

CITY OF JEFFERSON, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2019

CITY OF JEFFERSON, IOWA
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CITY OF JEFFERSON, IOWA
OFFICIALS
June 30, 2019

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Berry	Mayor	January, 2020
Harry Ahrenholtz	Mayor Pro-Tem	January, 2022
David Sloan	Council Member	January, 2020
Larry Teeples (Resigned March, 2019)	Council Member	
Darren Jackson (Appointed April, 2019)	Council Member	January, 2022
Matt Wetrich	Council Member	January, 2020
Matt Gordon	Council Member	January, 2020
Michael Palmer	City Administrator	Appointed
Diane Kennedy	City Clerk	Appointed
Robert A. Schwarzkopf	Attorney	Appointed

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Honorable Mayor and
Members of the City Council

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Jefferson, as of June 30, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As 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 opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Jefferson'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 five years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the four years ended June 30, 2013 (which are not presented herein), were audited by other auditors whose reports expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 24 through 29, 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.

To the Honorable Mayor and
Members of the City Council

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2020 on our consideration of the City of Jefferson's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Jefferson's internal control over financial reporting and compliance.

Gomez, Ben, Kymon & Co, P.C.

Atlantic, Iowa
March 12, 2020

CITY OF JEFFERSON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2019

		Program Receipts	
Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	
Functions/Programs:			
Governmental activities:			
Public safety	\$ 959,100	\$ 47,343	\$ 232,682
Public works	660,684	--	561,313
Health and social services	37,213	--	--
Culture and recreation	1,385,761	463,832	57,107
Community and economic development	573,622	--	43,433
General government	523,533	34,491	9,700
Debt service	555,086	--	--
Capital projects	768,599	--	--
Total governmental activities	5,463,598	545,666	904,235
Business type activities:			
Water	692,301	1,013,394	--
Sewer	823,173	931,939	1,968
Sanitation	472,897	534,958	--
Recycling	165,823	119,309	--
Total business type activities	2,154,194	2,599,600	1,968
Component Unit:			
Airport	134,934	--	--
Total	\$ 7,752,726	\$ 3,145,266	\$ 906,203

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Major Discretely Presented Component Unit
	Governmental Activities	Business Type Activities	Total Primary Government	
\$ --	\$(679,075)	\$ --	\$(679,075)	\$ --
--	(99,371)	--	(99,371)	--
--	(37,213)	--	(37,213)	--
--	(864,822)	--	(864,822)	--
136,117	(394,072)	--	(394,072)	--
--	(479,342)	--	(479,342)	--
--	(555,086)	--	(555,086)	--
--	(768,599)	--	(768,599)	--
<u>136,117</u>	<u>(3,877,580)</u>	<u>--</u>	<u>(3,877,580)</u>	<u>--</u>
--	--	321,093	321,093	--
--	--	110,734	110,734	--
--	--	62,061	62,061	--
--	--	(46,514)	(46,514)	--
<u>--</u>	<u>--</u>	<u>447,374</u>	<u>447,374</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(134,934)</u>
<u>\$ 136,117</u>	<u>(3,877,580)</u>	<u>447,374</u>	<u>(3,430,206)</u>	<u>(134,934)</u>

CITY OF JEFFERSON, IOWA
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2019

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts</u> Operating Grants, Contributions, and Restricted Interest
General Receipts and Transfers:			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Hotel/motel tax			
Local option sales tax			
Unrestricted interest on investments			
Bond proceeds			
Miscellaneous			
Rent/dividend			
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:			
Non Expendable:			
Cemetery perpetual care			
Expendable:			
Streets			
Urban renewal purposes			
Debt service			
Capital projects			
Other purposes			
Unrestricted			
Total cash basis net position			

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Governmental Activities	Business Type Activities	Total Primary Government	Discretely Presented Component Unit
\$ 1,816,005	\$ --	\$ 1,816,005	\$ --	
353,767	--	353,767	--	
748,773	--	748,773	--	
125,315	--	125,315	--	
463,964	--	463,964	--	
9,801	5,265	15,066	--	
25,400	--	25,400	--	
230,590	41,961	272,551	42,013	
--	--	--	59,313	
(262,109)	262,109	--	--	
<u>3,511,506</u>	<u>309,335</u>	<u>3,820,841</u>	<u>101,326</u>	
(366,074)	756,709	390,635	(33,608)	
<u>4,837,483</u>	<u>4,253,650</u>	<u>9,091,133</u>	<u>182,477</u>	
<u>\$ 4,471,409</u>	<u>\$ 5,010,359</u>	<u>\$ 9,481,768</u>	<u>\$ 148,869</u>	
\$ 192,002	\$ --	\$ 192,002	\$ --	
96,659	--	96,659	--	
523,396	--	523,396	--	
169,854	35,655	205,509	--	
29,424	--	29,424	--	
2,104,650	--	2,104,650	--	
<u>1,355,424</u>	<u>4,974,704</u>	<u>6,330,128</u>	<u>148,869</u>	
<u>\$ 4,471,409</u>	<u>\$ 5,010,359</u>	<u>\$ 9,481,768</u>	<u>\$ 148,869</u>	

