

CITY OF JEFFERSON, IOWA

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

JUNE 30, 2022

CITY OF JEFFERSON, IOWA  
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CITY OF JEFFERSON, IOWA  
OFFICIALS  
June 30, 2022

(Before January, 2022)

<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
David Morain	Attorney	Appointed

(After January, 2022)

Matt Gordon	Mayor	January, 2024
Pat Zmolek	Mayor Pro-Tem	January, 2026
David Sloan	Council Member	January, 2024
Matt Wetrich	Council Member	January, 2024
Harry Ahrenholtz	Council Member	January, 2026
Darren Jackson	Council Member	January, 2026
Michael Palmer	City Administrator	Appointed
Roxanne Gorsuch	City Clerk	Appointed
David Morain	Attorney	Appointed

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

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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

KENNETH P. TEGELS  
CHRISTOPHER J. NELSON  
DAVID A. GINTHER  
DUSTIN T. VEENSTRA

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business type activities, 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, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Jefferson, Iowa, as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

#### **Basis for Opinions**

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

#### **Basis of Accounting**

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

To the Honorable Mayor and  
Members of the City Council

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

To the Honorable Mayor and  
Members of the City Council

### **Supplementary 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 Auditor's Responsibilities for the Audit of the Financial Statements section of this report, the financial statements for the eight years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The financial statements for the one year ended June 30, 2013 (which are not presented herein), were audited by other auditors whose report expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 through 3 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of City Contributions on pages 26 through 30, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated February 1, 2023 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.

*Ernest W. Bell, Jr., CPA*

Atlantic, Iowa  
February 1, 2023

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

As of and for the year ended June 30, 2022

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts</u> Operating Grants, Contributions, and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,516,600	\$ 33,761	\$ 484,748
Public works	680,581	--	582,157
Health and social services	32,893	--	--
Culture and recreation	1,329,420	460,387	161,535
Community and economic development	556,236	50,201	10,492
General government	515,537	45,247	40,970
Debt service	1,124,376	--	--
Capital projects	<u>1,615,842</u>	<u>--</u>	<u>55,752</u>
Total governmental activities	<u>7,371,485</u>	<u>589,596</u>	<u>1,335,654</u>
Business type activities:			
Water	825,257	1,147,891	--
Sewer	934,081	1,044,742	3,524
Sanitation	516,930	549,525	--
Recycling	<u>138,610</u>	<u>219,646</u>	<u>--</u>
Total business type activities	<u>2,414,878</u>	<u>2,961,804</u>	<u>3,524</u>
Component Unit:			
Airport	<u>1,403,277</u>	<u>--</u>	<u>58,700</u>
Total	<u>\$ 11,189,640</u>	<u>\$ 3,551,400</u>	<u>\$ 1,357,878</u>

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Governmental Activities	Business Type Activities	Total Primary Government	Discretely Presented Component Unit
\$ --	\$( 998,091)	\$ --	\$( 998,091)	\$ --
--	( 98,424)	--	( 98,424)	--
--	( 32,893)	--	( 32,893)	--
--	( 707,498)	--	( 707,498)	--
--	( 495,543)	--	( 495,543)	--
--	( 429,320)	--	( 429,320)	--
--	( 1,124,376)	--	( 1,124,376)	--
<u>93,999</u>	<u>( 1,466,091)</u>	<u>--</u>	<u>( 1,466,091)</u>	<u>--</u>
<u>93,999</u>	<u>( 5,352,236)</u>	<u>--</u>	<u>( 5,352,236)</u>	<u>--</u>
--	--	322,634	322,634	--
--	--	114,185	114,185	--
--	--	32,595	32,595	--
<u>--</u>	<u>--</u>	<u>81,036</u>	<u>81,036</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>550,450</u>	<u>550,450</u>	<u>--</u>
<u>1,121,124</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>( 223,453)</u>
<u>\$ 1,215,123</u>	<u>( 5,352,236)</u>	<u>550,450</u>	<u>( 4,801,786)</u>	<u>( 223,453)</u>



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

As of and for the year ended June 30, 2022

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts</u> Operating Grants, Contributions, and Restricted Interest
General Receipts and Transfers:			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Hotel/motel tax			
Local option sales tax			
American Rescue Plan Act			
Unrestricted interest on investments			
Miscellaneous			
Rent/dividend			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
Cash Basis Net Position			
Restricted:			
Non Expendable:			
Cemetery perpetual care			
Expendable:			
Streets			
Urban renewal purposes			
Debt service			
Capital projects			
Other purposes			
Unrestricted			
Total cash basis net position			

