

CITY OF JEFFERSON, IOWA

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

JUNE 30, 2021

CITY OF JEFFERSON, IOWA
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CITY OF JEFFERSON, IOWA
OFFICIALS
June 30, 2021

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------------|--------------------|---------------------|
| Matt Gordon | Mayor | January, 2024 |
| Harry Ahrenholtz | Mayor Pro-Tem | January, 2022 |
| David Sloan | Council Member | January, 2024 |
| Darren Jackson | Council Member | January, 2022 |
| Matt Wetrich | Council Member | January, 2024 |
| Pat Zmolek | Council Member | January, 2022 |
| Michael Palmer | City Administrator | Appointed |
| Roxanne Gorsuch | City Clerk | Appointed |
| Robert A. Schwarzkopf | Attorney | Appointed |

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

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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, 2021, 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, 2021, 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 discussed 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 seven years ended June 30, 2020 (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 two 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 3, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 26 through 30, 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 February 11, 2022 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.

Cornwall, Bell, Johnson & Co., P.C.

Atlantic, Iowa
February 11, 2022

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

As of and for the year ended June 30, 2021

| | | Program Receipts | |
|------------------------------------|---------------|---------------------|--|
| | Disbursements | Charges for Service | Operating Grants, Contributions, and Restricted Interest |
| Functions/Programs: | | | |
| Governmental activities: | | | |
| Public safety | \$ 936,794 | \$ 32,727 | \$ 300,908 |
| Public works | 750,185 | -- | 650,424 |
| Health and social services | 14,824 | -- | -- |
| Culture and recreation | 1,121,231 | 451,129 | 848,448 |
| Community and economic development | 461,236 | 49,352 | 5,080 |
| General government | 511,206 | 50,931 | 46,211 |
| Debt service | 1,300,877 | -- | -- |
| Capital projects | 3,004,815 | -- | 4,327 |
| Total governmental activities | 8,101,168 | 584,139 | 1,855,398 |
| Business type activities: | | | |
| Water | 1,005,731 | 1,099,698 | 38 |
| Sewer | 823,674 | 975,819 | 1,243 |
| Sanitation | 712,201 | 535,994 | 43 |
| Recycling | 158,364 | 183,586 | -- |
| Total business type activities | 2,699,970 | 2,795,097 | 1,324 |
| Component Unit: | | | |
| Airport | 745,410 | -- | -- |
| Total | \$ 11,546,548 | \$ 3,379,236 | \$ 1,856,722 |

(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 | |
| \$ -- | \$(603,159) | \$ -- | \$(603,159) | \$ -- |
| -- | (99,761) | -- | (99,761) | -- |
| -- | (14,824) | -- | (14,824) | -- |
| -- | 178,346 | -- | 178,346 | -- |
| -- | (406,804) | -- | (406,804) | -- |
| -- | (414,064) | -- | (414,064) | -- |
| -- | (1,300,877) | -- | (1,300,877) | -- |
| <u>15,941</u> | <u>(2,984,547)</u> | <u>--</u> | <u>(2,984,547)</u> | <u>--</u> |
| <u>15,941</u> | <u>(5,645,690)</u> | <u>--</u> | <u>(5,645,690)</u> | <u>--</u> |
| -- | -- | 94,005 | 94,005 | -- |
| -- | -- | 153,388 | 153,388 | -- |
| -- | -- | (176,164) | (176,164) | -- |
| <u>--</u> | <u>--</u> | <u>25,222</u> | <u>25,222</u> | <u>--</u> |
| <u>--</u> | <u>--</u> | <u>96,451</u> | <u>96,451</u> | <u>--</u> |
| <u>878,278</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>132,868</u> |
| <u>\$ 894,219</u> | <u>(5,645,690)</u> | <u>96,451</u> | <u>(5,549,239)</u> | <u>132,868</u> |

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

As of and for the year ended June 30, 2021

| | <u>Disbursements</u> | <u>Program Receipts</u> |
|---|----------------------------|---|
| | <u>Charges for Service</u> | <u>Operating Grants, Contributions, and Restricted Interest</u> |
| General Receipts and Transfers: | | |
| Property tax levied for: | | |
| General purposes | | |
| Debt service | | |
| Tax increment financing | | |
| Hotel/motel tax | | |
| Local option sales tax | | |
| Bonds issued for refunding debt | | |
| Unrestricted interest on investments | | |
| Bond proceeds | | |
| Premium on bonds | | |
| Payment for refunding debt | | |
| 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 | | | Discretely Presented Component Unit |
|--|--|-----------------------------|-----------------------------|---|
| | Governmental Activities | Business Type Activities | Total Primary Government | |
| \$ 1,922,645 | \$ -- | \$ 1,922,645 | \$ -- | |
| 494,348 | -- | 494,348 | -- | |
| 976,970 | -- | 976,970 | -- | |
| 59,882 | -- | 59,882 | -- | |
| 486,758 | -- | 486,758 | -- | |
| 3,185,000 | -- | 3,185,000 | -- | |
| 6,301 | 2,965 | 9,266 | 25 | |
| 2,155,000 | -- | 2,155,000 | -- | |
| 107,684 | -- | 107,684 | -- | |
| (3,185,000) | -- | (3,185,000) | -- | |
| 267,712 | 33,588 | 301,300 | 36,002 | |
| -- | -- | -- | 61,625 | |
| <u>157,500</u> | <u>(147,500)</u> | <u>10,000</u> | <u>(10,000)</u> | |
| <u>6,634,800</u> | <u>(110,947)</u> | <u>6,523,853</u> | <u>87,652</u> | |
| 989,110 | (14,496) | 974,614 | 220,520 | |
| <u>6,123,456</u> | <u>5,057,846</u> | <u>11,181,302</u> | <u>(406,351)</u> | |
| <u>\$ 7,112,566</u> | <u>\$ 5,043,350</u> | <u>\$ 12,155,916</u> | <u>\$ (185,831)</u> | |
| \$ 205,712 | \$ -- | \$ 205,712 | \$ -- | |
| (15,650) | -- | (15,650) | -- | |
| 1,369,639 | -- | 1,369,639 | -- | |
| (476,575) | 32,291 | (444,284) | -- | |
| (20,135) | -- | (20,135) | -- | |
| 4,044,100 | -- | 4,044,100 | -- | |
| <u>2,005,475</u> | <u>5,011,059</u> | <u>7,016,534</u> | <u>(185,831)</u> | |
| <u>\$ 7,112,566</u> | <u>\$ 5,043,350</u> | <u>\$ 12,155,916</u> | <u>\$ (185,831)</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, 2021