CITY OF JEFFERSON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2019

	<u>General</u>	<u>Special Revenue</u>	
		<u>Road Use Tax</u>	<u>Tax Increment Financing</u>
Receipts:			
Property tax	\$ 1,206,289	\$ --	\$ --
Tax increment financing	--	--	748,773
Other city tax	125,315	--	--
Licenses and permits	34,769	--	--
Use of money and property	40,596	--	--
Intergovernmental	211,358	561,313	--
Charges for service	353,768	--	--
Miscellaneous	360,814	5,164	--
Total receipts	<u>2,332,909</u>	<u>566,477</u>	<u>748,773</u>
Disbursements:			
Operating:			
Public safety	946,447	--	--
Public works	109,762	550,922	--
Health and social services	3,960	--	--
Culture and recreation	1,348,670	--	--
Community and economic development	203,073	--	223,032
General government	523,533	--	--
Debt service	--	--	177,890
Capital projects	--	--	--
Total disbursements	<u>3,135,445</u>	<u>550,922</u>	<u>400,922</u>
Excess (deficiency) of receipts over (under) disbursements	(802,536)	15,555	347,851
Other financing sources (uses):			
Bond proceeds	--	--	--
Transfers in	790,392	120,183	--
Transfers out	(717,666)	(77,000)	(256,389)
Total other financing sources (uses)	<u>72,726</u>	<u>43,183</u>	<u>(256,389)</u>
Change in cash balances	(729,810)	58,738	91,462
Cash balances beginning of year	<u>2,085,234</u>	<u>37,921</u>	<u>431,934</u>
Cash balances end of year	<u>\$ 1,355,424</u>	<u>\$ 96,659</u>	<u>\$ 523,396</u>

(continued next page)

<u>Special Revenue Employee Benefits</u>	<u>Nonmajor</u>	<u>Total</u>
\$ 609,716	\$ 353,767	\$ 2,169,772
--	--	748,773
--	463,964	589,279
--	--	34,769
--	602	41,198
--	169,293	941,964
--	--	353,768
--	88,732	454,710
<u>609,716</u>	<u>1,076,358</u>	<u>5,334,233</u>
--	12,653	959,100
--	--	660,684
--	33,253	37,213
--	37,091	1,385,761
--	147,517	573,622
--	--	523,533
--	377,196	555,086
--	768,599	768,599
<u>--</u>	<u>1,376,309</u>	<u>5,463,598</u>
609,716	(299,951)	(129,365)
--	25,400	25,400
--	410,763	1,321,338
<u>(532,392)</u>	<u>--</u>	<u>(1,583,447)</u>
<u>(532,392)</u>	<u>436,163</u>	<u>(236,709)</u>
77,324	136,212	(366,074)
<u>381,745</u>	<u>1,900,649</u>	<u>4,837,483</u>
<u>\$ 459,069</u>	<u>\$ 2,036,861</u>	<u>\$ 4,471,409</u>

CITY OF JEFFERSON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2019

	<u>General</u>	<u>Special Revenue</u>	
		<u>Road Use Tax</u>	<u>Tax Increment Financing</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Streets	--	96,659	--
Urban renewal purpose	--	--	523,396
Debt service	--	--	--
Capital projects	--	--	--
Other purposes	--	--	--
Unassigned	<u>1,355,424</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 1,355,424</u>	<u>\$ 96,659</u>	<u>\$ 523,396</u>

The accompanying notes are an integral part of these statements.

<u>Special Revenue Employee Benefits</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 192,002	\$ 192,002
--	--	96,659
--	--	523,396
--	169,854	169,854
--	29,424	29,424
459,069	1,645,581	2,104,650
<u> --</u>	<u> --</u>	<u>1,355,424</u>
<u>\$ 459,069</u>	<u>\$ 2,036,861</u>	<u>\$ 4,471,409</u>

CITY OF JEFFERSON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2019

	Enterprise	
	Water	Sewer
Operating receipts:		
Use of money and property	\$ --	\$ --
Charges for service	1,013,394	931,939
Total operating receipts	1,013,394	931,939
Operating disbursements:		
Business type activities	692,301	532,628
Total operating disbursements	692,301	532,628
Excess (deficiency) of operating receipts over (under) operating disbursements	321,093	399,311
Non-operating receipts (disbursements):		
Intergovernmental	--	1,968
Interest on investments	2,819	2,446
Miscellaneous	27,963	4,111
Debt service	--	(290,545)
Capital projects	--	--
Net non-operating receipts (disbursements)	30,782	(282,020)
Excess (deficiency) of receipts over (under) disbursements	351,875	117,291
Other financing sources (uses):		
Transfers in	--	470,609
Transfers out	(35,000)	(62,000)
Total other financing sources (uses)	(35,000)	408,609
Change in cash balances	316,875	525,900
Cash balances beginning of year	3,320,483	958,833
Cash balances end of year	\$ 3,637,358	\$ 1,484,733
Cash Basis Fund Balances		
Restricted for debt service	\$ --	\$ 35,655
Unrestricted	3,637,358	1,449,078
Total cash basis fund balances	\$ 3,637,358	\$ 1,484,733

The accompanying notes are an integral part of these statements.

Enterprise			Component
Sanitation	Recycling Nonmajor	Total	Unit - Airport
\$ --	\$ --	\$ --	\$ 59,313
<u>534,958</u>	<u>119,309</u>	<u>2,599,600</u>	<u>--</u>
534,958	119,309	2,599,600	59,313
<u>472,897</u>	<u>165,823</u>	<u>1,863,649</u>	<u>82,510</u>
472,897	165,823	1,863,649	82,510
62,061	(46,514)	735,951	(23,197)
--	--	1,968	--
--	--	5,265	--
9,835	52	41,961	42,013
--	--	(290,545)	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>(52,424)</u>
9,835	52	(241,351)	(10,411)
71,896	(46,462)	494,600	(33,608)
--	--	470,609	--
(97,000)	(14,500)	(208,500)	--
<u>(97,000)</u>	<u>(14,500)</u>	<u>262,109</u>	<u>--</u>
(25,104)	(60,962)	756,709	(33,608)
(23,355)	(2,311)	4,253,650	182,477
<u>\$(48,459)</u>	<u>\$(63,273)</u>	<u>\$ 5,010,359</u>	<u>\$ 148,869</u>
\$ --	\$ --	\$ 35,655	\$ --
(48,459)	(63,273)	4,974,704	148,869
<u>\$(48,459)</u>	<u>\$(63,273)</u>	<u>\$ 5,010,359</u>	<u>\$ 148,869</u>

