

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

JUNE 30, 2025

CITY OF JEFFERSON, IOWA
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CITY OF JEFFERSON, IOWA
OFFICIALS
June 30, 2025

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Berry	Mayor	January, 2028
Darren Jackson	Mayor Pro-Tem	January, 2026
Pat Zmolek	Council Member	January, 2026
Chad Sloan	Council Member	January, 2028
Matt Wetrich	Council Member	January, 2028
Harry Ahrenholtz	Council Member	January, 2026
Scott Peterson	City Administrator	Indefinite
Roxanne Gorsuch	City Clerk	Indefinite
Sarah Morlan	Finance Officer/ Deputy City Clerk	Indefinite
David Morain	Attorney	Indefinite

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DUSTIN T. VEENSTRA
FAITH E. HINRICHS

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 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, 2025, 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 accompanying 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, 2025, 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - 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.

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 the 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 nine years ended June 30, 2024 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 and 2 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 GAAS. In our opinion, the supplementary information in Schedules 1 and 2 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 this 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 28 through 32 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 13, 2026 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 the City of Jefferson's internal control over financial reporting and compliance.

Gronwald, Bell, Kyhn & Co. P.C.

Atlantic, Iowa
February 13, 2026

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

As of and for the year ended June 30, 2025

		Program Receipts	
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,084,867	\$ 24,687	\$ 97,375
Public works	679,810	--	595,325
Health and social services	29,411	--	--
Culture and recreation	1,761,639	571,328	271,710
Community and economic development	677,718	--	--
General government	638,503	94,551	52,786
Debt service	575,797	--	--
Capital projects	<u>2,780,885</u>	<u>--</u>	<u>--</u>
Total governmental activities	<u>8,228,630</u>	<u>690,566</u>	<u>1,017,196</u>
Business type activities:			
Water	863,604	1,297,627	--
Sewer	7,929,497	1,626,656	2,722
Sanitation	505,775	640,646	--
Recycling	<u>169,639</u>	<u>220,913</u>	<u>--</u>
Total business type activities	<u>9,468,515</u>	<u>3,785,842</u>	<u>2,722</u>
Total Primary Government	<u>\$ 17,697,145</u>	<u>\$ 4,476,408</u>	<u>\$ 1,019,918</u>
Component Unit:			
Jefferson Municipal Airport Commission	<u>\$ 192,698</u>	<u>\$ --</u>	<u>\$ --</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
\$ --	\$(962,805)	\$ --	\$(962,805)	\$ --
--	(84,485)	--	(84,485)	--
--	(29,411)	--	(29,411)	--
--	(918,601)	--	(918,601)	--
--	(677,718)	--	(677,718)	--
--	(491,166)	--	(491,166)	--
--	(575,797)	--	(575,797)	--
<u>388,151</u>	<u>(2,392,734)</u>	<u>--</u>	<u>(2,392,734)</u>	<u>--</u>
<u>388,151</u>	<u>(6,132,717)</u>	<u>--</u>	<u>(6,132,717)</u>	<u>--</u>
--	--	434,023	434,023	--
--	--	(6,300,119)	(6,300,119)	--
--	--	134,871	134,871	--
<u>--</u>	<u>--</u>	<u>51,274</u>	<u>51,274</u>	<u>--</u>
<u>--</u>	<u>--</u>	<u>(5,679,951)</u>	<u>(5,679,951)</u>	<u>--</u>
<u>\$ 388,151</u>	<u>(6,132,717)</u>	<u>(5,679,951)</u>	<u>(11,812,668)</u>	<u>--</u>
<u>\$ 298,316</u>	--	--	--	105,618

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

As of and for the year ended June 30, 2025

	<u>Program Receipts</u>	
<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>
General Receipts and Transfers:		
Property and other city tax levied for:		
General purposes		
Debt service		
Tax increment financing		
Hotel/motel tax		
Local option sales tax		
Property tax replacement		
Unrestricted interest on investments		
Bond proceeds		
Miscellaneous		
Rents received		
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:		
Nonexpendable:		
Cemetery perpetual care		
Expendable:		
Streets		
Urban renewal purposes		
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
\$ 2,149,430	\$ --	\$ 2,149,430	\$ --	
376,128	--	376,128	--	
1,150,125	--	1,150,125	--	
149,640	--	149,640	--	
591,208	--	591,208	--	
39,150	--	39,150	--	
261,602	172,469	434,071	6,154	
--	6,774,953	6,774,953	--	
245,988	48,393	294,381	25,890	
--	--	--	74,299	
<u>188,000</u>	<u>(153,000)</u>	<u>35,000</u>	<u>(35,000)</u>	
<u>5,151,271</u>	<u>6,842,815</u>	<u>11,994,086</u>	<u>71,343</u>	
(981,446)	1,162,864	181,418	176,961	
<u>6,805,309</u>	<u>6,634,579</u>	<u>13,439,888</u>	<u>(379,829)</u>	
<u>\$ 5,823,863</u>	<u>\$ 7,797,443</u>	<u>\$ 13,621,306</u>	<u>\$ (202,868)</u>	
\$ 236,212	\$ --	\$ 236,212	\$ --	
108,844	--	108,844	--	
361,569	--	361,569	--	
26,741	--	26,741	--	
3,208,965	--	3,208,965	--	
<u>1,881,532</u>	<u>7,797,443</u>	<u>9,678,975</u>	<u>(202,868)</u>	
<u>\$ 5,823,863</u>	<u>\$ 7,797,443</u>	<u>\$ 13,621,306</u>	<u>\$ (202,868)</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, 2025