| | Special Revenue | | |
|---|-----------------|----------------------------|-------------------|
| | General | Tax Increment Financing | Animal Shelter |
| Receipts: | | | |
| Property tax | \$ 1,310,549 | \$ -- | \$ -- |
| Tax increment financing | -- | 976,970 | -- |
| Other city tax | 59,882 | -- | -- |
| Licenses and permits | 21,454 | -- | -- |
| Use of money and property | 52,837 | 49,352 | -- |
| Intergovernmental | 250,714 | -- | -- |
| Charges for service | 329,479 | -- | -- |
| Miscellaneous | 450,806 | -- | 82,866 |
| Total receipts | 2,475,721 | 1,026,322 | 82,866 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | 884,625 | -- | 52,169 |
| Public works | 127,478 | -- | -- |
| Health and social services | -- | -- | -- |
| Culture and recreation | 1,093,530 | -- | -- |
| Community and economic development | 165,016 | 256,611 | -- |
| General government | 511,206 | -- | -- |
| Debt service | -- | 61,257 | -- |
| Capital projects | -- | -- | -- |
| Total disbursements | 2,781,855 | 317,868 | 52,169 |
| Excess (deficiency) of receipts over (under) disbursements | (306,134) | 708,454 | 30,697 |
| Other financing sources (uses): | | | |
| Bond proceeds | -- | -- | 400,000 |
| Bonds issued for refunding debt | -- | -- | -- |
| Premium on bonds | -- | -- | -- |
| Payment for refunding debt | -- | -- | -- |
| Transfers in | 776,736 | -- | -- |
| Transfers out | (72,594) | -- | -- |
| Total other financing sources (uses) | 704,142 | -- | 400,000 |
| Change in cash balances | 398,008 | 708,454 | 430,697 |
| Cash balances beginning of year | 1,607,467 | 661,185 | 284,783 |
| Cash balances end of year | \$ 2,005,475 | \$ 1,369,639 | \$ 715,480 |

(continued next page)

| Special Revenue | | | | | |
|-------------------|-----------------------------|--------------|------------------|--------------|--------------|
| Downtown Building | Autenreith Community Center | Debt Service | Capital Projects | Nonmajor | Total |
| \$ -- | \$ -- | \$ 494,348 | \$ -- | \$ 612,096 | \$ 2,416,993 |
| -- | -- | -- | -- | -- | 976,970 |
| -- | -- | -- | -- | 486,758 | 546,640 |
| -- | -- | -- | -- | -- | 21,454 |
| -- | -- | -- | 238 | 1,275 | 103,702 |
| 5,941 | -- | -- | 10,000 | 665,027 | 931,682 |
| -- | -- | -- | -- | -- | 329,479 |
| 4,327 | 739,827 | -- | -- | 65,348 | 1,343,174 |
| 10,268 | 739,827 | 494,348 | 10,238 | 1,830,504 | 6,670,094 |
| -- | -- | -- | -- | -- | 936,794 |
| -- | -- | -- | -- | 622,707 | 750,185 |
| -- | -- | -- | -- | 14,824 | 14,824 |
| -- | -- | -- | -- | 27,701 | 1,121,231 |
| -- | -- | -- | -- | 39,609 | 461,236 |
| -- | -- | -- | -- | -- | 511,206 |
| 15,795 | -- | 1,223,825 | -- | -- | 1,300,877 |
| 749,516 | -- | -- | 1,592,885 | 662,414 | 3,004,815 |
| 765,311 | -- | 1,223,825 | 1,592,885 | 1,367,255 | 8,101,168 |
| (755,043) | 739,827 | (729,477) | (1,582,647) | 463,249 | (1,431,074) |
| 1,755,000 | -- | -- | -- | -- | 2,155,000 |
| -- | -- | 3,185,000 | -- | -- | 3,185,000 |
| -- | -- | 107,684 | -- | -- | 107,684 |
| -- | -- | (3,185,000) | -- | -- | (3,185,000) |
| -- | -- | -- | -- | 100,094 | 876,830 |
| -- | -- | -- | -- | (646,736) | (719,330) |
| 1,755,000 | -- | 107,684 | -- | (546,642) | 2,420,184 |
| 999,957 | 739,827 | (621,793) | (1,582,647) | (83,393) | 989,110 |
| (709,294) | -- | 145,218 | 1,562,512 | 2,571,585 | 6,123,456 |
| \$ 290,663 | \$ 739,827 | \$(476,575) | \$(20,135) | \$ 2,488,192 | \$ 7,112,566 |

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, 2021

| | Special Revenue | | |
|--|----------------------------|-------------------|------------|
| General | Tax Increment Financing | Animal Shelter | |
| Cash Basis Fund Balances | | | |
| Nonspendable - Cemetery perpetual care | \$ -- | \$ -- | \$ -- |
| Restricted for: | | | |
| Streets | -- | -- | -- |
| Urban renewal purpose | -- | 1,369,639 | -- |
| Debt service | -- | -- | -- |
| Capital projects | -- | -- | -- |
| Other purposes | -- | -- | 715,480 |
| Unassigned | 2,005,475 | -- | -- |
| Total cash basis fund balances | \$ 2,005,475 | \$ 1,369,639 | \$ 715,480 |

The accompanying notes are an integral part of these statements.

| <u>Special Revenue</u> | | | | | |
|--------------------------|------------------------------------|---------------------|-------------------------|---------------------|---------------------|
| <u>Downtown Building</u> | <u>Autenreith Community Center</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Nonmajor</u> | <u>Total</u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ 205,712 | \$ 205,712 |
| -- | -- | -- | -- | (15,650) | (15,650) |
| -- | -- | -- | -- | -- | 1,369,639 |
| -- | -- | (476,575) | -- | -- | (476,575) |
| -- | -- | -- | (20,135) | -- | (20,135) |
| 290,663 | 739,827 | -- | -- | 2,298,130 | 4,044,100 |
| -- | -- | -- | -- | -- | 2,005,475 |
| <u>\$ 290,663</u> | <u>\$ 739,827</u> | <u>\$(476,575)</u> | <u>\$(20,135)</u> | <u>\$ 2,488,192</u> | <u>\$ 7,112,566</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, 2021

| | Enterprise | |
|---|---------------------|---------------------|
| | Water | Sewer |
| Operating receipts: | | |
| Use of money and property | \$ -- | \$ -- |
| Charges for service | <u>1,099,698</u> | <u>975,819</u> |
| Total operating receipts | 1,099,698 | 975,819 |
| Operating disbursements: | | |
| Business type activities | <u>1,005,731</u> | <u>529,309</u> |
| Total operating disbursements | <u>1,005,731</u> | <u>529,309</u> |
| Excess (deficiency) of operating receipts over (under) operating disbursements | 93,967 | 446,510 |
| Non-operating receipts (disbursements): | | |
| Intergovernmental | 38 | 1,243 |
| Interest on investments | 1,445 | 1,520 |
| Miscellaneous | 31,518 | -- |
| Debt service | -- | (294,365) |
| Capital projects | -- | -- |
| Net non-operating receipts (disbursements) | <u>33,001</u> | <u>(291,602)</u> |
| Excess (deficiency) of receipts over (under) disbursements | 126,968 | 154,908 |
| Transfers out | <u>(35,000)</u> | <u>(37,000)</u> |
| Change in cash balances | 91,968 | 117,908 |
| Cash balances beginning of year | <u>3,765,345</u> | <u>1,437,267</u> |
| Cash balances end of year | <u>\$ 3,857,313</u> | <u>\$ 1,555,175</u> |
| Cash Basis Fund Balances | | |
| Restricted for debt service | \$ -- | \$ 32,291 |
| Unrestricted | <u>3,857,313</u> | <u>1,522,884</u> |
| Total cash basis fund balances | <u>\$ 3,857,313</u> | <u>\$ 1,555,175</u> |

The accompanying notes are an integral part of these statements.