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Jefferson, Iowa is a political subdivision of the State of Iowa located in Greene County. It was first incorporated in 1854 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, and sanitation and recycling services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Jefferson 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 Jefferson (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Jefferson Municipal Airport Commission is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Commission was established pursuant to Chapter 330 of the Code of Iowa to operating the City's airport facility. The Commission is composed of five members appointed by the Jefferson City Council.

The Commission's operating budget is subject to the approval of the Jefferson City Council. The Jefferson Municipal Airport Commission is presented as a Business Type Activity, Proprietary Fund.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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: Greene County Recycling Agency, Central Iowa Area Safety and Support Organization, the E-911 Board, and the Golden Circle Municipal Officers Association.

City officials are also members of the Greene County Development Corporation (GCDC) Board. The City paid a total of \$50,000 to GCDC during the fiscal year ended June 30, 2019.

City officials are also members of the North Dallas County Landfill Commission. See Note 11 for disclosures.

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 receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 and enterprise funds are aggregated and reported as nonmajor governmental and nonmajor enterprise funds, respectively.

The City reports the following major governmental funds:

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

Special Revenue:

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

The Tax Increment Financing Fund is used to account for urban renewal tax increment financing collections and the repayment of tax increment financing indebtedness.

The Employee Benefits Fund is used to account for the collection and use of tax levied for the cost of employee benefits.

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.

The Enterprise, Sanitation Fund accounts for the operation of the City's sanitation services.

The City reports the following component unit:

The Airport Fund accounts for the operation of the Jefferson Municipal Airport.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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 City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the public safety, health and social services, community and economic development, and capital projects functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

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

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

The City and its component unit own approximately \$2,327 of par value cooperative stock, which was acquired by patronage dividend. The stock is not readily marketable, and can only be redeemed by the Coop. The stock is recorded on the books at \$2,327. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa. The City's investment in the Coop stock is unrated.

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The fair value of the cooperative stock was determined using the Coop book value. (Level 3 inputs)

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,255,697. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest rate risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 - BONDS AND NOTES PAYABLE

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

Year Ending June 30,	General Obligation Notes & Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 450,400	\$ 159,655	\$ 265,000	\$ 29,563
2021	1,435,000	135,338	270,000	23,865
2022	440,000	75,578	275,000	18,060
2023	415,000	65,427	280,000	12,148
2024	275,000	55,827	285,000	6,127
2025-2029	675,000	216,515	--	--
2030-2034	775,000	102,716	--	--
2035	170,000	3,145	--	--
	<u>\$ 4,635,400</u>	<u>\$ 814,201</u>	<u>\$ 1,375,000</u>	<u>\$ 89,763</u>

Year Ending June 30,	Total	
	Principal	Interest
2020	\$ 715,400	\$ 189,218
2021	1,705,000	159,203
2022	715,000	93,638
2023	695,000	77,575
2024	560,000	61,954
2025-2029	675,000	216,515
2030-2034	775,000	102,716
2035	170,000	3,145
	<u>\$ 6,010,400</u>	<u>\$ 903,964</u>

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Revenue Bonds

The City has pledged future sewer revenue receipts, net of specified operating disbursements to repay \$3,348,000 of sewer revenue bonds issued March, 2012. Proceeds of the bonds provided financing for the construction of sewer main improvements. The bonds are payable solely from the sewer customer net receipts and are payable through 2024. Annual principal and interest payments on the bonds are expected to require less than 73% of net receipts. Total principal and interest remaining to be paid on the bonds is \$1,464,763. For the current year, principal and interest paid and total customer net receipts were \$290,045 and \$399,311.

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

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

NOTE 4 - PENSION PLAN

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

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

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

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

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - PENSION PLAN - Continued

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

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

The City's contributions to IPERS for the year ended June 30, 2019 were \$166,897.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - PENSION PLAN - Continued

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the City reported a liability of \$1,108,586 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the City's proportion was 0.017518%, which was an increase of 0.000147% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019 the City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$189,751, \$385,292, and \$249,594, respectively.

There were no non-employer contributing entities to IPERS.

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

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

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

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

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - PENSION PLAN - Continued

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100%</u>	

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability	\$ 2,143,223	\$ 1,108,586	\$ 241,069

CITY OF JEFFERSON, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 4 - PENSION PLAN - Continued

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

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2019, the City contributed \$420,427 and plan members eligible for benefits contributed \$55,359 to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits: Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>32</u>
Total	<u><u>32</u></u>

NOTE 6 - COMPENSATED ABSENCES

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

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 20,000
Comp time	<u>8,000</u>
Total	<u><u>\$ 28,000</u></u>

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

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 77,000
	Employee Benefits	532,392
	Enterprise:	
	Water	35,000
	Sewer	62,000
	Sanitation	77,000
	Recycling	7,000
		<u>790,392</u>
Special Revenue:		
Road Use Tax	General	120,183
Health Insurance	General	9,000
Housing Rehab	General	11,400
Library	General	4,000
Downtown Building	Special Revenue:	
	Tax Increment Financing	230,440
Downtown CDBG Grant	Special Revenue:	
	Tax Increment Financing	25,949
Equipment Replacement	General	102,474
	Enterprise:	
	Sanitation	20,000
	Recycling	7,500
		<u>129,974</u>
Enterprise:		
Sewer	General	<u>470,609</u>
		<u>\$ 1,791,947</u>

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

NOTE 8 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City Officials totaling \$4,972 during the year ended June 30, 2019.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 - RISK MANAGEMENT

The City of Jefferson 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.

