



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

FOR RELEASE

March 9, 2021

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on the City of Fairfield, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$20,600,142 for the year ended June 30, 2020, a 31.0% decrease from the prior year. Disbursements for the year ended June 30, 2020 totaled \$21,681,544, a 20.0% decrease from the prior year. The significant decrease in receipts and disbursements is due primarily to a decrease in note proceeds and capital outlay for the sewer construction project.

AUDIT FINDINGS:

Sand reported sixteen findings related to the receipt and disbursement of taxpayer funds and one finding pertaining to the Fairfield Parks and Recreation Foundation (Foundation), a blended component unit. They are found on pages 66 through 80 of this report. The findings address issues such as a lack of segregation of duties, misposting of receipts, the lack of performing proper bank to book reconciliations and improper levying a debt service levy to repay debt already certified as a TIF obligation. Sand provided the City and the Foundation with recommendations to address each of the findings.

Eleven of the sixteen findings discussed above for the City and one for the Foundation are repeated from the prior year. The City Council and the Foundation management have a fiduciary responsibility to provide oversight of the City's and the Foundation's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

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CITY OF FAIRFIELD

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

JUNE 30, 2020

City of Fairfield



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February 22, 2021

Officials of the City of Fairfield
Fairfield, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Fairfield, Iowa, for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Fairfield throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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City of Fairfield

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Edward Malloy	Mayor	Jan 2020
Michael Halley	Mayor Pro tem	Jan 2022
Tom Twohill	Council Member	Nov 2019
Katy Anderson	Council Member	Jan 2020
Martha Rasmussen	Council Member	Jan 2020
Tom Thompson	Council Member	Jan 2020
Doug Flournoy	Council Member	Jan 2022
Paul Gandy	Council Member	Jan 2022
Aaron Kooiker	City Administrator	Indefinite
Rebekah Loper	City Clerk	Indefinite
John Morrissey	City Attorney	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Connie Boyer	Mayor	Jan 2022
Paul Gandy	Mayor Pro tem	Jan 2022
Doug Flournoy	Council Member	Jan 2022
Michael Halley	Council Member	Jan 2022
Katy Anderson	Council Member	Jan 2024
Judy Ham	Council Member	Jan 2024
Tom Twohill	Council Member	Jan 2024
Martha Rasmussen	Council Member	Jan 2024
Aaron Kooiker	City Administrator	Indefinite
Rebekah Loper	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, 2020, 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, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 seven years ended June 30, 2019 (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 6, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 38 through 47, 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 February 22, 2021 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Fairfield's internal control over financial reporting and compliance.


Marlys K. Gaston, CPA
Deputy Auditor of State

February 22, 2021

City of Fairfield

Basic Financial Statements

City of Fairfield

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 2,487,263	67,720	169,414	-
Public works	1,714,972	17,795	1,216,487	-
Culture and recreation	1,653,302	366,710	225,529	-
Community and economic development	427,592	37,753	5,592	-
General government	758,061	115,073	1,538	-
Debt service	1,459,274	-	-	-
Capital projects	218,408	-	-	243,963
Total governmental activities	8,718,872	605,051	1,618,560	243,963
Business type activities:				
Water	2,605,360	2,906,624	-	-
Sewer	9,361,252	3,237,715	-	571,452
Airport	436,352	14,285	-	237,692
Solid waste	559,708	574,710	-	-
Total business type activities	12,962,672	6,733,334	-	809,144
Total Primary Government	\$ 21,681,544	7,338,385	1,618,560	1,053,107
Component Unit:				
Fairfield Public Library Foundation	\$ 99,467	-	148,041	-
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				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Note proceeds				
Farm rent				
Sale of capital assets				
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				
Debt service				
Deposits				
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			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Fairfield Public Library Foundation
(2,250,129)	-	(2,250,129)	
(480,690)	-	(480,690)	
(1,061,063)	-	(1,061,063)	
(384,247)	-	(384,247)	
(641,450)	-	(641,450)	
(1,459,274)	-	(1,459,274)	
25,555	-	25,555	
<u>(6,251,298)</u>	<u>-</u>	<u>(6,251,298)</u>	
-	301,264	301,264	
-	(5,552,085)	(5,552,085)	
-	(184,375)	(184,375)	
-	15,002	15,002	
-	(5,420,194)	(5,420,194)	
<u>(6,251,298)</u>	<u>(5,420,194)</u>	<u>(11,671,492)</u>	
			<u>48,574</u>
4,365,364	-	4,365,364	-
1,094,270	-	1,094,270	-
234,411	-	234,411	-
906,070	-	906,070	-
175,270	-	175,270	-
149,230	-	149,230	-
68,962	43,648	112,610	-
775,000	2,662,610	3,437,610	-
-	66,100	66,100	-
15,000	-	15,000	-
939	33,216	34,155	-
(90,000)	90,000	-	-
<u>7,694,516</u>	<u>2,895,574</u>	<u>10,590,090</u>	-
1,443,218	(2,524,620)	(1,081,402)	48,574
<u>6,504,617</u>	<u>6,144,349</u>	<u>12,648,966</u>	<u>1,417,592</u>
<u>\$ 7,947,835</u>	<u>3,619,729</u>	<u>11,567,564</u>	<u>1,466,166</u>
\$ 479,889	-	479,889	-
1,007,669	-	1,007,669	-
758,429	661,617	1,420,046	-
-	117,172	117,172	-
114,818	58,176	172,994	-
1,536,445	-	1,536,445	-
<u>4,050,585</u>	<u>2,782,764</u>	<u>6,833,349</u>	<u>1,466,166</u>
<u>\$ 7,947,835</u>	<u>3,619,729</u>	<u>11,567,564</u>	<u>1,466,166</u>

City of Fairfield

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

As of and for the year ended June 30, 2020

	Special Revenue				
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits	Urban Renewal Tax Increment Financing
Receipts:					
Property tax	\$ 2,995,188	-	-	1,034,662	-
Tax increment financing	-	-	-	-	234,411
Local option sales tax	-	-	906,070	-	-
Other city tax	251,028	-	-	26,179	-
Licenses and permits	183,476	-	-	-	-
Use of money and property	68,962	-	-	-	3,440
Intergovernmental	326,396	1,216,487	-	29,128	-
Charges for service	384,921	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	48,936	3,880	-	888	-
Total receipts	4,258,907	1,220,367	906,070	1,090,857	237,851
Disbursements:					
Operating:					
Public safety	2,016,582	-	62,000	407,281	-
Public works	243,200	1,076,419	299,289	96,064	-
Culture and recreation	1,411,904	-	9,800	107,557	-
Community and economic development	327,352	-	67,873	29,122	3,245
General government	624,722	-	1,001	132,338	-
Debt service	-	-	76,900	-	-
Capital projects	-	-	-	-	-
Total disbursements	4,623,760	1,076,419	516,863	772,362	3,245
Excess (deficiency) of receipts over (under) disbursements	(364,853)	143,948	389,207	318,495	234,606
Other financing sources (uses):					
Transfers in	461,535	-	-	-	-
Transfers out	(90,000)	-	(300,750)	(160,785)	(193,499)
Sale of capital assets	15,000	-	-	-	-
Note proceeds	775,000	-	-	-	-
Total other financing sources (uses)	1,161,535	-	(300,750)	(160,785)	(193,499)
Change in cash balances	796,682	143,948	88,457	157,710	41,107
Cash balances beginning of year	3,504,230	712,925	68,921	369,756	556,175
Cash balances end of year	\$ 4,300,912	856,873	157,378	527,466	597,282
Cash Basis Fund Balances					
Nonspendable - Library endowment	\$ -	-	-	-	-
Restricted for:					
Streets	-	856,873	150,796	-	-
Debt service	-	-	-	-	597,282
Health plan trustee	-	-	-	114,818	-
Other purposes	250,327	-	6,582	412,648	-
Unassigned	4,050,585	-	-	-	-
Total cash basis fund balances	\$ 4,300,912	856,873	157,378	527,466	597,282

See notes to financial statements.

