2,030,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2008	2007
General obligation capital loan notes	\$1,145,000	1,295,000
Water revenue bonds	180,000	205,000
Sewer revenue notes	450,000	530,000
Total	\$1,775,000	2,030,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$1,145,000 is significantly below its constitutional debt limit of \$5,553,616.

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

The City of Jesup's elected and appointed officials and department heads considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities.

When adopting the budget for fiscal year 2009, the elected officials looked for places to lower costs in each department. They also looked at each department to make sure the budget would meet the realistic monetary requirements for each department. Revenues from the Road Use Tax Fund will pay for street lighting and minor street repairs. The City is planning a street project for 2009. This project will be funded by TIF funds. The City has added no major new programs to the 2009 budget.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## **Basic Financial Statements**

City of Jesup

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 502,417	118,992	165,705	78
Public works	320,566	72,089	199,408	-
Health and social services	1,925	-	-	-
Culture and recreation	158,822	762	23,153	-
Community and economic development	106,308	-	-	52,246
General government	127,532	4,505	-	-
Debt service	203,140	-	3,685	-
Capital projects	365,543	-	-	-
Total governmental activities	1,786,253	196,348	391,951	52,324
Business type activities:				
Water	193,165	208,734	-	-
Sewer	237,320	290,214	-	-
Total business type activities	430,485	498,948	-	-
Total	\$ 2,216,738	695,296	391,951	52,324

**General Receipts:**

Property tax levied for:  
 General purposes  
 Tax increment financing  
 Debt service  
 Local option sales tax  
 Unrestricted interest on investments  
 Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

Streets  
 Tax increment financing  
 Local option sales tax  
 Debt service  
 Capital projects  
 Other purposes

Unrestricted

**Total cash basis net assets**

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
(217,642)	-	(217,642)
(49,069)	-	(49,069)
(1,925)	-	(1,925)
(134,907)	-	(134,907)
(54,062)	-	(54,062)
(123,027)	-	(123,027)
(199,455)	-	(199,455)
(365,543)	-	(365,543)
(1,145,630)	-	(1,145,630)
-	15,569	15,569
-	52,894	52,894
-	68,463	68,463
(1,145,630)	68,463	(1,077,167)
624,862	-	624,862
11,741	-	11,741
139,898	-	139,898
160,506	-	160,506
14,404	8,318	22,722
11,553	-	11,553
(1,074)	1,074	-
961,890	9,392	971,282
(183,740)	77,855	(105,885)
2,378,174	689,559	3,067,733
\$ 2,194,434	767,414	2,961,848
\$ 374,051	-	374,051
551,511	-	551,511
379,801	-	379,801
70,821	583,038	653,859
2,507	-	2,507
394,894	-	394,894
420,849	184,376	605,225
\$ 2,194,434	767,414	2,961,848

City of Jesup

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

As of and for the year ended June 30, 2008

	General	Special Revenue	
		Road Use Tax	Tax Increment Financing
<b>Receipts:</b>			
Property tax	\$ 525,032	-	-
Tax increment financing	-	-	11,741
Other city tax	-	-	-
Licenses and permits	16,894	-	-
Use of money and property	11,589	-	-
Intergovernmental	53,219	191,095	-
Charges for service	182,426	-	-
Special assessments	2,902	-	-
Miscellaneous	11,815	-	-
Total receipts	803,877	191,095	11,741
<b>Disbursements:</b>			
Operating:			
Public safety	332,953	-	-
Public works	161,079	131,591	-
Health and social services	1,925	-	-
Culture and recreation	140,107	-	-
Community and economic development	82	-	45,000
General government	116,201	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	752,347	131,591	45,000
Excess (deficiency) of receipts over (under) disbursements	51,530	59,504	(33,259)
<b>Other financing sources (uses):</b>			
Operating transfers in	-	-	-
Operating transfers out	(4,191)	-	(41,000)
Total other financing sources (uses)	(4,191)	-	(41,000)
Net change in cash balances	47,339	59,504	(74,259)
Cash balances beginning of year	373,510	314,547	625,770
Cash balances end of year	\$ 420,849	374,051	551,511
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ -	-	-
Unreserved:			
General fund	420,849	-	-
Special revenue funds	-	374,051	551,511
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 420,849	374,051	551,511

See notes to financial statements.