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
	Governmental Activities	Business Type Activities	Total Primary Government	Discretely Presented Component Unit
\$ 1,952,624	\$ --	\$ 1,952,624	\$ --	
432,025	--	432,025	--	
982,072	--	982,072	--	
136,596	--	136,596	--	
649,655	--	649,655	--	
306,672	--	306,672	--	
12,268	5,978	18,246	354	
229,093	43,719	272,812	36,139	
--	--	--	62,311	
<u>202,500</u>	<u>( 147,500)</u>	<u>55,000</u>	<u>( 55,000)</u>	
<u>4,903,505</u>	<u>( 97,803)</u>	<u>4,805,702</u>	<u>43,804</u>	
( 448,731)	452,647	3,916	( 179,649)	
<u>7,112,566</u>	<u>5,043,350</u>	<u>12,155,916</u>	<u>( 185,831)</u>	
<u>\$ 6,663,835</u>	<u>\$ 5,495,997</u>	<u>\$ 12,159,832</u>	<u>\$ ( 365,480)</u>	
\$ 214,712	\$ --	\$ 214,712	\$ --	
( 9,446)	--	( 9,446)	--	
112,327	--	112,327	--	
--	30,231	30,231	--	
119,773	--	119,773	--	
4,127,500	--	4,127,500	--	
<u>2,098,969</u>	<u>5,465,766</u>	<u>7,564,735</u>	<u>( 365,480)</u>	
<u>\$ 6,663,835</u>	<u>\$ 5,495,997</u>	<u>\$ 12,159,832</u>	<u>\$ ( 365,480)</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, 2022

	Special Revenue		
General	Tax Increment Financing	Downtown Buildings	
Receipts:			
Property tax	\$ 1,315,276	\$ --	\$ --
Local option sales tax	--	--	--
Tax increment financing	--	982,072	--
Other city tax	136,596	--	--
Licenses and permits	42,543	--	--
Use of money and property	38,250	50,201	--
Intergovernmental	331,824	--	93,999
Charges for service	360,292	--	--
Miscellaneous	360,721	--	55,752
Total receipts	2,585,502	1,032,273	149,751
Disbursements:			
Operating:			
Public safety	1,114,007	--	--
Public works	110,449	--	--
Health and social services	2,943	--	--
Culture and recreation	1,316,071	--	--
Community and economic development	166,818	369,546	--
General government	515,537	--	--
Debt service	--	--	--
Capital projects	--	--	929,743
Total disbursements	3,225,825	369,546	929,743
Excess (deficiency) of receipts over (under) disbursements	( 640,323)	662,727	( 779,992)
Other financing sources (uses):			
Transfers in	847,095	7,894	489,329
Transfers out	( 113,278)	( 1,927,933)	--
Total other financing sources (uses)	733,817	( 1,920,039)	489,329
Change in cash balances	93,494	( 1,257,312)	( 290,663)
Cash balances beginning of year	2,005,475	1,369,639	290,663
Cash balances end of year	\$ 2,098,969	\$ 112,327	\$ --

(continued next page)

<u>Special Revenue Autenreith Community Center</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 432,025	\$ 637,348	\$ 2,384,649
--	--	649,655	649,655
--	--	--	982,072
--	--	--	136,596
--	--	--	42,543
--	--	6,088	94,539
--	--	902,669	1,328,492
--	--	--	360,292
<u>835</u>	<u>--</u>	<u>324,108</u>	<u>741,416</u>
<u>835</u>	<u>432,025</u>	<u>2,519,868</u>	<u>6,720,254</u>
--	--	402,593	1,516,600
--	--	570,132	680,581
--	--	29,950	32,893
6,857	--	6,492	1,329,420
--	--	19,872	556,236
--	--	--	515,537
--	1,079,488	44,888	1,124,376
--	--	686,099	1,615,842
<u>6,857</u>	<u>1,079,488</u>	<u>1,760,026</u>	<u>7,371,485</u>
( 6,022)	( 647,463)	759,842	( 651,231)
--	1,131,932	491,057	2,967,307
<u>--</u>	<u>( 7,894)</u>	<u>( 715,702)</u>	<u>( 2,764,807)</u>
<u>--</u>	<u>1,124,038</u>	<u>( 224,645)</u>	<u>202,500</u>
( 6,022)	476,575	535,197	( 448,731)
<u>739,827</u>	<u>( 476,575)</u>	<u>3,183,537</u>	<u>7,112,566</u>
<u>\$ 733,805</u>	<u>\$ --</u>	<u>\$ 3,718,734</u>	<u>\$ 6,663,835</u>

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

As of and for the year ended June 30, 2022

		Special Revenue	
	General	Tax Increment Financing	Downtown Buildings
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Streets	--	--	--
Urban renewal purpose	--	112,327	--
Capital projects	--	--	--
American Rescue Plan Act projects	--	--	--
Other purposes	--	--	--
Unassigned	2,098,969	--	--
Total cash basis fund balances	\$ 2,098,969	\$ 112,327	\$ --

The accompanying notes are an integral part of these statements.