| <u>Sanitation</u> | <u>Enterprise Recycling Nonmajor</u> | <u>Total</u> | <u>Component Unit - Airport</u> |
|---------------------|--|---------------------|-------------------------------------|
| \$ -- | \$ -- | \$ -- | \$ 61,650 |
| <u>535,994</u> | <u>183,586</u> | <u>2,795,097</u> | <u>--</u> |
| 535,994 | 183,586 | 2,795,097 | 61,650 |
| <u>712,201</u> | <u>158,364</u> | <u>2,405,605</u> | <u>76,243</u> |
| 712,201 | 158,364 | 2,405,605 | 76,243 |
| (176,207) | 25,222 | 389,492 | (14,593) |
| 43 | -- | 1,324 | 878,278 |
| -- | -- | 2,965 | -- |
| 70 | 2,000 | 33,588 | 36,002 |
| -- | -- | (294,365) | -- |
| <u>--</u> | <u>--</u> | <u>--</u> | <u>(669,167)</u> |
| 113 | 2,000 | (256,488) | 245,113 |
| (176,094) | 27,222 | 133,004 | 230,520 |
| (63,000) | (12,500) | (147,500) | (10,000) |
| (239,094) | 14,722 | (14,496) | 220,520 |
| (65,884) | (78,882) | 5,057,846 | (406,351) |
| <u>\$(304,978)</u> | <u>\$(64,160)</u> | <u>\$ 5,043,350</u> | <u>\$(185,831)</u> |
| \$ -- | \$ -- | \$ 32,291 | \$ -- |
| (304,978) | (64,160) | 5,011,059 | (185,831) |
| <u>\$(304,978)</u> | <u>\$(64,160)</u> | <u>\$ 5,043,350</u> | <u>\$(185,831)</u> |

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 operate 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, 2021

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) and Jefferson Matters/Main Street Board. The City paid these organizations a total of \$50,000 and \$20,000, respectively, during the fiscal year ended June 30, 2021.

City officials are also members of the North Dallas County Landfill Commission. See Note 12 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:

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.

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.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 and enterprise funds are aggregated and reported as nonmajor governmental funds 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 Tax Increment Financing Fund is used to account for urban renewal tax increment financing collections and the repayment of tax increment financing indebtedness.

The Animal Shelter Fund is used to account for animal shelter donations and legal fees for construction of the new facility.

The Downtown Buildings Fund is used to account for purchase, renovate and selling of buildings in the downtown district.

The Autenreith Community Center Fund is used to account for money received from the Autenreith family for the recreation department.

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

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

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

The City reports the following major component unit:

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

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assigned - Amounts the City Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the public works, health and social services, debt service, and capital projects functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2021 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 \$5,007,341. 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.

CITY OF JEFFERSON, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 2 - CASH AND POOLED INVESTMENTS - Continued

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.

NOTE 3 - BONDS PAYABLE

A summary of changes in bonds payable for the year ended June 30, 2021 is as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> | <u>Due Within One Year</u> |
|-----------------------------------|-------------------------------|---------------------|---------------------|----------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds | \$ 6,645,000 | \$ 5,340,000 | \$ 4,660,000 | \$ 7,325,000 | \$ 960,000 |
| Governmental Activities Total | <u>\$ 6,645,000</u> | <u>\$ 5,340,000</u> | <u>\$ 4,660,000</u> | <u>\$ 7,325,000</u> | <u>\$ 960,000</u> |
| Business Type Activities: | | | | | |
| Sewer Revenue Bonds | \$ 1,110,000 | \$ -- | \$ 270,000 | \$ 840,000 | \$ 275,000 |
| Business Type Activities Total | <u>\$ 1,110,000</u> | <u>\$ --</u> | <u>\$ 270,000</u> | <u>\$ 840,000</u> | <u>\$ 275,000</u> |

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 3 - BONDS PAYABLE - Continued

General Obligation Bonds

A summary of the City's June 30, 2021 general obligation bonds payable is as follows:

| Year Ending June 30, | Corporate Purpose Bonds Issued June 25, 2019 | | | Corporate Purpose and Refunding Bonds Issued April 28, 2021 | | |
|-------------------------|---|--------------------|-------------------|---|--------------------|-------------------|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest |
| | 2022 | 3.00% | \$ -- | \$ 73,800 | 2.00% | \$ 460,000 |
| 2023 | 3.00% | 200,000 | 73,800 | 2.00% | 460,000 | 53,000 |
| 2024 | 3.00% | 100,000 | 67,800 | 2.00% | 310,000 | 43,800 |
| 2025 | 3.00% | 115,000 | 64,800 | 2.00% | 180,000 | 37,600 |
| 2026 | 3.00% | 120,000 | 61,350 | 2.00% | 130,000 | 34,000 |
| 2027-2031 | 3.00% | 655,000 | 250,650 | 2.00% | 850,000 | 123,800 |
| 2032-2036 | 3.00% | 760,000 | 145,950 | 2.00% | 720,000 | 35,700 |
| 2037-2039 | 3.00% | 510,000 | 30,900 | | -- | -- |
| | | <u>\$2,460,000</u> | <u>\$ 769,050</u> | | <u>\$3,110,000</u> | <u>\$ 390,100</u> |

| Year Ending June 30, | Urban Renewal Bonds Issued April 28, 2021 | | | Total | | |
|-------------------------|--|--------------------|-------------------|--------------------|--------------------|--------------------|
| | Interest Rates | Principal | Interest | Principal | Interest | Total |
| 2022 | 0.50% | \$ 500,000 | \$ 25,577 | \$ 960,000 | \$ 161,577 | \$1,121,577 |
| 2023 | 0.63% | 200,000 | 23,076 | 860,000 | 149,876 | 1,009,876 |
| 2024 | 0.90% | 100,000 | 21,817 | 510,000 | 133,417 | 643,417 |
| 2025 | 0.90% | -- | 20,916 | 295,000 | 123,316 | 418,316 |
| 2026 | 0.90% | -- | 20,916 | 250,000 | 116,266 | 366,266 |
| 2027-2031 | 1.96-2.30% | 955,000 | 64,586 | 2,460,000 | 439,036 | 2,899,036 |
| 2032-2036 | | -- | -- | 1,480,000 | 181,650 | 1,661,650 |
| 2037-2039 | | -- | -- | 510,000 | 30,900 | 540,900 |
| | | <u>\$1,755,000</u> | <u>\$ 176,888</u> | <u>\$7,325,000</u> | <u>\$1,336,038</u> | <u>\$8,661,038</u> |

On June 12, 2012, the City issued \$2,325,000 of general obligation urban renewal corporate purpose bonds with interest rates ranging from 0.75% to 1.90% per annum. The bonds were issued for urban renewal projects consisting of the construction of a Highway 4 railroad overpass, water, sewer, and street improvements. During the year ended June 30, 2021, the City paid \$795,000 of principal and \$12,448 of interest on the bonds. The bonds were paid off in fiscal year 2021 through the issuance of general obligation refunding debt dated April 28, 2021.

On June 29, 2015, the City issued \$2,420,000 of general obligation urban renewal corporate purpose bonds with interest rates ranging from 2.00% to 3.70% per annum. The bonds were issued for urban renewal projects consisting of the construction for the development of a casino and hotel and water main improvements related to the construction of a grocery store. During the year ended June 30, 2021, the City paid \$2,090,000 of principal and \$58,091 of interest on the bonds. The bonds were paid off in fiscal year 2021 through the issuance of general obligation refunding debt dated April 28, 2021.