	Special Revenue			
	General	Employee Benefits	Tax Increment Financing	Equipment Replacement
Receipts:				
Property tax	\$1,472,594	\$ --	\$ --	\$ --
Local option sales tax	--	--	--	--
Tax increment financing	--	--	1,150,125	--
Other city tax	149,640	--	--	--
Licenses and permits	93,534	--	--	--
Use of money and property	188,497	--	--	20,354
Intergovernmental	299,456	--	--	6,030
Charges for service	427,477	--	--	--
Miscellaneous	407,454	--	13,062	--
Total receipts	3,038,652	--	1,163,187	26,384
Disbursements:				
Operating:				
Public safety	1,084,867	--	--	--
Public works	105,322	--	--	--
Health and social services	2,750	--	--	--
Culture and recreation	1,706,596	--	--	--
Community and economic development	236,524	--	441,194	--
General government	638,503	--	--	--
Debt service	--	--	--	--
Capital projects	--	--	--	--
Total disbursements	3,774,562	--	441,194	--
Excess (deficiency) of receipts over (under) disbursements	(735,910)	--	721,993	26,384
Other financing sources (uses):				
Transfers in	907,103	--	--	182,506
Transfers out	(163,586)	--	(631,664)	(33,810)
Total other financing sources (uses)	743,517	--	(631,664)	148,696
Change in cash balances	7,607	--	90,329	175,080
Cash balances beginning of year	1,873,925	562,157	271,240	--
Adjustment (See Note 17)	--	(562,157)	--	605,671
Cash balance, restated	1,873,925	--	271,240	605,671
Cash balances end of year	\$1,881,532	\$ --	\$ 361,569	\$ 780,751

(continued next page)

<u>Special Revenue</u> Autenreith Community Center	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ 1,092,114	\$ 2,564,708
--	--	591,208	591,208
--	--	--	1,150,125
--	--	--	149,640
--	--	--	93,534
37,734	27,471	45,825	319,881
--	--	1,003,461	1,308,947
--	--	--	427,477
--	--	33,148	453,664
<u>37,734</u>	<u>27,471</u>	<u>2,765,756</u>	<u>7,059,184</u>
--	--	--	1,084,867
--	--	574,488	679,810
--	--	26,661	29,411
19,263	--	35,780	1,761,639
--	--	--	677,718
--	--	--	638,503
--	--	575,797	575,797
--	1,510,269	1,270,616	2,780,885
<u>19,263</u>	<u>1,510,269</u>	<u>2,483,342</u>	<u>8,228,630</u>
18,471	(1,482,798)	282,414	(1,169,446)
--	70,689	759,467	1,919,765
<u>--</u>	<u>--</u>	<u>(902,705)</u>	<u>(1,731,765)</u>
<u>--</u>	<u>70,689</u>	<u>(143,238)</u>	<u>188,000</u>
18,471	(1,412,109)	139,176	(981,446)
748,692	1,438,850	1,910,445	6,805,309
<u>--</u>	<u>--</u>	<u>(43,514)</u>	<u>--</u>
<u>748,692</u>	<u>1,438,850</u>	<u>1,866,931</u>	<u>6,805,309</u>
<u>\$ 767,163</u>	<u>\$ 26,741</u>	<u>\$ 2,006,107</u>	<u>\$ 5,823,863</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, 2025

	Special Revenue			
	General	Employee Benefits	Tax Increment Financing	Equipment Replacement
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Streets	--	--	--	--
Urban renewal purposes	--	--	361,569	--
Capital projects	--	--	--	--
Other purposes	--	--	--	780,751
Unassigned	<u>1,881,532</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	<u>\$1,881,532</u>	<u>\$ --</u>	<u>\$ 361,569</u>	<u>\$ 780,751</u>

The accompanying notes are an integral part of these statements.

<u>Special Revenue Autenreith Community Center</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ 236,212	\$ 236,212
--	--	108,844	108,844
--	--	--	361,569
--	26,741	--	26,741
767,163	--	1,661,051	3,208,965
<u>--</u>	<u>--</u>	<u>--</u>	<u>1,881,532</u>
<u>\$ 767,163</u>	<u>\$ 26,741</u>	<u>\$ 2,006,107</u>	<u>\$ 5,823,863</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, 2025

	Enterprise	
	Water	Sewer
Operating receipts:		
Charges for service	\$ 1,297,627	\$ 1,626,656
Total operating receipts	1,297,627	1,626,656
Operating disbursements:		
Business type activities	863,604	596,316
Total operating disbursements	863,604	596,316
Excess of operating receipts over operating disbursements	434,023	1,030,340
Non-operating receipts (disbursements):		
Intergovernmental	--	2,722
Interest on investments	76,781	95,688
Miscellaneous	40,186	5,327
Debt service	--	(720,276)
Capital projects	--	(6,612,905)
Net non-operating receipts (disbursements)	116,967	(7,229,444)
Excess (deficiency) of receipts over (under) disbursements	550,990	(6,199,104)
Other financing sources (uses):		
Sewer revenue bond proceeds	--	6,774,953
Transfers out	(35,000)	(37,000)
Total other financing sources (uses)	(35,000)	6,737,953
Change in cash balances	515,990	538,849
Cash balances beginning of year	4,836,830	1,969,250
Cash balances end of year	\$ 5,352,820	\$ 2,508,099
Cash Basis Fund Balances		
Unrestricted	\$ 5,352,820	\$ 2,508,099
Total cash basis fund balances	\$ 5,352,820	\$ 2,508,099

The accompanying notes are an integral part of these statements.

