

**CITY OF JESUP**

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

**JUNE 30, 2014**

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**City of Jesup**

**Officials**

**(Before January 2014)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Quackenbush	Mayor	January 2014
David Bishop	Council Member	January 2014
James Geweke	Council Member	January 2014
Darren Engbretson	Council Member	January 2016
Todd Rohlfson	Council Member	January 2016
Marsha McGlaughlin	Council Member	January 2016
LeAnn Even	City Clerk	
Koley Mead	Deputy City Clerk	
Chris Even	Public Works Director	
Carter Stevens	City Attorney	

**(After January 2014)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Bishop	Mayor	January 2016
Darren Engbretson	Council Member	January 2016
Todd Rohlfson	Council Member	January 2016
Marsha McGlaughlin	Council Member	January 2016
Jill Chemin	Council Member	January 2018
Melissa Trumbauer	Council Member	January 2018
LeAnn Even	City Clerk	
Koley Mead	Deputy City Clerk	
Chris Even	Public Works Director	
Carter Stevens	City Attorney	

**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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

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

### Other Matters

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. We previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed an unmodified opinion on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements and supplemental data for the years ended June 30, 2004 through June 30, 2012 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report, who expressed unqualified opinions on those financial statements and supplemental data. The supplementary information included in Schedules 1 through 4, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 32 through 34 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 13, 2014 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 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.

*Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.*

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

August 13, 2014

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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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- The City's total receipts for governmental activities decreased approximately \$1,253,484 over fiscal year 2013. The total cost of all governmental activities programs and services increased approximately \$129,505. The decrease in receipts was primarily the result of receiving note proceeds of \$1,264,652 in 2013.
- The City's governmental activities cash balance at June 30, 2014 decreased approximately \$774,911, from June 30, 2013.
- The cost of all governmental activities this year was approximately \$2,938,120 compared to approximately \$2,808,615 last year. The amount taxpayers ultimately financed for these activities was approximately \$2,486,887 because some of the cost was paid by those directly benefited from the programs (\$124,233) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$327,000).

### **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 Cash Basis Statement of Activities and Net Position. 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 non-major 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 Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position, 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 position may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities decreased from a year ago, decreasing from approximately \$2.506 million to approximately \$1.731 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

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**Changes in Cash Basis Net Position of Governmental Activities**

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	Year ended June 30,	
	2014	2013
Receipts:		
Program Receipts		
Charges for service	124,233	174,789
Operating grants, contributions and restricted interest	327,000	309,979
Capital grants, contributions and restricted interest	0	0
General Receipts		
Property and other city tax	1,233,960	1,160,985
Tax increment financing	23,380	47,368
Local option sales tax	217,626	211,158
Unrestricted interest on investments	0	0
Note proceeds	0	0
Bond proceeds	0	1,264,652
Other general receipts	145,909	156,661
Total receipts	<b><u>2,072,108</u></b>	<b><u>3,325,592</u></b>
Disbursements:		
Public safety	631,274	438,876
Public works	376,980	289,002
Health and social services	2,000	2,000
Culture and recreation	211,462	201,111
Community and economic development	170	436
General government	185,467	184,677
Debt service	569,886	1,024,577
Capital projects	960,881	667,936
Total disbursements	<b><u>2,938,120</u></b>	<b><u>2,808,615</u></b>
Change in cash basis net position before transfers	(866,012)	516,977
Transfers, net	91,101	230,933
Change in cash basis net position	(774,911)	747,910
Cash basis net position beginning of year	2,506,283	1,758,373
Cash basis net position end of year	<b><u>1,731,372</u></b>	<b><u>2,506,283</u></b>

The City's total receipts for governmental activities were approximately \$2,072,108. The total cost of all programs and services was approximately \$2,938,120, with no new programs added this year. The decrease in receipts was primarily the result of receiving note proceeds of \$1,264,652 in 2013. The cash basis position of the City's governmental activities decreased approximately \$774,911 from June 30, 2013.

As shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was approximately \$2,486,887 because some of the cost was paid by those directly benefited from the programs (\$124,233) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$327,000).