CITY OF JEFFERSON, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 3 - BONDS PAYABLE - Continued

On June 29, 2015, the City issued \$300,000 of general obligation reimbursement bonds with an interest rate of 2.50% per annum. The bonds were issued to reimburse the City for amounts spent to acquire a municipal golf course. During the year ended June 30, 2021, the City paid \$300,000 of principal and \$6,917 of interest on the bonds. The bonds were paid off in fiscal year 2021 through the issuance of general obligation refunding debt dated April 28, 2021.

On March 15, 2017, the City issued \$1,000,000 of general obligation urban renewal corporate purpose notes with an interest rate of 3.50% per annum. The notes were issued for urban renewal projects consisting of the City's share of the construction of the Highway 4 overpass, storm drainage improvements, downtown building improvements and providing matching funds for the CDBG Downtown Revitalization Main Street Façade Rehabilitation Program. During the year ended June 30, 2021, the City paid \$1,000,000 of principal and \$35,000 of interest on the notes. The notes matured in fiscal year 2021.

On June 25, 2019, the City issued \$2,460,000 of general obligation corporate purpose bonds with an interest rate of 3.00% per annum. The bonds were issued for equipment purchases, park, City Hall, pool and street improvements and for the East Entry Way Project. During the year ended June 30, 2021, the City paid \$ - 0 - of principal and \$138,375 of interest on the bonds. The bonds mature in fiscal year 2039.

On April 28, 2021, the City issued \$3,585,000 of general obligation corporate purpose and refunding bonds with an interest rate of 2.00% per annum. The bonds were issued for refunding prior general obligation bonds and cost of constructing animal shelter. During the year ended June 30, 2021, the City paid \$475,000 of principal and \$6,573 of interest on the bonds. The bonds mature in fiscal year 2035.

On April 28, 2021, the City issued \$1,755,000 of general obligation urban renewal bonds with interest rates ranging from 0.50% to 2.30% per annum. The bonds were issued for urban renewal projects consisting of improvements to downtown commercial buildings. During the year ended June 30, 2021, the City paid \$ - 0 - of principal and \$2,345 of interest on the bonds. The bonds mature in fiscal year 2030.

Revenue Bonds

| Year Ending June 30, | Sewer | | | Total | | |
|-------------------------|-------------------|-------------------|------------------|-------------------|------------------|-------------------|
| | Interest Rates | Principal | Interest | Principal | Interest | Total |
| 2022 | 2.15% | \$ 275,000 | \$ 18,060 | \$ 275,000 | \$ 18,060 | \$ 293,060 |
| 2023 | 2.15% | 280,000 | 12,148 | 280,000 | 12,148 | 292,148 |
| 2024 | 2.15% | 285,000 | 6,127 | 285,000 | 6,127 | 291,127 |
| | | <u>\$ 840,000</u> | <u>\$ 36,335</u> | <u>\$ 840,000</u> | <u>\$ 36,335</u> | <u>\$ 876,335</u> |

On March 15, 2012, the City issued \$3,348,000 of sewer revenue bonds to provide financing for the construction of sewer main improvements. The bonds bear interest at 2.15%, per annum, and are payable through 2024. During the year ended June 30, 2021, the City paid principal of \$270,000 and interest of \$23,865 on the bonds.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 3 - BONDS PAYABLE - Continued

The City has pledged future sewer revenue receipts, net of specified operating disbursements, to repay \$3,348,000 of sewer revenue bonds issued in March, 2012. The bonds are payable solely from sewer customer net receipts. Annual principal and interest payments on the bonds are expected to require approximately 66% of net receipts. The total principal and interest remaining to be paid on the bonds is \$876,335. For the current year, principal and interest paid and total customer net receipts were \$293,865 and \$446,510, respectively.

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 - DEFEASANCE OF DEBT

On April 28, 2021, the City issued \$3,185,000 of general obligation corporate purpose and refunding bonds with an interest rate of 2.00% per annum to current refund \$795,000 of general obligation urban renewal corporate purpose bonds dated June 12, 2012 with an average interest rate of 1.73%, \$2,090,000 of general obligation urban renewal corporate purpose bonds dated June 29, 2015 with an average interest rate of 2.79% and \$300,000 of general obligation reimbursement bonds dated June 29, 2015 with an average interest rate of 2.50%. The net proceeds of \$3,460,419 (after a bond premium of \$107,684 and a discount of \$32,265) were used to refund the debt. The refunding was undertaken to reduce total debt service payments over the next 14 years by \$242,883 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$203,508.

NOTE 5 - 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.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 - PENSION PLAN - Continued

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

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

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

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

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

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

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

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 - PENSION PLAN - Continued

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 2021, 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 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$179,512.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the City reported a liability of \$1,291,093 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020, the City's proportion was 0.018379%, which was an increase of 0.001688% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021 the City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$248,519, \$323,805, and \$170,135, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 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. |

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 - PENSION PLAN - Continued

The actuarial assumptions used in the June 30, 2020 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 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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% | 4.43% |
| International equity | 17.5 | 5.15 |
| Global smart beta equity | 6.0 | 4.87 |
| Core plus fixed income | 28.0 | (0.29) |
| Public credit | 4.0 | 2.29 |
| Cash | 1.0 | (0.78) |
| Private equity | 11.0 | 6.54 |
| Private real assets | 7.5 | 4.48 |
| 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.

CITY OF JEFFERSON, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 5 - PENSION PLAN - Continued

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.

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|---------------------------|-----------------------------|---------------------------|
| City's proportionate share of the net pension liability | \$ 2,396,986 | \$ 1,291,093 | \$ 364,135 |

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 6 - 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, 2021, the City contributed \$457,381 and plan members eligible for benefits contributed \$45,976 to the plan. At June 30, 2021, 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, 2021, the following employees were covered by the benefit terms:

| | |
|--|----|
| Inactive employees or beneficiaries currently receiving benefit payments | 0 |
| Active employees | 32 |
| Total | 32 |

CITY OF JEFFERSON, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 7 - 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 comp time payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u> |
|------------------------|------------------|
| Vacation | \$ 8,000 |
| Comp time | <u>9,000</u> |
| Total | <u>\$ 17,000</u> |

This liability has been computed based on rates of pay in effect at June 30, 2021.

NOTE 8 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|-----------------------|----------------------------------|-------------------|
| General | Special Revenue: | |
| | Road Use Tax | \$ 50,000 |
| | Employee Benefits | 588,736 |
| | People Active Community Exercise | 8,000 |
| | Enterprise: | |
| | Water | 35,000 |
| | Sewer | 37,000 |
| | Sanitation | 43,000 |
| | Recycling | 5,000 |
| | Component Unit: | |
| | Airport | <u>10,000</u> |
| | | <u>776,736</u> |
| Special Revenue: | | |
| Health Insurance | General | 9,000 |
| Special Revenue: | | |
| Equipment Replacement | General | 61,594 |
| | Enterprise: | |
| | Sanitation | 20,000 |
| | Recycling | <u>7,500</u> |
| | | <u>89,094</u> |
| Special Revenue: | | |
| Library | General | <u>2,000</u> |
| | | <u>\$ 876,830</u> |

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

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 9 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City Officials totaling \$5,820 during the year ended June 30, 2021.