NOTE 10 - DEFICIT BALANCE

The Police Federal Forfeiture Fund, Downtown Streetscape Fund, Housing Rehabilitation Fund, Downtown Building Fund, Sanitation Fund, and Recycling Fund had deficit balances of \$135, \$13,864, \$8,717, \$150,424, \$48,459 and \$63,273, respectively at June 30, 2019. The deficits will be eliminated by receipt of property taxes, transfers and grant funds.

NOTE 11 - NORTH DALLAS COUNTY LANDFILL

An agency, the North Dallas County Landfill, has been established for the collection and disposal of solid waste. The Agency may not be accumulating sufficient financial resources, therefore, the City has an ongoing financial responsibility. Complete financial statements for the Agency can be obtained from the North Dallas County Landfill Agency.

NOTE 12 - LEASE

The City has entered into a lease agreement with Van Horn Partnership for approximately 167 acres of farmland at the City's airport. The lease expired February 29, 2007, and automatically renews upon expiration from year-to-year unless either party gives notice not to renew the lease. The City receives two payments with one-half of the payment due by March 1, and the other half due by November 1 of each year. During the fiscal year ended June 30, 2019, the City received a total of \$27,625 under the lease agreement. The City also leases hangars at the airport. The amounts received under the leases vary depending on the size of the space rented out.

NOTE 13 - HEALTH INSURANCE

The City's health insurance plan includes a deductible of \$1,500 for single coverage and \$4,500 for family coverage. The City reimburses the first \$1,200 of the deductibles for individuals with single coverage and the first \$2,400 of the deductibles for individuals with family coverage after the employee has paid at least \$250 of the deductible on a single policy and \$500 of the deductible on a family policy. The City also pays up to a maximum of \$500 per employee per year for in-patient hospitalization. During the year ended June 30, 2019, the City reimbursed employees a total of \$68,876. The maximum liability the City could pay out in one fiscal year is approximately \$84,000 based on the number of employees under single or family insurance at June 30, 2019.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 14 - CONSTRUCTION CONTRACTS

The City has entered into construction contract commitments totaling approximately \$1,096,000 that have remaining commitments at June 30, 2019 of approximately \$633,000. The unpaid contract balances will be financed with existing debt proceeds and future TIF collections.

NOTE 15 - TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2019, \$77,467 of property tax was diverted from the City under the urban renewal and economic development agreements.

NOTE 16 - SUBSEQUENT EVENT

In July, 2019, the City issued \$2,460,000 of general obligation bonds, of which \$25,400 has been received as of June 30, 2019.

The City has evaluated all subsequent events through March 12, 2020, the date the financial statements were available to be issued.

NOTE 17 - PROSPECTIVE ACCOUNTING CHANGE

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

* * *

OTHER INFORMATION

CITY OF JEFFERSON, IOWA
 BUDGETARY COMPARISON SCHEDULE
 OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
 BUDGET AND ACTUAL - ALL GOVERNMENTAL
 FUNDS AND PROPRIETRY FUNDS
 OTHER INFORMATION

Year ended June 30, 2019

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 2,169,772	\$ --	\$ 2,169,772
Tax increment financing	748,773	--	748,773
Other city tax	589,279	--	589,279
Licenses and permits	34,769	--	34,769
Use of money and property	41,198	5,265	46,463
Intergovernmental	941,964	1,968	943,932
Charges for service	353,768	2,599,600	2,953,368
Miscellaneous	454,710	41,961	496,671
Total receipts	<u>5,334,233</u>	<u>2,648,794</u>	<u>7,983,027</u>
Disbursements:			
Public safety	959,100	--	959,100
Public works	660,684	--	660,684
Health and social services	37,213	--	37,213
Culture and recreation	1,385,761	--	1,385,761
Community and economic development	573,622	--	573,622
General government	523,533	--	523,533
Debt service	555,086	--	555,086
Capital projects	768,599	--	768,599
Business type activities	--	2,154,194	2,154,194
Total disbursements	<u>5,463,598</u>	<u>2,154,194</u>	<u>7,617,792</u>
Excess (deficiency) of receipts over (under) disbursements	(129,365)	494,600	365,235
Other financing sources (uses), net	<u>(236,709)</u>	<u>262,109</u>	<u>25,400</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(366,074)	756,709	390,635
Balances beginning of year	<u>4,837,483</u>	<u>4,253,650</u>	<u>9,091,133</u>
Balances end of year	<u>\$ 4,471,409</u>	<u>\$ 5,010,359</u>	<u>\$ 9,481,768</u>

See accompanying independent auditor's report.