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### Changes in Cash Basis Net Position of Business Type Activities

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	Year ended June 30,	
	2014	2013
Receipts:		
Program Receipts		
Charges for service		
Water	379,500	325,031
Sewer	288,017	271,847
General Receipts		
Unrestricted interest on investments	1,341	2,550
Total receipts	<b><u>668,858</u></b>	<b><u>599,428</u></b>
Disbursements:		
Water	323,087	218,386
Sewer	165,805	271,526
Total disbursements	<b><u>488,892</u></b>	<b><u>489,912</u></b>
Increase in cash basis net position before transfers	179,966	109,516
Transfers, net	(91,101)	(230,933)
Change in cash basis net position	88,865	(121,417)
Cash basis net position beginning of year	414,267	535,684
Cash basis net position end of year	<b><u>503,132</u></b>	<b><u>414,267</u></b>

Total business type activities receipts for the year were approximately \$668,858 compared to approximately \$599,428 last year.

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Jesup completed the year, its governmental funds reported a combined fund balance of \$1,731,372, a decrease of \$774,911 from last year's total of \$2,506,283. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$184,535 over the prior year to \$1,357,890. The decrease is due to the purchase of emergency services sirens, a new ambulance, and a new ambulance defibrillator.

- The Special Revenue, Road Use Tax Fund cash balance decreased \$32,699 to \$62,102.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$22,834 over the prior year to \$108,314.
- The Capital Projects Fund cash balance decreased \$561,914 to \$124,500. The decrease was due primarily to completion of several major capital projects.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased \$4,183 to \$167,544.
- The Sewer Fund cash balance increased \$84,683 to \$335,589.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on April 1, 2014. 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 \$40,974 more than budgeted.

Total disbursements were \$254,494 less than the amended budget. Actual disbursements for the public works, business type activities and capital projects functions were \$17,107, \$68,156 and \$84,869, respectively, less than the amended budget. This was primarily due to major capital project disbursements less than anticipated.

**DEBT ADMINISTRATION**

At June 30, 2014, the City had \$2,895,000 of outstanding notes and bonds, compared to \$3,410,000 last year, as shown below.

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**Outstanding Debt at Year-End**

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	Year ended June 30,	
	2014	2013
General obligation capital loan notes	2,410,000	2,835,000
Water revenue bonds	10,000	40,000
Local option sales tax revenue bonds	475,000	535,000
Total	<b>2,895,000</b>	<b>3,410,000</b>

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 and local option sales tax revenue debt of \$2,885,000 is significantly below its constitutional debt limit of \$6,948,568.

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

The City of Jesup's elected, appointed officials and department heads considered many factors when setting the fiscal year 2015 budget, tax rates and fees charged for various City activities.

An increase was budgeted for property and other city tax due to increased taxable property valuations.

An increase was budgeted for charges for service as the water and sewer rates were raised in July 2014.

An increase was budgeted for the Library levy that was passed at the November, 2013 city election.

A decrease was budgeted for the Emergency levy in order to lower the city levy rate.

General Fund expenditures were increased for purchasing a new squad car, a compressor for the fire station, a skid loader, and repairs and maintenance to the Library building.

Other financing sources and capital projects expenditures were increased for finishing the 4<sup>th</sup>, 5<sup>th</sup>, and Purdy Street capital project.

## **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 City Clerk/Treasurer, PO Box 592, Jesup, Iowa 50648.

## **Basic Financial Statements**

City of Jesup

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 631,275	106,973	39,086	-
Public works	376,979	12,017	253,227	-
Health & Social Services	2,000	-	-	-
Culture and recreation	211,462	1,459	24,301	-
Community and economic development	170	-	-	-
General government	185,467	3,783	2,642	-
Debt service	569,887	-	244	-
Capital projects	960,881	-	7,500	-
Total governmental activities	2,938,121	124,232	327,000	-
Business type activities:				
Water	298,029	350,044	-	-
Sewer	165,805	287,747	-	-
Utility Deposits/Sales Tax	25,058	23,391	-	-
Total business type activities	488,892	661,182	-	-
Total	\$ 3,427,013	785,414	327,000	-

**General Receipts:**

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

    Expendable:

        Debt service  
        Streets  
        Local Option Sales Tax  
        Capital Projects  
        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
(485,216)	-	(485,216)
(111,735)	-	(111,735)
(2,000)	-	(2,000)
(185,702)	-	(185,702)
(170)	-	(170)
(179,042)	-	(179,042)
(569,643)	-	(569,643)
(953,381)	-	(953,381)
<u>(2,486,889)</u>	<u>-</u>	<u>(2,486,889)</u>
-	52,015	52,015
-	121,942	121,942
-	(1,667)	(1,667)
<u>-</u>	<u>172,290</u>	<u>172,290</u>
<u>(2,486,889)</u>	<u>172,290</u>	<u>(2,314,599)</u>
931,058	-	931,058
23,381	-	23,381
302,901	-	302,901
217,626	-	217,626
-	1,341	1,341
-	-	-
145,910	6,335	152,245
91,101	(91,101)	-
<u>1,711,977</u>	<u>(83,425)</u>	<u>1,628,552</u>
(774,912)	88,865	(686,047)
<u>2,506,283</u>	<u>414,267</u>	<u>2,920,550</u>
<u>1,731,371</u>	<u>503,132</u>	<u>2,234,503</u>
1,984	35,921	37,905
62,102	-	62,102
108,314	-	108,314
124,500	-	124,500
644,600	-	644,600
789,871	467,212	1,257,083
<u>1,731,371</u>	<u>503,132</u>	<u>2,234,503</u>