NOTE 10 - 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 11 - DEFICIT BALANCE

The Road Use Tax Fund, Debt Service Fund, Capital Projects Fund, Sanitation Fund, Recycling Fund and Airport Fund had deficit balances of \$15,650, \$476,575, \$20,135, \$304,978, \$64,160, and \$185,831, respectively at June 30, 2021. The deficits will be eliminated by receipt of property taxes, transfers and grant funds.

NOTE 12 - 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 13 - 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, 2021, 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 14 - CONSTRUCTION CONTRACTS

The City has entered into construction contract commitments totaling approximately \$3,686,000 that have remaining commitments at June 30, 2021 of approximately \$1,366,000. The unpaid contract balances will be financed with existing debt proceeds, grant proceeds and future TIF collections.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021, \$84,228 of property tax was diverted from the City under the urban renewal and economic development agreements.

NOTE 16 - COVID-19

In March, 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Jefferson, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City.

NOTE 17 - SUBSEQUENT EVENT

The City has evaluated all subsequent events through February 11, 2022, the date the financial statements were available to be issued.

* * *

OTHER INFORMATION

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

Year ended June 30, 2021

| | <u>Governmental Funds Actual</u> | <u>Proprietary Funds Actual</u> | <u>Total</u> |
|---|--------------------------------------|-------------------------------------|----------------------|
| Receipts: | | | |
| Property tax | \$ 2,416,993 | \$ -- | \$ 2,416,993 |
| Tax increment financing | 976,970 | -- | 976,970 |
| Other city tax | 546,640 | -- | 546,640 |
| Licenses and permits | 21,454 | -- | 21,454 |
| Use of money and property | 103,702 | 2,965 | 106,667 |
| Intergovernmental | 931,682 | 1,324 | 933,006 |
| Charges for service | 329,479 | 2,795,097 | 3,124,576 |
| Miscellaneous | <u>1,343,174</u> | <u>33,588</u> | <u>1,376,762</u> |
| Total receipts | <u>6,670,094</u> | <u>2,832,974</u> | <u>9,503,068</u> |
| Disbursements: | | | |
| Public safety | 936,794 | -- | 936,794 |
| Public works | 750,185 | -- | 750,185 |
| Health and social services | 14,824 | -- | 14,824 |
| Culture and recreation | 1,121,231 | -- | 1,121,231 |
| Community and economic development | 461,236 | -- | 461,236 |
| General government | 511,206 | -- | 511,206 |
| Debt service | 1,300,877 | -- | 1,300,877 |
| Capital projects | 3,004,815 | -- | 3,004,815 |
| Business type activities | -- | 2,699,970 | 2,699,970 |
| Total disbursements | <u>8,101,168</u> | <u>2,699,970</u> | <u>10,801,138</u> |
| Excess (deficiency) of receipts over (under) disbursements | (1,431,074) | 133,004 | (1,298,070) |
| Other financing sources (uses), net | <u>2,420,184</u> | <u>(147,500)</u> | <u>2,272,684</u> |
| Change in fund balances | 989,110 | (14,496) | 974,614 |
| Balances beginning of year | <u>6,123,456</u> | <u>5,057,846</u> | <u>11,181,302</u> |
| Balances end of year | <u>\$ 7,112,566</u> | <u>\$ 5,043,350</u> | <u>\$ 12,155,916</u> |

See accompanying independent auditor's report.

| <u>Budgeted Amount</u> | | <u>Final to Total Variance</u> |
|------------------------|---------------------|------------------------------------|
| <u>Original</u> | <u>Final</u> | |
| \$ 2,284,982 | \$ 2,284,982 | \$ 132,011 |
| 1,025,212 | 1,025,212 | (48,242) |
| 763,768 | 763,768 | (217,128) |
| 79,675 | 79,675 | (58,221) |
| 46,675 | 46,675 | 59,992 |
| 687,278 | 687,278 | 245,728 |
| 3,512,341 | 3,554,016 | (429,440) |
| 50,430 | 57,430 | 1,319,332 |
| <u>8,450,361</u> | <u>8,499,036</u> | <u>1,004,032</u> |
| 997,800 | 1,001,628 | 64,834 |
| 657,990 | 657,990 | (92,195) |
| 5,000 | 5,000 | (9,824) |
| 1,269,824 | 1,305,147 | 183,916 |
| 1,840,491 | 1,840,491 | 1,379,255 |
| 383,197 | 521,316 | 10,110 |
| 483,873 | 483,873 | (817,004) |
| 427,000 | 427,000 | (2,577,815) |
| <u>2,701,585</u> | <u>3,538,985</u> | <u>839,015</u> |
| <u>8,766,760</u> | <u>9,781,430</u> | <u>(1,019,708)</u> |
| (316,399) | (1,282,394) | (15,676) |
| <u>703,500</u> | <u>703,500</u> | <u>1,569,184</u> |
| 387,101 | (578,894) | 1,553,508 |
| <u>9,783,771</u> | <u>9,783,771</u> | <u>1,397,531</u> |
| <u>\$ 10,170,872</u> | <u>\$ 9,204,877</u> | <u>\$ 2,951,039</u> |

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

June 30, 2021

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects 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 \$1,014,670. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the public works, health and social services, debt service, and capital projects functions.

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

OTHER INFORMATION

| | 2021 | 2020 |
|--|-----------|-----------|
| City's proportion of the net pension liability | 0.018379% | 0.016691% |
| City's proportionate share of the net pension liability | \$ 1,291 | \$ 966 |
| City's covered payroll | \$ 1,857 | \$ 1,734 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 69.52% | 55.71% |
| IPERS' net position as a percentage of the total pension liability | 82.90% | 85.45% |

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

See accompanying independent auditor's report.

| <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|-------------|-------------|-------------|-------------|-------------|
| 0.017518% | 0.017371% | 0.017419% | 0.016605% | 0.015944% |
| \$ 1,109 | \$ 1,157 | \$ 1,096 | \$ 820 | \$ 632 |
| \$ 1,746 | \$ 1,652 | \$ 1,561 | \$ 1,554 | \$ 1,520 |
| 63.52% | 70.04% | 70.21% | 52.77% | 41.58% |
| 83.62% | 82.21% | 81.82% | 85.19% | 87.61% |

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

OTHER INFORMATION

| | 2021 | 2020 |
|---|----------|----------|
| Statutorily required contribution | \$ 180 | \$ 179 |
| Contributions in relation to the statutorily required contribution | (180) | (179) |
| Contribution deficiency (excess) | \$ -- | \$ -- |
| City's covered payroll | \$ 1,868 | \$ 1,857 |
| Contributions as a percentage of covered payroll | 9.64% | 9.64% |

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>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 167 | \$ 160 | \$ 151 | \$ 142 | \$ 143 | \$ 140 |
| <u>(167)</u> | <u>(160)</u> | <u>(151)</u> | <u>(142)</u> | <u>(143)</u> | <u>(140)</u> |
| <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |
| \$ 1,734 | \$ 1,746 | \$ 1,652 | \$ 1,561 | \$ 1,554 | \$ 1,520 |
| 9.63% | 9.16% | 9.14% | 9.10% | 9.20% | 9.21% |

CITY OF JEFFERSON, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

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.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