<u>Budgeted Amount</u>		<u>Final to Total Variance</u>
<u>Original</u>	<u>Final</u>	
\$ 2,033,468	\$ 2,033,468	\$ 136,304
751,681	751,681	(2,908)
350,587	350,587	238,692
15,900	15,900	18,869
99,290	99,290	(52,827)
1,074,825	1,316,825	(372,893)
3,376,999	3,376,999	(423,631)
41,050	41,050	455,621
<u>7,743,800</u>	<u>7,985,800</u>	<u>(2,773)</u>
931,694	941,694	(17,406)
859,156	1,009,156	348,472
4,500	4,500	(32,713)
1,325,486	1,579,986	194,225
205,000	225,000	(348,622)
474,847	542,947	19,414
1,092,276	1,093,276	538,190
78,447	494,447	(274,152)
2,325,610	2,609,610	455,416
<u>7,297,016</u>	<u>8,500,616</u>	<u>882,824</u>
446,784	(514,816)	880,051
<u>--</u>	<u>2,600,000</u>	<u>(2,574,600)</u>
446,784	2,085,184	(1,694,549)
<u>8,821,483</u>	<u>18,095,093</u>	<u>(9,003,960)</u>
<u>\$ 9,268,267</u>	<u>\$ 20,180,277</u>	<u>\$(10,698,509)</u>

CITY OF JEFFERSON, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2019

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Enterprise Funds and the Permanent Fund. 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 \$1,203,600. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the public safety, health and social services, community and economic development, and capital projects functions.

See accompanying independent auditor's report.

CITY OF JEFFERSON, IOWA
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 FOR THE LAST FIVE YEARS*
 (IN THOUSANDS)

OTHER INFORMATION

	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability	0.017518%	0.017371%
City's proportionate share of the net pension liability	\$ 1,109	\$ 1,157
City's covered payroll	\$ 1,746	\$ 1,652
City's proportionate share of the net pension liability as a percentage of its covered payroll	63.52%	70.04%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%

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

See accompanying independent auditor's report.

<u>2017</u>	<u>2016</u>	<u>2015</u>
0.017419%	0.016605%	0.015944%
\$ 1,096	\$ 820	\$ 632
\$ 1,561	\$ 1,554	\$ 1,520
70.21%	52.77%	41.58%
81.82%	85.19%	87.61%

CITY OF JEFFERSON, IOWA
 SCHEDULE OF CITY CONTRIBUTIONS
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 FOR THE LAST SIX YEARS
 (IN THOUSANDS)

OTHER INFORMATION

	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 167	\$ 160
Contributions in relation to the statutorily required contribution	<u>(167)</u>	<u>(160)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>
City's covered payroll	\$ 1,734	\$ 1,746
Contributions as a percentage of covered payroll	9.63%	9.16%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 151	\$ 142	\$ 143	\$ 140
<u>(151)</u>	<u>(142)</u>	<u>(143)</u>	<u>(140)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 1,652	\$ 1,561	\$ 1,554	\$ 1,520
9.14%	9.10%	9.20%	9.21%

CITY OF JEFFERSON, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2019

Changes of benefit terms:

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

Changes of assumptions:

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

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

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

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

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

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

CITY OF JEFFERSON, IOWA

NOTES TO OTHER INFORMATION - PENSION LIABILITY - Continued

YEAR ENDED JUNE 30, 2019

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

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

* * *

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF JEFFERSON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2019

	Special Revenue			
	Cafeteria Plan	Payroll Clearing	Local Option Sales Tax	Police Federal Forfeiture
Receipts:				
Property tax	\$ --	\$ --	\$ --	\$ --
Other city tax	--	--	463,964	--
Use of money and property	--	--	--	--
Intergovernmental	--	--	--	--
Miscellaneous	9,700	--	--	--
Total receipts	<u>9,700</u>	<u>--</u>	<u>463,964</u>	<u>--</u>
Disbursements:				
Operating:				
Public safety	--	--	--	3,119
Health and social services	8,773	--	--	--
Culture and recreation	--	--	--	--
Community and economic development	--	--	--	--
Debt service	--	--	--	--
Capital projects	--	--	387,644	--
Total disbursements	<u>8,773</u>	<u>--</u>	<u>387,644</u>	<u>3,119</u>
Excess (deficiency) of receipts over (under) disbursements	927	--	76,320	(3,119)
Other financing sources (uses):				
Bond proceeds	--	--	--	--
Transfers in	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Change in cash balances	927	--	76,320	(3,119)
Cash balances beginning of year	<u>3,579</u>	<u>7,333</u>	<u>290,291</u>	<u>2,984</u>
Cash balances end of year	<u>\$ 4,506</u>	<u>\$ 7,333</u>	<u>\$ 366,611</u>	<u>\$(135)</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Debt service	--	--	--	--
Capital projects	--	--	--	--
Other purposes	4,506	7,333	366,611	(135)
Total cash basis fund balances	<u>\$ 4,506</u>	<u>\$ 7,333</u>	<u>\$ 366,611</u>	<u>\$(135)</u>

(continued next page)

Special Revenue					
Health Insurance	Equipment Replacement	Unemployment Compensation	Industrial Development	Community Center	Cemetery Mausoleum
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	64	35	3	119
--	--	--	--	--	--
--	--	64	35	3	119
--	--	--	--	--	--
24,480	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
24,480	--	--	--	--	--
(24,480)	--	64	35	3	119
--	--	--	--	--	--
9,000	129,974	--	--	--	--
9,000	129,974	--	--	--	--
(15,480)	129,974	64	35	3	119
186,181	299,078	28,600	35,032	5,793	11,387
<u>\$ 170,701</u>	<u>\$ 429,052</u>	<u>\$ 28,664</u>	<u>\$ 35,067</u>	<u>\$ 5,796</u>	<u>\$ 11,506</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	--	--	--	--
170,701	429,052	28,664	35,067	5,796	11,506
<u>\$ 170,701</u>	<u>\$ 429,052</u>	<u>\$ 28,664</u>	<u>\$ 35,067</u>	<u>\$ 5,796</u>	<u>\$ 11,506</u>

