



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

January 28, 2015

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515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Fairfield, Iowa.

The City's receipts totaled \$14,417,841 for the year ended June 30, 2014, a 20% decrease from the prior year. The receipts included \$4,567,137 in property tax, \$105,228 from tax increment financing, \$6,336,505 from charges for service, \$1,470,986 from operating grants, contributions and restricted interest, \$190,325 from capital grants, contributions and restricted interest, \$747,914 from local option sales tax, \$144,046 from hotel/motel tax, \$11,870 from unrestricted interest on investments, \$718,164 of revenue note proceeds and \$125,666 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$14,783,163, a 1% decrease from the prior year, and included \$2,083,750 for public safety, \$2,075,406 for culture and recreation and \$1,627,479 for debt service. Also, disbursements for business type activities totaled \$6,495,723.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1420-0476-B00F.pdf>.

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CITY OF FAIRFIELD
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014

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City of Fairfield

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Edward Malloy	Mayor	Jan 2014
John F. Revolinski	Mayor Pro tem	Jan 2014
Jessica Ledger-Kalen	Council Member	Nov 2013
Connie Boyer	Council Member	Jan 2014
Michael Halley	Council Member	Jan 2014
Daryn Hamilton	Council Member	Jan 2016
Tony Hammes	Council Member	Jan 2016
Martha Rasmussen	Council Member	Jan 2016
Kevin Flanagan	City Administrator	Indefinite
Joy Messer	City Clerk	Indefinite
John Morrissey	City Attorney	Indefinite
(After January 2014)		
Edward Malloy	Mayor	Jan 2018
John F. Revolinski	Mayor Pro tem	Jan 2018
Daryn Hamilton	Council Member	Jan 2016
Tony Hammes	Council Member	Jan 2016
Jessica Ledger-Kalen	Council Member	Jan 2016
Martha Rasmussen	Council Member	Jan 2016
Doug Flournoy	Council Member	Jan 2018
Michael Halley	Council Member	Jan 2018
Kevin Flanagan	City Administrator	(Resigned April 2014)
Joy Messer	City Clerk	Indefinite
John Morrissey	City Attorney	Indefinite

City of Fairfield



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fairfield, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Basis of Accounting

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

Other Matters

Supplementary and Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairfield's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2010 and the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the two years ended June 30, 2012 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2015 on our consideration of the City of Fairfield'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 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 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 Fairfield's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 12, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Fairfield provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 23.2%, or approximately \$2,348,000, from fiscal year 2013 to fiscal year 2014. The City issued \$1,900,000 of general obligation anticipation notes during fiscal year 2013.
- Disbursements of the City's governmental activities decreased 4.3%, or approximately \$368,000, in fiscal year 2014 from fiscal year 2013. Capital projects disbursements decreased approximately \$339,000.
- The City's total cash basis net position decreased 6.1%, or approximately \$366,000, from June 30, 2013 to June 30, 2014. Of this amount, the net position of the governmental activities decreased approximately \$591,000 and the net position of the business type activities increased approximately \$225,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental and enterprise funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, solid waste collection, airport and Logan Apartments. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax and Employee Benefits, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

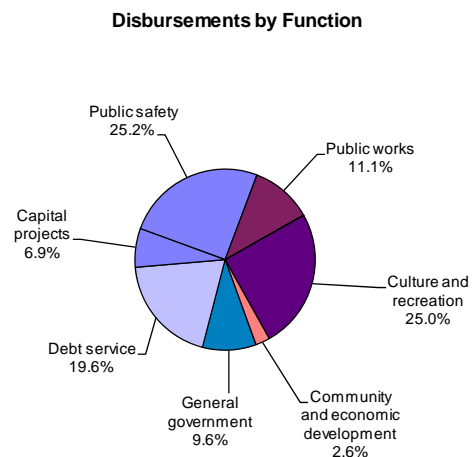
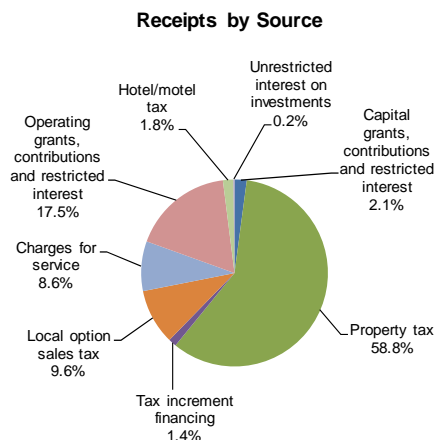
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the Water and Sewer Funds, major funds of the City, and the Solid Waste, Airport and Logan Apartments operations.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$2,495,000 to approximately \$1,904,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 669	644
Operating grants, contributions and restricted interest	1,358	1,708
Capital grants, contributions and restricted interest	160	265
General receipts:		
Property tax	4,567	4,389
Tax increment financing	105	189
Local option sales tax	748	825
Hotel/motel tax	144	131
Unrestricted interest on investments	12	42
General obligation anticipation note proceeds	-	1,900
Other general receipts	-	18
Total receipts	7,763	10,111
Disbursements:		
Public safety	2,084	2,005
Public works	920	1,173
Culture and recreation	2,075	2,247
Community and economic development	212	220
General government	796	515
Debt service	1,627	1,583
Capital projects	573	912
Total disbursements	8,287	8,655
Change in cash basis net position before transfers	(524)	1,456
Transfers, net	(67)	(148)
Change in cash basis net position	(591)	1,308
Cash basis net position beginning of year	2,495	1,187
Cash basis net position end of year	\$ 1,904	2,495



The City's total receipts for governmental activities decreased 23.2%, or approximately \$2,348,000. The total cost of all programs and services decreased approximately \$368,000, or 4.3%, with no new programs added this year. The significant decrease in receipts was due to the issuance of general obligation anticipation notes in fiscal year 2013.

The City's property tax rates for fiscal year 2014 remained consistent compared to fiscal year 2013. Based on increases in both the property tax rates and the total assessed valuation, property tax receipts are budgeted to increase \$618,000 next year.

The cost of governmental activities this year was approximately \$8,287,000 compared to approximately \$8,655,000 last year. However, as shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was approximately \$6,100,000 because some of the cost was paid by those directly benefited from the programs (approximately \$669,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$1,518,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2014 from approximately \$2,617,000 to approximately \$2,187,000. The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and other receipts, such as interest, local option sales tax and other general receipts.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 2,405	2,327
Sewer	2,490	2,325
Solid waste	570	568
Airport	22	14
Logan Apartments	180	161
Operating grants, contributions and restricted interest	113	186
Capital grants, contributions, and restricted interest	30	138
General receipts:		
Revenue note proceeds	718	1,611
Other general receipts	126	554
Total receipts	<u>6,654</u>	<u>7,884</u>
Disbursements:		
Water	2,424	2,398
Sewer	3,207	2,844
Solid waste	522	519
Airport	171	337
Logan Apartments	172	198
Total disbursements	<u>6,496</u>	<u>6,296</u>
Change in cash basis net position before transfers	158	1,588
Transfers, net	67	148
Change in cash basis net position	<u>225</u>	<u>1,736</u>
Cash basis net position beginning of year	3,497	1,761
Cash basis net position end of year	<u>\$ 3,722</u>	<u>3,497</u>

Total business type activities receipts for the fiscal year were approximately \$6,654,000 compared to approximately \$7,884,000 last year. This decrease was primarily due to the City receiving approximately \$893,000 less in sewer revenue note proceeds as projects were completed. The cash balance increased approximately \$225,000 over the prior year. Total disbursements for the fiscal year increased 3.2%, from approximately \$6.3 million in fiscal year 2013 to approximately \$6.5 million in fiscal year 2014.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Fairfield completed the year, its governmental funds reported a combined fund balance of \$1,904,258, a decrease of \$590,992 from last year's total of \$2,495,250. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$243,334 from the prior year to \$97,855. Although disbursements decreased \$200,694, this was offset by a decrease in transfers in from other funds.
- The Special Revenue, Road Use Tax Fund cash balance increased \$284,057 to \$499,648. This was primarily due to transfers in from the Special Revenue, Employee Benefits Fund.
- The Special Revenue, Local Option Sales Tax Fund cash balance remained relatively consistent, decreasing \$36,687 to \$167,027.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$203,642 from the prior year to \$157,840. Property tax receipts decreased approximately \$125,000.
- The Debt Service Fund cash balance remained consistent, decreasing \$8,627 to \$(135,572).
- The Capital Projects Fund cash balance decreased \$441,068 to \$16,118. Receipts decreased \$252,815 and disbursements decreased \$296,825.
- The Permanent, Library Endowment Fund cash balance increased \$2,669 over the prior year to \$482,659.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance remained consistent, increasing \$14,415 to \$678,386.
- The Enterprise, Sewer Fund cash balance increased \$212,713 to \$2,803,830. The City received \$718,164 of sewer revenue note proceeds for planning, designing and constructing improvements to the sewer system. Disbursements increased \$362,874 as work towards the improvements began.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 27, 2014 and resulted in increases in budgeted disbursements for the culture and recreation and debt service functions and decreases for the public safety and capital projects functions. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$1,381,336 less than budgeted. This was primarily due to the City receiving less in charges for service than anticipated.

