



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

March 30, 2021

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$6,180,208 for the year ended June 30, 2020 a 2.0% increase over the prior year. Disbursements for the year ended June 30, 2020 totaled \$5,446,594, a 0.4% increase over the prior year.

AUDIT FINDINGS:

Sand reported six findings related to the receipt and disbursement of taxpayer funds. They are found on pages 50 through 58 of this report. The findings address issues such as a lack of segregation of duties and disbursements which may not meet the requirements of a public purpose. Sand provided the City with recommendations to address each of the findings.

Four of the six findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City'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/reports/audit-reports/>.

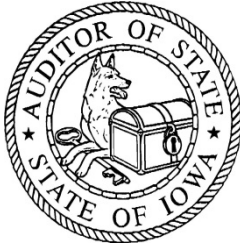
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CITY OF FAIRFAX

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

JUNE 30, 2020

City of Fairfax



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Rob Sand
Auditor of State

March 10, 2021

Officials of the City of Fairfax
Fairfax, 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 Fairfax, 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 Fairfax 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, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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City of Fairfax

Officials

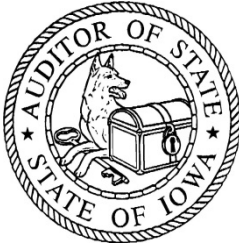
(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bernie Frieden	Mayor	Jan 2020
Marianne Wainwright	Mayor Pro tem	Jan 2022
Michael Daly	Council Member	Jan 2020
Joe Kell	Council Member	(Resigned Nov 2019)
Travis Otto	Council Member	Jan 2022
Nick Volk	Council Member	Jan 2022
Cynthia Stimson	City Clerk/Treasurer	Indefinite
Kim Donaldson	Deputy Clerk/Treasurer	Indefinite
Kathy Everett	Deputy Clerk/Utilities	Indefinite
Randy Scholer	Attorney	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bernie Frieden	Mayor	Jan 2022
Marianne Wainwright	Mayor Pro tem	Jan 2022
Travis Otto	Council Member	Jan 2022
Nick Volk	Council Member	Jan 2022
Michael Daly	Council Member	Jan 2024
Katherine Pacha	Council Member	Jan 2024
Cynthia Stimson	City Clerk/Treasurer	Indefinite
Kim Donaldson	Deputy Clerk/Treasurer	(Resigned Mar 2020)
Tina Rosenkrans	Office Administrator	Indefinite
Kathy Everett	Deputy Clerk/Utilities	(Deceased Apr 2020)
Staci Klinefelter	Utilities Clerk	Indefinite
Randy Scholer	Attorney	Indefinite

City of Fairfax



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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, each major fund and the aggregate remaining fund information of the City of Fairfax, 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, each major fund and the aggregate remaining fund information of the City of Fairfax 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 Fairfax'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 four 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 five years ended June 30, 2015 (which are not presented herein) were audited by other auditors 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 4 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 30 through 38, 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 March 10, 2021 on our consideration of the City of Fairfax'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 Fairfax's internal control over financial reporting and compliance.


Marlys K. Gaston, CPA
Deputy Auditor of State

March 10, 2021

City of Fairfax

Basic Financial Statements

City of Fairfax

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
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,033,265	49,853	147,627
Public works	388,066	-	307,209
Culture and recreation	635,679	1,705	70,837
Community and economic development	34,073	100	-
General government	402,215	28,639	-
Debt service	1,196,147	-	-
Total governmental activities	3,689,445	80,297	525,673
Business type activities:			
Water	958,737	443,365	-
Sewer	596,980	680,416	-
Solid waste	200,029	194,620	-
Farm operations	1,403	3,008	-
Total business type activities	1,757,149	1,321,409	-
Total	\$ 5,446,594	1,401,706	525,673