<u>Special Revenue Autenreith Community Center</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ 214,712	\$ 214,712
--	--	( 9,446)	( 9,446)
--	--	--	112,327
--	--	119,773	119,773
--	--	294,471	294,471
733,805	--	3,099,224	3,833,029
--	--	--	<u>2,098,969</u>
<u>\$ 733,805</u>	<u>\$ --</u>	<u>\$ 3,718,734</u>	<u>\$ 6,663,835</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, 2022

	Enterprise	
	Water	Sewer
Operating receipts:		
Use of money and property	\$           --	\$           --
Charges for service	1,147,891	1,044,742
Total operating receipts	1,147,891	1,044,742
Operating disbursements:		
Business type activities	825,257	640,521
Total operating disbursements	825,257	640,521
Excess (deficiency) of operating receipts over (under) operating disbursements	322,634	404,221
Non-operating receipts (disbursements):		
Intergovernmental	--	3,524
Interest on investments	2,873	3,105
Miscellaneous	37,211	3,556
Debt service	--	( 293,560)
Capital projects	--	--
Net non-operating receipts (disbursements)	40,084	( 283,375)
Excess (deficiency) of receipts over (under) disbursements	362,718	120,846
Transfers out	( 35,000)	( 37,000)
Change in cash balances	327,718	83,846
Cash balances beginning of year	3,857,313	1,555,175
Cash balances end of year	\$ 4,185,031	\$ 1,639,021
Cash Basis Fund Balances		
Restricted for debt service	\$           --	\$       30,231
Unrestricted	4,185,031	1,608,790
Total cash basis fund balances	\$ 4,185,031	\$ 1,639,021

The accompanying notes are an integral part of these statements.

Sanitation	Enterprise Nonmajor Recycling	Total
\$ --	\$ --	\$ --
<u>549,525</u>	<u>219,646</u>	<u>2,961,804</u>
549,525	219,646	2,961,804
<u>516,930</u>	<u>138,610</u>	<u>2,121,318</u>
516,930	138,610	2,121,318
32,595	81,036	840,486
--	--	3,524
--	--	5,978
1,979	973	43,719
--	--	( 293,560)
--	--	--
<u>1,979</u>	<u>973</u>	<u>( 240,339)</u>
34,574	82,009	600,147
<u>( 63,000)</u>	<u>( 12,500)</u>	<u>( 147,500)</u>
( 28,426)	69,509	452,647
<u>( 304,978)</u>	<u>( 64,160)</u>	<u>5,043,350</u>
<u>\$( 333,404)</u>	<u>\$ 5,349</u>	<u>\$ 5,495,997</u>
\$ --	\$ --	\$ 30,231
<u>( 333,404)</u>	<u>5,349</u>	<u>5,465,766</u>
<u>\$( 333,404)</u>	<u>\$ 5,349</u>	<u>\$ 5,495,997</u>



CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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 and approves the Commission's operating budget.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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 \$40,000, respectively, during the fiscal year ended June 30, 2022.

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

B. Basis of Presentation

Government-wide Financial Statements

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

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

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, 2022

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 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 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.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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 the governmental 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, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

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, 2022

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, 2022, disbursements exceeded the amount budgeted in the public works, health and social services, general government, debt service, and capital projects functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2022 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)

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

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, 2022 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	\$ 7,325,000	\$ --	\$ 960,000	\$ 6,365,000	\$ 860,000
Governmental Activities Total	<u>\$ 7,325,000</u>	<u>\$ --</u>	<u>\$ 960,000</u>	<u>\$ 6,365,000</u>	<u>\$ 860,000</u>
Business Type Activities: Sewer Revenue Bonds	\$ 840,000	\$ --	\$ 275,000	\$ 565,000	\$ 280,000
Business Type Activities Total	<u>\$ 840,000</u>	<u>\$ --</u>	<u>\$ 275,000</u>	<u>\$ 565,000</u>	<u>\$ 280,000</u>

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 3 - BONDS PAYABLE - Continued

General Obligation Bonds

A summary of the City's June 30, 2022 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
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	3.00%	125,000	57,750	2.00%	165,000	31,400
2028-2032	3.00%	675,000	231,000	2.00%	865,000	106,800
2033-2037	3.00%	780,000	123,150	2.00%	540,000	21,300
2038-2040	3.00%	345,000	15,600		--	--
		<u>\$2,460,000</u>	<u>\$ 695,250</u>		<u>\$2,650,000</u>	<u>\$ 327,900</u>

  

Year Ending June 30,	Urban Renewal Bonds Issued April 28, 2021			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
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	0.90%	--	20,916	290,000	110,066	400,066
2028-2032	1.96-2.33%	955,000	43,670	2,495,000	381,470	2,876,470
2033-2037		--	--	1,320,000	144,450	1,464,450
2038-2040		--	--	345,000	15,600	360,600
		<u>\$1,255,000</u>	<u>\$ 151,311</u>	<u>\$6,365,000</u>	<u>\$1,174,461</u>	<u>\$7,539,461</u>

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, 2022, the City paid \$ - 0 - of principal and \$73,800 of interest on the bonds. The bonds mature in fiscal year 2039.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 3 - BONDS PAYABLE - Continued

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, 2022, the City paid \$460,000 of principal and \$62,200 of interest on the bonds. The bonds mature in fiscal year 2035.

On April 28, 2021, the City issued \$1,755,000 of taxable general obligation urban renewal bonds with interest rates ranging from 0.50% to 2.33% per annum. The bonds were issued for urban renewal projects consisting of improvements to downtown commercial buildings. During the year ended June 30, 2022, the City paid \$500,000 of principal and \$25,577 of interest on the bonds. The bonds mature in fiscal year 2030.