Local Option Sales Tax	Debt Service	Capital Projects	Nonmajor	Total
-	136,213	-	99,830	761,075
-	-	-	-	11,741
160,506	3,685	-	-	164,191
-	-	-	-	16,894
5,366	-	-	9,513	26,468
-	-	-	52,246	296,560
-	-	-	-	182,426
-	-	-	-	2,902
-	-	-	129,515	141,330
165,872	139,898	-	291,104	1,603,587
-	-	-	169,464	502,417
-	-	-	27,896	320,566
-	-	-	-	1,925
-	-	-	18,715	158,822
-	-	-	61,226	106,308
-	-	-	11,331	127,532
-	203,140	-	-	203,140
-	-	365,543	-	365,543
-	203,140	365,543	288,632	1,786,253
165,872	(63,242)	(365,543)	2,472	(182,666)
-	92,191	-	3,000	95,191
(50,000)	-	(1,074)	-	(96,265)
(50,000)	92,191	(1,074)	3,000	(1,074)
115,872	28,949	(366,617)	5,472	(183,740)
263,929	41,872	369,124	389,422	2,378,174
379,801	70,821	2,507	394,894	2,194,434
-	70,821	-	-	70,821
-	-	-	-	420,849
379,801	-	-	394,894	1,700,257
-	-	2,507	-	2,507
379,801	70,821	2,507	394,894	2,194,434

## City of Jesup

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

As of and for the year ended June 30, 2008

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 208,734	290,214	498,948
Operating disbursements:			
Business type activities	157,915	131,140	289,055
Excess of operating receipts over operating disbursements	50,819	159,074	209,893
Non-operating receipts (disbursements):			
Interest on investments	6,746	1,572	8,318
Debt service	(35,250)	(106,180)	(141,430)
Total non-operating receipts (disbursements)	(28,504)	(104,608)	(133,112)
Excess of receipts over disbursements	22,315	54,466	76,781
Operating transfers in	1,074	-	1,074
Net change in cash balances	23,389	54,466	77,855
Cash balances beginning of year	254,554	435,005	689,559
Cash balances end of year	\$ 277,943	489,471	767,414
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ 158,986	424,052	583,038
Unreserved	118,957	65,419	184,376
Total cash basis fund balances	\$ 277,943	489,471	767,414

See notes to financial statements.

City of Jesup

Notes to Financial Statements

June 30, 2008

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

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

A. Reporting Entity

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

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

Blended Component Units

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

The Jesup Ambulance Crew Association is legally separate from the City but is so intertwined with the City 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. Since June 2006, the City of Jesup has been responsible for accounting for the Friends of the Jesup Public Library.

#### Jointly Governed Organizations

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

#### B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Local Option Sales Tax Fund is utilized to account for the collection and use of the local option sales tax.

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

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

The City reports the following major proprietary funds:

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

The Sewer Fund accounts for the operation and maintenance of the City's 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-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Capital Loan Notes		Water Revenue Bonds		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 150,000	46,490	25,000	9,000	80,000	22,100	255,000	77,590
2010	160,000	40,848	25,000	7,750	85,000	18,340	270,000	66,938
2011	165,000	34,585	30,000	6,500	90,000	14,260	285,000	55,345
2012	175,000	27,940	30,000	5,000	95,000	9,850	300,000	42,790
2013	175,000	20,675	30,000	3,500	100,000	5,100	305,000	29,275
2014-2016	320,000	22,870	40,000	2,500	-	-	360,000	25,370
Total	\$1,145,000	193,408	180,000	34,250	450,000	69,650	1,775,000	297,308

### Revenue Bonds/Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$600,000 in water revenue bonds issued in November 1975. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2015. Annual principal and interest payments on the bonds are expected to require less than 70 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$214,250. For the current year, principal and interest paid and total customer net receipts were \$35,250 and \$50,819, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,080,000 in sewer revenue notes issued in December 1998. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2013. Annual principal and interest payments on the notes are expected to require less than 70 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$519,650. For the current year, principal and interest paid and total customer net receipts were \$105,780 and \$159,074, respectively.