General Receipts and Transfers:
 Property and other city tax levied for general purposes
 Tax increment financing
 Local option sales tax
 Commercial/industrial tax replacement
 Unrestricted interest on investments
 General obligation bond proceeds, including premium of \$20,147
 Revenue bond proceeds
 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:
 Streets
 Local option sales tax
 Debt service
 Capital improvements
 Meter deposits
 Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(835,785)	-	(835,785)
(80,857)	-	(80,857)
(563,137)	-	(563,137)
(33,973)	-	(33,973)
(373,576)	-	(373,576)
(1,196,147)	-	(1,196,147)
(3,083,475)	-	(3,083,475)
-	(515,372)	(515,372)
-	83,436	83,436
-	(5,409)	(5,409)
-	1,605	1,605
-	(435,740)	(435,740)
(3,083,475)	(435,740)	(3,519,215)
809,646	-	809,646
1,010,603	-	1,010,603
298,488	-	298,488
14,102	-	14,102
9,477	348	9,825
919,817	370,330	1,290,147
-	670,127	670,127
64,064	-	64,064
26,582	59,245	85,827
55,716	(55,716)	-
3,208,495	1,044,334	4,252,829
125,020	608,594	733,614
1,334,285	521,218	1,855,503
\$ 1,459,305	1,129,812	2,589,117
\$ 42,211	-	42,211
129,329	-	129,329
181,512	139,592	321,104
417,912	432,207	850,119
-	24,045	24,045
688,341	533,968	1,222,309
\$ 1,459,305	1,129,812	2,589,117

City of Fairfax

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

As of and for the year ended June 30, 2020

	Special		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 792,295	-	-
Tax increment financing	-	-	-
Local option sales tax	-	-	298,488
Other city tax	17,351	-	-
Licenses and permits	63,271	-	-
Use of money and property	31,249	-	-
Intergovernmental	185,820	272,887	-
Charges for service	1,805	-	-
Miscellaneous	100,328	-	-
Total receipts	1,192,119	272,887	298,488
Disbursements:			
Operating:			
Public safety	1,000,971	-	32,294
Public works	13,210	270,141	104,715
Culture and recreation	635,679	-	-
Community and economic development	34,073	-	-
General government	315,815	-	86,400
Debt service	-	-	-
Total disbursements	1,999,748	270,141	223,409
Excess (deficiency) of receipts over (under) disbursements	(807,629)	2,746	75,079
Other financing sources (uses):			
Bond proceeds, including premium of \$20,147	898,143	-	-
Sale of capital assets	64,064	-	-
Transfers in	-	-	-
Transfers out	(82,531)	-	(52,838)
Total other financing sources (uses)	879,676	-	(52,838)
Change in cash balances	72,047	2,746	22,241
Cash balances beginning of year	1,034,206	39,465	107,088
Cash balances end of year	\$ 1,106,253	42,211	129,329
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	42,211	-
Local option sales tax	-	-	129,329
Debt service	-	-	-
Capital improvements	417,912	-	-
Committed for:			
Fire department	90,372	-	-
Fireworks	4,604	-	-
Library	297,540	-	-
Parks	38,492	-	-
Unassigned	257,333	-	-
Total cash basis fund balances	\$ 1,106,253	42,211	129,329

See notes to financial statements.

Revenue		
Tax Increment Financing	Debt Service	Total
-	-	792,295
1,010,603	-	1,010,603
-	-	298,488
-	-	17,351
-	-	63,271
771	-	32,020
-	-	458,707
-	-	1,805
-	-	100,328
1,011,374	-	2,774,868
-	-	1,033,265
-	-	388,066
-	-	635,679
-	-	34,073
-	-	402,215
-	1,196,147	1,196,147
-	1,196,147	3,689,445
1,011,374	(1,196,147)	(914,577)
-	21,674	919,817
-	-	64,064
-	1,175,122	1,175,122
(984,037)	-	(1,119,406)
(984,037)	1,196,796	1,039,597
27,337	649	125,020
153,526	-	1,334,285
180,863	649	1,459,305
-	-	42,211
-	-	129,329
180,863	649	181,512
-	-	417,912
-	-	90,372
-	-	4,604
-	-	297,540
-	-	38,492
-	-	257,333
180,863	649	1,459,305