Revenue Bonds

A summary of the City's June 30, 2022 sewer revenue bonds payable is as follows:

<u>Year Ending June 30,</u>	<u>Sewer Issued March 15, 2012</u>			<u>Total</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 565,000</u>	<u>\$ 18,275</u>	<u>\$ 565,000</u>	<u>\$ 18,275</u>	<u>\$ 583,275</u>

Sewer Revenue Bonds - Direct Borrowing

On March 15, 2012, the City entered into an agreement with UMB Bank for the issuance of \$3,348,000 of sewer revenue bonds with interest at 2.15% per annum. The bonds were issued pursuant to Chapters 384.24A and 384.83 of the Code of Iowa to provide financing for the construction of sewer main improvements. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue bond or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2022, the City paid principal of \$275,000 and interest of \$18,060 on the bonds. The bonds mature in fiscal year 2024.

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 72% of net receipts. The total principal and interest remaining to be paid on the bonds is \$583,275. For the current year, principal and interest paid and total customer net receipts were \$293,060 and \$404,221, respectively.



CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 3 - BONDS PAYABLE - Continued

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

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

NOTE 4 - PENSION PLAN

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

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

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

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

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 4 - PENSION PLAN - Continued

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

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

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

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

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

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

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

CITY OF JEFFERSON, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2022

NOTE 4 - PENSION PLAN - Continued

In fiscal year 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2022 totaled \$185,761.

Net Pension Liability (Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the City reported an asset of \$(330,163) for its proportionate share of the collective net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was 0.095637%, which was an increase of 0.077258% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022 the City pension expense (income), deferred outflows of resources and deferred inflows of resources totaled \$(123,025), \$239,892, and \$1,413,143, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2021 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 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 4 - PENSION PLAN - Continued

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	100%	

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 (asset).

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 797,146	\$( 330,163)	\$( 1,274,563)

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](http://www.ipers.org).

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$484,997 and plan members eligible for benefits contributed \$52,065 to the plan. At June 30, 2022, 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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>32</u>
Total	<u><u>33</u></u>

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time payable to employees at June 30, 2022, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 24,000
Comp time	<u>14,000</u>
Total	<u><u>\$ 38,000</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2022.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 50,000
	Employee Benefits	607,000
	Local Option Sales Tax	15,000
	Cemetery Land Reserve	7
	Downtown Streetscape	88
	Enterprise:	
	Water	35,000
	Sewer	37,000
	Sanitation	43,000
	Recycling	5,000
	Component Unit:	
	Airport	<u>55,000</u>
		<u>847,095</u>
Special Revenue:		
Tax Increment Financing	Debt Service	7,894
Special Revenue:	Special Revenue:	
Downtown Building	Tax Increment Financing	489,329
Special Revenue:	General	
Road Use Tax		39,178
Special Revenue:	Special Revenue:	
Police Federal Forfeiture	Equipment Replacement	43,607
Special Revenue:	General	
Health Insurance		9,000
Special Revenue:	General	
Equipment Replacement		63,100
	Enterprise:	
	Sanitation	20,000
	Recycling	7,500
		<u>90,600</u>
Special Revenue:	General	
Library		2,000
Debt Service	Special Revenue:	
	Tax Increment Financing	1,131,932
Capital Projects	Special Revenue:	
	Tax Increment Financing	<u>306,672</u>
		<u>\$ 2,967,307</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, 2022

NOTE 8 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City Officials totaling \$5,071 during the year ended June 30, 2022.

NOTE 9 - RISK MANAGEMENT

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

NOTE 10 - DEFICIT BALANCE

The Road Use Tax Fund, Sanitation Fund, and Airport Fund had deficit balances of \$9,446, \$333,404, and \$501,523, respectively at June 30, 2022. The deficits will be eliminated by receipt of property taxes, transfers and grant funds.

NOTE 11 - NORTH DALLAS COUNTY LANDFILL

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

NOTE 12 - LEASE

The City has entered into a lease agreement with Van Horn Partnership for approximately 167 acres of farmland at the City's airport. The lease expired February 29, 2007, and automatically renews upon expiration from year-to-year unless either party gives notice not to renew the lease. The City receives two payments with one-half of the payment due by March 1, and the other half due by November 1 of each year. During the fiscal year ended June 30, 2022, the City received a total of \$31,032 under the lease agreement. The City also leases hangars at the airport. The amounts received under the leases vary depending on the size of the space rented out.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The City has entered into several construction contracts, including a Wastewater Treatment Facility Improvement Project, totaling approximately \$21,019,000 that are still in process at June 30, 2022. The net remaining amount committed to these contracts is approximately \$19,341,000, which will be paid with debt proceeds, grant proceeds and donations.

CITY OF JEFFERSON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2022

NOTE 14 - 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, 2022, \$44,459 of property tax was diverted from the City under the urban renewal and economic development agreements.

NOTE 15 - 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 of Jefferson. 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 of Jefferson.

NOTE 16 - SUBSEQUENT EVENT

In December, 2022, the City issued \$19,750,000 of sewer revenue bonds. The proceeds of these bonds will be used to fund the Wastewater Treatment Facility Improvement Project.