Enterprise		
Nonmajor		
Sanitation	Recycling	Total
\$ 640,646	\$ 220,913	\$ 3,785,842
<u>640,646</u>	<u>220,913</u>	<u>3,785,842</u>
505,775	169,639	2,135,334
<u>505,775</u>	<u>169,639</u>	<u>2,135,334</u>
134,871	51,274	1,650,508
--	--	2,722
--	--	172,469
814	2,066	48,393
--	--	(720,276)
--	--	(6,612,905)
<u>814</u>	<u>2,066</u>	<u>(7,109,597)</u>
135,685	53,340	(5,459,089)
--	--	6,774,953
(20,000)	(61,000)	(153,000)
<u>(20,000)</u>	<u>(61,000)</u>	<u>6,621,953</u>
115,685	(7,660)	1,162,864
(184,603)	13,102	6,634,579
<u>\$(68,918)</u>	<u>\$ 5,442</u>	<u>\$ 7,797,443</u>
\$(68,918)	\$ 5,442	\$ 7,797,443
<u>\$(68,918)</u>	<u>\$ 5,442</u>	<u>\$ 7,797,443</u>

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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 1871 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 the 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, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Jointly Governed Organizations

The City participates in several jointly governed organizations which 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: Central Iowa Area Safety and Support Organization.

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 \$105,000, respectively, during the fiscal year ended June 30, 2025.

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

B. Basis of Presentation

Government-wide Financial Statement

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, 2025

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 are aggregated and reported as nonmajor governmental funds. The remaining enterprise funds are reported as nonmajor enterprise funds.

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 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 Equipment Replacement Fund is used to account for reserves held for large equipment acquisitions.

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

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

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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 this 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 receipts 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, 2023 assessed property valuations; is for the tax accrual period July 1, 2024 through June 30, 2025 and reflects tax asking contained in the budget certified to the City Council in April 2024.

In the governmental fund financial statement, 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 are imposed by law through constitutional provisions or enabling legislation.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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, 2025, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development, general government and debt service functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2025 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 recurring 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, 2025

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 which 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, 2025 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 6,695,000	\$ --	\$ 375,000	\$ 6,320,000	\$ 405,000
Governmental Activities Total	<u>\$ 6,695,000</u>	<u>\$ --</u>	<u>\$ 375,000</u>	<u>\$ 6,320,000</u>	<u>\$ 405,000</u>
Business Type Activities:					
Sewer Revenue Bonds - Direct Borrowing	\$ 12,398,709	\$ 6,774,953	\$ 414,000	\$ 18,759,662	\$ 614,000
Business Type Activities Total	<u>\$ 12,398,709</u>	<u>\$ 6,774,953</u>	<u>\$ 414,000</u>	<u>\$ 18,759,662</u>	<u>\$ 614,000</u>

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 3 - BONDS PAYABLE - Continued

General Obligation Bonds

A summary of the City's June 30, 2025 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
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	3.00	125,000	54,000	2.00	165,000	28,100
2029	3.00	130,000	50,250	2.00	165,000	24,800
2030	3.00	135,000	46,350	2.00	175,000	21,500
2031-2035	3.00	740,000	168,150	2.00	900,000	53,700
2036-2039	3.00	670,000	51,000		--	--
		<u>\$2,045,000</u>	<u>\$ 488,850</u>		<u>\$1,700,000</u>	<u>\$ 193,500</u>
Year Ending June 30,	Urban Renewal Bonds Issued April 28, 2021			Corporate Purpose Bonds Issued May 28, 2024		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2026	0.90%	\$ --	\$ 20,916	4.38%	\$ 155,000	\$ 70,956
2027	0.90	--	20,916	4.38	160,000	64,167
2028	1.96	150,000	20,916	4.38	165,000	57,159
2029	2.20	600,000	17,977	4.38	170,000	49,932
2030	2.33	205,000	4,777	4.38	180,000	42,486
2031-2035		--	--	4.38	790,000	88,257
		<u>\$ 955,000</u>	<u>\$ 85,502</u>		<u>\$1,620,000</u>	<u>\$ 372,957</u>
Year Ending June 30,	Total					
		Principal	Interest		Principal	Total
2026		\$ 405,000	\$ 187,222		\$ 592,222	
2027		450,000	174,233		624,233	
2028		605,000	160,175		765,175	
2029		1,065,000	142,959		1,207,959	
2030		695,000	115,113		810,113	
2031-2035		2,430,000	310,107		2,740,107	
2036-2039		670,000	51,000		721,000	
		<u>\$6,320,000</u>	<u>\$1,140,809</u>		<u>\$7,460,809</u>	

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 3 - BONDS PAYABLE - Continued

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, 2025, the City paid \$115,000 of principal and \$64,800 of interest on the bonds. The bonds mature in fiscal year 2039.

On April 28, 2021, the City issued \$3,585,000 of general obligation corporate purpose and refunding bonds with an interest rate of 2.00% per annum. The bonds were issued for refunding prior general obligation bonds and cost of constructing animal shelter. During the year ended June 30, 2025, the City paid \$180,000 of principal and \$37,600 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, 2025, the City paid \$ - 0 - of principal and \$20,916 of interest on the bonds. The bonds mature in fiscal year 2030.

On May 28, 2024, the City issued \$1,700,000 of general obligation corporate purpose bonds with an interest rate of 4.38% per annum. The bonds were issued for equipment purchases, street lighting, signage and signalization improvements and for the construction of street, water system, sanitary sewer system, storm water drainage and sidewalk improvements. During the year ended June 30, 2025, the City paid \$80,000 of principal and \$75,080 of interest on the bonds. The bonds mature in fiscal year 2034.