City of Fairfax

City of Fairfax

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:				
Charges for service	\$ 443,365	680,416	197,628	1,321,409
Miscellaneous	11,625	47,620	-	59,245
Total operating receipts	454,990	728,036	197,628	1,380,654
Operating disbursements:				
Business type activities	291,762	391,524	201,432	884,718
Excess (deficiency) of operating receipts over (under) operating disbursements	163,228	336,512	(3,804)	495,936
Non-operating receipts (disbursements):				
Interest on investments	-	344	4	348
General obligation bond proceeds	203,730	166,600	-	370,330
Revenue bond proceeds	670,127	-	-	670,127
Debt service	-	(176,600)	-	(176,600)
Capital outlay	(666,975)	(28,856)	-	(695,831)
Net non-operating receipts (disbursements)	206,882	(38,512)	4	168,374
Excess (deficiency) of receipts over (under) disbursements	370,110	298,000	(3,800)	664,310
Transfers out	(21,950)	(33,766)	-	(55,716)
Change in cash balances	348,160	264,234	(3,800)	608,594
Cash balances beginning of year	347,415	151,655	22,148	521,218
Cash balances end of year	\$ 695,575	415,889	18,348	1,129,812
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	139,592	-	139,592
Capital improvements	432,207	-	-	432,207
Meter deposits	24,045	-	-	24,045
Unrestricted	239,323	276,297	18,348	533,968
Total cash basis fund balances	\$ 695,575	415,889	18,348	1,129,812

See notes to financial statements.

City of Fairfax

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Fairfax is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1936 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, solid waste utilities and farm operations for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Fairfax 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. The City has no component units which meet the Governmental Accounting Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations for which the City is not financially accountable or the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Linn County Assessor's Conference Board, Linn County Emergency Management Commission, Linn County Joint 911 Service Board, and the Corridor Metropolitan Planning Organization.

B. Basis of Presentation

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

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

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 category. 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 enterprise funds are aggregated and reported as nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 receipts from the tax authorized by referendum and used for any lawful purpose of the City.

The Tax Increment Financing Fund is used to account for tax increment financing collections and 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 City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

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.

The City had no investments meeting the disclosure requirement of Governmental Accounting Standards Board Statement No. 72.

(3) Long-Term Debt

A summary of changes in bonds 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	\$ 8,027,000	1,270,000	971,000	8,326,000	1,141,000
Business type activities:					
Water revenue bonds	\$ -	670,127	-	670,127	-
Sewer revenue bonds	1,330,000	-	150,000	1,180,000	154,000
Business-type activities total	\$ 1,330,000	670,127	150,000	1,850,127	154,000

General Obligation Bonds

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

Year	Water Improvement			Water Improvement		
	Ending June 30,	Issued Feb 10, 2010		Issued May 12, 2011		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	3.00%	\$ 6,000	1,830	3.65%	\$ 60,000	4,380
2022	3.00	6,000	1,650	3.65	60,000	2,190
2023	3.00	6,000	1,470	-	-	-
2024	3.00	7,000	1,290	-	-	-
2025	3.00	7,000	1,080	-	-	-
2026-2030	3.00	29,000	2,220	-	-	-
2031-2035		-	-	-	-	-
Total		\$ 61,000	9,540		\$ 120,000	6,570

Year Ending June 30,	Water Main Improvement and Fairfax Athletics and Park Complex			Corporate Purpose and Refunding		
	Issued Nov 10, 2011			Issued Sep 10, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	2.40%	\$ 195,000	22,210	2.25%	\$ 240,000	33,488
2022	2.60	200,000	17,530	2.45	275,000	28,087
2023	2.80	210,000	12,330	2.75	280,000	21,350
2024	3.10	215,000	6,450	3.00	285,000	13,650
2025		-	-	3.00	170,000	5,100
2026-2030		-	-		-	-
2031-2035		-	-		-	-
Total		<u>\$ 820,000</u>	<u>58,520</u>		<u>\$ 1,250,000</u>	<u>101,675</u>

Year Ending June 30,	Corporate Purpose Issued Apr 8, 2014			Corporate Purpose Issued Jun 10, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
	2021	2.00%	\$ 105,000	19,527	1.80%	\$ 170,000
2022	2.05	110,000	17,428	1.80	175,000	27,035
2023	2.25	115,000	15,172	2.15	180,000	23,885
2024	2.40	115,000	12,585	2.15	185,000	20,015
2025	2.50	120,000	9,825	2.35	190,000	16,037
2026-2030	2.60-2.75	255,000	10,400	3.00	415,000	24,323
2031-2035		-	-		-	-
Total		<u>\$ 820,000</u>	<u>84,937</u>		<u>\$ 1,315,000</u>	<u>141,390</u>