Debt Service	Capital Projects	Permanent Library Endowment	Nonmajor	Total
1,067,851	227,812	-	-	5,325,513
-	-	-	-	234,411
-	-	-	-	906,070
26,419	5,765	-	-	309,391
-	-	-	-	183,476
-	-	1,333	16,840	90,575
29,397	6,414	-	14	1,607,836
-	-	-	-	384,921
-	10,414	-	-	10,414
-	233,549	-	122,230	409,483
<u>1,123,667</u>	<u>483,954</u>	<u>1,333</u>	<u>139,084</u>	<u>9,462,090</u>
-	-	-	1,400	2,487,263
-	-	-	-	1,714,972
-	-	-	124,041	1,653,302
-	-	-	-	427,592
-	-	-	-	758,061
1,382,374	-	-	-	1,459,274
-	218,408	-	-	218,408
<u>1,382,374</u>	<u>218,408</u>	<u>-</u>	<u>125,441</u>	<u>8,718,872</u>
<u>(258,707)</u>	<u>265,546</u>	<u>1,333</u>	<u>13,643</u>	<u>743,218</u>
36,558	156,941	-	-	655,034
-	-	-	-	(745,034)
-	-	-	-	15,000
-	-	-	-	775,000
<u>36,558</u>	<u>156,941</u>	<u>-</u>	<u>-</u>	<u>700,000</u>
<u>(222,149)</u>	<u>422,487</u>	<u>1,333</u>	<u>13,643</u>	<u>1,443,218</u>
<u>383,296</u>	<u>281,385</u>	<u>478,556</u>	<u>149,373</u>	<u>6,504,617</u>
<u>161,147</u>	<u>703,872</u>	<u>479,889</u>	<u>163,016</u>	<u>7,947,835</u>
-	-	479,889	-	479,889
-	-	-	-	1,007,669
161,147	-	-	-	758,429
-	-	-	-	114,818
-	703,872	-	163,016	1,536,445
-	-	-	-	4,050,585
<u>161,147</u>	<u>703,872</u>	<u>479,889</u>	<u>163,016</u>	<u>7,947,835</u>

City of Fairfield

City of Fairfield

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

As of and for the year ended June 30, 2020

	Enterprise			Total
	Water	Sewer	Nonmajor	
Operating receipts:				
Use of money and property	\$ -	-	10,153	10,153
Charges for service	2,736,709	3,208,223	576,842	6,521,774
Miscellaneous	169,915	29,492	2,000	201,407
Total operating receipts	2,906,624	3,237,715	588,995	6,733,334
Operating disbursements:				
Business type activities	1,665,168	1,276,692	751,972	3,693,832
Excess (deficiency) of operating receipts over (under) operating disbursements	1,241,456	1,961,023	(162,977)	3,039,502
Non-operating receipts (disbursements):				
Revenue note proceeds	-	2,662,610	-	2,662,610
Farm rent	-	-	66,100	66,100
Water and waste disposal grant	-	571,452	-	571,452
Airport improvement grant	-	-	237,692	237,692
Interest on investments	24,623	17,604	1,421	43,648
Miscellaneous	33,216	-	-	33,216
Capital outlay	(509,851)	(7,617,652)	(244,088)	(8,371,591)
Debt service	(430,341)	(466,908)	-	(897,249)
Net non-operating receipts (disbursements)	(882,353)	(4,832,894)	61,125	(5,654,122)
Excess (deficiency) of receipts over (under) disbursements	359,103	(2,871,871)	(101,852)	(2,614,620)
Transfers in	-	-	90,000	90,000
Change in cash balances	359,103	(2,871,871)	(11,852)	(2,524,620)
Cash balances beginning of year	2,260,173	3,605,863	278,313	6,144,349
Cash balances end of year	\$ 2,619,276	733,992	266,461	3,619,729
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 480,667	180,950	-	661,617
Deposits	117,172	-	-	117,172
Health plan trustee	33,150	25,026	-	58,176
Unrestricted	1,988,287	528,016	266,461	2,782,764
Total cash basis fund balances	\$ 2,619,276	733,992	266,461	3,619,729

See notes to financial statements.

City of Fairfield

Notes to Financial Statements

June 30, 2020

(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, culture and recreation, community and economic development and general government services. The City also provides water, sewer, solid waste and airport services 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

The Fairfield Parks and Recreation Foundation was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. This non-profit corporation is legally separate from the City but is so intertwined with the City it is, 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, the Fairfield Parks and Recreation Foundation meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

Discretely Presented Component Unit

The 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, the 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 the 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 911 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 receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

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 Urban Renewal Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

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

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

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

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, 2020, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2020, the City had the following investments:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
Library mutual funds, donated	\$ 11,016	23,785	N/A
Library stocks, donated	509	1,098	N/A
Park and Recreation Foundation mutual funds	7,118	9,116	N/A
Park and Recreation Foundation stocks	5,121	33,384	N/A

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

The recurring fair value of the stocks and mutual funds were determined using quoted market prices. (Level 1 inputs)

At June 30, 2020, the Fairfield Public Library Foundation (Foundation), a discretely presented component unit, had the following investments:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
Mutual funds	\$ 1,457,249	1,662,219	N/A

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

The recurring fair value of the Foundation's mutual funds were determined using quoted market prices. (Level 1 inputs)

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 investments in mutual funds are unrated.

Concentration of Credit Risk – The City and the 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

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 7,435,000 *	775,000	1,133,000	7,077,000	215,000 *
Lost option sales tax revenue bonds	75,000	-	75,000	-	-
Governmental activities total	<u>\$ 7,510,000</u>	<u>775,000</u>	<u>1,208,000</u>	<u>7,077,000</u>	<u>215,000</u>
Business type activities:					
Water revenue notes	\$ 1,667,000	-	397,000	1,270,000	410,000
Sewer revenue notes	7,462,284	-	282,344	7,179,940	289,825
Sewer anticipation project notes	15,568,296	2,662,610	-	18,230,906	18,158,666
Sewer interim revenue project notes	1,047,277	-	-	1,047,277	939,686
Business-type activities total	<u>\$ 25,744,857</u>	<u>2,662,610</u>	<u>679,344</u>	<u>27,728,123</u>	<u>19,798,177</u>

* Excludes \$5,000 of principal due and unpaid.

General Obligation Bonds and Capital Loan Notes

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

Year Ending June 30,	Park Improvements, Street Construction, Fire and Street Equipment, Parking Facility Construction			Recreation and Outdoor Swimming Facility		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	3.25%	\$ 215,000	14,468	3.50%	\$ 143,000	104,895
2022	3.40	220,000	7,480	3.50	149,000	99,890
2023	-	-	-	3.50	195,000	94,675
2024	-	-	-	3.50	202,000	87,850
2025	-	-	-	3.50	209,000	80,780
2026-2030	-	-	-	3.50	1,135,000	288,645
2031-2034	-	-	-	-	964,000	85,750
Total		<u>\$ 435,000</u>	<u>21,948</u>		<u>\$ 2,997,000</u>	<u>842,485</u>

Year Ending June 30,	Refunding			Taxable Refunding		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	3.00%	\$ 575,000	29,150	2.25%	\$ 50,000	27,800
2022	2.00	595,000	11,900	2.25	-	26,675
2023	-	-	-	2.70	500,000	26,675
2024	-	-	-	2.80	325,000	13,675
2025	-	-	-	2.00	175,000	4,900
2026-2030	-	-	-	-	-	-
2031-2034	-	-	-	-	-	-
Total		<u>\$ 1,170,000</u>	<u>41,050</u>		<u>\$ 1,050,000</u>	<u>99,725</u>

Year Ending June 30,	Urban Renewal Projects			Street and Airport Improvements, Library Equipment		
	Issued Jun 1, 2018			Issued Aug 8, 2019		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	3.50%	\$ -	26,250	2.28%	\$ 75,000	15,392
2022	3.50	57,000	26,250	2.28	75,000	13,680
2023	3.50	54,000	24,255	2.28	75,000	11,970
2024	3.50	63,000	22,365	2.28	75,000	10,260
2025	3.50	66,000	20,160	2.28	75,000	8,550
2026-2030	3.50	360,000	64,855	2.28	300,000	17,100
2031-2034	3.50	150,000	8,330		-	-
Total		\$ 750,000	192,465		\$ 675,000	76,952

Year Ending June 30,	Total		
	Principal	Interest	Total
2021	\$ 408,000	147,163	555,163
2022	369,000	134,045	503,045
2023	695,000	121,350	816,350
2024	527,000	101,525	628,525
2025	384,000	85,680	469,680
2026-2030	1,135,000	288,645	1,423,645
2031-2034	964,000	85,750	1,049,750
Total	\$ 4,482,000	964,158	5,446,158

On July 1, 2010, the City issued \$4,915,000 of general obligation essential purpose notes with interest rates ranging from 1.00% to 3.40% per annum. The notes were issued to pay the costs of improvements to existing parks, construction of streets, equipment for the Fire and Streets departments and construction of public parking facilities. During the year ended June 30, 2020, the City paid \$205,000 of principal and \$20,618 of interest on the notes.