CITY OF JEFFERSON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2019

	Special Revenue			
	Library	Skate Park	Cemetery Land Reserve	LEC Capital Improvement
Receipts:				
Property tax	\$ --	\$ --	\$ --	\$ --
Other city tax	--	--	--	--
Use of money and property	378	--	3	--
Intergovernmental	4,482	--	--	26,475
Miscellaneous	13,002	--	--	--
Total receipts	17,862	--	3	26,475
Disbursements:				
Operating:				
Public safety	--	--	--	9,444
Health and social services	--	--	--	--
Culture and recreation	12,721	--	--	--
Community and economic development	--	--	--	--
Debt service	--	--	--	--
Capital projects	--	--	--	--
Total disbursements	12,721	--	--	9,444
Excess (deficiency) of receipts over (under) disbursements	5,141	--	3	17,031
Other financing sources (uses):				
Bond proceeds	--	--	--	--
Transfers in	4,000	--	--	--
Total other financing sources (uses)	4,000	--	--	--
Change in cash balances	9,141	--	3	17,031
Cash balances beginning of year	232,246	1,525	4	6,316
Cash balances end of year	\$ 241,387	\$ 1,525	\$ 7	\$ 23,347
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Debt service	--	--	--	--
Capital projects	--	--	--	--
Other purposes	241,387	1,525	7	23,347
Total cash basis fund balances	\$ 241,387	\$ 1,525	\$ 7	\$ 23,347

(continued next page)

Special Revenue					
Animal Shelter	Enrich Iowa	Downtown Streetscape	Housing Rehabilitation	Neighborhood Stabilization	Downtown Building
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	--	--	--	--
--	2,219	--	136,117	--	--
<u>56,865</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
56,865	2,219	--	136,117	--	--
90	--	--	--	--	--
--	--	--	--	--	--
--	2,219	--	--	--	--
--	--	--	147,517	--	--
--	--	--	--	--	--
--	--	--	--	--	380,864
<u>90</u>	<u>2,219</u>	<u>--</u>	<u>147,517</u>	<u>--</u>	<u>380,864</u>
56,775	--	--	(11,400)	--	(380,864)
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>11,400</u>	<u>--</u>	<u>230,440</u>
--	--	--	11,400	--	230,440
56,775	--	--	--	--	(150,424)
<u>135,219</u>	<u>1,386</u>	<u>(13,864)</u>	<u>(8,717)</u>	<u>130,771</u>	<u>--</u>
<u>\$ 191,994</u>	<u>\$ 1,386</u>	<u>\$(13,864)</u>	<u>\$(8,717)</u>	<u>\$ 130,771</u>	<u>\$(150,424)</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
<u>191,994</u>	<u>1,386</u>	<u>(13,864)</u>	<u>(8,717)</u>	<u>130,771</u>	<u>(150,424)</u>
<u>\$ 191,994</u>	<u>\$ 1,386</u>	<u>\$(13,864)</u>	<u>\$(8,717)</u>	<u>\$ 130,771</u>	<u>\$(150,424)</u>

CITY OF JEFFERSON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2019

	Special Revenue			Permanent
	Downtown CDBG	People Active Comm Exercs	Insurance and Employee Benefits	Perpetual Care
Receipts:				
Property tax	\$ --	\$ --	\$ --	\$ --
Other city tax	--	--	--	--
Use of money and property	--	--	--	--
Intergovernmental	--	--	--	--
Miscellaneous	--	--	--	9,165
Total receipts	--	--	--	9,165
Disbursements:				
Operating:				
Public safety	--	--	--	--
Health and social services	--	--	--	--
Culture and recreation	--	22,151	--	--
Community and economic development	--	--	--	--
Debt service	--	--	--	--
Capital projects	--	--	--	--
Total disbursements	--	22,151	--	--
Excess (deficiency) of receipts over (under) disbursements	--	(22,151)	--	9,165
Other financing sources (uses):				
Bond proceeds	--	--	--	--
Transfers in	25,949	--	--	--
Total other financing sources (uses)	25,949	--	--	--
Change in cash balances	25,949	(22,151)	--	9,165
Cash balances beginning of year	(25,949)	146,129	45,090	182,837
Cash balances end of year	\$ --	\$ 123,978	\$ 45,090	\$ 192,002
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ 192,002
Restricted for:				
Debt service	--	--	--	--
Capital projects	--	--	--	--
Other purposes	--	123,978	45,090	--
Total cash basis fund balances	\$ --	\$ 123,978	\$ 45,090	\$ 192,002

See accompanying independent auditor's report.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 353,767	\$ --	\$ 353,767
--	--	463,964
--	--	602
--	--	169,293
--	--	88,732
<u>353,767</u>	<u>--</u>	<u>1,076,358</u>
--	--	12,653
--	--	33,253
--	--	37,091
--	--	147,517
376,595	601	377,196
--	91	768,599
<u>376,595</u>	<u>692</u>	<u>1,376,309</u>
(22,828)	(692)	(299,951)
--	25,400	25,400
<u>--</u>	<u>--</u>	<u>410,763</u>
<u>--</u>	<u>25,400</u>	<u>436,163</u>
(22,828)	24,708	136,212
<u>192,682</u>	<u>4,716</u>	<u>1,900,649</u>
<u>\$ 169,854</u>	<u>\$ 29,424</u>	<u>\$ 2,036,861</u>
\$ --	\$ --	\$ 192,002
169,854	--	169,854
--	29,424	29,424
<u>--</u>	<u>--</u>	<u>1,645,581</u>
<u>\$ 169,854</u>	<u>\$ 29,424</u>	<u>\$ 2,036,861</u>