Year Ending June 30,	Corporate Purpose and Refunding Issued Jun 27, 2017			Corporate Purpose and Refunding Issued Aug 28, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
	2021	1.45%	\$ 140,000	12,245	2.00%	\$ 140,000
2022	1.80	50,000	10,215	2.00	180,000	53,782
2023	1.80	55,000	9,315	2.00	185,000	49,283
2024	2.05	55,000	8,325	2.00	185,000	44,658
2025	2.05	55,000	7,197	2.00	195,000	40,033
2026-2030	2.35-2.60	245,000	15,670	2.00	1,010,000	117,072
2031-2035		-	-	2.00-2.05	175,000	5,600
Total		<u>\$ 600,000</u>	<u>62,967</u>		<u>\$ 2,070,000</u>	<u>367,711</u>

Year Ending June 30,	Corporate Purpose			Total		
	Issued Jan 14, 2020					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	8.70%	\$ 85,000	33,226	\$ 1,141,000	214,284	1,355,284
2022	8.70	95,000	23,750	1,151,000	181,667	1,332,667
2023	9.00	95,000	21,850	1,126,000	154,655	1,280,655
2024	9.00	100,000	19,950	1,147,000	126,923	1,273,923
2025	9.00	105,000	17,950	842,000	97,222	939,222
2026-2030	9.00-9.25	570,000	57,050	2,524,000	226,735	2,750,735
2031-2035	9.25-9.50	220,000	8,345	395,000	13,945	408,945
Total		\$ 1,270,000	182,121	\$ 8,326,000	1,015,431	9,341,431

On February 10, 2010, the City issued \$118,000 of general obligation water improvement bonds with interest rates of 3.00% per annum. The bonds were issued to pay a portion of the cost of constructing improvements and extensions to the municipal waterworks system. During the year ended June 30, 2020, the City paid \$6,000 of principal and \$2,010 of interest on the bonds.

On May 12, 2011, the City issued \$540,000 of general obligation bonds with interest rates ranging from 1.35% to 3.65% per annum. The bonds were issued to help with costs associated with water system improvements. During the year ended June 30, 2020, the City paid \$60,000 of principal and \$6,270 of interest on the bonds.

On November 10, 2011, the City issued \$2,260,000 of general obligation bonds with interest rates ranging from 2.00% to 3.00% per annum. The bonds were issued for constructing water main improvements and developing and constructing the Fairfax Athletics and Park Complex. During the year ended June 30, 2020, the City paid \$190,000 of principal and \$26,390 of interest on the bonds.

On June 26, 2012, the City issued \$590,000 of general obligation bonds with interest rates ranging from 0.60% to 1.70% per annum. The bonds were issued for the acquisition of a fire truck and refunding outstanding general obligation sewer improvement notes. During the year ended June 30, 2020, the City paid \$55,000 of principal and \$935 of interest on the bonds. These bonds were retired as of June 30, 2020.

On September 10, 2013, the City issued \$2,485,000 of general obligation bonds with interest rates ranging from 1.00% to 3.00% per annum. The bonds were issued for construction of street, street lighting, sanitary sewer, storm sewer, drainage, water main and trail improvements and refunding of the City's general obligation notes, Series 2005 and 2008B. During the year ended June 30, 2020, the City paid \$175,000 of principal and \$36,988 of interest on the bonds.

On April 8, 2014, the City issued \$1,330,000 of general obligation bonds with interest rates ranging from 2.00% to 2.75% per annum. The bonds were for construction of street, street lighting, sanitary sewer, storm sewer, drainage, water main and trail improvements. During the year ended June 30, 2020, the City paid \$105,000 of principal and \$21,627 of interest on the bonds.

On June 10, 2015, the City issued \$2,080,000 of general obligation bonds with interest rates ranging from 1.00% to 3.00% per annum. The bonds were issued for acquisition of a fire truck and emergency warning siren system and construction of street, sanitary and storm sewer, sewage treatment, water main and trail system improvements. During the year ended June 30, 2020, the City paid \$170,000 of principal and \$32,475 of interest on the bonds.