On February 5, 2015, the City issued \$3,775,000 of general obligation capital loan notes with an interest rate of 3.50% per annum. The notes were issued for constructing a recreation and outdoor swimming facility. During the year ended June 30, 2020, the City paid \$138,000 of principal and \$109,725 of interest on the notes.

On May 31, 2016, the City issued \$3,315,000 of general obligation refunding notes with interest rates ranging from 2.00% to 3.00% per annum. The notes were issued to refund the Series 2006A general obligation bond. During the year ended June 30, 2020, the City paid \$565,000 of principal and \$46,110 of interest on the notes.

On May 31, 2016, the City issued \$1,985,000 of taxable general obligation refunding capital loan notes with interest rates ranging from 1.10% to 2.80% per annum. The notes were issued to refund the outstanding series 2013 general obligation anticipation project notes. During the year ended June 30, 2020, the City paid \$125,000 of principal and \$30,300 of interest on the notes.

On June 1, 2018, the City issued \$750,000 of general obligation capital loan notes with an interest rate of 3.50% per annum. The notes were issued for street, sidewalk and storm sewer improvements in the West Industrial Park and Lincoln Court subdivision urban renewal areas. During the year ended June 30, 2020, the City paid \$26,250 of interest on the notes.

On August 8, 2019, the City issued \$775,000 of general obligation capital loan notes with an interest rate of 2.28% per annum. The notes were issued for street and airport improvements, and library equipment. During the year ended June 30, 2020, the City paid \$100,000 of principal and \$14,381 of interest on the notes.

Revenue Capital Loan Notes

A summary of the City's June 30, 2020 revenue notes payable is as follows:

Year Ending June 30,	Water		
	Issued Feb 13, 2003		
	Interest Rates	Principal	Interest
2021	1.75%	\$ 410,000	22,225
2022	1.75	423,000	15,050
2023	1.75	437,000	7,647
Total		<u>\$ 1,270,000</u>	<u>44,922</u>

Year Ending June 30,	Sewer			Sewer		
	Issued Oct 5, 2011			Issued Nov 9, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	3.00%	\$ 187,000	80,910	1.75%	\$ 28,000	7,088
2022	3.00	194,000	75,300	1.75	29,000	6,598
2023	3.00	200,000	69,480	1.75	30,000	6,090
2024	3.00	206,000	63,480	1.75	31,000	5,564
2025	3.00	213,000	57,300	1.75	32,000	5,022
2026-2030	3.00	1,173,000	186,420	1.75	176,000	16,364
2031-2035	3.00	524,000	23,700	1.75	79,000	2,082
Total		<u>\$ 2,697,000</u>	<u>556,590</u>		<u>\$ 405,000</u>	<u>48,808</u>

Year Ending June 30,	Sewer			Total		
	Issued Aug 10, 2017					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	2.00%	\$ 74,825	80,875	\$ 289,825	168,873	458,698
2022	2.00	76,335	79,365	299,335	161,263	460,598
2023	2.00	77,876	77,824	307,876	153,394	461,270
2024	2.00	79,447	76,252	316,447	145,296	461,743
2025	2.00	81,051	74,649	326,051	136,971	463,022
2026-2030	2.00	430,466	348,034	1,779,466	550,818	2,330,284
2031-2035	2.00	475,699	302,801	1,078,699	328,583	1,407,282
2036-2040	2.00	525,684	252,816	525,684	252,816	778,500
2041-2045	2.00	580,922	197,578	580,922	197,578	778,500
2046-2050	2.00	641,966	136,534	641,966	136,534	778,500
2051-2055	2.00	709,423	69,077	709,423	69,077	778,500
2056-2058	2.00	324,246	7,224	324,246	7,224	331,470
Total		<u>\$ 4,077,940</u>	<u>1,703,029</u>	<u>\$ 7,179,940</u>	<u>2,308,427</u>	<u>9,488,367</u>

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% per annum. 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 34% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,314,922. For the current year, principal and interest paid and total customer net receipts were \$426,173 and \$1,241,456, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$4,000,000, \$600,000 and \$4,282,000 of sewer revenue capital loan notes issued in October 2011, November 2012 and August 2017, 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 2058. The interest rates on the October 2011, November 2012 and August 2017 issues are 3.0%, 1.75% and 2.00% per annum, 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 23% of net receipts. The total principal and interest remaining to be paid on the notes is \$9,488,367. For the current year, principal and interest paid and total customer net receipts were \$458,630 and \$1,961,023, 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 account is 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.

Interim Revenue Project Notes

On August 12, 2013, the City entered into an interest free interim revenue 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. On July 25, 2016, the City amended this agreement to extend the maturity date to August 23, 2019. On September 9, 2019, the City amended this agreement to extend the maturity date to August 23, 2022. During the year ended June 30, 2020, the City did not draw any funds on the note. As of June 30, 2020, a total of \$107,591 has been drawn on the interim revenue notes.

On April 14, 2014, the City entered into two interest free interim revenue project note agreements with the Iowa Finance Authority for up to \$1,075,000 and \$1,585,000, respectively, to be used for the purpose of paying costs of planning, designing and constructing improvements and extensions to the sanitary sewer system. On July 25, 2016, the City amended these agreements to extend the maturity dates to May 2, 2020. During the year ended June 30, 2020, the City did not draw any funds on the notes. As of June 30, 2020, the City had drawn a total of \$939,686 on the two interim revenue notes. The notes were subsequently paid off on July 27, 2020.

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.

Sewer Revenue Capital Loan Anticipation Project Notes

On September 26, 2017, the City entered into a loan anticipation project note agreement with CoBank to borrow up to \$29,843,000 for sewer improvements. The note bears a variable interest rate of 1.2% or greater per annum. On June 1, 2020, the City amended this agreement to extend the maturity date to December 31, 2020. For the year ending June 30, 2020, interest paid by the City totaled \$462,833. During the year ended June 30, 2020, the City received proceeds of \$2,590,370. As of June 30, the City had drawn a total of \$18,158,666 on the anticipation project note.

On February 28, 2020, the City entered into a loan anticipation project note agreement with First Internet Bank to borrow up to \$11,142,000. The note bears a fixed interest rate of 2.95% per annum. The note matures on December 1, 2022. During the year ended June 30, 2020, the City received proceeds of \$72,240. As of June 30, 2020, the City had drawn a total of \$72,240 on the anticipation project note.

(4) Pension Plans

Iowa Public Employees' Retirement System

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$244,433.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$1,825,638 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.031527%, which was a decrease of 0.000354% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$350,634, \$301,415 and \$375,985, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0%	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 3,318,891	1,825,638	573,210

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

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Plan Description – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at www.mfprsi.org.

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to the years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Members who perform more than 22 years of service receive an additional 2% of the member's average final compensation for each additional year of service, up to a maximum of 8 years. Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen, plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members at least 55 years of age with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3-, 4- or 5-year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen, and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits – Disability benefits may be either accidental or ordinary. Accidental disability is defined as a permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation for those with 5 or more years of service or the member's service retirement benefit calculation amount and 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased annually in accordance with Chapter 411.6 of the Code of Iowa, which provides a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions – Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2020.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 26.02% for the year ended June 30, 2020.

The City's contributions to MFPRSI for the year ended June 30, 2020 was \$218,351.

If approved by the State Legislature, state appropriations may further reduce the City's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa, therefore, is considered to be a nonemployer contributing entity in accordance with the provisions of Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans.

There were no state appropriations to MFPRSI for the year ended June 30, 2020.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$1,959,148 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2019, the City's proportion was 0.2986844%, which was a decrease of 0.045115% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$417,408, \$273,770 and \$26,860, respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation	3.00%.
Salary increases	3.75% to 15.11%, including inflation.
Investment rate of return	7.50%, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2017.