* * *

SUPPLEMENTARY INFORMATION

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

As of and for the year ended June 30, 2021

| | Special Revenue | | | |
|---|--------------------|-------------------|---------------------|----------------------|
| | Road Use Tax | Cafeteria Plan | Payroll Clearing | Employee Benefits |
| Receipts: | | | | |
| Property tax | \$ -- | \$ -- | \$ -- | \$ 612,096 |
| Other city tax | -- | -- | -- | -- |
| Use of money and property | -- | -- | -- | -- |
| Intergovernmental | 650,424 | -- | -- | -- |
| Miscellaneous | 9,207 | 6,140 | -- | -- |
| Total receipts | <u>659,631</u> | <u>6,140</u> | <u>--</u> | <u>612,096</u> |
| Disbursements: | | | | |
| Operating: | | | | |
| Public works | 622,707 | -- | -- | -- |
| Health and social services | -- | 5,733 | -- | -- |
| Culture and recreation | -- | -- | -- | -- |
| Community and economic development | -- | -- | -- | -- |
| Capital projects | -- | -- | -- | -- |
| Total disbursements | <u>622,707</u> | <u>5,733</u> | <u>--</u> | <u>--</u> |
| Excess (deficiency) of receipts over (under) disbursements | 36,924 | 407 | -- | 612,096 |
| Other financing sources (uses): | | | | |
| Transfers in | -- | -- | -- | -- |
| Transfers out | (50,000) | -- | -- | (588,736) |
| Total other financing sources (uses) | <u>(50,000)</u> | <u>--</u> | <u>--</u> | <u>(588,736)</u> |
| Change in cash balances | (13,076) | 407 | -- | 23,360 |
| Cash balances beginning of year | (2,574) | 6,468 | 7,333 | 465,513 |
| Cash balances end of year | <u>\$(15,650)</u> | <u>\$ 6,875</u> | <u>\$ 7,333</u> | <u>\$ 488,873</u> |
| Cash Basis Fund Balances | | | | |
| Nonspendable - Cemetery perpetual care | \$ -- | \$ -- | \$ -- | \$ -- |
| Restricted for: | | | | |
| Streets | (15,650) | -- | -- | -- |
| Other purposes | -- | 6,875 | 7,333 | 488,873 |
| Total cash basis fund balances | <u>\$(15,650)</u> | <u>\$ 6,875</u> | <u>\$ 7,333</u> | <u>\$ 488,873</u> |

(continued next page)

Special Revenue

| Local Option Sales Tax | Police Federal Forfeiture | Health Insurance | Equipment Replacement | Unemployment Compensation | Industrial Development |
|---------------------------|------------------------------|---------------------|--------------------------|------------------------------|---------------------------|
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| 486,758 | -- | -- | -- | -- | -- |
| -- | -- | -- | -- | 2 | 6 |
| -- | -- | -- | -- | -- | -- |
| <u>486,758</u> | <u>--</u> | <u>28,218</u> | <u>--</u> | <u>2</u> | <u>6</u> |
| -- | -- | -- | -- | -- | -- |
| -- | -- | 9,091 | -- | -- | -- |
| -- | -- | -- | -- | -- | -- |
| <u>662,414</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| <u>662,414</u> | <u>--</u> | <u>9,091</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| (175,656) | -- | 19,127 | -- | 2 | 6 |
| -- | -- | 9,000 | 89,094 | -- | -- |
| <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| <u>--</u> | <u>--</u> | <u>9,000</u> | <u>89,094</u> | <u>--</u> | <u>--</u> |
| (175,656) | -- | 28,127 | 89,094 | 2 | 6 |
| <u>482,481</u> | <u>375</u> | <u>180,645</u> | <u>459,596</u> | <u>28,945</u> | <u>35,098</u> |
| <u>\$ 306,825</u> | <u>\$ 375</u> | <u>\$ 208,772</u> | <u>\$ 548,690</u> | <u>\$ 28,947</u> | <u>\$ 35,104</u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| -- | -- | -- | -- | -- | -- |
| <u>306,825</u> | <u>375</u> | <u>208,772</u> | <u>548,690</u> | <u>28,947</u> | <u>35,104</u> |
| <u>\$ 306,825</u> | <u>\$ 375</u> | <u>\$ 208,772</u> | <u>\$ 548,690</u> | <u>\$ 28,947</u> | <u>\$ 35,104</u> |

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

As of and for the year ended June 30, 2021

| | Special Revenue | | | |
|---|---------------------|-----------------------|-------------------|-----------------|
| | Community Center | Cemetery Mausoleum | Library | Skate Park |
| Receipts: | | | | |
| Property tax | \$ -- | \$ -- | \$ -- | \$ -- |
| Other city tax | -- | -- | -- | -- |
| Use of money and property | 21 | 58 | 1,188 | -- |
| Intergovernmental | -- | -- | 3,252 | -- |
| Miscellaneous | -- | -- | 15,589 | -- |
| Total receipts | <u>21</u> | <u>58</u> | <u>20,029</u> | <u>--</u> |
| Disbursements: | | | | |
| Operating: | | | | |
| Public works | -- | -- | -- | -- |
| Health and social services | -- | -- | -- | -- |
| Culture and recreation | -- | -- | 25,470 | -- |
| Community and economic development | -- | -- | -- | -- |
| Capital projects | -- | -- | -- | -- |
| Total disbursements | <u>--</u> | <u>--</u> | <u>25,470</u> | <u>--</u> |
| Excess (deficiency) of receipts over (under) disbursements | 21 | 58 | (5,441) | -- |
| Other financing sources (uses): | | | | |
| Transfers in | -- | -- | 2,000 | -- |
| Transfers out | -- | -- | -- | -- |
| Total other financing sources (uses) | <u>--</u> | <u>--</u> | <u>2,000</u> | <u>--</u> |
| Change in cash balances | 21 | 58 | (3,441) | -- |
| Cash balances beginning of year | <u>136,996</u> | <u>11,598</u> | <u>255,336</u> | <u>1,525</u> |
| Cash balances end of year | <u>\$ 137,017</u> | <u>\$ 11,656</u> | <u>\$ 251,895</u> | <u>\$ 1,525</u> |
| Cash Basis Fund Balances | | | | |
| Nonspendable - Cemetery perpetual care | \$ -- | \$ -- | \$ -- | \$ -- |
| Restricted for: | | | | |
| Streets | -- | -- | -- | -- |
| Other purposes | <u>137,017</u> | <u>11,656</u> | <u>251,895</u> | <u>1,525</u> |
| Total cash basis fund balances | <u>\$ 137,017</u> | <u>\$ 11,656</u> | <u>\$ 251,895</u> | <u>\$ 1,525</u> |