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

As of and for the year ended June 30, 2014

	General	RUT	LOST	Debt Service	Capital Project
<b>Receipts:</b>					
Property tax	\$ 708,933	-	-	302,901	-
Other city tax	-	-	217,626	-	-
Tax Increment Financing	-	-	-	-	-
Licenses and permits	20,266	-	-	-	-
Use of money and property	4,445	-	640	244	-
Intergovernmental	57,408	252,005	-	-	7,500
Charges for service	103,967	-	-	-	-
Special assessment	3,458	-	-	-	-
Miscellaneous	77,323	-	-	-	5,642
<b>Total receipts</b>	<b>975,800</b>	<b>252,005</b>	<b>218,266</b>	<b>303,145</b>	<b>13,142</b>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	519,281	-	-	-	-
Public works	217,167	114,971	-	-	-
Health & Social Services	2,000	-	-	-	-
Culture and recreation	170,201	-	-	-	-
Community and economic development	170	-	-	-	-
General government	149,686	-	-	-	-
Debt service	-	-	76,975	492,912	-
Capital projects	-	-	-	-	960,881
<b>Total disbursements</b>	<b>1,058,505</b>	<b>114,971</b>	<b>76,975</b>	<b>492,912</b>	<b>960,881</b>
<b>Excess of receipts over disbursements</b>	<b>(82,705)</b>	<b>137,034</b>	<b>141,291</b>	<b>(189,767)</b>	<b>(947,739)</b>
<b>Other financing sources (uses):</b>					
Bond Proceeds	-	-	-	-	-
Operating transfers in	29,745	-	-	191,172	462,121
Operating transfers out	(131,575)	(169,733)	(164,125)	-	(76,296)
<b>Total other financing sources (uses)</b>	<b>(101,830)</b>	<b>(169,733)</b>	<b>(164,125)</b>	<b>191,172</b>	<b>385,825</b>
<b>Change in cash balances</b>	<b>(184,535)</b>	<b>(32,699)</b>	<b>(22,834)</b>	<b>1,405</b>	<b>(561,914)</b>
<b>Cash balances beginning of year</b>	<b>1,357,890</b>	<b>94,801</b>	<b>131,148</b>	<b>579</b>	<b>686,414</b>
<b>Cash balances end of year</b>	<b>\$ 1,173,355</b>	<b>62,102</b>	<b>108,314</b>	<b>1,984</b>	<b>124,500</b>
<b>Cash Basis Fund Balances</b>					
<b>Restricted for:</b>					
Debt service	-	-	-	1,984	-
Streets	-	62,102	-	-	-
Local Option Sales Tax	-	-	108,314	-	-
Capital Projects	-	-	-	-	124,500
Other purposes	383,484	-	-	-	-
Unassigned	789,871	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 1,173,355</b>	<b>62,102</b>	<b>108,314</b>	<b>1,984</b>	<b>124,500</b>

See notes to financial statements

Other Nonmajor Governmental Funds	Total
-	-
218,667	1,230,501
-	217,626
23,381	23,381
-	20,266
1,691	7,020
-	316,913
-	103,967
-	3,458
66,011	148,976
<u>309,750</u>	<u>2,072,108</u>
111,994	631,275
44,841	376,979
-	2,000
41,261	211,462
-	170
35,781	185,467
-	569,887
-	960,881
<u>233,877</u>	<u>2,938,121</u>
<u>75,873</u>	<u>(866,013)</u>
-	-
-	683,038
(50,208)	(591,937)
<u>(50,208)</u>	<u>91,101</u>
25,665	(774,912)
<u>235,451</u>	<u>2,506,283</u>
<u>261,116</u>	<u>1,731,371</u>
-	1,984
-	62,102
-	108,314
-	124,500
261,116	644,600
-	789,871
<u>261,116</u>	<u>1,731,371</u>