The City has evaluated all subsequent events through February 1, 2023, 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 PROPRIETRY FUNDS  
 OTHER INFORMATION

Year ended June 30, 2022

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 2,384,649	\$ --	\$ 2,384,649
Tax increment financing	982,072	--	982,072
Other city tax	786,251	--	786,251
Licenses and permits	42,543	--	42,543
Use of money and property	94,539	5,978	100,517
Intergovernmental	1,328,492	3,524	1,332,016
Charges for service	360,292	2,961,804	3,322,096
Miscellaneous	741,416	43,719	785,135
Total receipts	<u>6,720,254</u>	<u>3,015,025</u>	<u>9,735,279</u>
Disbursements:			
Public safety	1,516,600	--	1,516,600
Public works	680,581	--	680,581
Health and social services	32,893	--	32,893
Culture and recreation	1,329,420	--	1,329,420
Community and economic development	556,236	--	556,236
General government	515,537	--	515,537
Debt service	1,124,376	--	1,124,376
Capital projects	1,615,842	--	1,615,842
Business type activities	--	2,414,878	2,414,878
Total disbursements	<u>7,371,485</u>	<u>2,414,878</u>	<u>9,786,363</u>
Excess (deficiency) of receipts over (under) disbursements	( 651,231)	600,147	( 51,084)
Other financing sources (uses), net	<u>202,500</u>	<u>( 147,500)</u>	<u>55,000</u>
Change in fund balances	( 448,731)	452,647	3,916
Balances beginning of year	<u>7,112,566</u>	<u>5,043,350</u>	<u>12,155,916</u>
Balances end of year	<u>\$ 6,663,835</u>	<u>\$ 5,495,997</u>	<u>\$ 12,159,832</u>

See accompanying independent auditor's report.

Budgeted Amount		Final	Final to Total Variance
Original			
\$ 2,230,354	\$ 2,230,354	\$ 154,295	
--	--	982,072	
335,743	567,743	218,508	
23,825	34,825	7,718	
107,775	111,775	( 11,258)	
665,986	972,657	359,359	
3,362,641	3,561,479	( 239,383)	
--	42,758	742,377	
<u>6,726,324</u>	<u>7,521,591</u>	<u>2,213,688</u>	
1,496,366	1,527,966	11,366	
96,724	246,355	( 434,226)	
5,000	5,000	( 27,893)	
1,251,824	1,339,061	9,641	
2,004,213	2,004,213	1,447,977	
368,197	393,197	( 122,340)	
480,873	984,873	( 139,503)	
--	--	( 1,615,842)	
<u>3,061,585</u>	<u>3,191,585</u>	<u>776,707</u>	
<u>8,764,782</u>	<u>9,692,250</u>	<u>( 94,113)</u>	
( 2,038,458)	( 2,170,659)	2,119,575	
--	--	55,000	
( 2,038,458)	( 2,170,659)	2,174,575	
<u>11,811,721</u>	<u>11,811,721</u>	<u>344,195</u>	
<u>\$ 9,773,263</u>	<u>\$ 9,641,062</u>	<u>\$ 2,518,770</u>	

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

June 30, 2022

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 \$927,468. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements exceeded the amount budgeted in the public works, health and social services, general government, debt service, and capital projects functions.

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

OTHER INFORMATION

	2022	2021
City's proportion of the net pension liability (asset)	0.095637%	0.018379%
City's proportionate share of the net pension liability (asset)	\$( 330)	\$ 1,291
City's covered payroll	\$ 1,868	\$ 1,857
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(17.67)%	69.52%
IPERS' net position as a percentage of the total pension liability (asset)	100.81%	82.90%

\* 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.016691%	0.017518%	0.017371%	0.017419%	0.016605%	0.015944%
\$ 966	\$ 1,109	\$ 1,157	\$ 1,096	\$ 820	\$ 632
\$ 1,734	\$ 1,746	\$ 1,652	\$ 1,561	\$ 1,554	\$ 1,520
55.71%	63.52%	70.04%	70.21%	52.77%	41.58%
85.45%	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 NINE YEARS  
 (IN THOUSANDS)

OTHER INFORMATION

	2022	2021	2020
Statutorily required contribution	\$ 186	\$ 180	\$ 179
Contributions in relation to the statutorily required contribution	( 186)	( 180)	( 179)
Contribution deficiency (excess)	\$ --	\$ --	\$ --
City's covered payroll	\$ 1,974	\$ 1,868	\$ 1,857
Contributions as a percentage of covered payroll	9.42%	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, 2022

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, 2022

	Special Revenue			
	Road Use Tax	Cafeteria Plan	Payroll Clearing	Employee Benefits
Receipts:				
Property tax	\$ --	\$ --	\$ --	\$ 637,348
Local option sales tax	--	--	--	--
Use of money and property	--	--	--	--
Intergovernmental	582,157	--	--	--
Miscellaneous	5,001	7,170	--	--
Total receipts	587,158	7,170	--	637,348
Disbursements:				
Operating:				
Public safety	--	--	--	--
Public works	570,132	--	--	--
Health and social services	--	7,000	--	--
Culture and recreation	--	--	--	--
Community and economic development	--	--	--	--
Debt service	--	--	--	--
Capital projects	--	--	--	--
Total disbursements	570,132	7,000	--	--
Excess (deficiency) of receipts over (under) disbursements	17,026	170	--	637,348
Other financing sources (uses):				
Transfers in	39,178	--	--	--
Transfers out	( 50,000)	--	--	( 607,000)
Total other financing sources (uses)	( 10,822)	--	--	( 607,000)
Change in cash balances	6,204	170	--	30,348
Cash balances beginning of year	( 15,650)	6,875	7,333	488,873
Cash balances end of year	\$( 9,446)	\$ 7,045	\$ 7,333	\$ 519,221
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Streets	( 9,446)	--	--	--
Capital projects	--	--	--	--
American Rescue Plan Act projects	--	--	--	--
Other purposes	--	7,045	7,333	519,221
Total cash basis fund balances	\$( 9,446)	\$ 7,045	\$ 7,333	\$ 519,221