CITY OF JEFFERSON, IOWA
 SCHEDULE OF INDEBTEDNESS
 Year ended June 30, 2019

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Notes and Bonds:			
Urban renewal corporate purpose	June 12, 2012	0.90-1.90%	\$ 2,325,000
Urban renewal corporate purpose - Casino	June 29, 2015	2.00-3.70%	2,420,000
Golf Course	June 29, 2015	2.50%	300,000
Corporate purpose 2017	March 15, 2017	3.50%	1,000,000
Corporate purpose 2019	June 25, 2019	3.00%	2,460,000
Total General Obligation Notes and Bonds			
Revenue Bonds:			
Sewer	March 15, 2012	2.15%	3,348,000

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$ 1,420,000	\$ --	\$ 310,000	\$ 1,110,000	\$ 22,095
2,310,000	--	110,000	2,200,000	67,390
300,000	--	--	300,000	7,500
1,000,000	--	--	1,000,000	35,000
<u>--</u>	<u>25,400</u>	<u>--</u>	<u>25,400</u>	<u>--</u>
<u>\$ 5,030,000</u>	<u>\$ 25,400</u>	<u>\$ 420,000</u>	<u>\$ 4,635,400</u>	<u>\$ 131,985</u>
<u>\$ 1,630,000</u>	<u>\$ --</u>	<u>\$ 255,000</u>	<u>\$ 1,375,000</u>	<u>\$ 35,045</u>

CITY OF JEFFERSON, IOWA
BOND AND NOTE MATURITIES
June 30, 2019

General Obligation Notes and Bonds

Year ending June 30,	Urban Renewal Corporate Purpose		Urban Renewal Corporate Purpose - Casino		Golf Course	
	Issued June 12, 2012		Issued June 29, 2015		Issued June 29, 2015	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2020	1.45%	\$ 315,000	2.00%	\$ 110,000		\$ --
2021	1.55%	320,000	2.00%	115,000		--
2022	1.75%	325,000	2.00%	115,000		--
2023	1.90%	150,000	2.50%	115,000	2.50%	150,000
2024	--	--	2.50%	125,000	2.50%	150,000
2025	--	--	2.50%	130,000		--
2026	--	--	2.70%	130,000		--
2027	--	--	3.00%	135,000		--
2028	--	--	3.00%	140,000		--
2029	--	--	3.00%	140,000		--
2030	--	--	3.10%	145,000		--
2031	--	--	3.40%	150,000		--
2032	--	--	3.40%	155,000		--
2033	--	--	3.70%	160,000		--
2034	--	--	3.70%	165,000		--
2035	--	--	3.70%	170,000		--
		<u>\$1,110,000</u>		<u>\$2,200,000</u>		<u>\$ 300,000</u>

Revenue Bonds
Sewer

Year ending June 30,	Issued March, 2012	
	Interest Rates	Amount
2020	2.15%	\$ 265,000
2021	2.15%	270,000
2022	2.15%	275,000
2023	2.15%	280,000
2024	2.15%	285,000
		<u>\$1,375,000</u>

See accompanying independent auditor's report.

General Obligation Notes and Bonds

<u>Corporate Purpose</u> <u>Issued</u> <u>March 15, 2017</u>		<u>Corporate Purpose</u> <u>Issued</u> <u>June 25, 2019</u>		<u>Total</u>
<u>Interest</u> <u>Rate</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	
3.50%	\$ -- 1,000,000	3.00%	\$ 25,400	\$ 450,400
	--		--	1,435,000
	--		--	440,000
	--		--	415,000
	--		--	275,000
	--		--	130,000
	--		--	130,000
	--		--	135,000
	--		--	140,000
	--		--	140,000
	--		--	145,000
	--		--	150,000
	--		--	155,000
	--		--	160,000
	--		--	165,000
	--		--	170,000
	<u>\$1,000,000</u>		<u>\$ 25,400</u>	<u>\$ 4,635,400</u>

CITY OF JEFFERSON, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Receipts:				
Property tax	\$ 2,169,772	\$ 2,118,228	\$ 1,970,785	\$ 1,932,225
Tax increment financing	748,773	596,709	176,770	118,310
Other city tax	589,279	515,123	566,261	608,210
Licenses and permits	34,769	33,934	20,645	38,555
Use of money and property	41,198	36,712	37,297	38,864
Intergovernmental	941,964	1,649,232	845,091	720,839
Charges for service	353,768	351,130	392,191	373,215
Miscellaneous	<u>454,710</u>	<u>1,097,279</u>	<u>522,003</u>	<u>366,759</u>
Total	<u>\$ 5,334,233</u>	<u>\$ 6,398,347</u>	<u>\$ 4,531,043</u>	<u>\$ 4,196,977</u>
Disbursements:				
Operating:				
Public safety	\$ 959,100	\$ 851,078	\$ 665,321	\$ 684,080
Public works	660,684	778,764	552,149	484,532
Health and social services	37,213	22,944	11,794	11,787
Culture and recreation	1,385,761	1,182,486	1,125,821	1,179,639
Community and economic development	573,622	389,957	428,825	718,392
General government	523,533	573,087	585,406	542,338
Debt service	555,086	562,429	527,350	532,254
Capital projects	768,599	1,912,746	2,221,176	360,284
Business type activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 5,463,598</u>	<u>\$ 6,273,491</u>	<u>\$ 6,117,842</u>	<u>\$ 4,513,306</u>