The City exceeded the amounts budgeted in the public works, culture and recreation, general government, debt services and business type activities functions for the year ended June 30, 2014, due primarily to various disbursements which were not budgeted.

DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$18,916,000 of bonds and other long-term debt outstanding, compared to approximately \$19,770,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2014	2013
General obligation bonds	\$ 7,480	8,465
General obligation capital loan notes	465	690
Revenue bonds	420	485
Revenue capital loan notes	7,731	8,230
General obligation anticipation notes	1,900	1,900
Interim sewer revenue project notes	718	-
Loan agreement	202	-
Total	\$ 18,916	19,770

Debt decreased as a result of scheduled redemption exceeding debt issued during the year.

The City carries a general obligation bond rating of Baa2 assigned by national rating agencies to the City's debt. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of approximately \$10.047 million is significantly below its constitutional debt limit of approximately \$14 million. Additional information about the City's long term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The elected and appointed officials of the City of Fairfield considered many factors when setting the fiscal year 2015 budget, tax rates and fees for various City services. One of those factors is the economy. Average unemployment for 2014 in Jefferson County was 5.2% versus 5.6% a year ago. This compares with the State's unemployment rate of 4.4% and the national rate of 6.3%.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$51.9 million, an increase of 244.9% from the final fiscal year 2014 budget. Budgeted disbursements are expected to increase approximately \$35 million. This increase is primarily due to an increase in capital projects. The City has added no new programs to the fiscal year 2015 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$357,000 by the close of fiscal year 2015.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joy Messer, City Clerk, 118 South Main Street, Fairfield, Iowa 52556-0850.

Basic Financial Statements

City of Fairfield

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 2,083,750	56,927	145,768	-
Public works	919,575	3,233	961,836	-
Culture and recreation	2,075,406	474,452	202,835	-
Community and economic development	211,799	22,917	30,180	-
General government	796,394	111,285	17,745	-
Debt service	1,627,479	-	-	-
Capital projects	573,037	-	-	160,034
Total governmental activities	8,287,440	668,814	1,358,364	160,034
Business type activities:				
Water	2,423,694	2,405,548	-	-
Sewer	3,207,230	2,489,667	-	-
Solid waste	521,752	570,552	-	-
Airport	171,489	21,967	-	30,291
Logan apartments	171,558	179,957	112,622	-
Total business type activities	6,495,723	5,667,691	112,622	30,291
Total Primary Government	\$ 14,783,163	6,336,505	1,470,986	190,325
Component Unit:				
Fairfield Public Library Foundation	\$ 99,347	-	159,990	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Unrestricted interest on investments				
Revenue note proceeds				
Farm rent				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Permanent Fund				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Health plan trustee				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Fairfield Public Library Foundation
(1,881,055)	-	(1,881,055)	
45,494	-	45,494	
(1,398,119)	-	(1,398,119)	
(158,702)	-	(158,702)	
(667,364)	-	(667,364)	
(1,627,479)	-	(1,627,479)	
(413,003)	-	(413,003)	
(6,100,228)	-	(6,100,228)	
-	(18,146)	(18,146)	
-	(717,563)	(717,563)	
-	48,800	48,800	
-	(119,231)	(119,231)	
-	121,021	121,021	
-	(685,119)	(685,119)	
(6,100,228)	(685,119)	(6,785,347)	
			60,643
3,559,439	-	3,559,439	-
1,007,698	-	1,007,698	-
105,228	-	105,228	-
747,914	-	747,914	-
144,046	-	144,046	-
11,870	-	11,870	-
-	718,164	718,164	-
-	66,100	66,100	-
-	59,566	59,566	-
(66,959)	66,959	-	-
5,509,236	910,789	6,420,025	-
(590,992)	225,670	(365,322)	60,643
2,495,250	3,496,777	5,992,027	844,698
\$ 1,904,258	3,722,447	5,626,705	905,341
\$ 482,659	-	482,659	-
466,191	-	466,191	-
217,866	-	217,866	-
125,063	502,782	627,845	-
199,199	82,349	281,548	-
726,640	-	726,640	-
(313,360)	3,137,316	2,823,956	905,341
\$ 1,904,258	3,722,447	5,626,705	905,341

City of Fairfield

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

As of and for the year ended June 30, 2014

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits
Receipts:				
Property tax	\$ 2,661,456	-	-	896,418
Tax increment financing	-	-	-	-
Other city tax	144,046	-	747,914	-
Licenses and permits	138,796	-	-	-
Use of money and property	18,320	-	-	-
Intergovernmental	187,118	954,016	20,055	-
Charges for service	452,582	-	-	-
Special assessments	-	-	-	-
Miscellaneous	109,253	7,820	-	-
Total receipts	3,711,571	961,836	767,969	896,418
Disbursements:				
Operating:				
Public safety	2,040,649	-	27,800	-
Public works	-	911,275	8,300	-
Culture and recreation	1,960,347	-	72,804	-
Community and economic development	147,579	-	36,387	-
General government	677,815	-	-	118,579
Debt service	-	-	82,399	-
Capital projects	-	-	-	-
Total disbursements	4,826,390	911,275	227,690	118,579
Excess (deficiency) of receipts over (under) disbursements	(1,114,819)	50,561	540,279	777,839
Other financing sources (uses):				
Transfers in	871,485	233,496	-	-
Transfers out	-	-	(576,966)	(981,481)
Total other financing sources (uses)	871,485	233,496	(576,966)	(981,481)
Change in cash balances	(243,334)	284,057	(36,687)	(203,642)
Cash balances beginning of year	341,189	215,591	203,714	361,482
Cash balances end of year	\$ 97,855	499,648	167,027	157,840
Cash Basis Fund Balances				
Nonspendable - Library endowment	\$ -	-	-	-
Restricted for:				
Streets	-	466,191	-	-
Urban renewal purposes	-	-	-	-
Debt service	-	-	125,063	-
Health plan trustee	165,742	33,457	-	-
Other purposes	109,901	-	41,964	157,840
Unassigned	(177,788)	-	-	-
Total cash basis fund balances	\$ 97,855	499,648	167,027	157,840

See notes to financial statements.

Debt Service	Capital Projects	Permanent Library Endowment	Nonmajor	Total
1,007,698	1,565	-	-	4,567,137
-	-	-	105,228	105,228
-	-	-	-	891,960
-	-	-	-	138,796
-	-	2,669	20,534	41,523
-	42,989	-	-	1,204,178
-	-	-	17,137	469,719
-	43,870	-	-	43,870
-	73,175	-	110,748	300,996
1,007,698	161,599	2,669	253,647	7,763,407
-	-	-	15,301	2,083,750
-	-	-	-	919,575
-	-	-	42,255	2,075,406
-	-	-	27,833	211,799
-	-	-	-	796,394
1,502,900	42,180	-	-	1,627,479
-	573,037	-	-	573,037
1,502,900	615,217	-	85,389	8,287,440
(495,202)	(453,618)	2,669	168,258	(524,033)
486,575	12,550	-	1,000	1,605,106
-	-	-	(113,618)	(1,672,065)
486,575	12,550	-	(112,618)	(66,959)
(8,627)	(441,068)	2,669	55,640	(590,992)
(126,945)	457,186	479,990	563,043	2,495,250
(135,572)	16,118	482,659	618,683	1,904,258
-	-	482,659	-	482,659
-	-	-	-	466,191
-	-	-	217,866	217,866
-	-	-	-	125,063
-	-	-	-	199,199
-	16,118	-	400,817	726,640
(135,572)	-	-	-	(313,360)
(135,572)	16,118	482,659	618,683	1,904,258