(continued next page)

Special Revenue

Local Option Sales Tax	Police Federal Forfeiture	Health Insurance	Equipment Replacement	Unemployment Compensation	Industrial Development
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
649,655	--	--	--	--	--
--	--	--	--	27	83
--	--	--	--	--	--
<u>649,655</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>27</u>	<u>83</u>
--	43,982	--	--	--	--
--	--	--	--	--	--
--	--	22,950	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
550,364	--	--	--	--	--
<u>550,364</u>	<u>43,982</u>	<u>22,950</u>	<u>--</u>	<u>--</u>	<u>--</u>
99,291	( 43,982)	( 22,950)	--	27	83
--	43,607	9,000	90,600	--	--
( 15,000)	--	--	( 43,607)	--	--
( 15,000)	<u>43,607</u>	<u>9,000</u>	<u>46,993</u>	<u>--</u>	<u>--</u>
84,291	( 375)	( 13,950)	46,993	27	83
<u>306,825</u>	<u>375</u>	<u>208,772</u>	<u>548,690</u>	<u>28,947</u>	<u>35,104</u>
<u>\$ 391,116</u>	<u>\$ --</u>	<u>\$ 194,822</u>	<u>\$ 595,683</u>	<u>\$ 28,974</u>	<u>\$ 35,187</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	--	--	--	--
<u>391,116</u>	<u>--</u>	<u>194,822</u>	<u>595,683</u>	<u>28,974</u>	<u>35,187</u>
<u>\$ 391,116</u>	<u>\$ --</u>	<u>\$ 194,822</u>	<u>\$ 595,683</u>	<u>\$ 28,974</u>	<u>\$ 35,187</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, 2022

	Special Revenue			
	Community Center	Cemetery Mausoleum	Library	Skate Park
Receipts:				
Property tax	\$ --	\$ --	\$ --	\$ --
Local option sales tax	--	--	--	--
Use of money and property	252	43	4,025	--
Intergovernmental	--	--	1,071	--
Miscellaneous	--	--	24,262	--
Total receipts	<u>252</u>	<u>43</u>	<u>29,358</u>	<u>--</u>
Disbursements:				
Operating:				
Public safety	--	--	--	--
Public works	--	--	--	--
Health and social services	--	--	--	--
Culture and recreation	--	--	4,373	--
Community and economic development	--	--	--	--
Debt service	--	--	--	--
Capital projects	--	--	--	--
Total disbursements	<u>--</u>	<u>--</u>	<u>4,373</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	252	43	24,985	--
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	252	43	26,985	--
Cash balances beginning of year	<u>137,017</u>	<u>11,656</u>	<u>251,895</u>	<u>1,525</u>
Cash balances end of year	<u>\$ 137,269</u>	<u>\$ 11,699</u>	<u>\$ 278,880</u>	<u>\$ 1,525</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Streets	--	--	--	--
Capital projects	--	--	--	--
American Rescue Plan Act projects	--	--	--	--
Other purposes	<u>137,269</u>	<u>11,699</u>	<u>278,880</u>	<u>1,525</u>
Total cash basis fund balances	<u>\$ 137,269</u>	<u>\$ 11,699</u>	<u>\$ 278,880</u>	<u>\$ 1,525</u>

(continued next page)

Special Revenue					
Cemetery Land Reserve	LEC Capital Improvement	Animal Shelter	Enrich Iowa	Downtown Streetscape	Housing Rehabilitation
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	--	--	--	--
--	10,650	--	2,119	--	--
--	--	268,683	--	--	9,992
<u>--</u>	<u>10,650</u>	<u>268,683</u>	<u>2,119</u>	<u>--</u>	<u>9,992</u>
--	2,472	356,139	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	2,119	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>--</u>	<u>2,472</u>	<u>356,139</u>	<u>2,119</u>	<u>--</u>	<u>--</u>
--	8,178	( 87,456)	--	--	9,992
( 7)	--	--	--	( 88)	--
<u>( 7)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>( 88)</u>	<u>--</u>
( 7)	8,178	( 87,456)	--	( 88)	9,992
<u>7</u>	<u>35,093</u>	<u>715,480</u>	<u>1,386</u>	<u>88</u>	<u>--</u>
<u>\$ --</u>	<u>\$ 43,271</u>	<u>\$ 628,024</u>	<u>\$ 1,386</u>	<u>\$ --</u>	<u>\$ 9,992</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
--	--	--	--	--	--
--	43,271	628,024	1,386	--	9,992
<u>\$ --</u>	<u>\$ 43,271</u>	<u>\$ 628,024</u>	<u>\$ 1,386</u>	<u>\$ --</u>	<u>\$ 9,992</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, 2022