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

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond/note sinking accounts within the Enterprise Funds for the purpose of making the bond/note principal and interest payments when due.
- (c) 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.

#### **(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 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008, 2007 and 2006 were \$29,590, \$27,322 and \$25,210, respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2008, primarily relating to the General Fund, was \$21,000. This liability has been computed based on rates of pay in effect at June 30, 2008.

**(6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Park Equipment	General	\$ 3,000
Debt Service	General	1,191
	Special Revenue:	
	Tax Increment Financing	41,000
	Local Option Sales Tax	50,000
Enterprise:		
Water	Capital Projects	<u>1,074</u>
Total		<u>\$ 96,265</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, 2008, the City had received \$404,523 of the grant funds awarded, of which \$52,246 was received in fiscal year June 30, 2008.

**(8) 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.

**(9) Construction Contracts**

During the year ended June 30, 2008, the City entered into construction contracts totaling \$508,320 for the Young Street sidewalk and South Street culvert projects. The balances remaining on the contracts started in 2008 and on-going projects from prior years totaled \$543,222 at June 30, 2008. Project costs will be paid as work on the unfinished projects is completed.

**(10) Tax Increment Development Commitment**

The City entered into an agreement with a business in the City under which incremental property tax collections are to be paid to the business, \$40,000 per year for ten years, up to \$400,000, when certain conditions are met. Payments totaling \$40,000 were made to the business during the year ended June 30, 2008. The cumulative amount paid to the business from the inception of this agreement to June 30, 2008 is \$280,000.

**(11) Subsequent Event**

In July 2008, the City issued \$600,000 of general obligation capital loan notes to help finance the Young Street sidewalk and South Street culvert projects.

**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, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 761,075	-	-
Tax increment financing	11,741	-	-
Other city tax	164,191	-	-
Licenses and permits	16,894	-	-
Use of money and property	26,468	8,318	3,128
Intergovernmental	296,560	-	-
Charges for service	182,426	498,948	-
Special assessments	2,902	-	-
Miscellaneous	141,330	-	129,515
Total receipts	1,603,587	507,266	132,643
<b>Disbursements:</b>			
Public safety	502,417	-	116,713
Public works	320,566	-	-
Health and social services	1,925	-	-
Culture and recreation	158,822	-	-
Community and economic development	106,308	-	-
General government	127,532	-	-
Debt service	203,140	-	-
Capital projects	365,543	-	-
Business type activities	-	430,485	-
Total disbursements	1,786,253	430,485	116,713
Excess (deficiency) of receipts over (under) disbursements	(182,666)	76,781	15,930
Other financing sources (uses), net	(1,074)	1,074	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(183,740)	77,855	15,930
Balances beginning of year	2,378,174	689,559	91,926
Balances end of year	\$ 2,194,434	767,414	107,856

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
761,075	751,362	751,362	9,713
11,741	-	-	11,741
164,191	116,449	116,449	47,742
16,894	12,145	12,145	4,749
31,658	19,240	19,240	12,418
296,560	220,800	220,800	75,760
681,374	640,570	640,570	40,804
2,902	1,000	1,000	1,902
11,815	11,400	11,400	415
<u>1,978,210</u>	<u>1,772,966</u>	<u>1,772,966</u>	<u>205,244</u>
385,704	377,819	377,819	(7,885)
320,566	506,715	506,715	186,149
1,925	1,925	1,925	-
158,822	201,011	201,011	42,189
106,308	231,000	231,000	124,692
127,532	118,475	128,475	943
203,140	195,238	195,238	(7,902)
365,543	550,000	550,000	184,457
430,485	481,630	481,630	51,145
<u>2,100,025</u>	<u>2,663,813</u>	<u>2,673,813</u>	<u>573,788</u>
(121,815)	(890,847)	(900,847)	779,032
-	400,000	400,000	(400,000)
(121,815)	(490,847)	(500,847)	379,032
<u>2,975,807</u>	<u>1,332,493</u>	<u>1,332,493</u>	<u>1,643,314</u>
<u>2,853,992</u>	<u>841,646</u>	<u>831,646</u>	<u>2,022,346</u>