Exhibit C

City of Fairfield

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

As of and for the year ended June 30, 2014

	Enterprise			Total
	Water	Sewer	Nonmajor	
Operating receipts:				
Use of money and property	\$ -	-	201,924	201,924
Charges for service	2,405,548	2,489,667	570,552	5,465,767
Miscellaneous	32,561	25,153	1,852	59,566
Total operating receipts	2,438,109	2,514,820	774,328	5,727,257
Operating disbursements:				
Business type activities	1,774,851	1,133,397	864,799	3,773,047
Excess (deficiency) of operating receipts over (under) operating disbursements	663,258	1,381,423	(90,471)	1,954,210
Non-operating receipts (disbursements):				
Revenue note proceeds	-	718,164	-	718,164
Farm rent	-	-	66,100	66,100
Intergovernmental	-	-	142,913	142,913
Capital projects and equipment	(245,903)	(1,764,985)	-	(2,010,888)
Debt service	(402,940)	(308,848)	-	(711,788)
Net non-operating receipts (disbursements)	(648,843)	(1,355,669)	209,013	(1,795,499)
Excess of receipts over disbursements	14,415	25,754	118,542	158,711
Transfers in (out):				
Transfers in	-	186,959	-	186,959
Transfers out	-	-	(120,000)	(120,000)
Total transfers in (out)	-	186,959	(120,000)	66,959
Change in cash balances	14,415	212,713	(1,458)	225,670
Cash balances beginning of year	663,971	2,591,117	241,689	3,496,777
Cash balances end of year	\$ 678,386	2,803,830	240,231	3,722,447
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 477,875	24,907	-	502,782
Health plan trustee	45,406	34,553	2,390	82,349
Unrestricted	155,105	2,744,370	237,841	3,137,316
Total cash basis fund balances	\$ 678,386	2,803,830	240,231	3,722,447

See notes to financial statements.

City of Fairfield

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Fairfield is a political subdivision of the State of Iowa located in Jefferson County. It was first incorporated in 1847 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Fairfield has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Fairfield (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

Friends of the Fairfield Public Library and Fairfield Parks and Recreation Foundation were established as non-profit corporations in accordance with Chapter 504A of the Code of Iowa. These non-profit corporations are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. Their purpose is to benefit the City of Fairfield (the primary government) by soliciting contributions and managing those funds. In accordance with criteria set forth by the Governmental Accounting Standards Board, Friends of the Fairfield Public Library and Fairfield Parks and Recreation Foundation meet the definition of component units which should be blended. The financial activity of the components units has been blended as Special Revenue Funds of the City.

Discretely Presented Component Unit

Fairfield Public Library Foundation was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. Its purpose is to benefit the City of Fairfield (the primary government) by soliciting contributions and managing those funds. In accordance with criteria set forth by the Governmental Accounting Standards Board, Fairfield Public Library Foundation meets the

definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by Fairfield Public Library Foundation are substantially for the direct benefit of the City of Fairfield Library.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jefferson County Assessor's Conference Board, Jefferson County Emergency Management Agency and Jefferson County E911 Joint Service Board. The City also participates in the Jefferson County Regional Service Agency, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

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 and its component units. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds and all remaining proprietary funds are aggregated and reported as nonmajor proprietary 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 and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for the collection and use of local option sales tax.

The Employee Benefits Fund is used to account for the collection and use of property tax for pension, retirement and insurance benefits.

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

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

The Permanent, Library Endowment Fund is used to account for the collection and use of funds given to the library for endowment purposes.

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 systems.

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

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, 2014, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2014, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Mutual Funds	\$5,182	13,062	N/A
Stocks	509	1,233	N/A

At June 30, 2014, the City's discretely presented component unit had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Mutual Funds	\$ 814,225	1,273,239	N/A
Taxable Municipal Bonds	10,000	10,299	Oct 1, 2016

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

Credit risk – The taxable municipal bonds carry a rating of A+. The investments in mutual funds are unrated.

Concentration of Credit Risk – The City and the Fairfield Library Foundation place no limit on the amount that may be invested in any one issuer. However, the City's policy requires the City to diversify its investments to eliminate the risk of loss resulting from the over concentration of assets in a specific maturity, issuer or class of securities.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, general obligation capital loan notes, local option sales and services tax revenue bonds and revenue capital loan notes are as follows:

Year Ending June 30,	General Obligation				Local Option Sales and Services Tax Revenue Bonds	
	Bonds		Capital Loan Notes		Principal	Interest
	Principal	Interest	Principal	Interest		
2015	\$ 1,010,000	254,150	230,000	8,145	65,000	15,063
2016	1,045,000	225,195	235,000	4,465	65,000	12,999
2017	1,085,000	193,755	-	-	70,000	10,598
2018	1,125,000	158,980	-	-	70,000	7,867
2019	755,000	121,417	-	-	75,000	4,875
2020-2024	2,455,000	189,765	-	-	75,000	1,650
2025-2029	-	-	-	-	-	-
2030-2032	-	-	-	-	-	-
Total	\$ 7,475,000	1,143,262	465,000	12,610	420,000	53,052

Year Ending June 30,	Revenue Capital Loan Notes		Total	
	Principal	Interest	Principal	Interest
2016	533,000	170,638	1,878,000	413,297
2017	550,000	159,311	1,705,000	363,664
2018	568,000	147,623	1,763,000	314,470
2019	586,000	135,558	1,416,000	261,850
2020-2024	2,781,000	482,534	5,311,000	673,949
2025-2029	1,306,000	239,838	1,306,000	239,838
2030-2032	891,000	51,050	891,000	51,050
Total	\$ 7,731,000	1,568,157	16,091,000	2,777,081

Local Option Sales and Services Tax Revenue Bonds

The City has pledged future local option sales tax receipts to repay \$550,000 of local option sales and service tax revenue bonds issued in June 2010. Proceeds from the bonds provided financing for the purchase of the Fairfield Arts and Convention Center. The bonds are payable through 2020. For the year ended June 30, 2014, annual principal and interest payments on the notes required approximately 11% of net receipts. The total principal and interest remaining to be paid on the bonds is \$473,052. For the current year, principal and interest paid and total local option sales tax receipts were \$81,899 and \$747,914, respectively.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from future local option sales and services tax revenues and the bond holders hold a lien on the future local option tax revenues received by the City.
- b) Sufficient monthly transfers shall be made to a separate local option sales tax sinking account for the purpose of making the bond principal and interest payments when due.
- c) A local option sales tax reserve account shall be established and maintained in the amount of \$55,000.

At June 30, 2014, the City has not established the required sinking or reserve accounts.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$5,797,000 of water revenue capital loan notes issued in February 2003. Proceeds from the notes provided financing for the construction of water main improvements and extensions. The notes are payable solely from water customer net receipts and are payable through 2023. During the year ended June 30, 2014, the Iowa Finance Authority reduced the interest rate from 3.0% to 1.75%. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. Annual principal and interest payments on the notes required approximately 60% of net receipts. The total principal and interest remaining to be paid on the notes is \$3,786,627. For the current year, principal and interest paid and total customer net receipts were \$393,448 and \$663,258, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$4,000,000 and \$600,000 of sewer revenue capital loan notes issued in October 2011 and November 2012, respectively. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2032. The interest rates on the October 2011 and November 2012 issues are 3.0% and 1.75%, respectively. The agreements also require the City to annually pay a .25% servicing fee on the outstanding principal balance. Annual principal and interest payments on the notes required approximately 22% of net receipts. The total principal and interest remaining to be paid on the notes is \$5,512,530. For the current year, principal and interest paid and total customer net receipts were \$297,766 and \$1,381,423, respectively.

The resolutions providing for the issuance of the water and sewer revenue capital loan notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue note sinking account and a sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.

- (c) A water reserve account shall be established and maintained in the amount of \$444,648. No reserve accounts are required to be established for the sewer notes.
- (d) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net operating receipts at a level not less than 110% of the principal and interest coming due in the next succeeding year.

At June 30, 2014, the City had not established the required water and sewer sinking accounts or the water reserve account.

Interim Revenue Project Notes

On August 12, 2013, the City entered into an interest free interim project note agreement with the Iowa Finance Authority for up to \$500,000 to be used for the purpose of paying costs of planning, designing, and constructing improvements and extensions to the sanitary sewer system. During the year ended June 30, 2014, the City drew \$352,659 on the note.