Postretirement mortality rates were based on the RP-2014 Blue Collar Combined Healthy Annuitant Table with males set forward zero years, females set forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

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

Asset Class	Long-Term Expected Real Rate of Return
Large cap	5.5%
Small cap	5.8
International large cap	7.3
Emerging markets	9.0
Emerging markets debt	6.3
Private non-core real estate	8.0
Master limited partnerships	9.0
Private equity	9.0
Core plus fixed income	3.3
Private core real estate	6.0
Tactical asset allocation	6.4

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed contributions will be made at 9.40% of covered payroll and the City’s contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the MFPRSI’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on MFPRSI’s investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 3,189,836	1,959,148	939,897

MFPRSI's Fiduciary Net Position – Detailed information about MFPRSI's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$507,901 and plan members eligible for benefits contributed \$255,518 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>62</u>
Total	<u>63</u>

(6) Compensated Absences

City employees accumulate unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time payable to employees at June 30, 2020, primarily relating to the General and Enterprise Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 125,000
Sick leave	73,000
Compensatory time	20,000
Total	<u>\$ 218,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2020. 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.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 300,750
	Employee Benefits	<u>160,785</u>
		<u>461,535</u>
Capital Projects	Special Revenue:	
	Urban Renewal Tax	
	Increment Finance	<u>156,941</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax	
	Increment Finance	<u>36,558</u>
Enterprise:		
Airport	General	<u>90,000</u>
Total		<u>\$ 745,034</u>

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

(8) Related Party Transactions

The City had business transactions between the City and City officials/employees totaling \$18,391 during the year ended June 30, 2020.

(9) 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 779 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.

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 Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2020 were \$228,879.

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 \$500,000 per claim. Claims exceeding \$500,000 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 \$250,000 each occurrence, each location. Property risks exceeding \$250,000 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 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, 2020, 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 the Sondheim building, workers compensation, airport general liability and employee blanket bond in the amount of \$9,211,280, \$5,000,000, \$10,000,000 and \$500,000, 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.

(10) 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 \$4,000 per individual or \$8,000 per family, with employees contributing the first \$500 to \$2,000, 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, 2020, the City paid \$763,419 into the account. At June 30, 2020, the account balance was \$172,994. The activity for this account is recorded in the City's Special Revenue, Road Use Tax and Employee Benefits Funds and the Enterprise, Water and Sewer Funds.

(11) 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, 2020:

Year ending June 30,	Amount
2021	\$ 66,100
2022	33,050
	<u>\$ 99,150</u>

(12) 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 \$500,000, 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. During the year ended June 30, 2020, no rebate of incremental property tax was paid to the developer. At June 30, 2020, the remaining balance to be paid on the agreement was \$89,968.

(13) Construction Commitment

The City entered into construction contracts totaling \$32,074,710 for sanitary sewer improvements and road construction. As of June 30, 2020, approximately \$22,416,944 has been paid on the contracts. The remaining \$9,657,766 balance will be paid as work on the projects progresses.

(14) COVID-19

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

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

(15) Subsequent Events

In August 2020, the City issued \$29,843,000 of sewer revenue capital loan notes for sanitary sewer improvements and refunding outstanding sewer revenue indebtedness, including the Sewer Revenue Capital Loan Notes, Series 2011, 2012 and 2017, and the Sewer Revenue Capital Loan Anticipation Project Note, Series 2013.

(16) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Other Information

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

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 5,325,513	-	-
Tax increment financing	234,411	-	-
Other city tax	1,215,461	-	-
Licenses and permits	183,476	-	-
Use of money and property	90,575	109,469	503
Intergovernmental	1,607,836	237,692	-
Charges for service	384,921	6,521,774	-
Special assessments	10,414	-	-
Miscellaneous	409,483	201,407	69,956
Total receipts	9,462,090	7,070,342	70,459
Disbursements:			
Public safety	2,487,263	-	-
Public works	1,714,972	-	-
Health and Social Services	-	-	-
Culture and recreation	1,653,302	-	57,468
Community and economic development	427,592	-	-
General government	758,061	-	-
Debt service	1,459,274	-	-
Capital projects	218,408	-	-
Business type activities	-	12,962,672	-
Total disbursements	8,718,872	12,962,672	57,468
Excess (deficiency) of receipts over (under) disbursements	743,218	(5,892,330)	12,991
Other financing sources, net	700,000	2,752,610	-
Change in balances	1,443,218	(3,139,720)	12,991
Balances beginning of year	6,504,617	6,144,349	78,696
Balances end of year	\$ 7,947,835	3,004,629	91,687

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
5,325,513	5,410,298	5,410,298	(84,785)
234,411	239,678	239,678	(5,267)
1,215,461	1,287,163	1,287,163	(71,702)
183,476	85,100	85,100	98,376
199,541	633,658	633,658	(434,117)
1,845,528	1,320,963	1,320,963	524,565
6,906,695	25,716,000	25,716,000	(18,809,305)
10,414	-	-	10,414
540,934	3,500	3,500	537,434
<u>16,461,973</u>	<u>34,696,360</u>	<u>34,696,360</u>	<u>(18,234,387)</u>
2,487,263	2,565,856	2,565,856	78,593
1,714,972	1,770,203	1,770,203	55,231
-	10,500	10,500	10,500
1,595,834	1,630,414	1,630,414	34,580
427,592	505,986	505,986	78,394
758,061	1,500,470	1,500,470	742,409
1,459,274	1,267,933	2,650,368	1,191,094
218,408	262,250	262,250	43,842
<u>12,962,672</u>	<u>26,537,311</u>	<u>26,537,311</u>	<u>13,574,639</u>
<u>21,624,076</u>	<u>36,050,923</u>	<u>37,433,358</u>	<u>15,809,282</u>
(5,162,103)	(1,354,563)	(2,736,998)	2,425,105
<u>3,452,610</u>	-	-	<u>3,452,610</u>
(1,709,493)	(1,354,563)	(2,736,998)	1,027,505
<u>12,570,270</u>	<u>8,450,576</u>	<u>8,450,576</u>	<u>4,119,694</u>
<u>10,860,777</u>	<u>7,096,013</u>	<u>5,713,578</u>	<u>5,147,199</u>

City of Fairfield

City of Fairfield

Notes to Other Information – Budgetary Reporting

June 30, 2020

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, one budget amendment increased budgeted disbursements by \$1,382,435. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements did not exceed the amounts budgeted.

City of Fairfield

Schedule of the City's Proportionate Share of the Net Pension Liability

For the Last Six Years*
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

	2020	2019	2018	2017
City's proportion of the net pension liability	0.031527%	0.031881%	0.032912%	0.032499%
City's proportionate share of the net pension liability	\$ 1,826	2,017	2,192	2,045
City's covered payroll	\$ 2,526	2,503	2,553	2,443
City's proportionate share of the net pension liability as a percentage of its covered payroll	72.29%	80.58%	85.86%	83.71%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

Municipal Fire and Police Retirement System of Iowa

	2020	2019	2018	2017
City's proportion of the net pension liability	0.298684%	0.343799%	0.348951%	0.342413%
City's proportionate share of the net pension liability	\$ 1,959	2,047	2,047	2,141
City's covered payroll	\$ 999	988	927	875
City's proportionate share of the net pension liability as a percentage of its covered payroll	196.10%	207.19%	220.82%	244.69%
MFPRSI's net position as a percentage of the total pension liability	79.94%	81.07%	80.60%	78.20%

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

See accompanying independent auditor's report.