	Special Revenue		
	Neighborhood Stabilization	People Active Community Exercise	Insurance and Employee Benefits
Receipts:			
Property tax	\$ --	\$ --	\$ --
Local option sales tax	--	--	--
Use of money and property	--	--	--
Intergovernmental	--	--	--
Miscellaneous	--	--	--
Total receipts	--	--	--
Disbursements:			
Operating:			
Public safety	--	--	--
Public works	--	--	--
Health and social services	--	--	--
Culture and recreation	--	--	--
Community and economic development	19,872	--	--
Debt service	--	--	--
Capital projects	--	--	--
Total disbursements	19,872	--	--
Excess (deficiency) of receipts over (under) disbursements	( 19,872)	--	--
Other financing sources (uses):			
Transfers in	--	--	--
Transfers out	--	--	--
Total other financing sources (uses)	--	--	--
Change in cash balances	( 19,872)	--	--
Cash balances beginning of year	91,162	91,417	45,090
Cash balances end of year	\$ 71,290	\$ 91,417	\$ 45,090
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Streets	--	--	--
Capital projects	--	--	--
American Rescue Plan Act projects	--	--	--
Other purposes	71,290	91,417	45,090
Total cash basis fund balances	\$ 71,290	\$ 91,417	\$ 45,090

See accompanying independent auditor's report.

	<u>Permanent</u>		
<u>Capital</u> <u>Projects</u>	<u>Perpetual</u> <u>Care</u>		<u>Total</u>
\$ --	\$ --	\$	637,348
--	--		649,655
1,658	--		6,088
306,672	--		902,669
--	9,000		324,108
<u>308,330</u>	<u>9,000</u>		<u>2,519,868</u>
--	--		402,593
--	--		570,132
--	--		29,950
--	--		6,492
--	--		19,872
44,888	--		44,888
135,735	--		686,099
<u>180,623</u>	<u>--</u>		<u>1,760,026</u>
127,707	9,000		759,842
306,672	--		491,057
<u>--</u>	<u>--</u>	(	<u>715,702)</u>
<u>306,672</u>	<u>--</u>	(	<u>224,645)</u>
434,379	9,000		535,197
( 20,135)	205,712		3,183,537
<u>\$ 414,244</u>	<u>\$ 214,712</u>	<u>\$</u>	<u>3,718,734</u>
\$ --	\$ 214,712	\$	214,712
--	--	(	9,446)
119,773	--		119,773
294,471	--		294,471
<u>--</u>	<u>--</u>		<u>3,099,224</u>
<u>\$ 414,244</u>	<u>\$ 214,712</u>	<u>\$</u>	<u>3,718,734</u>



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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Receipts:				
Property tax	\$ 2,384,649	\$ 2,416,993	\$ 2,212,086	\$ 2,169,772
Local option sales tax	649,655	486,758	459,007	463,964
Tax increment financing	982,072	976,970	646,195	748,773
Other city tax	136,596	59,882	112,930	125,315
Licenses and permits	42,543	21,454	40,746	34,769
Use of money and property	94,539	103,702	93,968	41,198
Intergovernmental	1,328,492	931,682	928,728	941,964
Charges for service	360,292	329,479	312,737	353,768
Miscellaneous	<u>741,416</u>	<u>1,343,174</u>	<u>598,630</u>	<u>454,710</u>
Total	<u>\$ 6,720,254</u>	<u>\$ 6,670,094</u>	<u>\$ 5,405,027</u>	<u>\$ 5,334,233</u>
Disbursements:				
Operating:				
Public safety	\$ 1,516,600	\$ 936,794	\$ 1,015,447	\$ 959,100
Public works	680,581	750,185	739,889	660,684
Health and social services	32,893	14,824	25,168	37,213
Culture and recreation	1,329,420	1,121,231	1,267,160	1,385,761
Community and economic development	556,236	461,236	633,039	573,622
General government	515,537	511,206	454,969	523,533
Debt service	1,124,376	1,300,877	553,255	555,086
Capital projects	1,615,842	3,004,815	1,781,704	768,599
Business type activities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total	<u>\$ 7,371,485</u>	<u>\$ 8,101,168</u>	<u>\$ 6,470,631</u>	<u>\$ 5,463,598</u>

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 2,118,228	\$ 1,970,785	\$ 1,932,225	\$ 1,902,406	\$ 1,844,801	\$ 1,812,279
392,717	444,159	491,983	426,210	386,200	366,230
596,709	176,770	118,310	109,844	121,253	123,983
122,406	122,102	116,227	75,362	77,853	75,511
33,934	20,645	38,555	49,858	28,408	22,408
36,712	37,297	38,864	33,090	23,068	4,409
1,649,232	845,091	720,839	757,014	765,826	984,128
351,130	392,191	373,215	370,175	339,652	438,195
<u>1,097,279</u>	<u>522,003</u>	<u>366,759</u>	<u>181,053</u>	<u>212,422</u>	<u>362,274</u>
<u>\$ 6,398,347</u>	<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>
\$ 851,078	\$ 665,321	\$ 684,080	\$ 617,761	\$ 619,909	\$ 592,421
778,764	552,149	484,532	435,810	478,777	411,183
22,944	11,794	11,787	24,399	12,510	21,065
1,182,486	1,125,821	1,179,639	1,056,589	1,027,617	895,093
389,957	428,825	718,392	1,417,933	803,432	1,063,153
573,087	585,406	542,338	524,614	530,120	507,874
562,429	527,350	532,254	458,601	480,622	414,524
1,912,746	2,221,176	360,284	275,450	640,648	2,231,786
--	--	--	--	--	130,698
<u>\$ 6,273,491</u>	<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>