City of Jesup

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, 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 Fund and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$10,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

**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, 2008

	Employee Benefits	Emergency	Economic Development #2	Community Development	Housing Rehabilitation
Receipts:					
Property tax	\$ 83,453	16,377	-	-	-
Use of money and property	1,361	777	-	1,791	-
Intergovernmental	-	-	-	-	52,246
Miscellaneous	-	-	-	-	-
Total receipts	84,814	17,154	-	1,791	52,246
Disbursements:					
Operating:					
Public safety	52,751	-	-	-	-
Public works	27,896	-	-	-	-
Culture and recreation	18,715	-	-	-	-
Community and economic development	-	-	-	11,824	49,402
General government	11,331	-	-	-	-
Total disbursements	110,693	-	-	11,824	49,402
Excess (deficiency) of receipts over (under) disbursements	(25,879)	17,154	-	(10,033)	2,844
Other financing sources:					
Operating transfers in	-	-	-	-	-
Net change in cash balances	(25,879)	17,154	-	(10,033)	2,844
Cash balances beginning of year	94,976	41,715	133	112,294	(1,863)
Cash balances end of year	\$ 69,097	58,869	133	102,261	981
<b>Cash Basis Fund Balances</b>					
Unreserved:					
Special revenue funds	\$ 69,097	58,869	133	102,261	981

See accompanying independent auditor's report.

Special Revenue									
Library Memorial	Library Community Room	Park Board	Park Equipment	Jesup Fire Association	Jesup Ambulance Crew Association	Jesup Library Endowment Fund Incorporated	Friends of the Jesup Public Library		Total
-	-	-	-	-	-	-	-	-	99,830
688	203	17	326	1,169	1,556	403	1,222	-	9,513
-	-	-	-	-	-	-	-	-	52,246
-	-	-	-	124,966	4,549	-	-	-	129,515
688	203	17	326	126,135	6,105	403	1,222	-	291,104
-	-	-	-	116,151	562	-	-	-	169,464
-	-	-	-	-	-	-	-	-	27,896
-	-	-	-	-	-	-	-	-	18,715
-	-	-	-	-	-	-	-	-	61,226
-	-	-	-	-	-	-	-	-	11,331
-	-	-	-	116,151	562	-	-	-	288,632
688	203	17	326	9,984	5,543	403	1,222	-	2,472
-	-	-	3,000	-	-	-	-	-	3,000
688	203	17	3,326	9,984	5,543	403	1,222	-	5,472
13,843	785	3,943	18,076	29,027	48,705	14,194	13,594	-	389,422
14,531	988	3,960	21,402	39,011	54,248	14,597	14,816	-	394,894
14,531	988	3,960	21,402	39,011	54,248	14,597	14,816	-	394,894

City of Jesup  
 Schedule of Indebtedness  
 Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation capital loan notes:			
Street, sewer and water improvements	Jun 1, 2002	3.50-5.10%	\$ 415,000
Essential corporate purpose	Feb 15, 2005	2.70-4.70	800,000
Storm sewer drainage	Mar 1, 2007	3.90-4.25	400,000
Total			
Revenue bonds:			
Water	Nov 25, 1975	5.00%	\$ 600,000
Revenue notes:			
Sewer	Dec 1, 1998	4.15-5.10%	\$ 1,080,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
270,000	-	40,000	230,000	13,015
665,000	-	75,000	590,000	25,283
360,000	-	35,000	325,000	14,643
<b>\$ 1,295,000</b>	<b>-</b>	<b>150,000</b>	<b>1,145,000</b>	<b>52,941</b>
205,000	-	25,000	180,000	10,250
530,000	-	80,000	450,000	25,780