On June 27, 2017, the City issued \$955,000 of general obligation bonds with interest rates ranging from 1.00% to 2.60% per annum. The bonds were issued for construction of street and waterworks improvements, planning for projects in the City’s urban renewal area and refunding the general obligation corporate purpose notes, series 2009. During the year ended June 30, 2020, the City paid \$145,000 of principal and \$14,203 of interest on the bonds.

On August 28, 2018, the City issued \$2,170,000 of general obligation bonds with interest rates ranging from 2.50% to 3.20% per annum. The bonds were issued for construction of street, bridge, sanitary sewer, city park and trail improvements and refunding the September 1, 2016 water and sewer revenue bond anticipation project notes. During the year ended June 30, 2020, the City paid \$65,000 of principal and \$58,907 of interest on the bonds.

On January 14, 2020, the City issued \$1,270,000 of general obligation corporate purpose bonds, with interest rates ranging from 2.0 to 2.05% per annum. The bonds were issued to fund the construction of certain sanitary sewer, waterworks, city park and bridge improvements, and acquisition of a fire truck. During the year ended June 30, 2020 no principal or interest was paid on the bond.

Revenue Bonds

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

Year Ending June 30,	Sewer		
	Issued Nov 2, 2006		
	Interest Rates	Principal	Interest
2021	1.75%	\$ 154,000	20,650
2022	1.75	159,000	17,955
2023	1.75	163,000	15,173
2024	1.75	168,000	12,320
2025	1.75	173,000	9,380
2026-2030	1.75	363,000	9,572
2031-2035		-	-
Total		\$ 1,180,000	85,050

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,400,000 of sewer revenue bonds issued in November 2006. The agreement also requires the City to annually pay a 0.25% servicing fee on the outstanding principal balance. The bonds are payable solely from sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the bonds required 56.3% of net receipts. During the year ended June 30, 2020, the City paid principal of \$150,000 and interest of \$23,275 on the bonds. The total principal and interest remaining to be paid on the bonds is \$1,265,050. For the current year, principal and interest paid and total customer net receipts were \$173,275 and \$307,656, respectively.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- c) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

On May 29, 2020, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority (IFA) for the issuance of up to \$3,782,000 water revenue bonds with interest at 1.75% per annum. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the City's water system. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. At June 30, 2020, the City had drawn down \$670,127 of the authorized amount. An initiation fee of \$18,910, 0.5% of the authorized borrowing for the water revenue bonds, will be charged by the IFA in a future draw. The agreement also requires the City to pay .25% servicing fee on the outstanding principal balance. A final repayment schedule has not yet been adopted for the bonds. No interest or principal payments were made during the year ended June 30, 2020.

(4) Operating Leases

On April 14, 2016, the City entered into an operating lease for an excavator. The agreement requires five annual payments of \$15,151 and at the end of the lease, the City may purchase the equipment at a predetermined market value of \$38,010. During the year ended June 30, 2020, the City made lease payments totaling \$15,151.

In June 2016, the City entered into an operating lease for occupancy of a building for City Hall. The lease began July 1, 2016 and is for three years with two successive options to extend the lease, each for a one-year term. The City chose to exercise these lease extensions. Annual rent is \$60,000 payable in two equal payments of \$30,000 on July 1 and January 1 and is subject to annual appropriation by the City Council. During the year ended June 30, 2020, the City made lease payments totaling \$60,000.

On April 10, 2018, the City entered into an operating lease for a skid loader. The agreement requires three annual payments of \$9,138 and at the end of the lease, the City may purchase the equipment at a predetermined market value of \$32,760. During the year ended June 30, 2020, the City made lease payments totaling \$9,138.

(5) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by 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 at 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 totaled \$56,667.

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 \$425,209 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 0.007343%, which was an increase of 0.000166% 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 \$78,537, \$67,139, and \$83,702, 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 (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	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments 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	\$ 756,699	425,209	147,160

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.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation and compensatory time to employees at June 30, 2020, primarily relating to the General Fund is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 17,000
Compensatory time	<u>20,000</u>
Total	<u>\$ 37,000</u>

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

(7) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 82,531
	Special Revenue:	
	Tax Increment Financing	984,037
	Local Option Sales Tax	52,838
	Enterprise:	
	Water	21,950
	Sewer	<u>33,766</u>
		<u>\$ 1,175,122</u>

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

(8) Risk Management

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

(9) Subsequent Events

In November 2020, the City issued \$4,575,000 of general obligation annual appropriation urban renewal bonds, Series 2020B, for the purposes of infrastructure and park improvements, installation of street lighting and repair, cleanup and replacement of property, buildings and public facilities damaged by a disaster and reimbursement of City funds already expended for this activity. The bonds bear interest ranging from 0.70% to 2.10% per annum and are payable through fiscal year 2035.