**Exhibit C**

City of Jesup

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Governmental Funds

As of and for the year ended June 30, 2014

<b>Total governmental funds cash balances (page 17)</b>	\$1,731,371
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
<b>Cash basis net position of governmental activities (page 15)</b>	<u>\$1,731,371</u>
<b>Change in cash balances (page 17)</b>	\$ (774,912)
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
<b>Change in cash basis net position of governmental activities (page 15)</b>	<u>\$ (774,912)</u>
See notes to financial statements	

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

As of and for the year ended June 30, 2014

	Water	Sewer	Utility Deposits Sales Tax	Total
Operating receipts:				
Use of money and property	\$ 380	864	97	1,341
Licenses Permits	1,400	1,400	-	2,800
Charges for service	348,644	286,347	23,391	658,382
Miscellaneous	2,565	270	3,500	6,335
Total operating receipts	<u>352,989</u>	<u>288,881</u>	<u>26,988</u>	<u>668,858</u>
Operating disbursements:				
Business type activities	298,029	165,805	25,058	488,892
Total operating disbursements	<u>298,029</u>	<u>165,805</u>	<u>25,058</u>	<u>488,892</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	54,960	123,076	1,930	179,966
Transfers in (out)	(52,708)	(38,393)	-	(91,101)
Change in cash balances	2,252	84,683	1,930	88,865
Cash balances beginning of year	130,871	250,906	32,490	414,267
Cash balances end of year	<u>\$ 133,123</u>	<u>335,589</u>	<u>34,420</u>	<u>503,132</u>
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ 35,921	-	-	35,921
Unrestricted	97,202	335,589	34,420	467,211
Total cash basis fund balances	<u>\$ 133,123</u>	<u>335,589</u>	<u>34,420</u>	<u>503,132</u>

See notes to financial statements

**Exhibit E**

City of Jesup

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Proprietary Funds

As of and for the year ended June 30, 2014

**Total enterprise funds cash balances (page 20)** \$ 503,132

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

**Cash basis net position of business type activities (page 16)** \$ 503,132

**Change in cash balances (page 20)** \$ 88,865

The city does not have an internal service fund.  
Therefore there are no reconciling items.

-

**Change in cash basis net position of business type activities (page 16)** \$ 88,865

See notes to financial statements

City of Jesup

Notes to Financial Statements

June 30, 2014

**(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 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 (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 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 (Crew 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 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) 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, to continue the development of its collection and maintain excellent service to the public. Although the Endowment 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 (Friends) 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 Friends is legally separate from the City, its purpose is to benefit the City of Jesup (the primary government) by maintaining an association of persons interest 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, Buchanan County Emergency Management Commission, Buchanan County Economic Development, 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 Statements - 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 revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

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

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints on cash balances 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 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 that are not paid from other funds.

The Special Revenue Fund – 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 Special Revenue Fund – Local Option Sales Tax is used to account for revenues and expenditures of local option sales tax.

The Debt Service Fund is used to account for collection of property taxes levied for the payment of principal and interest on the City's general obligation bonds and notes.

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

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

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

D. Governmental Cash Basis Fund Balances:

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

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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 imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. At June 30, 2014 disbursements did not exceed the amount budgeted in any functions.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2014 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		Local Option Sales Tax Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 390,000	53,813	10,000	500	60,000	14,825	460,000	69,138
2016	240,000	44,688			65,000	13,175	305,000	57,863
2017	260,000	40,063			65,000	11,388	325,000	51,451
2018	265,000	35,125			70,000	9,600	335,000	44,725
2019	270,000	29,293			70,000	7,500	340,000	36,793
2019 – 2023	985,000	53,115			145,000	8,000	1,130,000	61,115
Total	\$ 2,410,000	256,097	10,000	500	475,000	64,488	2,895,000	321,085

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$600,000 of 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 26% of net receipts. The total principal and interest remaining to be paid on the bonds is \$10,500. For the current year,

principal and interest paid and total customer net receipts were \$32,000 and \$352,990 respectively.