On April 14, 2014, the City entered into two interest free project note agreements with the Iowa Finance Authority for up to \$1,075,000 and \$1,585,000 to be used for the purpose of paying costs of planning, designing, and constructing improvements and extensions to the sanitary sewer system. During the year ended June 30, 2014, the City drew \$365,505 on the \$1,075,000 note and \$0 on the \$1,585,000 note.

The notes were issued pursuant to Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of and are payable from the proceeds of an authorized loan agreement and the corresponding issuance of sewer revenue bonds. The interim revenue project notes each have a term of three years.

Loan Agreement

On October 1, 2013, the City entered into a loan agreement with Fairfield Economic Development Association (FEDA). Under the agreement, FEDA purchased land on behalf of the City. In return, the City issued a promissory note to FEDA for \$202,000. The note bears interest at 0% for the first six months and 1% thereafter. The term of the note is one year.

(4) General Obligation Bond Anticipation Project Note

On June 28, 2013, the City issued a \$1,900,000 general obligation bond anticipation project note to eliminate the deficit balance in the Capital Projects Fund. The note bears interest at 2.4% per annum and is due on June 1, 2016. The note is to be repaid through the issuance of long-term general obligation debt. For the current year, interest paid was \$42,180.

(5) Pension and Retirement Benefits

Iowa Public Employees' Retirement System – The City contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$213,477, \$194,902 and \$188,177, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa – The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing multiple employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report which includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, is 30.12% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2014, 2013 and 2012 were \$247,085, \$209,052 and \$182,282, respectively, which met the required contributions for each year.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 69 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members range from \$380 to \$396 for single coverage and from \$913 to \$959 for family coverage. For the year ended June 30, 2014, the City contributed \$473,603 and plan members eligible for benefits contributed \$164,698 to the plan.

(7) Compensated Absences

City employees accumulate unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2014, primarily relating to the General and Enterprise Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 101,000
Sick leave	98,000
Total	<u>\$ 199,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2014. Sick leave is payable when used or, after an employment period of twenty years, upon termination, retirement or death. Accumulated sick leave hours are paid at the rate of one-half upon retirement or death and one-fourth upon termination.

(8) Interfund Transfers

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

Transfer To	Transfer From	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 3,500
	Employee Benefits	747,985
	Enterprise:	
	Logan Apartments	120,000
		<u>871,485</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Employee Benefits	<u>233,496</u>
Library Capital Improvements	Special Revenue:	
	Fairfield Public Library House	<u>1,000</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>12,550</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	373,957
	Urban Renewal	
	Tax Increment Financing	112,618
		<u>486,575</u>
Enterprise:	Special Revenue:	
Sewer	Local Option Sales Tax	<u>186,959</u>
Total		<u>\$ 1,792,065</u>

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

(9) Related Party Transactions

The City had business transactions between the City and City officials/employees totaling \$37,343.

(10) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$232,888.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$300,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Health Insurance Plan

The City self-funds a portion of health insurance deductibles for its employees. The plan is funded by both employee and City contributions and is administered by Employee Benefit Systems (EBS) under an agreement which is subject to automatic renewal. The City self-funds up to \$500 per individual or \$1,000 per family, with employees contributing the first \$50 to \$500, respectively. Administrative service fees and premiums are paid monthly from the City's operating funds to a separate account administered by EBS. During the year ended June 30, 2014, the City paid \$638,301 into the account. At June 30, 2014, the account balance was \$281,548. The activity for this account is recorded in the City's General Fund, the Special Revenue, Road Use Tax Fund and the Enterprise, Water, Sewer and Logan Apartments Funds.

(12) Deficit Balances

The General Fund had a deficit unassigned balance of \$177,788 at June 30, 2014. The Debt Service Fund had a deficit balance of \$135,572 at June 30, 2014. The Enterprise, Solid Waste Fund had a deficit balance of \$48,516 at June 30, 2014. The City is exploring alternatives to eliminate the deficit balances.

(13) Lessor Operating Leases

The City leases unused land around the Airport. The following is a schedule by year of minimum future rentals on this lease as of June 30, 2014:

Year ending June 30,	Amount
2015	\$ 66,100
2016	33,050
Total	\$ 99,150

(14) Development Agreement

The City has entered into a development agreement with Pale Moon Investments (developer) for the construction of a hotel with a minimum assessed value of \$3,000,000. The City agreed to pay the developer an amount not to exceed \$750,000, subject to annual appropriation by the City Council. The agreement requires up to ten annual payments, provided the developer is in compliance with the terms of the agreement. As of June 30, 2014, no payments have been made on the agreement.

(15) Litigation

The City is involved in several lawsuits and other potential litigation as of June 30, 2014. The probability of loss, if any, is undeterminable.

(16) Prospective Accounting Change

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

City of Fairfield

Other Information

City of Fairfield
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 4,567,137	-	-
Tax increment financing	105,228	-	-
Other city tax	891,960	-	-
Licenses and permits	138,796	-	-
Use of money and property	41,523	268,024	101
Intergovernmental	1,204,178	142,913	-
Charges for service	469,719	5,465,767	-
Special assessments	43,870	-	-
Miscellaneous	300,996	59,566	28,740
Total receipts	7,763,407	5,936,270	28,841
Disbursements:			
Public safety	2,083,750	-	-
Public works	919,575	-	-
Culture and recreation	2,075,406	-	20,314
Community and economic development	211,799	-	-
General government	796,394	-	-
Debt service	1,627,479	-	-
Capital projects	573,037	-	-
Business type activities	-	6,495,723	-
Total disbursements	8,287,440	6,495,723	20,314
Excess (deficiency) of receipts over (under) disbursements	(524,033)	(559,453)	8,527
Other financing sources, net	(66,959)	785,123	-
Excess of receipts and other financing sources over disbursements and other financing uses	(590,992)	225,670	8,527
Balances beginning of year	2,495,250	3,496,777	67,386
Balances end of year	\$ 1,904,258	3,722,447	75,913

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
4,567,137	4,439,972	4,439,972	127,165
105,228	-	-	105,228
891,960	1,101,284	1,156,284	(264,324)
138,796	40,750	52,250	86,546
309,446	7,000	8,000	301,446
1,347,091	1,380,572	1,125,572	221,519
5,935,486	8,148,394	8,163,394	(2,227,908)
43,870	-	-	43,870
331,822	106,700	106,700	225,122
13,670,836	15,224,672	15,052,172	(1,381,336)
2,083,750	2,479,537	2,159,537	75,787
919,575	913,000	913,000	(6,575)
2,055,092	1,620,608	1,920,608	(134,484)
211,799	378,972	378,972	167,173
796,394	671,422	671,422	(124,972)
1,627,479	1,502,901	1,545,330	(82,149)
573,037	4,765,000	1,765,000	1,191,963
6,495,723	5,638,751	5,638,751	(856,972)
14,762,849	17,970,191	14,992,620	229,771
(1,092,013)	(2,745,519)	59,552	(1,151,565)
718,164	4,965,000	4,965,000	(4,246,836)
(373,849)	2,219,481	5,024,552	(5,398,401)
5,924,641	6,095,710	6,095,710	(171,069)
5,550,792	8,315,191	11,120,262	(5,569,470)

City of Fairfield

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue 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 except the component units. 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, the one budget amendment decreased disbursements by \$2,977,571. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service and business type activities functions.

Supplementary Information

City of Fairfield

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

	Urban Renewal Tax Increment Financing	Police Specialty	UDAG- FALCO Project	Live on The Square
Receipts:				
Tax increment financing	\$ 105,228	-	-	-
Use of money and property	-	-	12,625	-
Charges for service	-	17,137	-	-
Miscellaneous	-	1,150	-	-
Total receipts	105,228	18,287	12,625	-
Disbursements:				
Operating:				
Public safety	-	15,301	-	-
Culture and recreation	-	-	-	2,393
Community and economic development	1,833	-	26,000	-
Total disbursements	1,833	15,301	26,000	2,393
Excess (deficiency) of receipts over (under) disbursements	103,395	2,986	(13,375)	(2,393)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(112,618)	-	-	-
Total other financing sources (uses)	(112,618)	-	-	-
Change in cash balances	(9,223)	2,986	(13,375)	(2,393)
Cash balances beginning of year	227,089	42,346	193,866	5,603
Cash balances end of year	\$ 217,866	45,332	180,491	3,210
Cash Basis Fund Balances				
Restricted for:				
Urban renewal purposes	\$ 217,866	-	-	-
Other purposes	-	45,332	180,491	3,210
Total cash basis fund balances	\$ 217,866	45,332	180,491	3,210

See accompanying independent auditor's report.