In November 2020, the City issued \$1,280,000 of general obligation refunding bonds, Series 2020C, for the purposes of paying the balance of the City's general obligation corporate purpose and refunding bonds, Series 2013. The bonds bear interest ranging from 0.30% to 0.60% per annum and are payable through fiscal year 2025.

In February 2021, the City entered into a contract with Schrader Excavating and Grading Co. for \$1,829,204 for the 2021 Sewer and Water main extensions project.

In March 2021, the City entered into contracts with Eastern Iowa Excavating for \$373,087 for the Prairie Avenue pavement reconstruction project and Dave Schmitt Construction Co. for \$222,265 for the Fairfax Complex parking lot improvements project.

(10) COVID-19

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

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

(11) 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 Fairfax
 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	Enterprise Funds Actual	Total
Receipts:			
Property tax	\$ 792,295	-	792,295
Tax increment financing	1,010,603	-	1,010,603
Other city tax	315,839	-	315,839
Licenses and permits	63,271	-	63,271
Use of money and property	32,020	348	32,368
Intergovernmental	458,707	-	458,707
Charges for service	1,805	1,321,409	1,323,214
Miscellaneous	100,328	59,245	159,573
Total receipts	<u>2,774,868</u>	<u>1,381,002</u>	<u>4,155,870</u>
Disbursements:			
Public safety	1,033,265	-	1,033,265
Public works	388,066	-	388,066
Culture and recreation	635,679	-	635,679
Community and economic development	34,073	-	34,073
General government	402,215	-	402,215
Debt service	1,196,147	-	1,196,147
Business type activities	-	1,757,149	1,757,149
Total disbursements	<u>3,689,445</u>	<u>1,757,149</u>	<u>5,446,594</u>
Excess (deficiency) of receipts over (under) disbursements	(914,577)	(376,147)	(1,290,724)
Other financing sources (uses), net	<u>1,039,597</u>	<u>984,741</u>	<u>2,024,338</u>
Change in balances	125,020	608,594	733,614
Balances beginning of year	<u>1,334,285</u>	<u>521,218</u>	<u>1,855,503</u>
Balances end of year	<u>\$ 1,459,305</u>	<u>1,129,812</u>	<u>2,589,117</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
818,859	818,859	(26,564)
1,025,000	1,025,000	(14,397)
256,039	298,799	17,040
99,325	103,225	(39,954)
34,516	39,116	(6,748)
432,942	626,442	(167,735)
1,625,410	1,637,410	(314,196)
116,850	160,950	(1,377)
4,408,941	4,709,801	(553,931)
440,888	1,249,192	215,927
433,305	577,799	189,733
531,338	1,373,888	738,209
35,200	96,200	62,127
386,410	446,910	44,695
1,129,654	1,251,329	55,182
1,493,929	5,691,686	3,934,537
4,450,724	10,687,004	5,240,410
(41,783)	(5,977,203)	4,686,479
-	5,275,000	(3,250,662)
(41,783)	(702,203)	1,435,817
816,670	1,855,503	-
774,887	1,153,300	1,435,817

City of Fairfax

City of Fairfax

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. 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 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, three budget amendments increased budgeted disbursements by \$6,236,280. The budget amendments are reflected in the final budgeted amounts.