The City has pledged future local option sales tax receipts, net of specified operating disbursements, to repay \$650,000 of local option sales tax revenue bonds issued in December 2010. Proceeds from the bonds provided financing for constructing, equipping and furnishing a new City Hall. The bonds are payable solely from a portion of local option sales tax receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 37% of net receipts. The total principal and interest remaining to be paid on the bonds is \$539,488, For the current year, principal and interest paid and local option sales tax receipts were \$76,475 and \$218,266, 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/receipts of the enterprise fund activity and local option sales tax receipts and the bond/note holders hold a lien on the future earnings/receipts of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and local option sales tax revenue bond/note sinking accounts within the Enterprise or Special Revenue, Local Option Sales Tax Funds for the purpose of making the bond/note principal and interest payments when due.
- (c) Specified amounts are required to be held in water and local option sales tax 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 the 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 regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% 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 year ended June 30, 2014, was \$48,107, equal to the required contributions for the year.

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and their families. There are nine active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2014, the City contributed \$120,728 and plan members eligible for benefits contributed \$30,182 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time 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, 2014, primarily relating to the General Fund, is as follows:

<u>Type of benefit</u>	<u>Amount</u>
Vacation	\$ 18,530
Sick	<u>26,734</u>
Total	<u>\$ 45,264</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Special Revenue	
	Emergency	\$ 22,393
	Library	4,634
		<u>27,027</u>
General Fund		
Self Insurance	General	<u>2,718</u>
Capital Projects	Special Revenue	
Emergency Svcs Bldg	General	105,000
RailRoad/Culvert	Road Use Tax	1,700
6 <sup>th</sup> St	Water	30,000
	Special Revenue	
	Local Option Sales Tax	105,000
4 <sup>th</sup> & 5 <sup>th</sup> St	Special Revenue	
	Road Use Tax	70,000
	Capital Projects	
	NW Water Main	6,296
1 <sup>st</sup> St Storm Sewer	Capital Projects	
	6 <sup>th</sup> St Reconstruction	70,000
Wellness Center	General	
	Parks	15,000
City Hall	Special Revenue	
	Local Option Sales Tax	59,125
		<u>462,121</u>
Water	General	<u>3,877</u>
Sewer	General	<u>3,647</u>
Debt Service	Special Revenue	
	TIF	23,180
	Road Use Tax	98,033
	Sewer	42,040
	Water	26,585
	General	1,333
		<u>191,171</u>

Total \$ 690,561

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

**(8) Related Party Transactions**

The City had business transactions between the City and City officials during the year ended June 30, 2014 totaling \$4,781.

**(9) Risk Management**

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

**(10) Construction Contacts**

At June 30, 2014, the City had remaining contract balances totaling \$64,372 for ongoing projects. Project costs will be paid as work on the unfinished projects progresses.

**(11) Employee Health Insurance Plan**

The City assumes liability for claims between \$250 and \$500 for all coverage. Claims in excess of the deductible are insured through the purchase of insurance. For the year ended June 30, 2014 payments totaling \$2,718 were recorded as disbursements in the General Fund.

**(12) Litigation**

The City was not subject to any pending litigation during the year.

**(13) Subsequent Event**

There were no subsequent events through August 13, 2014, the date of the audit report.

**(14) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Report for Pensions – an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

**City of Jesup**

## **Other 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

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,230,501	-	-
Tax increment financing collections	23,381	-	-
Other city tax	217,626	-	-
Licenses and permits	20,266	2,800	-
Use of money and property	7,020	1,341	1,620
Intergovernmental	316,913	-	7,500
Charges for service	103,967	658,382	-
Special assessment	3,458	-	-
Miscellaneous	148,976	6,335	64,790
Total receipts	<u>2,072,108</u>	<u>668,858</u>	<u>73,910</u>
Disbursements:			
Public safety	631,275	-	33,089
Public works	376,979	-	-
Health & Social Services	2,000	-	-
Culture and recreation	211,462	-	4,966
Community and economic development	170	-	-
General government	185,467	-	-
Debt service	569,887	-	-
Capital projects	960,881	-	-
Business type activities	-	488,892	-
Total disbursements	<u>2,938,121</u>	<u>488,892</u>	<u>38,055</u>
Excess of receipts over disbursements	(866,013)	179,966	35,855
Other financing sources (uses), net	91,101	(91,101)	-
Excess of receipts and other financing sources over disbursements and other financing uses	(774,912)	88,865	35,855
Balances beginning of year	<u>2,506,283</u>	<u>414,267</u>	<u>162,576</u>
Balances end of year	<u>\$ 1,731,371</u>	<u>503,132</u>	<u>198,431</u>

See accompanying independent auditor's report.