CITY OF JEFFERSON, IOWA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2022

<u>Grantor/Program</u>	<u>Assistance Listings Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Expenditures</u>
U.S. Department of Housing and Urban Development: Passed through Iowa Economic Development Authority: Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	14.228	20-HSGU-001	\$ 93,999
Total U.S. Department of Housing and Urban Development			<u>93,999</u>
U.S. Department of the Treasury: COVID-19, Coronavirus State and Local Fiscal Recovery Funds	21.027	FY2022	<u>12,201</u>
Total U.S. Department of the Treasury			<u>12,201</u>
U.S. Department of Transportation: Airport Improvement Program	20.106	3-19-0049-013-2020	968,767
Airport Improvement Program	20.106	3-19-0049-014-2020	231,304
Airport Improvement Program	20.106	3-19-0049-015-2020	13,700
Airport Improvement Program	20.106	3-19-0049-016-2021	13,000
Airport Improvement Program	20.106	3-19-0049-017-2022	7,200
Airport Improvement Program	20.106	3-19-0049-018-2022	28,542
Total U.S. Department of Transportation			<u>1,262,513</u>
Total			<u>\$ 1,368,713</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, 2022. 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.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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

KENNETH P. TEGELS  
CHRISTOPHER J. NELSON  
DAVID A. GINTHER  
DUSTIN T. VEENSTRA

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 auditing standards generally accepted in the United States of America 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, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 1, 2023. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

## **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Jefferson's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of 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 that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 2022-001 to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Jefferson's financial statements are free from 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, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City of Jefferson's Responses to the Findings**

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

### **Purpose of this Report**

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

*Benjamin R. Ben, John & Co. P.C.*

Atlantic, Iowa  
February 1, 2023

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

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DAVID A. GINTHER  
DUSTIN T. VEENSTRA

## 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**

#### **Opinion on Each Major Federal Program**

We have audited the City of Jefferson, Iowa's compliance with the types of compliance requirements identified as subject to audit 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, 2022. The City of Jefferson's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Jefferson complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards), 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Jefferson and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Jefferson's compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Jefferson's federal programs.

To the Honorable Mayor and  
Members of the City Council

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Jefferson's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about the City of Jefferson's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Jefferson's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Jefferson's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Jefferson's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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.



To the Honorable Mayor and  
Members of the City Council

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

*Burns & McDonnell, Ben, Kohn & Co. P.C.*

Atlantic, Iowa  
February 1, 2023

CITY OF JEFFERSON, IOWA  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2022

PART I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements prepared on the cash basis of accounting, 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, 2022

PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

2022-001 Segregation of Duties:

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

Condition: 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.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF JEFFERSON, IOWA  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2022

PART III: Findings and Questioned Costs For Federal Awards

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART IV: Other Findings Related to Required Statutory Reporting

2022-A Certified Budget: Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the public works, health and social services, general government, 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.

2022-B 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.

2022-C 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, 2022

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

2022-D 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	\$ 5,071

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.

2022-E Restricted Donor Activity: No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2022-F Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

2022-G Council Minutes: No transactions were found that we believe should have been approved in the City Council minutes that were not.

2022-H 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.

Also, the adopted resolution naming the official depositories as required by Chapter 12C.2 of the Code of Iowa did not distinctly name one depository or specify the maximum amount that may be kept in that depository.

Recommendation: The City should amend the depository resolution to include all depositories and the amounts sufficient to cover anticipated balances as required by Chapter 12C.2 of the Code of Iowa.

Response: The City will amend the depository resolution.

Conclusion: Response accepted.

CITY OF JEFFERSON, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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

2022-I Revenue Bonds: No instances of non-compliance with revenue bond resolutions were noted.

2022-J Financial Condition: The following funds had deficit balances at June 30, 2022.

Special Revenue - Road Use Tax	\$	9,446
Enterprise - Sanitation		333,404
Component Unit - Airport		501,523

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.

2022-K 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.

2022-L 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.

2022-M Economic Development: During the year ended June 30, 2022, the City paid \$50,000 to the Greene County Development Corporation (GCDC) and \$40,000 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, 2022

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

2022-N Interfund Transfers: Section 545-2 of the City Finance Committee Rules requires "A fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred.

The resolutions approving the City's fund transfers did not include the purpose of each transfer. In addition, the City did not have an approved resolution for all transfers.

Recommendation: The resolutions approving all fund transfers should include the information required by Section 545-2 of the City Finance Committee Rules.

Response: We will ensure transfer resolutions will include the appropriate information in the future.

Conclusion: Response accepted.

\* \* \*