Revenue Bonds

A summary of the City's June 30, 2025 sewer revenue bonds payable is as follows:

Year Ending June 30,	Sewer			
	Issued December 23, 2022			
	Interest Rates	Principal	Interest	Total
2026	1.75%	\$ 614,000	\$ 328,294	\$ 942,294
2027	1.75	856,000	317,549	1,173,549
2028	1.75	915,000	302,569	1,217,569
2029	1.75	970,000	286,557	1,256,557
2030	1.75	986,000	269,582	1,255,582
2031-2035	1.75	5,231,000	1,082,188	6,313,188
2036-2040	1.75	5,777,000	605,750	6,382,750
2041-2043	1.75	3,410,662	114,274	3,524,936
		<u>\$ 18,759,662</u>	<u>\$ 3,306,763</u>	<u>\$ 22,066,425</u>

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 3 - BONDS PAYABLE - Continued

Sewer Revenue Bonds - Direct Borrowing

On December 23, 2022, the City entered into an agreement with the Iowa Finance Authority (IFA) for the issuance of up to \$19,750,000 sewer revenue bonds with interest at 1.75% per annum. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to provide financing for the construction of improvements and extensions to the City's Municipal Sanitary Sewer System. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. In the event of 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 other 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, 2025, the City drew down \$6,774,953 of the authorized amount, leaving a balance of \$340,338 to draw. An initiation fee of \$98,750, 0.5% of the authorized borrowing for the sewer revenue bonds, was charged by the IFA. The agreement also requires the City to pay 0.25% servicing fee on the outstanding principal balance. A final repayment schedule has not yet been adopted for the bonds. \$414,000 in principal and \$267,991 in interest payments were made during the year ended June 30, 2025.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$19,750,000 of sewer revenue bonds issued in December 2022. The bonds are payable solely from sewer customer net receipts. Annual principal and interest payments on the bonds are expected to require 66% of net receipts. The total principal and interest remaining to be paid on the bonds, including estimated amounts, is \$22,066,425. For the current year, principal and interest paid and total customer net receipts were \$681,991 and \$1,030,340, respectively.

The resolutions providing for the issuance of the sewer 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 separate sewer revenue sinking account within the Enterprise, Sewer Fund for the purpose of making the bond principal and interest payments when due.
- (c) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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 the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

If a Regular 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.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 4 - PENSION PLAN - Continued

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

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

In fiscal year 2025, 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, 2025 totaled \$208,144.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2025, the City reported a liability of \$535,591 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2024, the City's proportion was 0.014708%, which was a decrease of 0.001525% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025 the City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$99,177, \$568,617, and \$472,822, respectively.

There were no non-employer contributing entities to IPERS.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 4 - PENSION PLAN - Continued

Actuarial Assumptions - The total pension liability in the June 30, 2024 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, 2024 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2024 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	21.0%	3.52%
International equity	13.0	5.18
Global smart beta equity	5.0	4.12
Core plus fixed income	25.5	3.04
Public credit	3.0	4.53
Cash	1.0	1.69
Private equity	17.0	8.89
Private real assets	9.0	4.25
Private credit	5.5	6.62
Total	<u>100%</u>	

CITY OF JEFFERSON, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2025

NOTE 4 - PENSION PLAN - Continued

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

Sensitivity of 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 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$ <u>1,754,019</u>	\$ <u>535,591</u>	\$(<u>485,062</u>)

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

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2025, the City contributed \$482,282 and plan members eligible for benefits contributed \$38,244 to the plan. At June 30, 2025, no assets have been accumulated in a trust which 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.

CITY OF JEFFERSON, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2025

NOTE 5 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

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, 2025, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>31</u>
Total	<u><u>31</u></u>

NOTE 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, sick leave 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 the leave which is attributable to services already rendered, the leave accumulates and carries forward from one reporting period to the next and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means for earned vacation, sick leave and comp time to employees at June 30, 2025 is as follows:

Type of Benefit	Amount
Vacation	\$ 75,000
Sick leave	40,000
Comp time	<u>21,000</u>
Total	<u><u>\$ 136,000</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2025.

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2025 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Road Use Tax Employee Benefits Local Option Sales Tax Equipment Replacement Enterprise: Water Sewer Recycling Component Unit: Jefferson Municipal Airport Commission	\$ 50,000 681,293 30,000 33,810 35,000 37,000 5,000 35,000 <u>907,103</u>
Special Revenue: Road Use Tax	General Special Revenue: Local Option Sales Tax	26,803 99,000 <u>125,803</u>
Special Revenue: Equipment Replacement	General Special Revenue: Road Use Tax Enterprise: Sanitation Recycling	64,094 42,412 20,000 56,000 <u>182,506</u>
Special Revenue: Library	General	2,000
Special Revenue: Downtown Buildings	Special Revenue: Tax Increment Financing	437,771
Debt Service	Special Revenue: Tax Increment Financing	193,893
Capital Projects	General	<u>70,689</u>
		<u>\$ 1,919,765</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, 2025

NOTE 8 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$25,775 during the year ended June 30, 2025.

NOTE 9 - CITY LEASE RECEIVABLE

The City owns farmland within Greene County, Iowa. Effective March 1, 2025, the City entered into a three-year lease with an individual whereby the individual operates the farm. The City is to receive \$17,802 in land rent semi-annually with an implicit rate of 4.5%.

Year Ending June 30,	Amount
2026	\$ 35,605
2027	35,605
2028	<u>17,802</u>
Total	89,012
Less interest	<u>(6,273)</u>
Present value	<u><u>\$ 82,739</u></u>

NOTE 10 - RISK MANAGEMENT

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

NOTE 11 - DEFICIT BALANCES

The Enterprise: Sanitation Fund and the Component Unit: Airport Improvement Fund had deficit balances of \$68,918 and \$388,147, respectively at June 30, 2025. The deficits will be eliminated by grant funds and sanitation collections.

NOTE 12 - NORTH DALLAS COUNTY LANDFILL

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

CITY OF JEFFERSON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The City has entered into multiple construction contracts totaling approximately \$19,448,000 that are still in process at June 30, 2025. The net remaining amount committed to these contracts is approximately \$1,308,000, which will be paid with existing funds, debt proceeds and grant proceeds.

NOTE 14 - DEVELOPMENT AGREEMENTS

The City entered into a development agreement with Jefferson Hotel Group, LLC (company) for the construction of a hotel facility with a minimum assessed value of \$3,600,000. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the company will be rebated to the company in a cumulative amount not to exceed \$1,015,000, subject to annual appropriation. The agreement requires ten annual payments, provided the company is in compliance with the terms of the agreement. During the year ended June 30, 2025, the City rebated \$101,200 of incremental property tax to the company. At June 30, 2025, the remaining balance to be paid on the agreement was \$206,461.