(continued next page)

| Special Revenue | | | | | |
|-----------------------------|-------------------------------|-----------------|-------------------------|-------------------------------|--|
| Cemetery Land Reserve | LEC Capital Improvement | Enrich Iowa | Downtown Streetscape | Neighborhood Stabilization | People Active Community Exercise |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| -- | -- | -- | -- | -- | -- |
| -- | 9,120 | 2,231 | -- | -- | -- |
| -- | -- | -- | -- | -- | -- |
| -- | 9,120 | 2,231 | -- | -- | -- |
| -- | -- | -- | -- | -- | -- |
| -- | -- | 2,231 | -- | -- | -- |
| -- | -- | -- | -- | 39,609 | -- |
| -- | -- | 2,231 | -- | 39,609 | -- |
| -- | 9,120 | -- | -- | (39,609) | -- |
| -- | -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- | (8,000) |
| -- | -- | -- | -- | -- | (8,000) |
| -- | 9,120 | -- | -- | (39,609) | (8,000) |
| 7 | 25,973 | 1,386 | 88 | 130,771 | 99,417 |
| <u>\$ 7</u> | <u>\$ 35,093</u> | <u>\$ 1,386</u> | <u>\$ 88</u> | <u>\$ 91,162</u> | <u>\$ 91,417</u> |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| -- | -- | -- | -- | -- | -- |
| 7 | 35,093 | 1,386 | 88 | 91,162 | 91,417 |
| <u>\$ 7</u> | <u>\$ 35,093</u> | <u>\$ 1,386</u> | <u>\$ 88</u> | <u>\$ 91,162</u> | <u>\$ 91,417</u> |

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

As of and for the year ended June 30, 2021

| | <u>Special Revenue</u> | <u>Permanent</u> | |
|---|--|---------------------------|---------------------|
| | <u>Insurance and Employee Benefits</u> | <u>Perpetual Care</u> | <u>Total</u> |
| Receipts: | | | |
| Property tax | \$ -- | \$ -- | \$ 612,096 |
| Other city tax | -- | -- | 486,758 |
| Use of money and property | -- | -- | 1,275 |
| Intergovernmental | -- | -- | 665,027 |
| Miscellaneous | -- | 6,194 | 65,348 |
| Total receipts | <u>--</u> | <u>6,194</u> | <u>1,830,504</u> |
| Disbursements: | | | |
| Operating: | | | |
| Public works | -- | -- | 622,707 |
| Health and social services | -- | -- | 14,824 |
| Culture and recreation | -- | -- | 27,701 |
| Community and economic development | -- | -- | 39,609 |
| Capital projects | -- | -- | 662,414 |
| Total disbursements | <u>--</u> | <u>--</u> | <u>1,367,255</u> |
| Excess (deficiency) of receipts over (under) disbursements | -- | 6,194 | 463,249 |
| Other financing sources (uses): | | | |
| Transfers in | -- | -- | 100,094 |
| Transfers out | -- | -- | (646,736) |
| Total other financing sources (uses) | <u>--</u> | <u>--</u> | <u>(546,642)</u> |
| Change in cash balances | -- | 6,194 | (83,393) |
| Cash balances beginning of year | <u>45,090</u> | <u>199,518</u> | <u>2,571,585</u> |
| Cash balances end of year | <u>\$ 45,090</u> | <u>\$ 205,712</u> | <u>\$ 2,488,192</u> |
| Cash Basis Fund Balances | | | |
| Nonspendable - Cemetery perpetual care | \$ -- | \$ 205,712 | \$ 205,712 |
| Restricted for: | | | |
| Streets | -- | -- | (15,650) |
| Other purposes | <u>45,090</u> | <u>--</u> | <u>2,298,130</u> |
| Total cash basis fund balances | <u>\$ 45,090</u> | <u>\$ 205,712</u> | <u>\$ 2,488,192</u> |

See accompanying independent auditor's report.

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Receipts: | | | | |
| Property tax | \$ 2,416,993 | \$ 2,212,086 | \$ 2,169,772 | \$ 2,118,228 |
| Tax increment financing | 976,970 | 646,195 | 748,773 | 596,709 |
| Other city tax | 546,640 | 571,937 | 589,279 | 515,123 |
| Licenses and permits | 21,454 | 40,746 | 34,769 | 33,934 |
| Use of money and property | 103,702 | 93,968 | 41,198 | 36,712 |
| Intergovernmental | 931,682 | 928,728 | 941,964 | 1,649,232 |
| Charges for service | 329,479 | 312,737 | 353,768 | 351,130 |
| Miscellaneous | <u>1,343,174</u> | <u>598,630</u> | <u>454,710</u> | <u>1,097,279</u> |
| Total | <u>\$ 6,670,094</u> | <u>\$ 5,405,027</u> | <u>\$ 5,334,233</u> | <u>\$ 6,398,347</u> |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | \$ 936,794 | \$ 1,015,447 | \$ 959,100 | \$ 851,078 |
| Public works | 750,185 | 739,889 | 660,684 | 778,764 |
| Health and social services | 14,824 | 25,168 | 37,213 | 22,944 |
| Culture and recreation | 1,121,231 | 1,267,160 | 1,385,761 | 1,182,486 |
| Community and economic development | 461,236 | 633,039 | 573,622 | 389,957 |
| General government | 511,206 | 454,969 | 523,533 | 573,087 |
| Debt service | 1,300,877 | 553,255 | 555,086 | 562,429 |
| Capital projects | 3,004,815 | 1,781,704 | 768,599 | 1,912,746 |
| Business type activities | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Total | <u>\$ 8,101,168</u> | <u>\$ 6,470,631</u> | <u>\$ 5,463,598</u> | <u>\$ 6,273,491</u> |

See accompanying independent auditor's report.

| <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 1,970,785 | \$ 1,932,225 | \$ 1,902,406 | \$ 1,844,801 | \$ 1,812,279 | \$ 1,794,961 |
| 176,770 | 118,310 | 109,844 | 121,253 | 123,983 | 52,999 |
| 566,261 | 608,210 | 501,572 | 464,053 | 441,741 | 413,014 |
| 20,645 | 38,555 | 49,858 | 28,408 | 22,408 | 23,099 |
| 37,297 | 38,864 | 33,090 | 23,068 | 4,409 | 4,829 |
| 845,091 | 720,839 | 757,014 | 765,826 | 984,128 | 1,047,001 |
| 392,191 | 373,215 | 370,175 | 339,652 | 438,195 | 423,233 |
| 522,003 | 366,759 | 181,053 | 212,422 | 362,274 | 440,640 |
| <u>\$ 4,531,043</u> | <u>\$ 4,196,977</u> | <u>\$ 3,905,012</u> | <u>\$ 3,799,483</u> | <u>\$ 4,189,417</u> | <u>\$ 4,199,776</u> |
| | | | | | |
| \$ 665,321 | \$ 684,080 | \$ 617,761 | \$ 619,909 | \$ 592,421 | \$ 839,472 |
| 552,149 | 484,532 | 435,810 | 478,777 | 411,183 | 370,876 |
| 11,794 | 11,787 | 24,399 | 12,510 | 21,065 | 16,365 |
| 1,125,821 | 1,179,639 | 1,056,589 | 1,027,617 | 895,093 | 938,327 |
| | | | | | |
| 428,825 | 718,392 | 1,417,933 | 803,432 | 1,063,153 | 754,177 |
| 585,406 | 542,338 | 524,614 | 530,120 | 507,874 | 488,136 |
| 527,350 | 532,254 | 458,601 | 480,622 | 414,524 | 1,360,326 |
| 2,221,176 | 360,284 | 275,450 | 640,648 | 2,231,786 | 1,281,238 |
| -- | -- | -- | -- | 130,698 | 120,628 |
| <u>\$ 6,117,842</u> | <u>\$ 4,513,306</u> | <u>\$ 4,811,157</u> | <u>\$ 4,593,635</u> | <u>\$ 6,267,797</u> | <u>\$ 6,169,545</u> |