Net	<u>Budgeted Amounts</u> Final	Final to Net Variance
1,230,501	1,205,774	24,727
23,381	22,298	1,083
217,626	219,079	(1,453)
23,066	21,665	1,401
6,741	8,093	(1,352)
309,413	293,024	16,389
762,349	756,350	5,999
3,458	3,000	458
90,521	96,800	(6,279)
<u>2,667,056</u>	<u>2,626,083</u>	<u>40,973</u>
598,186	678,515	80,329
376,979	394,087	17,108
2,000	2,000	-
206,496	245,411	38,915
170	1,000	830
185,467	187,761	2,294
569,887	569,934	47
960,881	1,045,750	84,869
488,892	557,048	68,156
<u>3,388,958</u>	<u>3,681,506</u>	<u>292,548</u>
(721,902)	(1,055,423)	333,521
-	43,700	(43,700)
(721,902)	(1,011,723)	289,821
<u>2,757,974</u>	<u>2,770,159</u>	<u>(12,185)</u>
<u>2,036,072</u>	<u>1,758,436</u>	<u>277,636</u>

City of Jesup

Notes to Other Information – Budgetary Reporting

June 30, 2014

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.

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 Internal Service Funds. The annual budget may be amended during the year utilizing 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, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, 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, a budget amendment increased budgeted disbursements by \$3,137. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted in the any functions.

**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, 2014

	Employee Benefits	Emergency	TIF	Housing Rehab
<b>Receipts:</b>				
Property tax	\$ 196,172	22,495	-	-
Other city tax	-	-	-	-
Tax increment financing	-	-	23,381	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Special Assessment	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total receipts</b>	<b>196,172</b>	<b>22,495</b>	<b>23,381</b>	<b>-</b>
<b>Disbursements:</b>				
Operating:				
Public safety	78,905	-	-	-
Public works	44,841	-	-	-
Culture and recreation	36,295	-	-	-
Community and economic development	-	-	-	-
General government	35,781	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>195,822</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over (under) disbursements	350	22,495	23,381	-
<b>Other financing sources:</b>				
Operating transfers in (out)	-	(22,393)	(23,181)	-
Change in cash balances	350	102	200	-
Cash balances beginning of year	48,748	45	-	981
Cash balances end of year	49,098	147	200	981
<b>Cash Basis Fund Balances</b>				
Restricted				
Debt Service	-	-	-	-
Streets	-	-	-	-
Local Option Sales Tax	-	-	-	-
Other purposes	49,098	147	200	981
<b>Total cash basis fund balances</b>	<b>49,098</b>	<b>147</b>	<b>200</b>	<b>981</b>

See accompanying independent auditor's report

Library	Jesup Fire Association	Jesup Ambulance Crew Assoc.	Jesup Library Endowment Fund	Friends of the Jesup Public Library	Total
-	-	-	-	-	218,667
-	-	-	-	-	-
-	-	-	-	-	23,381
71	150	672	756	42	1,691
-	-	-	-	-	-
-	-	-	-	-	-
1,221	57,139	3,845	-	3,806	66,011
1,292	57,289	4,517	756	3,848	309,750
-	27,751	5,338	-	-	111,994
-	-	-	-	-	44,841
-	-	-	6	4,960	41,261
-	-	-	-	-	-
-	-	-	-	-	35,781
-	-	-	-	-	-
-	-	-	-	-	-
-	27,751	5,338	6	4,960	233,877
1,292	29,538	(821)	750	(1,112)	75,873
(4,634)	-	-	-	-	(50,208)
(3,342)	29,538	(821)	750	(1,112)	25,665
23,101	62,374	70,699	17,294	12,209	235,451
19,759	91,912	69,878	18,044	11,097	261,116
-	-	-	-	-	-
-	-	-	-	-	-
19,759	91,912	69,878	18,044	11,097	261,116
19,759	91,912	69,878	18,044	11,097	261,116

City of Jesup  
Schedule of Indebtedness  
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds/Notes:			
Capital Loan Notes, Series 2010	April 15, 2010	2.00-3.00%	850,000
Capital Loan Notes, Series 2011	May 1, 2011	2.50-3.40%	1,500,000
Capital Loan Notes, Series 2013A	April 1, 2013	1.25-1.85%	1,280,000
Total			
Revenue Bonds:			
Water	Nov. 25, 1975	5.00%	\$ 600,000
Local Option Sales Tax	Dec. 1, 2010	2.75-3.70%	650,000
Total			