The City entered into a development agreement with Tri-County Cash Lumber Mart, Inc. (company) for the construction of housing units. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the company will be rebated to the company in a cumulative amount not to exceed \$600,000, subject to annual appropriation. The agreement requires seven annual payments, provided the company is in compliance with the terms of the agreement. During the year ended June 30, 2025, the City rebated \$62,302 of incremental property tax to the company. At June 30, 2025, the remaining balance to be paid on the agreement was \$424,048.

The City entered into a development agreement with BAM Properties of Iowa, LLC (developer) for the construction of a veterinary clinic with a minimum assessed value of \$450,000. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated to the developer in a cumulative amount not to exceed \$100,000, subject to annual appropriation. The agreement requires seven annual payments, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2025, the City rebated \$15,083 of incremental property tax to the developer. At June 30, 2025, the remaining balance to be paid on the agreement was \$31,228.

The City entered into a development agreement with Mark Bauer Development Company, L.L.C. (company) for the construction of a residential development. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the company will be rebated to the company in a cumulative amount not to exceed \$3,400,000, subject to annual appropriation. The agreement requires ten annual payments, provided the company is in compliance with the terms of the agreement. During the year ended June 30, 2025, the City rebated \$49,128 of incremental property tax to the company. At June 30, 2025, the remaining balance to be paid on the agreement was \$3,129,760.

CITY OF JEFFERSON, IOWA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2025

NOTE 15 - TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues which 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 which 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 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, 2025, \$167,949 of property tax was diverted from the City under the urban renewal and economic development agreements.

NOTE 16 - SUBSEQUENT EVENTS

In October, 2025, the City authorized a purchase of \$275,000 for a 2016 Freightliner Jet Vac Truck.

The City has evaluated all subsequent events through February 13, 2026, the date the financial statements were available to be issued.

NOTE 17 - RESTATEMENTS AND ADJUSTMENTS OF BEGINNING CASH BALANCES

During the year ended June 30, 2025, the City's Equipment Replacement, Special Revenue Fund was changed from a nonmajor governmental fund to a major governmental fund, and the Employee Benefits, Special Revenue Fund was changed from a major governmental fund to a nonmajor governmental fund, resulting in a decrease of the beginning cash balance for the nonmajor governmental funds of \$43,514.

Reporting Units Affected by Adjustments to and Restatements of Beginning Balances

	Equipment Replacement	Employee Benefits	Nonmajor Governmental Funds
6/30/2024, as previously reported	\$ --	\$ 562,157	\$ 1,910,445
Change from nonmajor to major	605,671	--	(605,671)
Change from major to nonmajor	--	(562,157)	562,157
6/30/2024, as adjusted or restated	\$ 605,671	\$ --	\$ 1,866,931

* * *

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, 2025

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 2,564,708	\$ --	\$ 2,564,708
Tax increment financing	1,150,125	--	1,150,125
Other city tax	740,848	--	740,848
Licenses and permits	93,534	--	93,534
Use of money and property	319,881	172,469	492,350
Intergovernmental	1,308,947	2,722	1,311,669
Charges for service	427,477	3,785,842	4,213,319
Miscellaneous	<u>453,664</u>	<u>48,393</u>	<u>502,057</u>
Total receipts	<u>7,059,184</u>	<u>4,009,426</u>	<u>11,068,610</u>
Disbursements:			
Public safety	1,084,867	--	1,084,867
Public works	679,810	--	679,810
Health and social services	29,411	--	29,411
Culture and recreation	1,761,639	--	1,761,639
Community and economic development	677,718	--	677,718
General government	638,503	--	638,503
Debt service	575,797	--	575,797
Capital projects	2,780,885	--	2,780,885
Business type activities	<u>--</u>	<u>9,468,515</u>	<u>9,468,515</u>
Total disbursements	<u>8,228,630</u>	<u>9,468,515</u>	<u>17,697,145</u>
Excess (deficiency) of receipts over (under) disbursements	(1,169,446)	(5,459,089)	(6,628,535)
Other financing sources, net	<u>188,000</u>	<u>6,621,953</u>	<u>6,809,953</u>
Change in balances	(981,446)	1,162,864	181,418
Balances beginning of year	<u>6,805,309</u>	<u>6,634,579</u>	<u>13,439,888</u>
Balances end of year	<u>\$ 5,823,863</u>	<u>\$ 7,797,443</u>	<u>\$ 13,621,306</u>

See accompanying independent auditor's report.

<u>Budgeted Amount</u>		<u>Final to Total Variance</u>
<u>Original</u>	<u>Final</u>	
\$ 2,386,195	\$ 2,378,696	\$ 186,012
1,200,006	1,173,676	(23,551)
827,160	786,660	(45,812)
43,475	55,755	37,779
202,610	433,843	58,507
3,072,143	6,747,822	(5,436,153)
4,333,138	4,084,359	128,960
598,850	1,342,222	(840,165)
<u>12,663,577</u>	<u>17,003,033</u>	<u>(5,934,423)</u>
1,201,979	1,201,979	117,112
696,752	696,752	16,942
36,400	38,750	9,339
1,694,163	1,720,200	(41,439)
578,940	646,150	(31,568)
579,937	628,404	(10,099)
567,267	575,198	(599)
1,365,000	3,090,617	309,732
4,949,701	9,949,607	481,092
<u>11,670,139</u>	<u>18,547,657</u>	<u>850,512</u>
993,438	(1,544,624)	(5,083,911)
<u>--</u>	<u>--</u>	<u>6,809,953</u>
993,438	(1,544,624)	1,726,042
<u>10,564,796</u>	<u>10,564,796</u>	<u>2,875,092</u>
<u>\$ 11,558,234</u>	<u>\$ 9,020,172</u>	<u>\$ 4,601,134</u>

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

June 30, 2025

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 Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$6,877,518. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2025, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development, general government and debt service 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 TEN YEARS*
 (IN THOUSANDS)

OTHER INFORMATION

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
City's proportion of the net pension liability (asset)	0.014708%	0.016233%	0.014637%	0.095637%**
City's proportionate share of the net pension liability (asset)	\$ 536	\$ 733	\$ 553	\$(330)
City's covered payroll	\$ 2,116	\$ 2,031	\$ 1,974	\$ 1,868
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	25.33%	36.09%	28.01%	(17.67)%
IPERS' net position as a percentage of the total pension liability (asset)	92.30%	90.13%	91.40%	100.81%

* 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.