City of Jesup  
 Bond and Note Maturities  
 June 30, 2008

Year Ending June 30,	General Obligation Capital Loan Notes							Total
	Street, Sewer and Water Improvements		Essential Corporate Purpose		Storm Sewer Drainage			
	Issued Jun 1, 2002		Issued Feb 15, 2005		Issued Mar 1, 2007			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2009	4.60%	\$ 40,000	3.25%	\$ 75,000	3.90%	\$ 35,000	150,000	
2010	4.80	45,000	3.40	80,000	3.95	35,000	160,000	
2011	4.90	45,000	3.55	80,000	4.00	40,000	165,000	
2012	5.00	50,000	3.70	85,000	4.05	40,000	175,000	
2013	5.10	50,000	3.85	85,000	4.10	40,000	175,000	
2014		-	4.00	90,000	4.15	45,000	135,000	
2015		-	4.15	95,000	4.20	45,000	140,000	
2016		-		-	4.25	45,000	45,000	
Total		<u>\$ 230,000</u>		<u>\$ 590,000</u>		<u>\$ 325,000</u>	<u>1,145,000</u>	

See accompanying independent auditor's report.

Revenue Bonds		Revenue Notes	
Water		Sewer	
Issued Nov 25, 1975		Issued Dec 1, 1988	
Interest		Interest	
Rates	Amount	Rates	Amount
5.00%	\$ 25,000	4.70%	\$ 80,000
5.00	25,000	4.80	85,000
5.00	30,000	4.90	90,000
5.00	30,000	5.00	95,000
5.00	30,000	5.10	100,000
5.00	30,000		-
5.00	10,000		-
	-		-
	<u>\$ 180,000</u>		<u>\$ 450,000</u>

**Schedule 4**

## City of Jesup

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

For the Last Six Years

	2008	2007	2006	2005	2004	2003
<b>Receipts:</b>						
Property tax	\$ 761,075	781,496	650,691	503,038	512,222	460,782
Tax increment financing	11,741	5,587	236,915	312,355	200,106	315,334
Other city tax	164,191	178,918	127,748	170,132	141,679	175,310
Licenses and permits	16,894	18,338	15,617	17,529	14,679	15,147
Use of money and property	26,468	51,836	47,709	28,181	18,937	32,500
Intergovernmental	296,560	258,546	344,344	314,749	473,734	486,451
Charges for service	182,426	146,624	157,037	156,331	148,376	154,394
Special assessments	2,902	9,615	5,334	2,265	16,417	9,471
Miscellaneous	141,330	114,934	99,082	122,282	196,603	96,335
<b>Total</b>	<b>\$ 1,603,587</b>	<b>1,565,894</b>	<b>1,684,477</b>	<b>1,626,862</b>	<b>1,722,753</b>	<b>1,745,724</b>
<b>Disbursements:</b>						
<b>Operating:</b>						
Public safety	\$ 502,417	395,643	353,916	342,490	604,197	370,853
Public works	320,566	528,962	340,591	238,806	323,761	131,870
Health and social services	1,925	1,925	1,925	1,925	1,925	1,925
Culture and recreation	158,822	175,644	155,436	148,931	182,682	184,258
Community and economic development	106,308	206,428	189,345	220,884	215,114	323,969
General government	127,532	112,409	117,256	92,063	90,537	121,517
Debt service	203,140	238,198	218,214	115,327	219,345	246,453
Capital projects	365,543	89,305	410,686	607,305	462,439	684,153
<b>Total</b>	<b>\$ 1,786,253</b>	<b>1,748,514</b>	<b>1,787,369</b>	<b>1,767,731</b>	<b>2,100,000</b>	<b>2,064,998</b>

See accompanying independent auditor's report.

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

**City of Jesup**



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

David A. Vaudt, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 16, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Jesup's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Jesup's financial statements that is more than inconsequential will not be prevented or detected by the City of Jesup's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Jesup's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) are material weaknesses.

#### Compliance and Other Matters

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

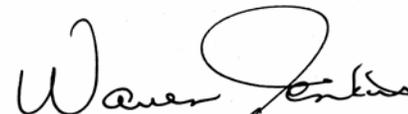
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Jesup and other parties to whom the City of Jesup may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

  
DAVID A. VAUDT, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

January 16, 2009

City of Jesup

Schedule of Findings

Year ended June 30, 2008

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

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

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

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

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

Response – The fund balances do not match due to an error in the computer system. There were balance adjustments made to payroll, which were made in the liability accounts and these accounts do not roll over at the end of the year. This affects the fund balances on the computer software system, but not the spreadsheet.