Special Revenue							
Indian Creek Escrow	Library Memorial	Library Capital Improvements	Fairfield Public Library House	Friends of the Fairfield Public Library	Fairfield Parks and Recreation Foundation		Total
-	-	-	-	-	-		105,228
8	-	-	7,800	-	101		20,534
-	-	-	-	-	-		17,137
-	15,251	65,607	-	3,920	24,820		110,748
8	15,251	65,607	7,800	3,920	24,921		253,647
-	-	-	-	-	-		15,301
-	15,916	413	3,219	6,775	13,539		42,255
-	-	-	-	-	-		27,833
-	15,916	413	3,219	6,775	13,539		85,389
8	(665)	65,194	4,581	(2,855)	11,382		168,258
-	-	1,000	-	-	-		1,000
-	-	-	(1,000)	-	-		(113,618)
-	-	1,000	(1,000)	-	-		(112,618)
8	(665)	66,194	3,581	(2,855)	11,382		55,640
16,688	4,950	331	4,784	6,383	61,003		563,043
16,696	4,285	66,525	8,365	3,528	72,385		618,683
-	-	-	-	-	-		217,866
16,696	4,285	66,525	8,365	3,528	72,385		400,817
16,696	4,285	66,525	8,365	3,528	72,385		618,683

Schedule 2

City of Fairfield

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2014

	Enterprise			Total
	Airport	Logan Apartments	Solid Waste	
Operating receipts:				
Use of money and property	\$ 21,967	179,957	-	201,924
Charges for service	-	-	570,552	570,552
Miscellaneous	-	1,852	-	1,852
Total operating receipts	21,967	181,809	570,552	774,328
Operating disbursements:				
Business type activities	171,489	171,558	521,752	864,799
Excess (deficiency) of operating receipts over (under) operating disbursements	(149,522)	10,251	48,800	(90,471)
Non-operating receipts (disbursements):				
Farm rent	66,100	-	-	66,100
Intergovernmental	30,291	112,622	-	142,913
Net non-operating receipts (disbursements)	96,391	112,622	-	209,013
Excess (deficiency) of receipts over (under) disbursements	(53,131)	122,873	48,800	118,542
Transfers out	-	(120,000)	-	(120,000)
Change in cash balances	(53,131)	2,873	48,800	(1,458)
Cash balances beginning of year	120,792	218,213	(97,316)	241,689
Cash balances end of year	\$ 67,661	221,086	(48,516)	240,231
Cash Basis Fund Balances				
Restricted for health plan trustee	\$ -	2,390	-	2,390
Unrestricted	67,661	218,696	(48,516)	237,841
Total cash basis fund balances	\$ 67,661	221,086	(48,516)	240,231

See notes to financial statements.

City of Fairfield

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Street construction	Jan 2, 1958	2.60%	\$ 85,000
Essential corporate purpose	Sep 1, 2006	4.00	6,925,000
Essential corporate purpose	Jul 1, 2010	1.55-3.40	4,915,000
Total			
General obligation capital loan notes:			
General obligation refunding - series 2011	Apr 1, 2011	1.25-1.90%	\$ 1,135,000
Revenue bonds:			
Local option sales and services tax	Jun 29, 2010	2.65-4.40%	\$ 550,000
Revenue capital loan notes:			
Water	Feb 13, 2003 *	1.75%	\$ 5,797,000
Sewer	Oct 5, 2011 *	3.00	4,000,000
Sewer	Nov 9, 2012 *	1.75	600,000
Total			
General obligation bond anticipation project note	Jun 28, 2013	2.40%	\$ 1,900,000
Interim revenue project notes:			
Sewer	Aug 12, 2013	0.00%	\$ 500,000
Sewer	Apr 14, 2014	0.00	1,075,000
Sewer	Apr 14, 2014	0.00	1,585,000
Total			
Loan agreement	Oct 1, 2013	0.00/1.00%	\$ 202,000

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Principal and Interest Due and Unpaid
5,000	-	-	5,000	-	5,520
4,810,000	-	450,000	4,360,000	192,400	-
3,650,000	-	535,000	3,115,000	88,043	-
\$ 8,465,000	-	985,000	7,480,000	280,443	5,520
690,000	-	225,000	465,000	10,957	-
485,000	-	65,000	420,000	16,899	-
3,797,000	-	327,000	3,470,000	66,448	-
3,855,000	-	150,000	3,705,000	115,650	-
578,000	-	22,000	556,000	10,116	-
\$ 8,230,000	-	499,000	7,731,000	192,214	-
1,900,000	-		1,900,000	42,180	-
-	352,659	-	352,659	-	-
-	365,505	-	365,505	-	-
-	-	-	-	-	-
\$ -	718,164	-	718,164	-	-
-	202,000	-	202,000	-	-

City of Fairfield

Bond and Note Maturities

June 30, 2014

Year Ending June 30,	General Obligation Bonds					General Obligation Capital Loan Notes	
	Essential Corporate Purpose		Essential Corporate Purpose		Total	General Obligation Refunding, Series 2011	
	Issued Sep 1, 2006		Issued July 1, 2010			Issued April 1, 2011	
	Interest		Interest			Interest	
Rates	Amount	Rates	Amount	Rates	Amount		
2015	4.00%	\$ 465,000	1.90%	\$ 545,000	1,010,000	1.60%	\$ 230,000
2016	4.00	485,000	2.15	560,000	1,045,000	1.90	235,000
2017	4.00	510,000	2.50	575,000	1,085,000		-
2018	4.00	530,000	2.75	595,000	1,125,000		-
2019	4.00	555,000	3.00	200,000	755,000		-
2020	4.00	580,000	3.00	205,000	785,000		-
2021	4.00	605,000	3.25	215,000	820,000		-
2022	4.00	630,000	3.40	220,000	850,000		-
2023		-		-	-		-
2024		-		-	-		-
2025		-		-	-		-
2026		-		-	-		-
2027		-		-	-		-
2028		-		-	-		-
2029		-		-	-		-
2030		-		-	-		-
2031		-		-	-		-
2032		-		-	-		-
Total		<u>\$ 4,360,000</u>		<u>\$ 3,115,000</u>	<u>7,475,000</u>		<u>\$ 465,000</u>

See accompanying independent auditor's report.

Revenue Bonds		Revenue Capital Loan Notes						
Local Option Sales and Services Tax		Water		Sewer		Sewer		
Issued June 29, 2010		Issued Feb 13, 2003		Issued Oct 5, 2011		Issued Nov 9, 2012		
Interest		Interest		Interest		Interest		
Rates	Amount	Rates *	Amount	Rates *	Amount	Rates *	Amount	Total
3.00%	\$ 65,000	1.75%	\$ 338,000	3.00%	\$ 155,000	1.75%	\$ 23,000	516,000
3.35	65,000	1.75	349,000	3.00	160,000	1.75	24,000	533,000
3.75	70,000	1.75	360,000	3.00	165,000	1.75	25,000	550,000
4.05	70,000	1.75	372,000	3.00	170,000	1.75	26,000	568,000
4.20	75,000	1.75	384,000	3.00	176,000	1.75	26,000	586,000
4.40	75,000	1.75	397,000	3.00	182,000	1.75	27,000	606,000
-	-	1.75	410,000	3.00	187,000	1.75	28,000	625,000
-	-	1.75	423,000	3.00	194,000	1.75	29,000	646,000
-	-	1.75	437,000	3.00	200,000	1.75	30,000	667,000
-	-			3.00	206,000	1.75	31,000	237,000
-	-			3.00	213,000	1.75	32,000	245,000
-	-			3.00	220,000	1.75	33,000	253,000
-	-			3.00	227,000	1.75	34,000	261,000
-	-			3.00	234,000	1.75	35,000	269,000
-	-			3.00	242,000	1.75	36,000	278,000
-	-			3.00	250,000	1.75	38,000	288,000
-	-			3.00	258,000	1.75	39,000	297,000
-	-			3.00	266,000	1.75	40,000	306,000
	<u>\$ 420,000</u>		<u>\$ 3,470,000</u>		<u>\$ 3,705,000</u>		<u>\$ 556,000</u>	<u>7,731,000</u>