** Overall plan net pension asset.

See accompanying independent auditor's report.

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
0.018379%	0.016691%	0.017518%	0.017371%	0.017419%	0.016605%
\$ 1,291	\$ 966	\$ 1,109	\$ 1,157	\$ 1,096	\$ 820
\$ 1,857	\$ 1,734	\$ 1,746	\$ 1,652	\$ 1,561	\$ 1,554
69.52%	55.71%	63.52%	70.04%	70.21%	52.77%
82.90%	85.45%	83.62%	82.21%	81.82%	85.19%

CITY OF JEFFERSON, IOWA

SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
(IN THOUSANDS)

OTHER INFORMATION

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Statutorily required contribution	\$ 208	\$ 200	\$ 191	\$ 186
Contributions in relation to the statutorily required contribution	(208)	(200)	(191)	(186)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered payroll	\$ 2,213	\$ 2,116	\$ 2,031	\$ 1,974
Contributions as a percentage of covered payroll	9.40%	9.45%	9.40%	9.42%

See accompanying independent auditor's report.

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 180	\$ 179	\$ 167	\$ 160	\$ 151	\$ 142
<u>(180)</u>	<u>(179)</u>	<u>(167)</u>	<u>(160)</u>	<u>(151)</u>	<u>(142)</u>
<u>\$ --</u>					
\$ 1,868	\$ 1,857	\$ 1,734	\$ 1,746	\$ 1,652	\$ 1,561
9.64%	9.64%	9.63%	9.16%	9.14%	9.10%

CITY OF JEFFERSON, IOWA

NOTES TO OTHER INFORMATION - PENSION LIABILITY (ASSET)

Year ended June 30, 2025

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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%.

* * *

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, 2025

	Special Revenue			
	Road Use Tax	Cafeteria Plan	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ --	\$ --	\$ 710,210	\$ --
Local option sales tax	--	--	--	591,208
Use of money and property	--	--	20,431	--
Intergovernmental	595,045	--	--	--
Miscellaneous	280	--	55	3,066
Total receipts	595,325	--	730,696	594,274
Disbursements:				
Operating:				
Public works	574,488	--	--	--
Health and social services	--	2,745	--	--
Culture and recreation	--	--	--	--
Debt service	--	--	--	--
Capital projects	--	--	--	444,694
Total disbursements	574,488	2,745	--	444,694
Excess (deficiency) of receipts over (under) disbursements	20,837	(2,745)	730,696	149,580
Other financing sources (uses):				
Transfers in	125,803	--	--	--
Transfers out	(92,412)	--	(681,293)	(129,000)
Total other financing sources (uses)	33,391	--	(681,293)	(129,000)
Change in cash balances	54,228	(2,745)	49,403	20,580
Cash balances beginning of year	54,616	7,012	--	150,540
Adjustment (See Note 17)	--	--	562,157	--
Cash balance, restated	54,616	7,012	562,157	150,540
Cash balances end of year	\$ 108,844	\$ 4,267	\$ 611,560	\$ 171,120
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Streets	108,844	--	--	--
Other purposes	--	4,267	611,560	171,120
Total cash basis fund balances	\$ 108,844	\$ 4,267	\$ 611,560	\$ 171,120

(continued next page)

Special Revenue					
<u>Health Insurance</u>	<u>Equipment Replacement</u>	<u>Unemployment Compensation</u>	<u>Industrial Development</u>	<u>Community Center</u>	<u>Cemetery Mausoleum</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
3,399	--	788	1,210	4,536	391
--	--	--	--	--	--
871	--	--	--	--	--
<u>4,270</u>	<u>--</u>	<u>788</u>	<u>1,210</u>	<u>4,536</u>	<u>391</u>
--	--	--	--	--	--
23,916	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
<u>23,916</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
(19,646)	--	788	1,210	4,536	391
--	--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
(19,646)	--	788	1,210	4,536	391
152,870	605,671	29,551	36,935	142,541	12,222
--	(605,671)	--	--	--	--
<u>152,870</u>	<u>--</u>	<u>29,551</u>	<u>36,935</u>	<u>142,541</u>	<u>12,222</u>
<u>\$ 133,224</u>	<u>\$ --</u>	<u>\$ 30,339</u>	<u>\$ 38,145</u>	<u>\$ 147,077</u>	<u>\$ 12,613</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--
<u>133,224</u>	<u>--</u>	<u>30,339</u>	<u>38,145</u>	<u>147,077</u>	<u>12,613</u>
<u>\$ 133,224</u>	<u>\$ --</u>	<u>\$ 30,339</u>	<u>\$ 38,145</u>	<u>\$ 147,077</u>	<u>\$ 12,613</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, 2025