2016	2015
0.033866%	0.034200%
1,673	1,356
2,441	2,377
68.54%	57.05%
85.19%	87.61%

2016	2015
0.333504%	0.321234%
1,567	1,164
871	820
179.91%	141.95%
83.04%	86.27%

City of Fairfield
Schedule of City Contributions

For the Last Ten Years
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

	2020	2019	2018	2017
Statutorily required contribution	\$ 244	239	224	229
Contributions in relation to the statutorily required contribution	(244)	(239)	(224)	(229)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 2,586	2,526	2,503	2,553
Contributions as a percentage of covered payroll	9.44%	9.46%	8.95%	8.97%

Municipal Fire and Police Retirement System of Iowa

	2020	2019	2018	2017
Statutorily required contribution	\$ 218	235	256	256
Contributions in relation to the statutorily required contribution	(218)	(235)	(256)	(256)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 904	999	988	927
Contributions as a percentage of covered payroll	24.12%	23.52%	25.91%	27.62%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
219	219	213	195	182	151
(219)	(219)	(213)	(195)	(182)	(151)
-	-	-	-	-	-
2,443	2,441	2,377	2,232	2,234	2,140
8.96%	8.97%	8.96%	8.74%	8.15%	7.06%

2016	2015	2014	2013	2012	2011
258	266	247	209	182	146
(258)	(266)	(247)	(209)	(182)	(146)
-	-	-	-	-	-
875	871	820	800	735	732
29.49%	30.54%	30.12%	26.12%	24.76%	19.90%

City of Fairfield

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Iowa Public Employees' Retirement System

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

City of Fairfield

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Municipal Fire and Police Retirement System of Iowa

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

The 2018 valuation changed postretirement mortality rates to the RP-2014 Blue Collar Healthy Annuity Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

City of Fairfield

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, 2020

				Special
	Police Specialty	UDAG- FALCO Project	Live on The Square	Indian Creek Escrow
Receipts:				
Use of money and property	\$ -	-	-	52
Intergovernmental	14	-	-	-
Miscellaneous	-	-	1,500	-
Total receipts	14	-	1,500	52
Disbursements:				
Operating:				
Public safety	1,400	-	-	-
Culture and recreation	-	-	1,231	-
Total disbursements	1,400	-	1,231	-
Change in cash balances	(1,386)	-	269	52
Cash balances beginning of year	15,730	1	1	33,144
Cash balances end of year	\$ 14,344	1	270	33,196
Cash Basis Fund Balances				
Restricted for:				
Other purposes	\$ 14,344	1	270	33,196

See accompanying independent auditor's report.

Revenue						
Library Memorial	Library Capital Improvements	Fairfield Public Library House	Library Book Sale	Fairfield Parks and Recreation Foundation	Total	
9,535	-	6,750	-	503	16,840	
-	-	-	-	-	14	
42,756	-	750	7,268	69,956	122,230	
52,291	-	7,500	7,268	70,459	139,084	
-	-	-	-	-	1,400	
46,322	-	7,433	11,587	57,468	124,041	
46,322	-	7,433	11,587	57,468	125,441	
5,969	-	67	(4,319)	12,991	13,643	
448	1	10,198	11,154	78,696	149,373	
6,417	1	10,265	6,835	91,687	163,016	
6,417	1	10,265	6,835	91,687	163,016	

City of Fairfield

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, 2020

	Enterprise		
	Airport	Solid Waste	Total
Operating receipts:			
Use of money and property	\$ 10,153	-	10,153
Charges for service	2,132	574,710	576,842
Miscellaneous	2,000	-	2,000
Total operating receipts	14,285	574,710	588,995
Operating disbursements:			
Business type activities	192,264	559,708	751,972
Excess (deficiency) of operating receipts over (under) operating disbursements	(177,979)	15,002	(162,977)
Non-operating receipts (disbursements):			
Farm rent	66,100	-	66,100
Airport improvement grant	237,692	-	237,692
Interest on investments	197	1,224	1,421
Capital outlay	(244,088)	-	(244,088)
Net non-operating receipts (disbursements)	59,901	1,224	61,125
Excess (deficiency) of receipts over (under) disbursements	(118,078)	16,226	(101,852)
Transfers in	90,000	-	90,000
Change in cash balances	(28,078)	16,226	(11,852)
Cash balances beginning of year	87,964	190,349	278,313
Cash balances end of year	\$ 59,886	206,575	266,461
Cash Basis Fund Balances			
Unrestricted	\$ 59,886	206,575	266,461

See accompanying independent auditor's report.

City of Fairfield
Schedule of Indebtedness
Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds/notes:			
Street construction	Jan 2, 1958	2.60%	\$ 85,000
Essential corporate purpose	Jul 1, 2010	1.00-3.40	4,915,000
General obligation capital loan note - series 2015	Feb 5, 2015	3.50%	3,775,000
General obligation refunding - series 2016A	May 31, 2016	2.00-3.00	3,315,000
General obligation - series 2016B	May 31, 2016	1.10-2.80	1,985,000
General obligation capital loan notes, series 2018	Jun 1, 2018	3.50	750,000
General obligation capital loan note - series 2019	Aug 8, 2019	2.28	775,000
Total			
Revenue bonds:			
Local option sales and service tax	Jun 29, 2010	2.00-3.00%	\$ 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
Sewer	Aug 10, 2017	2.00	4,282,000
Total			
Revenue capital loan anticipation project note:			
Sewer	Sep 26, 2017	1.20%	\$ 18,158,666
Sewer	Feb 28, 2020	2.95	72,240
Total			
Interim revenue project notes:			
Sewer	Aug 12, 2013	0.00%	\$ 107,591
Sewer	Apr 14, 2014	0.00	128,147
Sewer	Apr 14, 2014	0.00	811,539
Total			

* 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
640,000	-	205,000	435,000	20,618	-
3,135,000	-	138,000	2,997,000	109,725	-
1,735,000	-	565,000	1,170,000	46,110	-
1,175,000	-	125,000	1,050,000	30,300	-
750,000	-	-	750,000	26,250	-
-	775,000	100,000	675,000	14,381	-
\$ 7,440,000	775,000	1,133,000	7,082,000	247,384	5,520
75,000	-	75,000	-	1,650	-
1,667,000	-	397,000	1,270,000	29,173	-
2,879,000	-	182,000	2,697,000	86,370	-
432,000	-	27,000	405,000	7,560	-
4,151,284	-	73,344	4,077,940	82,356	-
\$ 9,129,284	-	679,344	8,449,940	205,459	-
15,568,296	2,590,370	-	18,158,666	462,833	-
-	72,240	-	72,240	-	-
\$ 15,568,296	2,662,610	-	18,230,906	462,833	-
107,591	-	-	107,591	-	-
128,147	-	-	128,147	-	-
811,539	-	-	811,539	-	-
\$ 1,047,277	-	-	1,047,277	-	-

City of Fairfield
 Bond and Note Maturities
 June 30, 2020

General Obligation													
Year Ending June 30,	Essential Corporate Purpose Bonds		Series 2015 Notes		Refunding Series 2016A Notes		Series 2016B Notes		Series 2018 Notes		Series 2019 Notes		Total
	Issued Jul 1, 2010		Issued Feb 5, 2015		Issued May 31, 2016		Issued May 31, 2016		Issued Jun 1, 2018		Issued Aug 8, 2019		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2021	3.25%	\$ 215,000	3.50%	\$ 143,000	3.00%	\$ 575,000	2.25%	\$ 50,000	3.50%	\$ -	2.28%	\$ 75,000	1,058,000
2022	3.40	220,000	3.50	149,000	2.00	595,000	2.25	-	3.50	57,000	2.28	75,000	1,096,000
2023	-	-	3.50	195,000	-	-	2.70	500,000	3.50	54,000	2.28	75,000	824,000
2024	-	-	3.50	202,000	-	-	2.80	325,000	3.50	63,000	2.28	75,000	665,000
2025	-	-	3.50	209,000	-	-	2.00	175,000	3.50	66,000	2.28	75,000	525,000
2026	-	-	3.50	217,000	-	-	-	-	3.50	68,000	2.28	75,000	360,000
2027	-	-	3.50	225,000	-	-	-	-	3.50	69,000	2.28	75,000	369,000
2028	-	-	3.50	232,000	-	-	-	-	3.50	72,000	2.28	75,000	379,000
2029	-	-	3.50	241,000	-	-	-	-	3.50	74,000	2.28	75,000	390,000
2030	-	-	3.50	220,000	-	-	-	-	3.50	77,000	-	-	297,000
2031	-	-	3.50	229,000	-	-	-	-	3.50	73,000	-	-	302,000
2032	-	-	3.50	237,000	-	-	-	-	3.50	66,000	-	-	303,000
2033	-	-	3.50	245,000	-	-	-	-	3.50	11,000	-	-	256,000
2034	-	-	3.50	253,000	-	-	-	-	-	-	-	-	253,000
2035	-	-	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-	-	-	-	-	-
2041	-	-	-	-	-	-	-	-	-	-	-	-	-
2042	-	-	-	-	-	-	-	-	-	-	-	-	-
2043	-	-	-	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-	-	-	-
2045	-	-	-	-	-	-	-	-	-	-	-	-	-
2046	-	-	-	-	-	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-	-	-	-	-	-
2050	-	-	-	-	-	-	-	-	-	-	-	-	-
2051	-	-	-	-	-	-	-	-	-	-	-	-	-
2052	-	-	-	-	-	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-	-	-	-	-	-
2054	-	-	-	-	-	-	-	-	-	-	-	-	-
2055	-	-	-	-	-	-	-	-	-	-	-	-	-
2056	-	-	-	-	-	-	-	-	-	-	-	-	-
2057	-	-	-	-	-	-	-	-	-	-	-	-	-
2058	-	-	-	-	-	-	-	-	-	-	-	-	-
Total		<u>\$ 435,000</u>		<u>\$ 2,997,000</u>		<u>\$ 1,170,000</u>		<u>\$ 1,050,000</u>		<u>\$ 750,000</u>		<u>\$ 675,000</u>	<u>7,077,000</u>

See accompanying independent auditor's report.