City of Fairfield

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

For the Last Ten Years

	2014	2013	2012	2011
Receipts:				
Property tax	\$ 4,567,137	4,389,250	4,305,856	4,205,134
Tax increment financing	105,228	189,020	168,392	253,181
Other city tax	891,960	956,885	1,030,554	966,858
Licenses and permits	138,796	131,114	21,927	23,588
Use of money and property	41,523	64,537	16,151	24,366
Intergovernmental	1,204,178	1,685,508	2,122,051	2,270,294
Charges for service	469,719	501,509	533,266	480,915
Special assessments	43,870	53,529	-	71,947
Miscellaneous	300,996	239,928	88,337	569,010
Total	\$ 7,763,407	8,211,280	8,286,534	8,865,293
Disbursements:				
Operating:				
Public safety	\$ 2,083,750	2,005,343	1,773,322	1,857,711
Public works	919,575	1,173,014	788,506	120,088
Health and social services	-	-	24,042	39,585
Culture and recreation	2,075,406	2,246,585	1,968,927	1,491,155
Community and economic development	211,799	220,509	134,867	1,263,995
General government	796,394	514,862	700,625	815,111
Debt service	1,627,479	1,582,824	1,574,018	2,787,905
Capital projects	573,037	912,042	2,889,145	3,444,543
Total	\$ 8,287,440	8,655,179	9,853,452	11,820,093

See accompanying independent auditor's report.

2010	2009	2008	2007	2006	2005
4,076,420	3,949,455	3,639,821	3,350,952	3,236,344	3,037,373
429,971	332,517	232,613	210,355	229,701	230,189
960,005	1,027,994	991,721	968,336	911,782	914,871
25,681	22,741	29,359	21,441	27,043	24,228
43,279	89,382	88,133	104,655	45,527	107,630
2,179,131	1,463,822	3,217,212	4,965,682	2,635,955	2,758,221
350,499	303,182	292,480	323,930	346,434	337,963
64,130	75,582	44,482	51,081	27,614	33,834
263,644	507,741	248,944	284,838	197,893	192,099
8,392,760	7,772,416	8,784,765	10,281,270	7,658,293	7,636,408
1,705,256	1,761,035	1,626,961	1,570,831	1,589,215	1,751,741
1,060,704	906,095	997,862	942,597	977,938	898,017
13,000	13,081	12,786	17,801	9,720	12,220
1,641,994	1,626,771	1,490,126	1,591,083	1,536,035	1,444,278
300,665	199,972	116,881	100,958	107,223	85,867
1,155,196	405,982	387,699	374,948	397,803	342,499
1,235,630	1,245,752	1,016,258	1,116,957	901,491	901,981
2,143,000	1,913,794	3,796,689	7,085,671	3,845,328	2,527,712
9,255,445	8,072,482	9,445,262	12,800,846	9,364,753	7,964,315

City of Fairfield



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Mary Mosiman, CPA
Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in 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 Fairfield, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 12, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (I) through (L) to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Fairfield's Responses to the Findings


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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Fairfield during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 12, 2015

City of Fairfield
Schedule of Findings
Year ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check of those of another. During the audit, we identified the following incompatible duties:
- (1) Bank reconciliations are not performed by an individual who does not handle or record cash. In addition, the reconciliation is not reviewed and approved by an independent person.
 - (2) Receipts – opening mail, collecting, depositing, journalizing and posting.
 - (3) Utility receipts – opening mail, billing, collecting, depositing, posting, reconciling and maintaining detailed accounts receivable records.
 - (4) An initial listing of mail receipts is not prepared by the mail openers.
 - (5) Journal entries are not reviewed and approved.
 - (6) All accounting staff have the ability to void receipts. No report is maintained or review performed over void receipts.
 - (7) Accounting system – performing all general accounting functions and having custody of City assets.
 - (8) Payroll – preparing and approving payroll input. No independent review of payroll journals is performed.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review their control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We will do the best we can but are limited on staff.

Conclusion – Response accepted.

- (B) Financial Reporting – During the audit, we identified the following items requiring corrections. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.
- 1) Certain receipts were recorded as negative disbursements.
 - 2) Certain receipts and disbursements were recorded in an incorrect fund.
 - 3) Certain disbursements were reported in an incorrect function.

City of Fairfield

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Year ended June 30, 2014

4) Amounts held by the employee health plan trustee were not recorded in the City's cash balances.

5) Certain transfers between funds were erroneous.

Recommendation – The City should establish procedures to ensure accurate financial reporting.

Response – We will try to do better in the future.

Conclusion – Response accepted.

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. For the solid waste utility, the initial listing is not compared to receipt records by an independent person.

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 delinquencies. The initial listing should be compared to receipt records by an independent person.

Response – According to Tina, she feels it is done monthly with late bills and regular billing.

Conclusion – Response acknowledged. The City should document a monthly reconciliation of utility billings, collections and delinquent accounts. The initial listing for solid waste collections should be compared to the receipt records by an independent person.

- (D) Logan Apartments – The City owns an apartment complex with forty-seven units. The following deficiencies were noted:

1) Duties are not segregated as the Apartments' Manager prepares the tenant certifications, prepares housing assistance payment requests, collects rent, reconciles the rent receivable each month, collects and refunds security deposits and performs other accounting duties for the apartments.

2) Prenumbered receipts were not issued for collections. In addition, rent billings, collections and delinquent accounts were not reconciled throughout the year.

3) A current listing of security and pet deposits by tenant is not prepared and maintained.

Recommendation – Control activities for Logan Apartments should be reviewed to obtain the maximum internal control possible under the circumstances. A listing of rent receipts should be prepared. Also, prenumbered receipts should be issued for all collections. The receipt listing and prenumbered receipts should be reconciled to rent deposits per the City's records each month and rent receivables should be

City of Fairfield

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reviewed by an independent person. In addition, a log of security and pet deposits by apartment should be maintained and reconciled to the City's records periodically by an independent person. Also, rent owed each month should be reconciled to rent collected and rent receivables monthly and the reconciliations should be reviewed by an independent person.

Response – Logan Apartments will be sold by the City in this fiscal year.

Conclusion – Response accepted.

(E) Parks and Recreation Receipts – The City's Parks and Recreation Department has weaknesses in segregation of duties for the collection of receipts, as follows:

- 1) A receipt log of all Parks and Recreation receipts is prepared in the Department. However, an independent reconciliation is not performed to ensure all receipts per the receipt log were deposited by the City.
- 2) Certain locations use a cash register for admissions and concession sales. The cash register tapes are not reconciled to the receipts log maintained at the Parks and Recreation Department by an independent person.
- 3) Prenumbered receipts are issued only upon request of the payee or when a credit card is used.
- 4) One employee is responsible for collecting, depositing and reconciling receipts.

Recommendation - The City should develop procedures for the following:

- 1) On a periodic basis, an independent person should reconcile the receipt log/deposit listing to the City Hall receipt confirmation and document the review by signing or initialing and dating the reconciliation.
- 2) An independent person should reconcile the cash register tapes to the log and document the reconciliation by signing or initialing and dating the log.
- 3) Prenumbered receipts should be issued for all collections which are not recorded through a cash register. On a periodic basis, a person independent of the receipt process should reconcile prenumbered receipts issued to deposits.
- 4) The City should review its internal control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will try to implement a better reconciliation process.

Conclusion – Response acknowledged. The City should issue prenumbered receipts for collections not recorded through a cash register and an independent person should reconcile receipts and deposits.

City of Fairfield

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- (F) City Library Receipts – The City’s separately maintained records for the Library Endowment, Library Memorial, Library Capital Improvements and Fairfield Public Library House have weaknesses in segregation of duties for the collection of receipts, as follows:

Receipts – handling, recording and reconciling. The initial listing of receipts is not compared to receipt records by an independent person.

Recommendation – Control activities for the Library separately maintained records should be reviewed to obtain the maximum internal control possible under the circumstances.

Response – We are currently handling receipts appropriately. For a time period, we were without an administrative assistant and the director had to fill in.

Conclusion – Response accepted.

- (G) Friends of the Fairfield Public Library – The Friends of the Fairfield Public Library has weaknesses in segregation of duties as follows:

(1) Receipts – handling, recording and reconciling. An initial listing of receipts is not prepared by the mail opener. Checks are not restrictively endorsed upon receipt.

(2) Disbursements – preparing, recording and reconciling.

(3) Cash – preparing bank reconciliations, signing checks and handling and recording cash. The bank reconciliations are not approved by an independent person.