See accompanying independent auditor's report.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 1,902,406	\$ 1,844,801	\$ 1,812,279	\$ 1,794,961	\$ 1,719,267	\$ 1,691,846
109,844	121,253	123,983	52,999	126,533	114,103
501,572	464,053	441,741	413,014	425,258	425,470
49,858	28,408	22,408	23,099	16,912	23,739
33,090	23,068	4,409	4,829	12,345	18,029
757,014	765,826	984,128	1,047,001	1,399,726	1,387,136
370,175	339,652	438,195	423,233	368,017	372,619
<u>181,053</u>	<u>212,422</u>	<u>362,274</u>	<u>440,640</u>	<u>142,873</u>	<u>88,851</u>
<u>\$ 3,905,012</u>	<u>\$ 3,799,483</u>	<u>\$ 4,189,417</u>	<u>\$ 4,199,776</u>	<u>\$ 4,210,931</u>	<u>\$ 4,121,793</u>
\$ 617,761	\$ 619,909	\$ 592,421	\$ 839,472	\$ 556,021	\$ 599,584
435,810	478,777	411,183	370,876	670,334	548,141
24,399	12,510	21,065	16,365	9,166	555,759
1,056,589	1,027,617	895,093	938,327	808,607	4,755
1,417,933	803,432	1,063,153	754,177	846,638	809,681
524,614	530,120	507,874	488,136	478,417	456,253
458,601	480,622	414,524	1,360,326	353,579	334,210
275,450	640,648	2,231,786	1,281,238	472,417	571,143
--	--	130,698	120,628	108,057	105,400
<u>\$ 4,811,157</u>	<u>\$ 4,593,635</u>	<u>\$ 6,267,797</u>	<u>\$ 6,169,545</u>	<u>\$ 4,303,236</u>	<u>\$ 3,984,926</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

MARK D. KYHNN
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Jefferson, Iowa, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 12, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

To the Honorable Mayor and
Members of the City Council

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies: I-A-19

Compliance and Other Matters

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

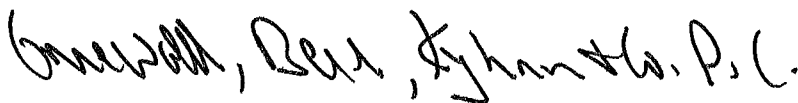
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions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

Responses to the Findings

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

Purpose of this Report

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



Atlantic, Iowa
March 12, 2020

CITY OF JEFFERSON, IOWA
Schedule of Findings and Responses
Year ended June 30, 2019

PART I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

I-A-19 Segregation of Duties:

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

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The City has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

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

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

CITY OF JEFFERSON, IOWA
 Schedule of Findings and Responses
 Year ended June 30, 2019

PART II: Other Findings Related to Required Statutory Reporting

II-A-19 Certified Budget: Disbursements during the year ended June 30, 2019 exceeded the amounts budgeted in the public safety, health and social services, community and economic development and capital projects 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: In the future the budget will be amended before disbursements are allowed that would exceed the City’s spending authority.

Conclusion: Response accepted.

II-B-19 Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-19 Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

II-D-19 Business Transactions: Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
David Sloan, Council Member, part-owner of Jefferson Monument Works	Services	\$ 4,972

The transaction above does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

II-E-19 Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-F-19 Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF JEFFERSON, IOWA

Schedule of Findings and Responses

Year ended June 30, 2019

PART II: Other Findings Related to Required Statutory Reporting - Continued

II-G-19 Deposits and Investments: We noted 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. However, the City and its component unit own \$2,327 par value common stock of the West Central Cooperative. Although this type of investment is not permitted by the Code of Iowa, it was acquired by patronage dividend, therefore the City is not in violation of Chapter 12 of the Code of Iowa.

The stock is not readily marketable, and can only be redeemed by the Coop and thus no market value of the shares is determinable. However, the City should monitor the marketability of the stock and consider selling the stock if a market becomes available.

II-H-19 Revenue Bonds: No instances of non-compliance with revenue bond resolutions were noted.

II-I-19 Financial Condition: The following funds had deficit balances at June 30, 2019.

Special Revenue - Police Federal Forfeiture	\$	135
Downtown Streetscape		13,864
Housing Rehabilitation		8,717
Downtown Building		150,424
Enterprise - Sanitation		48,459
Recycling		63,273

Recommendation: The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position

Response: The deficits will be eliminated.

Conclusion: Response accepted.

II-J-19 Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

II-K-19 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 exceptions were noted.

CITY OF JEFFERSON, IOWA
Schedule of Findings and Responses
Year ended June 30, 2019

PART II: Other Findings Related to Required Statutory Reporting - Continued

- II-L-19 Economic Development: During the year ended June 30, 2019, the City paid \$50,000 to the Greene County Development Corporation (GCDC). The City has documented the public benefits received from this expenditure, however, it is disclosed here for public information.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses the specific criteria to be considered in documenting public purpose.

Recommendation: The City should continue to evaluate and document the public purpose served by these expenditures before authorizing further payments.

Response: We will continue to evaluate and document the public purpose in the future.

Conclusion: Response accepted.

- II-M-19 Utility Billing: During the year, the utility billing rates used to charge customers were not based on the most recent approved ordinance.

Recommendation: The City should set up controls to ensure the appropriate rates are used for utility billing to customers.

Response: The City has established controls to ensure the proper rates are being used for the utility billings to its customers.

Conclusion: Response accepted.

- II-N-19 Transfer Resolutions: In accordance with Chapter 545-2.1 of the Code of Iowa, all interfund transfers made on or after April 17, 2019 must have an approved transfer resolution stating the purpose for the transfer, name of the fund from which the transfer is originating, name of the fund into which the transfer is being received and the dollar amount being transferred. The City did not have approved resolutions for transfers made after April 17, 2019.

Recommendation: An approved resolution should have been made in accordance with Chapter 545-2.1 of the Code of Iowa.

Response: We will make sure to approve all transfers made in the future with a proper authorized resolution.

Conclusion: Response accepted.

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