Revenue Capital Loan Notes

Water		Sewer							
Issued Feb 13, 2003		Issued Oct 5, 2011		Issued Nov 9, 2012		Issued Aug 10, 2017			
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	
1.75%	\$ 410,000	3.00	\$ 187,000	1.75%	\$ 28,000	2.00%	\$ 74,825	289,825	
1.75	423,000	3.00	194,000	1.75	29,000	2.00	76,335	299,335	
1.75	437,000	3.00	200,000	1.75	30,000	2.00	77,876	307,876	
-	-	3.00	206,000	1.75	31,000	2.00	79,448	316,448	
-	-	3.00	213,000	1.75	32,000	2.00	81,051	326,051	
-	-	3.00	220,000	1.75	33,000	2.00	82,687	335,687	
-	-	3.00	227,000	1.75	34,000	2.00	84,356	345,356	
-	-	3.00	234,000	1.75	35,000	2.00	86,059	355,059	
-	-	3.00	242,000	1.75	36,000	2.00	87,796	365,796	
-	-	3.00	250,000	1.75	38,000	2.00	89,568	377,568	
-	-	3.00	258,000	1.75	39,000	2.00	91,376	388,376	
-	-	3.00	266,000	1.75	40,000	2.00	93,220	399,220	
-	-	-	-	-	-	2.00	95,102	95,102	
-	-	-	-	-	-	2.00	97,021	97,021	
-	-	-	-	-	-	2.00	98,980	98,980	
-	-	-	-	-	-	2.00	100,977	100,977	
-	-	-	-	-	-	2.00	103,016	103,016	
-	-	-	-	-	-	2.00	105,095	105,095	
-	-	-	-	-	-	2.00	107,216	107,216	
-	-	-	-	-	-	2.00	109,380	109,380	
-	-	-	-	-	-	2.00	111,588	111,588	
-	-	-	-	-	-	2.00	113,840	113,840	
-	-	-	-	-	-	2.00	116,138	116,138	
-	-	-	-	-	-	2.00	118,482	118,482	
-	-	-	-	-	-	2.00	120,874	120,874	
-	-	-	-	-	-	2.00	123,314	123,314	
-	-	-	-	-	-	2.00	125,803	125,803	
-	-	-	-	-	-	2.00	128,342	128,342	
-	-	-	-	-	-	2.00	130,932	130,932	
-	-	-	-	-	-	2.00	133,575	133,575	
-	-	-	-	-	-	2.00	136,271	136,271	
-	-	-	-	-	-	2.00	139,022	139,022	
-	-	-	-	-	-	2.00	141,828	141,828	
-	-	-	-	-	-	2.00	144,691	144,691	
-	-	-	-	-	-	2.00	147,611	147,611	
-	-	-	-	-	-	2.00	150,591	150,591	
-	-	-	-	-	-	2.00	153,630	153,630	
-	-	-	-	-	-	2.00	20,024	20,024	
	<u>\$ 1,270,000</u>		<u>\$ 2,697,000</u>		<u>\$ 405,000</u>		<u>\$ 4,077,940</u>	<u>7,179,940</u>	

City of Fairfield

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

For the Last Ten Years

	2020	2019	2018	2017
Receipts:				
Property tax	\$ 5,325,513	5,336,053	5,583,673	5,568,341
Tax increment financing	234,411	178,412	196,053	215,247
Local option sales tax	906,070	866,105	832,944	949,434
Other city tax	309,391	289,503	173,927	194,713
Licenses and permits	183,476	162,266	173,089	134,150
Use of money and property	90,575	114,800	75,388	33,923
Intergovernmental	1,607,836	1,610,190	1,874,547	1,948,171
Charges for service	384,921	500,910	530,990	473,394
Special assessments	10,414	14,658	25,718	36,206
Miscellaneous	409,483	504,574	595,483	1,611,358
Total	\$ 9,462,090	9,577,471	10,061,812	11,164,937
Disbursements:				
Operating:				
Public safety	\$ 2,487,263	2,344,494	2,421,067	2,371,519
Public works	1,471,772	1,176,390	1,195,957	1,138,220
Health and social services	-	-	-	-
Culture and recreation	1,656,490	1,565,209	1,466,549	1,672,525
Community and economic development	424,404	975,138	634,362	265,265
General government	1,001,261	760,280	764,198	723,472
Debt service	1,459,274	1,411,354	1,837,518	1,963,281
Capital projects	29,859	671,851	404,079	1,183,166
Total	\$ 8,530,323	8,904,716	8,723,730	9,317,448

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
5,095,809	5,205,442	4,567,137	4,389,250	4,305,856	4,205,134
108,146	154,982	105,228	189,020	168,392	253,181
914,736	837,462	747,914	825,393	833,706	783,572
174,197	168,666	144,046	131,492	196,848	183,286
143,622	153,548	138,796	131,114	21,927	23,588
32,117	26,321	41,523	64,537	16,151	24,366
2,186,371	1,750,849	1,204,178	1,685,508	2,122,051	2,270,294
464,585	474,450	469,719	501,509	533,266	480,915
32,730	43,963	43,870	53,529	-	71,947
1,194,132	2,059,959	300,996	239,928	88,337	569,010
10,346,445	10,875,642	7,763,407	8,211,280	8,286,534	8,865,293
2,165,383	2,061,445	2,083,750	2,005,343	1,773,322	1,857,711
1,155,388	970,765	919,575	1,173,014	788,506	120,088
-	4,450	-	-	24,042	39,585
1,752,530	2,073,533	2,075,406	2,246,585	1,968,927	1,491,155
291,600	267,377	211,799	220,509	134,867	1,263,995
582,532	828,026	796,394	514,862	700,625	815,111
1,802,052	1,913,530	1,627,479	1,582,824	1,574,018	2,787,905
4,834,725	5,021,949	573,037	912,042	2,889,145	3,444,543
12,584,210	13,141,075	8,287,440	8,655,179	9,853,452	11,820,093

City of Fairfield

City of Fairfield
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2020

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Transportation: Airport Improvement Program	20.106	FY2019	\$ 225,457
U.S. Department of Agriculture: Water and Waste Disposal Systems for Rural Communities	10.760	FY2018	6,224,034
Total			\$ 6,449,491

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Fairfield under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Fairfield, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Fairfield.

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

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

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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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, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 22, 2021. 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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-20 through II-D-20 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as items II-E-20 through II-G-20 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 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.

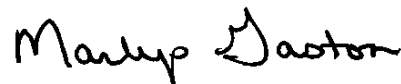
The City of Fairfield's Responses to the Findings

The City of Fairfield's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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

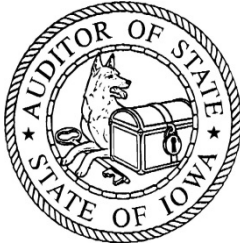
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

February 22, 2021



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Fairfield, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Fairfield's major federal program for the year ended June 30, 2020. The City of Fairfield's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the City of Fairfield complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

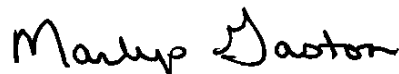
Report on Internal Control Over Compliance

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

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

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

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


Marlys K. Gaston, CPA
Deputy Auditor of State

February 22, 2021

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 10.760 – Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Fairfield did not qualify as a low-risk auditee.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-20 Segregation of Duties

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

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

- (1) Utility receipts – opening mail, billing, collecting, daily balancing and maintaining detailed accounts receivable records.
- (2) Disbursements – check writing, signing and posting.
- (3) A report of voided receipts is not reviewed by an independent person.
- (4) Accounting system – performing all general accounting functions and having custody of City assets.
- (5) Financial reporting – preparing and reconciling.
- (6) Park and recreation receipts – opening mail, collecting and recording.
- (7) Investments – detailed record keeping, custody and reconciling.