Recommendation – Control activities for the Friends of the Fairfield Public Library should be reviewed to obtain the maximum internal control possible under the circumstances.

Response – We will do the best we can but we are limited in volunteers.

Conclusion – Response accepted.

- (H) Fairfield Parks and Recreation Foundation - The Fairfield Parks and Recreation Foundation has weaknesses in segregation of duties as follows:

(1) Receipts – handling, recording and reconciling. Prenumbered receipts are issued only upon request of the payee.

(2) Disbursements – preparing, recording and reconciling.

(3) Cash – preparing bank reconciliations, approving disbursement transactions and handling and recording cash. The bank reconciliations were not approved by an independent person.

Recommendation – Control activities for the Fairfield Parks and Recreation Foundation should be reviewed to obtain the maximum internal control possible under the circumstances.

City of Fairfield

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Response –

- 1) Receipts will be handled under dual control. Checks will be immediately stamped with the “For deposit only” stamp. Cash will be verified and an adding machine tape will accompany all deposits. Deposits will be placed in a sealed envelope and initialed by those processing the deposit. The envelope will be delivered to the bank. Deposits will be opened at the bank and verified to confirm cash and checks match the totals noted. The subsequent receipt will be given to the Treasurer for recording.
- 2) Disbursements will be reviewed and approved by either the Board as a whole or by two board members.
- 3) Bank reconciliations are included with the Treasurer’s reports at board meetings. Those reports are reviewed and approved by the board.

Conclusion – Response accepted.

- (I) Computer System – The City’s computer system does not identify who processed transactions. The City does not update user profiles periodically. In addition, the City does not have a written disaster recovery plan.

Recommendation – The City’s computer system should identify who processes transactions. The City should review user profiles and update the profiles timely. The City should adopt a written disaster recovery plan.

Response – We will talk with our software company regarding this.

Conclusion – Response accepted.

- (J) Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. In addition, itemized receipts were not always retained to support charges made.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – We will work on a credit card policy.

Conclusion – Response accepted.

- (K) Compensated Absences - Compensatory time, including vacation and sick leave, are maintained in the City’s payroll records for all departments except the Library and Fire Department. In addition, seven employees had negative leave balances because the City is not adequately monitoring the balances.

Recommendation- All payroll records should be maintained on a consistent and uniform basis to document potential liabilities of the City. The City should monitor balances recorded in the payroll system.

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Year ended June 30, 2014

Response – The Library keeps its own records. The Fire Department runs on 24 hour shifts.

Conclusion - Response acknowledged. To ensure consistency of tracking leave balances, the City should account for leave earned, used and balances through the City's payroll system. In addition, balances should be monitored to ensure leave is not used prior to being earned.

(L) Fairfield Parks and Recreation Foundation – The Fairfield Parks and Recreation Foundation has collections and disbursements which commingle with the City's Parks and Recreation Department, making it difficult to distinguish between City and Foundation operations. During the year, the following items were noted:

- a) The City Parks and Recreation Department published an advertisement and paid for supplies for a chili fundraiser for the new pool and gym project. The proceeds from this city fundraiser were deposited with the Fairfield Parks and Recreation Foundation.
- b) The Fairfield Parks and Recreation Foundation paid \$2,574 of an \$12,574 invoice from Oakwood Nursery billed to the City of Fairfield.
- c) The Fairfield Parks and Recreation Foundation reimbursed the City of Fairfield \$645 for the Fairfield Youth Basketball tournament.
- d) The City paid \$45 invoice for an accounting service billed to the Fairfield Parks and Recreation Foundation.

Recommendation – The Foundation should not commingle operations with the City's Parks and Recreation Department.

Response –

City – This was discussed with the Parks and Recreation Director and he will be more careful.

Parks and Recreation Foundation –

- a) We have communicated with the City Parks and Recreation Director regarding all advertising and fund raising so that it is clearly identified and appropriately advertised. Any associated costs or donations need to be directed through the Fairfield Parks and Recreation Foundation. This will be monitored by the Foundation Board.
- b) and d) We have communicated with the City of Fairfield. The Foundation will reimburse the City for any projects which are directed through and paid by the City and partially funded through the Foundation.
- c) This was a check cut from the City funds which should have come from the Foundation for the Fairfield Youth Basketball program. The Youth Basketball program is no longer under the Foundation.

Conclusion – Response accepted.

City of Fairfield

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Year ended June 30, 2014

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Fairfield

Schedule of Findings

Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the public works, culture and recreation, general government, debt service and business type activities 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 - We will try to watch it closer.

Conclusion - Response accepted.

- (2) Questionable Disbursements - Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Snowy River Pottery	Mugs for city staff gifts	\$1,100
Yummy's Bakery	Cake for departing council member	35
Revelations Café		
Bookstore	Lunch	19
Wal-Mart	Veggie trays, napkins and candle for Bob Glocke dedication	40

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City Council should establish written policies and procedures, including the requirements for proper documentation.

Response - These were all approved by the City Council.

Conclusion - Response acknowledged. The City Council should document how a public purpose is served by these disbursements.

- (3) Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Fairfield

Schedule of Findings

Year ended June 30, 2014

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Robert Estle, husband of bookkeeper, owner of Estle Construction	Various services (rock and building construction)	\$ 37,343

In accordance with Chapters 362.5(3)(d) and (j) of the Code of Iowa, the transactions may represent a conflict of interest since total transactions were more than \$1,500 during the fiscal year and the contracts were not entered into through competitive bidding.

Recommendation – The City should consult legal counsel for the proper disposition of this matter.

Response – This was 9 different invoices so bidding was not required. The majority of the invoices were for hauling rock.

Conclusion – Response acknowledged. The City should review the requirements of Chapter 362.5 of the Code of Iowa with legal counsel since the total for the year exceeded \$1,500.

- (5) 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 the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Disbursements made for electronic debt payments and remittances of payroll withholdings were not approved by the City Council.

Recommendation – The City should publish minutes as required and the City Council should approve disbursements made electronically.

Response – Will try to meet the requirements.

Conclusion – Response accepted.

- (7) Deposits and Investments – Deposits and investments were in compliance with provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy, except for the following:

Interest income from the investment of note proceeds was not credited to the Capital Projects Fund. In addition, interest earned on the Special Revenue, Tax Increment Financing Fund balance is not credited to the fund. In accordance with Chapter 12C.9 of the Code of Iowa, such interest shall be used to pay the principal or interest of the indebtedness or be credited to the Capital Projects Fund for which the indebtedness was issued.

Additionally, a resolution naming official depositories could not be located by the City.

City of Fairfield

Schedule of Findings

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Recommendation – The City should credit interest to the proper funds in accordance with Chapter 12C.9 of the Code of Iowa. In addition, the City should adopt a depository resolution which establishes maximum deposit amounts for each bank as required by Chapter 12C.2 of the Code of Iowa.

Response – We have adopted a depository resolution.

Conclusion – Response acknowledged. The City should credit interest to the proper funds in accordance with Chapter 12C.9 of the Code of Iowa.

- (8) Revenue Bonds and Notes – The City has complied with the revenue note and bond resolutions, except as follows:

The water revenue note resolution requires the City to establish water sinking and reserve accounts. The City has not established these accounts or made the required transfers to these accounts.

The sewer revenue note resolutions require the City to establish a sewer sinking account. The City has not established this account or made the required transfers to the account.

The local option sales and services tax (LOST) revenue bond resolution requires the City to establish LOST sinking and reserve accounts. The City has not established these accounts or made the required transfers to these accounts.

Recommendation – The City should establish the required sinking and reserve accounts. The City should make the necessary transfers as required by the sewer and water note and LOST bond resolutions.

Response – We will establish these accounts.

Conclusion – Response accepted.

- (9) Financial Condition – At June 30, 2014, the City had deficit balances in the following funds:

<u>Fund</u>	<u>Amount</u>
General, Unassigned	\$177,788
Debt Service	135,572
Enterprise, Solid Waste	48,516

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial condition.

Response – We are trying to clean up the negative balances.

Conclusion – Response accepted.

- (10) Separately Maintained Records – The City maintains separate bank accounts or investments for the Indian Creek Escrow, Library Memorial, Library Capital Improvements, Fairfield Public Library House, Library Endowment and Live on the Square. These accounts and investments were not reflected in the City’s accounting system or monthly fund balances.

City of Fairfield

Schedule of Findings

Year ended June 30, 2014

Recommendation – Chapter 384.20 of the Code of Iowa requires a City to keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any City purpose. The financial activity of the separately maintained accounts and investments should be reflected in the City’s monthly financial statements.