See accompanying independent auditor's report

**Schedule 2**

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
300,000	-	150,000	150,000	9,000	-
1,255,000	-	130,000	1,125,000	36,158	-
1,280,000	-	145,000	1,135,000	21,254	-
<u>\$ 2,835,000</u>	<u>-</u>	<u>425,000</u>	<u>2,410,000</u>	<u>66,412</u>	<u>-</u>
40,000	-	30,000	10,000	2,000	
535,000	-	60,000	475,000	16,475	
<u>\$ 575,000</u>	<u>-</u>	<u>90,000</u>	<u>485,000</u>	<u>18,475</u>	<u>-</u>

City of Jesup  
 Bond and Note Maturities  
 June 30, 2014

Year Ending June 30,	General Obligation Bonds and Notes						
	Capital Loan Note Series 2010		Capital Loan Note Series 2011		Capital Loan Note Series 2013A		Total
	April 15, 2010		May 1, 2011		April 1, 2013		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2015	3.00%	\$ 150,000	2.50%	\$ 130,000	1.25%	\$ 110,000	
2016		-	2.50%	130,000	1.25%	110,000	240,000
2017		-	2.50%	135,000	1.25%	125,000	260,000
2018		-	3.05%	140,000	1.25%	125,000	265,000
2019		-	3.05%	140,000	1.25%	130,000	270,000
2020		-	3.05%	145,000	1.45%	130,000	275,000
2021		-	3.20%	150,000	1.60%	135,000	285,000
2022		-	3.40%	155,000	1.75%	135,000	290,000
2023		-		-	1.85%	135,000	135,000
Total		<u>\$ 150,000</u>		<u>\$ 1,125,000</u>		<u>\$1,135,000</u>	<u>\$2,410,000</u>

Year Ending June 30,	Revenue Bonds				
	Water		Local Option Sales Tax		Total
	Nov. 25, 1975		Dec. 1, 2010		
	Interest Rates	Amount	Interest Rates	Amount	
2015	5.00%	\$ 10,000	2.75%	\$ 60,000	
2016		-	2.75%	65,000	65,000
2017		-	2.75%	65,000	65,000
2018		-	3.00%	70,000	70,000
2019		-	3.25%	70,000	70,000
2020		-	3.50%	70,000	70,000
2021		-	3.70%	75,000	75,000
2022		-		-	-
2023		-		-	-
		<u>\$ 10,000</u>		<u>\$ 475,000</u>	<u>\$485,000</u>

See accompanying independent auditor's report

**City of Jesup**

City of Jesup

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

For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Receipts:					
Property tax	\$1,230,501	\$ 1,159,930	\$ 1,095,145	\$ 1,006,275	\$ 830,846
Tax increment financing	23,381	47,368	53,241	100,258	196,237
Other city tax	217,626	211,208	204,516	180,579	173,896
Licenses and permits	20,266	21,673	16,520	18,818	21,475
Use of money and property	7,020	8,773	11,442	12,745	16,022
Intergovernmental	316,913	301,205	880,334	766,859	267,294
Charges for service	103,967	153,066	149,866	203,817	148,209
Special assessments	3,458	1,055	2,118	6,650	25,674
Miscellaneous	148,976	156,662	266,461	167,962	234,008
Total	<u>\$2,072,108</u>	<u>\$ 2,060,940</u>	<u>\$ 2,679,643</u>	<u>\$ 2,463,963</u>	<u>\$ 1,913,661</u>
Disbursements:					
Operating:					
Public safety	\$ 631,275	\$ 438,876	\$ 625,595	\$ 459,888	\$ 461,475
Public works	376,979	289,002	453,006	403,864	650,275
Health & Social Services	2,000	2,000	1,925	1,925	1,925
Culture and recreation	211,462	201,111	247,481	194,326	175,873
Community and economic development	170	436	42	152,545	507,639
General government	185,467	184,677	154,245	144,351	137,150
Debt service	569,887	1,024,577	580,841	343,949	853,490
Capital projects	960,881	667,936	2,588,450	1,515,202	293,326
Total	<u>\$2,938,121</u>	<u>\$ 2,808,615</u>	<u>\$ 4,651,585</u>	<u>\$ 3,216,050</u>	<u>\$ 3,081,153</u>