For the Fairfield Parks and Recreation Foundation (Foundation):

- (1) Receipts – no evidence of review of initial listing of receipts to deposit is prepared.
- (2) The Youth Basketball checking account signer is not independent of the person recording disbursements in the accounting records and preparing checks.

Cause – The City and the Park Foundation have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Recommendation – The City and Park Foundation should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. Reviews should be performed by independent persons to the extent possible and should be documented by the signature or initials of the reviewer and the date of the review.

Responses

City – The City continues to take corrective measures and will remain attentive in making improvements as staffing permits.

Foundation – Fairfield Parks and Recreation Foundation donations received at the Park and Rec facility are relatively infrequent. Cash donations are rare in nature. Donations are logged by the Park and Rec staff. Parks and Rec Director will have cash donations reviewed by a third party moving forward. The Fairfield Youth Basketball will have an additional signer added to the account. This account is also reconciled monthly and reviewed by an additional Board member and initialed off on.

Conclusion – Responses accepted.

II-B-20 Fairfield Parks and Recreation Foundation Disbursements

Criteria – An effective internal control system provides for internal control related to the approval of disbursements. Foundation Board review and approval can help ensure the appropriateness of Foundation disbursements.

Condition – Disbursements are not approved by the Foundation Board.

Cause – The Park Foundation has not established policies for disbursement to be approved by the Foundation Trustees.

Effect – The lack of disbursement approval could result in improper or unauthorized disbursements.

Recommendation – The Park Foundation Board should document approval of all disbursements.

Response – Moving forward, expenditures will be itemized on the Treasurer's report that is submitted, reviewed and approved by the Board. An initialed copy will be kept with the meeting minutes by the Parks and Rec Director for reference.

Conclusion – Response accepted.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

II-C-20 Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – Amounts held by the employee health plan were not properly recorded in the City's financial statements. Adjustments were subsequently made by the City to properly record these amounts in the financial statements.

In addition, the City incorrectly recorded commercial and industrial replacement tax as property tax rather than intergovernmental receipts. Also, the City incorrectly recorded current utility tax (not including gas and electric) as utility excise tax rather than property tax. These items have been subsequently corrected in the financial statements.

Cause – City policies do not require and procedures have not been established to require independent review of transactions to ensure the City's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the City's financial statements were necessary.

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

Response – City staff will watch the monthly financial reports closely to detect errors and will review current financial policies.

Conclusion – Response accepted.

II-D-20 Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances.

Condition – The City does not perform monthly reconciliations of bank balances to book (i.e. general ledger) balances which includes all bank and investment accounts held by the City.

Additionally, for accounts held by the Public Library there is no evidence of timely review of the bank reconciliations and the reviews performed do not include all bank and investment statements.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Cause – Procedures have not been designed and implemented to ensure all bank and investment accounts are properly reconciled to book balances or to ensure bank reconciliations are independently reviewed in a timely manner.

Effect – The lack of bank to book reconciliations, and timely independent review, can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The City’s monthly bank reconciliations should include a comparison of the book balances to bank balances for all bank and investment accounts held by the City and the variances between book and bank balances should be investigated and resolved in a timely manner. The Public Library should include evidence that bank reconciliations are reviewed timely and that review includes all bank and investment statements.

Responses

City – The City will contact our software company to request the ability to consolidate all bank accounts.

Library – Throughout my tenure, trustees have required me to review the monthly Statement of Funds with them at Board meetings, and to point out and explain any non-routine expenditure. I now understand what is required. This will be done going forward. In addition, I will ask two officers who check the Statement of Funds against supporting documents to add a date next to their initials.

Conclusion – Response accepted.

II-E-20 Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the City’s computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable.

Condition – Computer passwords are not required to be changed and system does not prevent employees from reusing previous passwords.

Cause – Management has not adhered to password requirements.

Effect – Lack of adherence to written policies for the computer-based system could result in a loss of data or compromised data, resulting in unreliable financial information.

Recommendation – To improve computer system security, all user passwords should be changed periodically.

Response – The City will contact our IT provider to schedule timely password changes.

Conclusion – Response accepted.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

II-F-20 Transfers

Criteria – An effective internal control system provides for internal controls related to recording transfers between funds authorized by the City Council accurately and on a timely basis. Properly designed procedures help provide reasonable assurance financial information is reliable and accurate and in compliance with laws and regulations.

Condition – One transfer totaling \$5,546 to the Debt Service Fund from the General Fund authorized by the City Council on November 12, 2019 for the purpose of funding debt payments was not made.

Cause – Procedures have not been developed to review the accounting records and ensure transfer entries authorized by the City Council are recorded in the accounting system on a timely basis.

Effect – Lack of policies and procedures resulted in City employees not detecting the error in the normal course of performing their assigned functions.

Recommendation – Procedures should be developed to ensure transfers authorized by the City Council are recorded in the accounting records on a timely basis.

Response – The City has prepared a checklist of authorized transfers to safeguard accuracy.

Conclusion – Response accepted.

II-G-20 Receipts

Criteria – An effective internal control system provides for internal controls related to ensuring all receipts are properly accounted for and deposited.

Condition – An initial listing of receipts received in the mail is not prepared by an independent person and later traced to proper posting and deposit.

Cause – Policies have not been established and procedures have not been implemented to require an initial receipts listing be prepared and tested by an independent person.

Effect – Inadequate accounting records can result in unrecorded transactions, undetected errors and the opportunity for misappropriations.

Recommendation – Someone independent of the receipt recording and deposit function should open the mail and prepare a listing of checks received in the mail. That independent person should later test the listing by tracing the receipts to proper posting and deposit.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Response – City staff has implemented a process to corroborate payments and independently review receipts to ensure proper deposit.

Conclusion – Response acknowledged. Someone independent of the receipt recording and deposit function should open the mail and prepare a listing of checks received in the mail.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

No material weaknesses in internal control over the major program were noted.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Other Findings Related to Required Statutory Reporting:

IV-A-20 Certified Budget – Disbursements during the year ended June 30, 2020 did not exceed the amounts budgeted.

IV-B-20 Questionable Disbursements – In December 2019, the City approved Resolution No. 3782, “Public Purpose Policy for the Expenditure of Funds for City Employees, Elected Officials and Members of City Boards and Commissions.” The policy states, “The following are policy guidelines for the expenditure of City funds for employees, elected officials and City Board and Commission members’ recognition, flowers and sustenance supplies:

- The City may send flowers or a plant to the employees or family members of employees and/or elected or appointed officials who are suffering an illness or who experience a death in their immediate family. “Immediate family” shall be that as defined in the personnel policy manual. The maximum city expenditure for said gifts should not exceed \$50.00 per gift for illness, and \$50.00 per gift for a death.
- The City may recognize length of service of an employee with a certificate, plaque, and/or Chamber bucks not to exceed \$250.00, based upon years of employment, or upon retirement (IRS rules state no more than \$400.00 every five years) as defined in Chapter 16.6 of the Personnel Policy Manual.
- Upon completion of a term of office, a recognition certificate or plaque will be presented to the following officeholders: Mayor, Council and members of Commissions and Boards appointed by the Mayor or Council.
- The City may purchase sustenance supplies for the City’s use. Sustenance supplies will include, but not be limited to, the following items:
 - Coffee, coffee creamer, coffee filters, sweetener, paper products, including plates, cups, utensils, paper towels or napkins, and any products deemed necessary by the department director and falling under the term “sustenance.”
- The City finds that public employee’s recognition of service promotes employee morale. The City will fund an employee recognition dinner once a year not to exceed \$1,200.00. The City may also fund a retirement reception for Mayor, Council and employees with 20 years or more of service.
- For better service to the public, City employees should have clothing identifying them as City employees, which the City will expend funds to do so.

Pursuant to Article III, Section 31 of the Iowa Constitution, public funds may only be spent for the public benefit. Also, an Attorney General’s Opinion dated April 25, 1979 discusses public purpose and states, in part, it is possible for certain expenditures to meet the test of serving a public purpose, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

During the fiscal year, we noted three payments totaling \$1,001 for food and drinks for the employee appreciation dinner. While the City's policy allows these types of disbursements and documents the benefit to the employee as "employee morale," the policy does not document how the public benefits from these disbursements. We also noted four payments totaling \$163 for employee retirement receptions. While the City's policy allows these types of disbursements, the policy does not establish dollar limits on retirement receptions.

Additionally, we noted one expenditure to Sweet & Saucy for \$35 for lunch for the City Administrator, City Fire Chief and City of Centerville Fire Chief/EMS director.