Response – The accounts are not part of the budget so they can not be included in a monthly financial report.

Conclusion – Response acknowledged. In accordance with Chapter 384.20 of the Code of Iowa, the City is required to keep accounts showing an accurate and detailed statement of all public funds. These accounts should be included in the City’s budget and financial reports.

- (11) Capital Improvements Levy – Chapter 384.7 of the Code of Iowa allows cities to levy property tax for a capital improvement reserve fund, subject to approval by the voters at an election. The City previously established this levy, but the levy expired in the fiscal year ended June 30, 2009. The City levied \$164,380, \$174,067, \$178,492 and \$100,000 for the fiscal years ended June 30, 2010, June 30, 2011, June 30, 2012 and June 30, 2013, respectively, without holding an election.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

Response – We are currently working on this.

Conclusion – Response accepted.

- (12) Emergency Levy – Chapter 384.8 of the Code of Iowa provides a City may establish an Emergency Fund and transfers may be made from the Special Revenue, Emergency Fund to the General Fund. The City levied property tax for the Special Revenue, Emergency Fund, but recorded the property tax in the General Fund rather than establishing a separate Special Revenue, Emergency Fund.

Recommendation – The City should establish a Special Revenue, Emergency Fund and credit proceeds from the emergency levy to the Special Revenue, Emergency Fund.

Response – We will establish a Special Revenue, Emergency Fund.

Conclusion – Response accepted.

- (13) Allowances – The City provides certain employees with an annual clothing allowance. The amount allowed is \$200 for water plant employees and \$450 for water distribution, wastewater and street employees. In addition, the City Administrator is paid a \$2,500 annual travel allowance. These payments were not processed through payroll and, accordingly, the proper tax withholdings were not applied.

Recommendation – The City should report clothing and travel allowances provided to employees on the employees’ W-2s.

Response – We will work on this.

Conclusion – Response accepted.

- (14) Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures....”. The City’s Annual Financial Report reported fund balances which did not materially agree with the City’s records.

City of Fairfield

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Year ended June 30, 2014

Recommendation – The City should ensure the Annual Financial Report agrees with the City's records.

Response – We hope this is improved in the future.

Conclusion – Response accepted.

- (15) Urban Renewal Tax Increment Financing (TIF) Fund – The City has certified TIF obligations in five urban renewal areas. The TIF receipts for all five urban renewal areas are included in the Special Revenue, Urban Renewal Tax Increment Financing Fund. The City does not maintain the receipts and disbursements of each urban renewal area separately.

Recommendation – The City should establish subaccounts for the Special Revenue, Urban Renewal Tax Increment Financing Fund to record receipts, disbursements and fund balance separately for each urban renewal area to match TIF collections with the TIF obligations paid for each urban renewal area.

Response – We will establish subaccounts for each TIF area.

Conclusion – Response accepted.

- (16) Tax Increment Financing (TIF) Debt Certification – 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 the fund as provided in Chapter 403.19 of the Code of Iowa. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(5)(b) of the Code of Iowa requires the city to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

The following relate to the City's TIF debt certifications:

- The certification includes \$702,000 of payments pertaining to the Pale Moon rebate agreement which includes an annual appropriation clause. Until appropriated, these payments do not represent debt and, accordingly, should not have been certified as debt.
- The City's general obligation capital loan note, Series 2001A, proceeds were split between three urban renewal areas and a portion was not TIF related. When the City included the TIF portions on the City's TIF Indebtedness Certification, the allocation between the three urban renewal areas and the portion which was not TIF was miscalculated, which resulted in too much TIF debt being included on the City's TIF Indebtedness Certification for each of the three TIF districts by \$118,270, \$16,340 and \$60,667, or a total of \$195,277. The series 2001A capital loan notes were refunded in April 2011 by the general obligation refunding capital loan notes, Series 2011.
- The City did not certify a reduction in TIF indebtedness of for each of the three TIF districts by \$17,082, \$2,666 and \$11,832, or a total of \$31,580, as a result of refunding the Series 2001A capital loan notes in April 2011.

City of Fairfield

Schedule of Findings

Year ended June 30, 2014

- Because the City has not decertified the amounts discussed related to the series 2001A and series 2011 capital loan notes to the County Auditor, the City received TIF receipts in excess of the TIF indebtedness for the South Gate TIF District and the Carrington Pointe TIF District.
- The City made transfers from the Special Revenue, Urban Renewal Tax Increment Financing Fund (TIF) to the Debt Service Fund in excess of the TIF portion of the general obligation debt. As a result, the City has used TIF receipts to pay general obligation debt not eligible to be paid from TIF. In prior years, the City transferred \$177,270 from the Special Revenue, Urban Renewal Tax Increment Financing Fund (TIF) to the Debt Service Fund in excess of the TIF portion of the general obligation debt. For the year ended June 30, 2014, the TIF portion of the general obligation note principal and interest paid was \$103,265, but the City transferred \$112,618 from the Special Revenue, Urban Renewal Tax Increment Financing Fund to the Debt Service Fund, or \$9,353 more than was required. At June 30, 2014, the excess transfers made total \$186,623.

Recommendation – The City should consult bond counsel to determine the disposition of these issues. Proper disposition should include:

- The City should complete and send Form 3, the TIF Indebtedness Certification, to the County Auditor to reduce the TIF indebtedness outstanding for the amounts overcertified.
- The City should determine if TIF received in excess of TIF indebtedness should be returned to the County Treasurer as required by Chapter 24.21 of the Code of Iowa.
- The City should limit transfers from the Special Revenue, Urban Renewal Tax Increment Financing Fund to the Debt Service Fund to the TIF debt coming due in the fiscal year. Also, the City should transfer \$186,622 from the Debt Service Fund to the Special Revenue, Urban Renewal Tax Increment Financing Fund for the excess amounts transferred.

Response – We will seek legal advice.

Conclusion – Response accepted.

- (17) Annual Urban Renewal Report – The Annual Urban Renewal Report was not properly approved and certified to the Iowa Department of Management on or before December 1. In addition, the City understated the amount reported as TIF debt outstanding by \$640,884. The Levy Authority Summary also included disbursements and ending cash balances which did not reconcile to the City's Special Revenue, Urban Renewal Tax Increment Financing Fund.

Recommendation – The City should ensure the Annual Urban Renewal Report is certified on or before December 1. The City should ensure the amounts reported on the Levy Authority Summary agree with the City's records.

Response – We will make sure the Annual Urban Renewal Report is certified by December 1 and the amounts agree with the City's records.

Conclusion – Response accepted.

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Schedule of Findings

Year ended June 30, 2014

- (18) Debt Service Fund – The Debt Service Fund had a deficit balance of \$135,572 at June 30, 2014. This balance is partially attributable to budget errors made in the current and prior year. The City overstated the portion of general obligation debt to be paid from sources other than the debt service levy. As a result, the City understated the amount to be paid by the debt service levy. Errors noted for the years ended June 30, 2013 and June 30, 2014 total \$51,345 and \$20,500, respectively.

Recommendation – The City should review the Debt Service Fund activity and determine whether an addition to the debt service property tax levy is appropriate to increase the fund balance.

Response – We will seek legal counsel about this matter.

Conclusion – Response accepted.

- (19) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks and unrepresented bonds/coupons, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required. The City canceled \$3,700 of old outstanding checks and deposited it in the City's accounts.

Recommendation – The outstanding checks and bonds/coupons should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State as required.

Response – We will look into this.

Conclusion – Response accepted.

- (20) Debt Authorization – During the year ended June 30, 2014, the City entered into a promissory note for the purchase of real estate. However, a public hearing was not held prior to the authorization of this promissory note as required by Chapter 384.24A of the Code of Iowa.

Recommendation – The City should consult legal counsel for the disposition of this matter.

Response – We will seek legal counsel.

Conclusion – Response accepted.

- (21) Unallowable Disbursement – During the year ended June 30, 2014, the City purchased \$527 of Christmas lights from the Special Revenue, Road Use Tax Fund. Under Chapter 312.6 of the Code of Iowa, Christmas lights are not an allowable use of road use tax.

Recommendation – The City should make a corrective transfer from the General Fund to the Special Revenue, Road Use Tax Fund.

Response – This has been corrected.


Conclusion – Response accepted.

City of Fairfield

Staff

This audit was performed by:

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