	Special Revenue			
	Library	Skate Park	LEC Capital Improvement	Enrich Iowa
Receipts:				
Property tax	\$ --	\$ --	\$ --	\$ --
Local option sales tax	--	--	--	--
Use of money and property	11,053	--	2,070	--
Intergovernmental	7,998	--	10,139	2,128
Miscellaneous	1,446	--	--	--
Total receipts	20,497	--	12,209	2,128
Disbursements:				
Operating:				
Public works	--	--	--	--
Health and social services	--	--	--	--
Culture and recreation	33,652	--	--	2,128
Debt service	--	--	--	--
Capital projects	--	--	--	--
Total disbursements	33,652	--	--	2,128
Excess (deficiency) of receipts over (under) disbursements	(13,155)	--	12,209	--
Other financing sources (uses):				
Transfers in	2,000	--	--	--
Transfers out	--	--	--	--
Total other financing sources (uses)	2,000	--	--	--
Change in cash balances	(11,155)	--	12,209	--
Cash balances beginning of year	316,222	1,525	54,271	1,393
Adjustment (See Note 17)	--	--	--	--
Cash balance, restated	316,222	1,525	54,271	1,393
Cash balances end of year	\$ 305,067	\$ 1,525	\$ 66,480	\$ 1,393
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Restricted for:				
Streets	--	--	--	--
Other purposes	305,067	1,525	66,480	1,393
Total cash basis fund balances	\$ 305,067	\$ 1,525	\$ 66,480	\$ 1,393

(continued next page)

Special Revenue				
Housing Rehabilitation	Downtown Buildings	People Active Community Exercise	Library Expansion	Debt Service
\$ --	\$ --	\$ --	\$ --	\$ 381,904
--	--	--	--	--
--	--	1,947	--	--
--	388,151	--	--	--
--	--	--	20,430	--
<u>--</u>	<u>388,151</u>	<u>1,947</u>	<u>20,430</u>	<u>381,904</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	575,797
--	<u>825,922</u>	--	--	--
<u>--</u>	<u>825,922</u>	<u>--</u>	<u>--</u>	<u>575,797</u>
--	(437,771)	1,947	20,430	(193,893)
--	437,771	--	--	193,893
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>--</u>	<u>437,771</u>	<u>--</u>	<u>--</u>	<u>193,893</u>
--	--	1,947	20,430	--
33,239	--	72,270	10,355	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>33,239</u>	<u>--</u>	<u>72,270</u>	<u>10,355</u>	<u>--</u>
<u>\$ 33,239</u>	<u>\$ --</u>	<u>\$ 74,217</u>	<u>\$ 30,785</u>	<u>\$ --</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
<u>33,239</u>	<u>--</u>	<u>74,217</u>	<u>30,785</u>	<u>--</u>
<u>\$ 33,239</u>	<u>\$ --</u>	<u>\$ 74,217</u>	<u>\$ 30,785</u>	<u>\$ --</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, 2025

	<u>Permanent</u>	
	Perpetual Care	<u>Total</u>
Receipts:		
Property tax	\$ --	\$ 1,092,114
Local option sales tax	--	591,208
Use of money and property	--	45,825
Intergovernmental	--	1,003,461
Miscellaneous	7,000	33,148
Total receipts	<u>7,000</u>	<u>2,765,756</u>
Disbursements:		
Operating:		
Public works	--	574,488
Health and social services	--	26,661
Culture and recreation	--	35,780
Debt service	--	575,797
Capital projects	--	1,270,616
Total disbursements	<u>--</u>	<u>2,483,342</u>
Excess (deficiency) of receipts over (under) disbursements	7,000	282,414
Other financing sources (uses):		
Transfers in	--	759,467
Transfers out	--	(902,705)
Total other financing sources (uses)	<u>--</u>	<u>(143,238)</u>
Change in cash balances	7,000	139,176
Cash balances beginning of year	229,212	1,910,445
Adjustment (See Note 17)	--	(43,514)
Cash balance, restated	<u>229,212</u>	<u>1,866,931</u>
Cash balances end of year	<u>\$ 236,212</u>	<u>\$ 2,006,107</u>
Cash Basis Fund Balances		
Nonspendable - Cemetery perpetual care	\$ 236,212	\$ 236,212
Restricted for:		
Streets	--	108,844
Other purposes	--	1,661,051
Total cash basis fund balances	<u>\$ 236,212</u>	<u>\$ 2,006,107</u>

See accompanying independent auditor's report.

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Receipts:				
Property tax	\$ 2,564,708	\$ 2,312,984	\$ 2,320,219	\$ 2,384,649
Local option sales tax	591,208	585,217	620,741	649,655
Tax increment financing	1,150,125	1,220,586	1,197,532	982,072
Other city tax	149,640	137,074	152,506	136,596
Licenses and permits	93,534	50,238	35,177	42,543
Use of money and property	319,881	109,760	90,343	94,539
Intergovernmental	1,308,947	1,003,327	1,951,665	1,328,492
Charges for service	427,477	410,252	385,857	360,292
Miscellaneous	<u>453,664</u>	<u>676,360</u>	<u>540,168</u>	<u>741,416</u>
Total	<u>\$ 7,059,184</u>	<u>\$ 6,505,798</u>	<u>\$ 7,294,208</u>	<u>\$ 6,720,254</u>
Disbursements:				
Operating:				
Public safety	\$ 1,084,867	\$ 1,154,659	\$ 1,722,005	\$ 1,516,600
Public works	679,810	731,281	890,867	680,581
Health and social services	29,411	37,249	37,930	32,893
Culture and recreation	1,761,639	1,582,105	1,592,495	1,329,420
Community and economic development	677,718	583,871	729,877	556,236
General government	638,503	629,100	602,572	515,537
Debt service	575,797	645,966	1,027,926	1,124,376
Capital projects	<u>2,780,885</u>	<u>1,490,619</u>	<u>2,305,774</u>	<u>1,615,842</u>
Total	<u>\$ 8,228,630</u>	<u>\$ 6,854,850</u>	<u>\$ 8,909,446</u>	<u>\$ 7,371,485</u>

See accompanying independent auditor's report.