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

City of Fairfax

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

Iowa Public Employees' Retirement System
For the Last Six Years*
(In Thousands)

Other Information

	2020	2019	2018	2017
City's proportion of the net pension liability	0.007343%	0.007177%	0.006898%	0.006238%
City's proportionate share of the net pension liability	\$ 425	454	459	393
City's covered payroll	\$ 561	543	519	446
City's proportionate share of the net pension liability as a percentage of its covered payroll	75.76%	83.61%	88.44%	88.12%
IPERS' net position as a percentage of the total liability pension	85.45%	83.62%	82.21%	81.82%

* 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
0.005562%	0.005829%
275	231
382	382
71.99%	60.47%
85.19%	87.61%

City of Fairfax

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 57	53	48	46
Contributions in relation to the statutorily required contribution	<u>(57)</u>	<u>(53)</u>	<u>(48)</u>	<u>(46)</u>
Contribution deficiency (excess)		<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 600	561	543	519
Contributions as a percentage of covered payroll	9.50%	9.45%	8.84%	8.86%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
41	34	34	30	26	21
(41)	(34)	(34)	(30)	(26)	(21)
-	-	-	-	-	-
446	382	382	342	321	308
9.19%	8.90%	8.90%	8.77%	8.10%	6.82%

City of Fairfax

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

Supplementary Information

City of Fairfax

City of Fairfax

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

As of and for the year ended June 30, 2020

	Enterprise		
	Solid Waste	Farm Operations	Total
Operating receipts:			
Charges for service	\$ 194,620	3,008	197,628
Operating disbursements:			
Business type activities	200,029	1,403	201,432
Excess (deficiency) of operating receipts over (under) operating disbursements	(5,409)	1,605	(3,804)
Non-operating receipts:			
Interest on investments	-	4	4
Change in cash balances	(5,409)	1,609	(3,800)
Cash balances beginning of year	17,005	5,143	22,148
Cash balances end of year	\$ 11,596	6,752	18,348
Cash Basis Fund Balances			
Unrestricted	\$ 11,596	6,752	18,348

See accompanying independent auditor's report.

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Water improvement	Feb 10, 2010 *	3.00%	\$ 118,000
Water improvement	May 12, 2011	1.35-3.65	540,000
Water main improvement and Fairfax Athletics and Park Complex	Nov 10, 2011	2.00-3.00	2,260,000
Fire truck and refunding	Jun 26, 2012	0.60-1.70	590,000
Corporate purpose and refunding	Sep 10, 2013	1.00-3.00	2,485,000
Corporate purpose	Apr 8, 2014	2.00-2.75	1,330,000
Corporate purpose	Jun 10, 2015	1.00-3.00	2,080,000
Corporate purpose and refunding	Jun 27, 2017	1.00-2.60	955,000
Corporate purpose and refunding	Aug 28, 2018	2.50-3.20	2,170,000
Corporate purpose	Jan 14, 2020	2.00-2.05	1,270,000
Total			
Revenue bonds:			
Sewer improvement	Nov 2, 2006 *	1.75%	\$ 2,400,000
Water	May 29, 2020	1.75	\$ 670,127

* The agreement 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
67,000	-	6,000	61,000	2,010
180,000	-	60,000	120,000	6,270
1,010,000	-	190,000	820,000	26,390
55,000	-	55,000	-	935
1,425,000	-	175,000	1,250,000	36,988
925,000	-	105,000	820,000	21,627
1,485,000	-	170,000	1,315,000	32,475
745,000	-	145,000	600,000	14,203
2,135,000	-	65,000	2,070,000	58,907
-	1,270,000	-	1,270,000	-
\$ 8,027,000	1,270,000	971,000	8,326,000	199,805
1,330,000	-	150,000	1,180,000	23,275
-	670,127	-	670,127	-
\$ 1,330,000	670,127	150,000	1,850,127	23,275

City of Fairfax
Bond Maturities
June 30, 2020

General Obligation							
Year Ending June 30,	Water Improvement		Water Improvement		Water Main Improvement and Fairfax Athletics and Park Complex		
	Issued Feb 10, 2010		Issued May 12, 2011		Issued Nov 10, 2011		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2021	3.00%	\$ 6,000	3.65%	\$ 60,000	2.40%	\$	195,000
2022	3.00	6,000	3.65	60,000	2.60		200,000
2023	3.00	6,000	-	-	2.80		210,000
2024	3.00	7,000	-	-	3.00		215,000
2025	3.00	7,000	-	-			-
2026	3.00	7,000	-	-			-
2027	3.00	7,000	-	-			-
2028	3.00	7,000	-	-			-
2029	3.00	8,000	-	-			-
2030		-		-			-
2031		-		-			-
2032		-		-			-
2033		-		-			-
2034		-		-			-
2035		-		-			-
Total		<u>\$ 61,000</u>		<u>\$ 120,000</u>			<u>\$ 820,000</u>