For the Fairfield Public Library, we noted three expenditures to Hy-Vee totaling \$21 for the purchase of employee birthday cakes.

Recommendation – The City Council should determine and document how the public benefits from these disbursements before authorizing any further payments. In addition, the City should establish dollar limits on retirement receptions.

Responses

City – The City is working on an amendment to the current public purpose resolution to improve and clarify its intent.

Library – The practice of spending \$7.00 on a small Hy-Vee birthday cake to recognize an employee's birthday will be discontinued.

Conclusions

City - Response acknowledged. While the City has adopted a policy and plans to clarify its intent, it remains unclear how the public benefits from such disbursements. The City should document the specific public benefit prior to authorizing further payments.

Library – Response accepted.

IV-C-20 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 and Questioned Costs

Year ended June 30, 2020

IV-D-20 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mark Brown, Fire Department employee, owner of Brown Tree Service	Tree removal and trimming	\$ 13,988
Denise Estle, husband owns Estle Construction	Emergency repair	3,240
Dennis Johnson, husband of Library Director Rebecca Johnson	Maintenance service	1,163

The transactions with Estle Construction and Dennis Johnson do not appear to represent a conflict of interest since they did not exceed the \$6,000 threshold allowed in Chapter 362.5(3)(j) of the Code of Iowa.

The transactions with Brown Tree Service do not appear to represent a conflict of interest since the transactions were entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

IV-E-20 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

IV-F-20 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.

IV-G-20 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Chapter 21.3 of the Code of Iowa requires the City Council to keep minutes of all its meetings showing the date, time and place, members present, and the actions taken at each meeting. We noted one instance in the January 13, 2020 published minutes of the City Council meeting where an action taken regarding the renewal of a CD did not reference the dollar amount of the CD renewal.

Recommendation – The City should include sufficient detail to indicate the dollar amount of renewed CD’s in the published minutes.

Response – The City will notate in the minutes the approved CD rate in the future.

Conclusion – Response accepted.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

IV-H-20 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

The Permanent, Library Endowment Fund has an investment in common stock which does not appear to be an investment permitted by Article VIII of the Constitution of the State of Iowa and Chapter 12B.10 of the Code of Iowa. Since the stock was originally donated to the Library, the Library Board believes it was in the best interest of this fund to continue owning this stock.

IV-I-20 Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) be published by December 1st of each year and contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City and all expenditures...” We noted the following regarding the City’s 2019 AFR:

- AFR was not published by December 1st.
- The ending balances reported did not agree with the City’s records. The governmental fund total ending balance was overstated by \$75,576 and the propriety fund total ending balance was overstated by \$450,061.

Recommendation – The City should establish procedures to ensure the AFR is published by December 1st and ending balances are properly supported and agree to the City’s records.

Response – Publication deadlines continue to be challenging; however, the City will do our best to ensure publication requirements are met and reported balances agree to the City’s records.

Conclusion – Response accepted.

IV-J-20 Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.”

The City maintains bank accounts for the Indian Creek Escrow, Library Memorial, Library Capital Improvements, Fairfield Public Library House, Library Book Sale, Live on the Square and Library Endowment activity separate from the City Clerk’s accounting records. While these accounts are part of the City, the transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports.

In addition, the transactions and resulting balances of these accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of each account’s receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions in the separate accounts listed above should be integrated with the City’s accounting records in the City Clerk’s office. The financial activity should be included in the City Clerk’s accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City’s budget process. Also, a summary of each account’s receipts, total disbursements and listings of claims allowed each month should be published, as required.

Response – Accounts not controlled by the City are under Board review. The City will work with these Boards to include monthly financial statements for City Council review.

Conclusion – Response acknowledged. The City Council should be approving these transactions and including them in the City’s budget process. Also, a summary of each account’s receipts, total disbursements and listings of claims allowed each month should be published, as required.

IV-K-20 Annual Urban Renewal Report – The amount reported as TIF debt outstanding was understated by approximately \$321,000, in part by not including the Pilot Grove, City Recreation Center and West Industrial Park obligations correctly. In addition, the amounts reported in the Levy Authority Summary for disbursements, receipts and beginning and ending cash balances did not reconcile to the City’s Special Revenue, Urban Renewal Tax Increment Financing Fund.

Recommendation – The City should ensure the amounts reported in the Annual Urban Renewal Report agree with the City’s records.

Response – The City will persist in reporting accurate amounts on the Annual Urban Renewal Report.

Conclusion – Response accepted.

IV-L-20 Tax Increment Financing Fund – Chapters 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Tax Increment Financing (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable LMI assistance.

During the year ended June 30, 2020, the City transferred \$17,128 from the TIF fund to the Capital Project fund for project costs. These costs do not represent TIF obligations and accordingly, are not an allowable use of tax increment financing receipts. This was subsequently adjusted for reporting purposes.

Recommendation – The City should reimburse the TIF Fund from an allowable fund, such as the General Fund, for \$17,128 of the project costs. If disbursements are for a qualified TIF project, the City may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collections of TIF receipts and reimbursements to be transferred to the General Fund to repay the advance.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Response – The City is working with bond counsel to determine the appropriate measures.

Conclusion – Response acknowledged. TIF funds may only be used to pay TIF debt obligations and not project costs.

- IV-M-20 Payment of General Obligation Bonds – In November 2015, the City certified \$751,818 of TIF debt to the County Auditor, a portion of the 2015 General Obligation bonds. Although TIF taxes were collected during fiscal year 2020, the City also levied for the portion of the debt that was to be paid from TIF through the debt service levy. The total amount of debt levied through the debt service levy, which was also collected as TIF taxes, totaled \$275,219, as of June 30, 2020. Levying a debt service levy while also collecting TIF receipts, both for the same debt, is inappropriately building an excess balance in the City's TIF Fund, while also prohibiting these funds from being apportioned to the other taxing bodies for use in their budgets.

Recommendation – At a minimum, the City should decertify the \$275,219 of TIF taxes that were also included in the debt service levy to avoid collecting any additional excess TIF receipts. In the future, the City should not levy a debt service levy for this obligation, but, instead, should transfer TIF tax funds from the Special Revenue, Tax Increment Financing Fund to the Debt Service Fund in accordance with the debt payment schedule.

Response – The City will work with bond counsel to determine appropriate measures.

Conclusion – Response acknowledged. The City should cease levying a debt service levy for debt that has been certified as a TIF obligation.

- IV-N-20 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. At June 30, 2020, the City's had an unpaid coupon bond and interest totaling \$5,520. The City did not remit these obligations as required.

Recommendation – The City should work with legal counsel to resolve the issue.

Response – The City has contacted the City Attorney and bond counsel to investigate the matured obligation and determine what steps need to happen.

Conclusion – Response accepted.

- IV-O-20 Taxable Meals – Reimbursement for meal expenses incurred on one-day travel is taxable income to the employee unless such disbursements are deemed "occasional" per Internal Revenue Service (IRS) De Minimis Meals guidelines.

During fiscal year 2020, it was determined meals purchased for one-day commutes are not included as taxable wages for employees.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Recommendation – The City should develop policies for non-overnight travel and establish procedures for meals purchased by the City determined to be taxable under IRS guidelines. Meal purchases determined to be taxable should be added to the employee’s gross wages and payroll taxes should be withheld accordingly.

Response – The City will cease using the credit card for non-overnight travel expenses and ensure meals for non-overnight travel are included with gross wages and taxed accordingly.

Conclusion – Response accepted.

IV-P-20 Road Use Tax Expenditures – Chapter 312.6 of the Code of Iowa states, in part, “funds received by municipal corporations from the road use tax fund shall be used for any purpose relating to the construction, maintenance, and supervision of the public streets.”

During the year ended June 30, 2020, we noted one instance where road use tax funds were used to pay for cake for a retirement reception.

Recommendation – The City should ensure road use tax funds are only used for purposes relating to the construction, maintenance, and supervision of the public streets.

Response – The City will watch expenditures closely to ensure specific funds are not used for unrelated purposes.

Conclusion – Response accepted.

City of Fairfield

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Suzanne R. Dahlstrom, CPA, Manager
Sarah J. Swisher, Senior Auditor II
Bianca M. Cleary, Staff Auditor
Alyson J. Logel, Staff Auditor
Brandon G. Sommers, Staff Auditor
Ossama Jamal, Auditor Intern