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 2,416,993	\$ 2,212,086	\$ 2,169,772	\$ 2,118,228	\$ 1,970,785	\$ 1,932,225
486,758	459,007	463,964	392,717	444,159	491,983
976,970	646,195	748,773	596,709	176,770	118,310
59,882	112,930	125,315	122,406	122,102	116,227
21,454	40,746	34,769	33,934	20,645	38,555
103,702	93,968	41,198	36,712	37,297	38,864
931,682	928,728	941,964	1,649,232	845,091	720,839
329,479	312,737	353,768	351,130	392,191	373,215
<u>1,343,174</u>	<u>598,630</u>	<u>454,710</u>	<u>1,097,279</u>	<u>522,003</u>	<u>366,759</u>
<u>\$ 6,670,094</u>	<u>\$ 5,405,027</u>	<u>\$ 5,334,233</u>	<u>\$ 6,398,347</u>	<u>\$ 4,531,043</u>	<u>\$ 4,196,977</u>
\$ 936,794	\$ 1,015,447	\$ 959,100	\$ 851,078	\$ 665,321	\$ 684,080
750,185	739,889	660,684	778,764	552,149	484,532
14,824	25,168	37,213	22,944	11,794	11,787
1,121,231	1,267,160	1,385,761	1,182,486	1,125,821	1,179,639
461,236	633,039	573,622	389,957	428,825	718,392
511,206	454,969	523,533	573,087	585,406	542,338
1,300,877	553,255	555,086	562,429	527,350	532,254
<u>3,004,815</u>	<u>1,781,704</u>	<u>768,599</u>	<u>1,912,746</u>	<u>2,221,176</u>	<u>360,284</u>
<u>\$ 8,101,168</u>	<u>\$ 6,470,631</u>	<u>\$ 5,463,598</u>	<u>\$ 6,273,491</u>	<u>\$ 6,117,842</u>	<u>\$ 4,513,306</u>

COMMENTS AND RECOMMENDATIONS

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 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, 2025, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 13, 2026. Our report expressed unmodified opinions on the financial statements which were 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.

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 certain deficiencies in internal control, described in Part I of the accompanying Schedule of Findings and Responses as items 2025-001 and 2025-002 to be significant deficiencies.

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, noncompliance 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 noncompliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2025 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 Responses. 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.

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

Atlantic, Iowa
February 13, 2026

CITY OF JEFFERSON, IOWA
Schedule of Findings and Responses
Year ended June 30, 2025

PART I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

2025-001 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.

CITY OF JEFFERSON, IOWA
Schedule of Findings and Responses
Year ended June 30, 2025

PART I: Findings Related to the Financial Statements - Continued

2025-002 Reconciliation of Utility Billings, Collections and Delinquent Accounts:

Criteria: An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition: Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

Cause: Policies have not been established and procedures have not been implemented to reconcile utility billings, collections and delinquent account balances and to reconcile utility collections to deposits.

Effect: This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation: Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquents. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response: These procedures will be implemented as recommended.

Conclusion: Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

CITY OF JEFFERSON, IOWA

Schedule of Findings and Responses

Year ended June 30, 2025

PART II: Other Findings Related to Required Statutory Reporting

2025-A Certified Budget: Disbursements during the year ended June 30, 2025 exceeded the amounts budgeted in the culture and recreation, community and economic development, general government and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

Recommendation: The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response: In the future the budget will be amended before disbursements are allowed that would exceed the City's spending authority.

Conclusion: Response accepted.

2025-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.

2025-C Travel Expense: No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2025-D Business Transactions: Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Chad Sloan, City Council Member, owner of Sloan Plumbing & Heating	Air conditioners, per bid Services	\$ 23,049 2,726

In accordance with Chapter 362.5(3)(d) and Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the City Council Member do not appear to represent a conflict of interest since it was entered into through competitive bidding and the remaining transactions were less than \$6,000 during the fiscal year.

2025-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.

CITY OF JEFFERSON, IOWA

Schedule of Findings and Responses

Year ended June 30, 2025

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

2025-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.

2025-G City Council Minutes: No transactions were found which we believe should have been approved in the City Council minutes but were not.

2025-H Deposits and Investments: We noted no instances of noncompliance 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.

2025-I Revenue Bonds: No instances of noncompliance with revenue bond resolutions were noted.

2025-J Financial Condition: The following funds had deficit balances at June 30, 2025.

Enterprise - Sanitation	\$	68,918
Component Unit - Airport Improvement		388,147

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.

2025-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.

2025-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.

CITY OF JEFFERSON, IOWA

Schedule of Findings and Responses

Year ended June 30, 2025

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

2025-M Economic Development: During the year ended June 30, 2025, the City paid \$50,000 to the Greene County Development Corporation (GCDC) and \$105,000 to Jefferson Matters/Main Street Board. In accordance with Chapter 15A of the Code of Iowa, the City is providing oversight of these funds to determine the funds are being spent in accordance with the agreements and expenses meet the test of public purpose.

2025-N Property Tax on City Owned Farmland: Chapter 427.1(2) of the Code of Iowa states the property of a City, when devoted to public use and not held for pecuniary profit, shall not be taxed. The City holds farmland which is leased out annually for profit and the City does not remit property tax on the farmland leased for profit.

Recommendation: The City should remit property tax on the farmland leased for profit.

Response: The County Assessor will assess the farmland for taxation.

Conclusion: Response accepted.

2025-O Utility Rates: During our testing of utility billings, it was noted that an incorrect utility rate was applied to a customer account and another customer has not been charged properly for sewer usage. These errors led to underbilling for the period in question and a loss of revenue for the City's Enterprise Funds.

Recommendation: The City should review and update its utility billing procedures to ensure that the correct rates are applied to all customer accounts. The City should also conduct a review of all accounts to identify any other instances of incorrect billing and take corrective action as necessary.

Response: The City acknowledges the finding and agrees with the recommendation. Upon discovery of the errors, staff corrected the rate and computation for the affected customers and issued additional charges in the next billing cycle. The City will review all utility accounts to identify any similar errors and will make adjustments as needed.

Conclusion: Response accepted.

* * *