CITY OF JEFFERSON, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2021

| <u>Grantor/Program</u> | <u>Assistance Listings Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Program Expenditures</u> |
|--|---|---|---------------------------------|
| Indirect: | | | |
| U.S. Department of Housing and Urban Development: | | | |
| Iowa Department of Economic Development Authority: | | | |
| Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii | 14.228 | 20-HSGU-001 | \$ 5,941 |
| U.S. Department of Transportation: | | | |
| Iowa Department of Transportation: | | | |
| Airport Improvement Program | 20.106 | 3-19-0049-012-2019 | 159,099 |
| Airport Improvement Program | 20.106 | 3-19-0049-013-2020 | 487,479 |
| Airport Improvement Program | 20.106 | 3-19-0049-014-2020 | 22,292 |
| Airport Coronavirus Relief Grant Program | 20.106 | 3-19-0049-016-2021 | <u>3,457</u> |
| | | | 672,327 |
| U.S. Department of the Treasury: | | | |
| Iowa Department of Administrative Services: | | | |
| Coronavirus Relief Fund | 21.019 | 21019 | 31,252 |
| U.S. Department of Homeland Security: | | | |
| Iowa Department of Homeland Security and Emergency Management: | | | |
| Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | DR4557 | <u>164,175</u> |
| Total | | | <u>\$ 873,695</u> |

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of City of Jefferson under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Jefferson, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Jefferson.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate - The City of Jefferson has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

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

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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, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 11, 2022. 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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of 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 Questioned Costs that we consider to be significant deficiencies: II-A-21

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 IV 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, 2021 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 Questioned Costs. 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.

Conrad, Ben, John & Co. P.C.

Atlantic, Iowa
February 11, 2022

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

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Mayor and
Members of the City Council

Report on Compliance for Each Major Federal Program

We have audited the City of Jefferson, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Jefferson's major federal program for the year ended June 30, 2021. The City of Jefferson's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Jefferson's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Jefferson's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Jefferson's compliance.

To the Honorable Mayor and
Members of the City Council

Opinion on the Major Federal Program

In our opinion, the City of Jefferson complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

The management of the City of Jefferson is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Jefferson's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Jefferson's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gene Wald, CPA, John & Co. P.C.

Atlantic, Iowa
February 11, 2022

CITY OF JEFFERSON, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

PART I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements 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 in internal control over financial reporting was disclosed by the audit of the financial statements. The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The audit did not disclose any material weaknesses or significant deficiencies in internal control over the major program.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listings Number 20.106 - Airport Improvement Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Jefferson did not qualify as a low-risk auditee.

CITY OF JEFFERSON, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

II-A-21 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.

II-B-21 Writing and Holding Checks:

Criteria: Properly designed policies and procedures pertaining to control activities over the City's procedures for writing checks help provide reasonable assurance all checks written are not held, but rather are sent out in a timely fashion to help ensure there is no issue with checks being lost or stolen.

Condition: One check tested on the City's year-end bank reconciliation was dated over three months before the check was mailed to the vendor.

Cause: City policies and procedures have not been established to help prevent the holding of checks previously written.

CITY OF JEFFERSON, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

PART II: Findings Related to the Financial Statements - Continued

Effect: Lack of policies and procedures could result in various internal control issues within the City, such as checks being lost or stolen.

Recommendation: The City should develop written policies addressing the above items in order to improve the City's control over its procedures involving writing and holding checks.

Response: The City will comply in the future with these recommendations. City officials have discussed and agreed these policies are needed.

Conclusion: Response accepted.

II-C-21 Commercial Utility Billings:

Criteria: An effective internal control system provides for internal controls related to review changes to approved utility billings to ensure proper utility rates are being applied.

Condition: Commercial utility rates were not properly updated during the year causing an overcharge of water receipts for six months.

Cause: Policies have not been established and procedures have not been implemented to review changes to approved utility rates.

Effect: This condition could result in misstated utility receipts.

Recommendation: Procedures should be established to review utility billings each time utility rate changes are approved. An independent person should review the updated utility rate changes. The review of the updated utility rate changes should be documented by the signature or initials of the reviewer and the date of review.

Response: The City will comply in the future with these recommendations. City officials have discussed and agreed these policies are needed.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF JEFFERSON, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

PART III: Findings and Questioned Costs For Federal Awards

Assistance Listings Number 20.106: Airport Improvement Program
Pass-through Entity Identifying Numbers:
3-19-0049-012-2019, 3-19-0049-013-2020
3-19-0049-014-2020, 3-19-0049-016-2021
Federal Award Year: 2019, 2020, and 2021
U.S. Department of Transportation
Passed through Iowa Department of Transportation

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART IV: Other Findings Related to Required Statutory Reporting

IV-A-21 Certified Budget: Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the public works, health and social services, debt service, 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.

IV-B-21 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.

IV-C-21 Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

CITY OF JEFFERSON, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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

IV-D-21 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 | \$ 5,820 |

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with the City Council Member does not appear to represent a conflict of interest since the total transaction was less than \$6,000 during the fiscal year.

IV-E-21 Restricted Donor Activity: No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

IV-F-21 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.

IV-G-21 Council Minutes: No transactions were found that we believe should have been approved in the City Council minutes that were not except the City Council minutes did not include a summary of all receipts. Chapter 372.13(6) of the Code of Iowa requires the City Council minutes to include the total disbursements for each fund, a summary of all receipts, and a list of all claims, including the reason for the claim. The City Council minutes did not include a summary of all receipts.

Recommendation: The City should comply with Chapter 372.13(6) of the Code of Iowa and include a summary of all receipts in the City Council minutes.

Response: In the future the City will include a summary of all receipts in the City Council minutes.

Conclusion: Response accepted.

IV-H-21 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.

CITY OF JEFFERSON, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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

IV-I-21 Revenue Bonds: No instances of non-compliance with revenue bond resolutions were noted.

IV-J-21 Financial Condition: The following funds had deficit balances at June 30, 2021.

| | | |
|--------------------------------|----|---------|
| Special Revenue - Road Use Tax | \$ | 15,650 |
| Debt Service | | 476,575 |
| Capital Projects | | 20,135 |
| Enterprise - Sanitation | | 304,978 |
| Recycling | | 64,160 |
| Component Unit - Airport | | 185,831 |

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.

IV-K-21 Annual Urban Renewal Report: The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

IV-L-21 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.

IV-M-21 Economic Development: During the year ended June 30, 2021, the City paid \$50,000 to the Greene County Development Corporation (GCDC) and \$20,000 to Jefferson Matters/Main Street Board. The City has documented the public benefits received from these expenditures, 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.

CITY OF JEFFERSON, IOWA
Schedule of Findings and Questioned Costs
Year ended June 30, 2021

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

IV-N-21 Payment of General Obligation Debt: Principal and interest on the City's general obligation urban renewal corporate purpose and reimbursement bonds were paid from the Tax Increment Financing Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund."

Recommendation: The City should transfer from the Tax Increment Financing Fund to the Debt Service Fund for future contributions. Payments on the debt should be made from the Debt Service Fund as required.

Response: In the future the City will transfer Tax Increment Financing debt payments to the Debt Service Fund.

Conclusion: Response accepted.

* * *