See accompanying independent auditor's report

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 840,869	\$ 761,075	\$ 781,496	\$ 650,691	\$ 503,038
6,907	11,741	5,587	236,915	312,355
176,716	164,191	178,918	127,748	170,132
14,968	16,894	18,338	15,617	17,529
21,490	26,468	51,836	47,709	28,181
240,718	296,560	258,546	344,344	314,749
174,982	182,426	146,624	157,037	156,331
4,954	2,902	9,615	5,334	2,265
185,835	141,330	114,934	99,082	122,282
<u>\$ 1,667,439</u>	<u>\$ 1,603,587</u>	<u>\$ 1,565,894</u>	<u>\$ 1,684,477</u>	<u>\$ 1,626,862</u>
\$ 449,386	\$ 502,417	\$ 395,643	\$ 353,916	\$ 342,490
382,207	320,566	528,962	340,591	238,806
1,925	1,925	1,925	1,925	1,925
162,105	158,822	175,644	155,436	148,931
98,877	106,308	206,428	189,345	220,884
133,584	127,532	112,409	117,256	92,063
267,153	203,140	238,198	218,214	115,327
804,923	365,543	89,305	410,686	607,305
<u>\$ 2,300,160</u>	<u>\$ 1,786,253</u>	<u>\$ 1,748,514</u>	<u>\$ 1,787,369</u>	<u>\$ 1,767,731</u>



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

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Jesup, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 13, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Jesup's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-14 to be significant deficiencies.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 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

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

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 persons.

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.

*Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.*

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

August 13, 2014

City of Jesup

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency and material weakness in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Jesup did not expend in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2014.

City of Jesup

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- II-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures 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 employees.

Conclusion – Response acknowledged.

- II-B-14 Preparation of Financial Statements – The City of Jesup, Iowa employs an accounting staff with the ability to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America, but the staff does not have the training or reference materials available to draft the footnotes to the financial statements; therefore, it relies on its auditors to prepare such statements.

Response – Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

Conclusion – Response acknowledged.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Jesup

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

**Part III: Other Findings Related to Statutory Reporting:**

III-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amount budgeted in the any functions.

III-B-14 Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.

These disbursements were in the Jesup Fire Association. There was no documentation supporting several expenditures.

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although without proper documentation there is no way to determine if they meet the test.

Recommendation – The Jesup Fire Association should retain documentation for all expenditures to show public purpose.

Response - We will comply with this recommendation.

Conclusion – Response accepted.

III-C-14 Travel Expense – Certain travel disbursements made by the City we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

It was noted in the audit the City is paying mileage to the Fire Chief based on an annual allocation, and not on a reimbursement basis as the Personnel Policy states. There was no documentation with supporting miles to support the amount of reimbursement.

It was noted in the audit the City reimbursed an employee for a meal receipt twice in error.

Per the City’s Personnel Policy travel expenses should be attached to the travel expense form and submitted for payment. It was noted in our audit that the City does not have a travel expense form that they utilize.

Recommendation – The City should enforce the travel expense form for all reimbursements. All employees should be required to submit proper documentation for reimbursement of miles before the miles are reimbursed.

Response – We will implement a travel expense form for all travel reimbursements.

City of Jesup

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

Conclusion – Response accepted.

III-D-14 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Doug Shaffer, Ambulance Chief, Owner of Primrose Heating & Air Conditioning	Plumbing/AC Services	\$ 4,781

The above transaction presents a conflict of interest in accordance with Chapter 362.5(10) of the Code of Iowa. Total transactions exceeded \$1,500 during the year and the City did no bid any of the transactions.

Recommendation – The City should comply with Chapter 362.5 of the Code of Iowa and bid any transactions exceeding the limits.

Response – We will comply with the Code of Iowa for related business transactions.

Conclusion – Response accepted.

III-E-14 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 that the coverage is adequate for current operations.

III-F-14 Council Minutes – Transactions were found that we believe should have been approved in the council minutes but were not. Two transfers between funds were not approved by council.

Minutes were not properly signed in minute book in accordance with Chapter 380.7 of the Code of Iowa.

In addition not all records of minutes were properly filed in minute book.

Recommendation – The City should approve all fund to fund transfers in the minutes. The City should also comply with Chapter 380.7 of the Code of Iowa and properly sign and file the minutes in the minute book.

Response – We will approve all transfers and comply with Chapter 380.7 of the Code of Iowa.

Conclusion – Response accepted.

City of Jesup

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

- III-G-14 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.
- IV-H-14 Payment of General Obligation Bonds – The City properly paid for its General Obligation bonds out of the debt service fund.
- III-I-14 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- III-J-14 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

No instances of non-compliance with the City’s TIF funds noted.

- III-K-14 Urban Renewal Annual Report – The urban renewal annual report was approved and was certified to the Iowa Department of Management on or before December 1. No other instances of non-compliances with the Urban Renewal Annual Report was noted.

City of Jesup

Staff

This audit was performed by:

Dana Elliott, CPA, Manager  
Brent Waters, CPA