Conclusion – Response acknowledged. However, corrections to the spreadsheets should be documented and recorded on the City's computer system software.

- (B) Utility Billings – Utility billings, collections and delinquent accounts should be reconciled on a monthly basis. The reconciliation should be reviewed by an independent person and traced to the general ledger.

Recommendation – Procedures should be established by the City to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor the delinquent accounts.

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

Conclusion – Response accepted.

- (C) Disbursements – City policy requires dual signatures on all checks issued. Certain checks only had one signature.

Recommendation – City personnel should ensure all checks have dual signatures as required.

Response – The City will ensure all checks are properly signed by two individuals.

Conclusion – Response accepted.

City of Jesup

Schedule of Findings

Year ended June 30, 2008

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

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

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

Conclusion – Response accepted.

- (E) Component Units – The following internal control deficiencies were noted for the component units of the City:

Jesup Fire Association - The fire chief picks up mail receipts and deposits the receipts into the bank. There is no independent review performed.

Jesup Ambulance Crew Association - The ambulance crew treasurer receives donations in the mail and deposits the receipts into the bank. An independent review was not performed.

There are no bank reconciliations prepared for the Jesup Fire Association, the Jesup Ambulance Crew Association and the Jesup Library Endowment Fund Incorporated.

Recommendation – The Jesup Fire Association and the Jesup Ambulance Crew Association should review procedures to determine controls are implemented. Also, the Jesup Fire Association, the Jesup Ambulance Crew Association and the Jesup Library Endowment Fund Incorporated should prepare bank reconciliations monthly.

Response – Currently, the Jesup Fire Association and Jesup Ambulance Crew Association have two or more persons picking up the mail together and together they open the mail and prepare a listing of receipts. The Treasurers of the Jesup Fire Association, the Jesup Ambulance Crew Association and the Jesup Library Endowment Fund Incorporated will prepare monthly bank reconciliations.

Conclusion – Response accepted.

City of Jesup

Schedule of Findings

Year ended June 30, 2008

- (F) Information Systems – In order to maintain computer security, passwords should be changed periodically. Also, to help ensure the continuity of City operations in the event of a disaster, the City’s disaster recovery plan and policies and procedures manual should be kept in off-site locations.

Recommendation – The City should ensure the computer system requires the users to change passwords every 60 to 90 days. Additionally, the City’s disaster recovery plan and policies and procedures manual should be kept in an off-site location.

Response – All City personnel with computer logins have been informed to change their passwords every 60 to 90 days. Also, the policy and procedures manual and the disaster recovery plan have been moved off site.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Jesup

Schedule of Findings

Year ended June 30, 2008

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public safety and debt service functions. 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 – We will be monitoring the disbursements more closely to ensure this doesn't happen in the future.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds and Notes – No instances of non-compliance with the provisions of the revenue bond/note indentures were noted.
- (9) Tax Increment Financing – The City has tax increment financing (TIF) debt of \$384,800 outstanding at June 30, 2008. The City has cash on hand of \$551,511 at June 30, 2008 in the Special Revenue, Tax Increment Financing Fund to pay for the TIF debt outstanding. Therefore, the City has \$166,711 more cash on hand than is needed to pay the TIF debt outstanding.

City of Jesup

Schedule of Findings

Year ended June 30, 2008

Recommendation – The City should consult bond counsel to determine the disposition of this issue.

Since the City has sufficient cash on hand to pay the TIF indebtedness outstanding, the City should complete and provide TIF Certification Form 3 to the County Auditor to reduce the TIF indebtedness outstanding for the cash on hand in the Special Revenue, Tax Increment Financing Fund at June 30, 2008.

Response – The City will contact our bond counsel to determine how to proceed.

Conclusion – Response accepted.

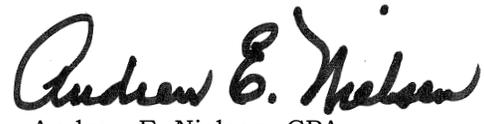
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City of Jesup

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Shawn R. Elsbury, Staff Auditor  
Aaron P. Wagner, CPA, Staff Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State