General Obligation							
Year Ending June 30,	Corporate Purpose		Corporate Purpose and Refunding		Corporate Purpose and Refunding		
	Issued Jun 10, 2015		Issued Jun 27, 2017		Issued Aug 28, 2018		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2021	1.80%	\$ 170,000	1.45%	\$ 140,000	2.50%	\$	140,000
2022	1.80	175,000	1.80	50,000	2.50		180,000
2023	2.15	180,000	1.80	55,000	2.50		185,000
2024	2.15	185,000	2.05	55,000	2.50		185,000
2025	2.35	190,000	2.05	55,000	2.60		195,000
2026	2.35	135,000	2.35	60,000	2.75		195,000
2027	3.00	135,000	2.35	60,000	2.80		205,000
2028	3.00	145,000	2.60	60,000	2.90		215,000
2029		-	2.60	65,000	3.00		220,000
2030		-		-	3.10		175,000
2031		-		-	3.20		175,000
2032		-		-			-
2033		-		-			-
2034		-		-			-
2035		-		-			-
Total		<u>\$ 1,315,000</u>		<u>\$ 600,000</u>			<u>\$ 2,070,000</u>

See accompanying independent auditor's report.

City of Fairfax

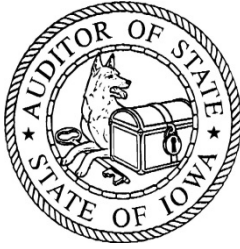
Schedule of Receipts by Source and Disbursements By Function –
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017
Receipts:				
Property tax	\$ 792,295	760,397	739,276	643,691
Tax increment financing	1,010,603	973,767	946,788	1,006,816
Local option sales tax	298,488	264,406	262,375	290,378
Other city tax	17,351	15,824	16,594	16,379
Licenses and permits	63,271	93,554	89,193	57,945
Use of money and property	32,020	36,835	23,787	22,039
Intergovernmental	458,707	444,033	440,735	592,034
Charges for service	1,805	2,304	3,528	3,433
Miscellaneous	100,328	103,028	109,162	147,030
Total	<u>\$ 2,774,868</u>	<u>2,694,148</u>	<u>2,631,438</u>	<u>2,779,745</u>
Disbursements:				
Operating:				
Public safety	\$ 1,033,265	\$416,330	378,904	528,309
Public works	388,066	439,807	321,230	759,666
Culture and recreation	635,679	433,195	398,799	388,288
Community and economic development	34,073	8,665	35,479	125,816
General government	402,215	360,387	339,788	483,322
Debt service	1,196,147	1,067,754	1,392,961	1,037,873
Total	<u>\$ 3,689,445</u>	<u>2,726,138</u>	<u>2,867,161</u>	<u>3,323,274</u>

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
608,423	597,563	580,825	520,387	540,087	452,537
985,032	860,078	706,060	717,125	450,269	589,491
276,415	253,933	253,948	240,131	255,718	213,898
15,855	8,401	8,542	7,645	6,202	-
45,829	33,156	43,567	26,452	30,703	35,626
12,923	9,373	10,956	13,876	29,960	24,692
457,530	781,113	443,071	347,783	334,696	288,938
3,428	3,453	3,832	5,105	10,240	4,425
51,941	60,313	78,937	142,454	65,599	46,696
<u>2,457,376</u>	<u>2,607,383</u>	<u>2,129,738</u>	<u>2,020,958</u>	<u>1,723,474</u>	<u>1,656,303</u>
905,781	383,152	478,843	400,435	262,658	327,357
669,319	1,301,332	1,925,806	417,548	265,955	462,784
381,983	1,029,373	767,059	1,602,417	1,123,820	253,544
97,650	15,740	5,499	5,326	11,992	-
275,804	253,202	270,829	198,952	240,765	189,052
<u>1,241,485</u>	<u>1,146,467</u>	<u>1,597,450</u>	<u>1,468,724</u>	<u>805,257</u>	<u>917,470</u>
<u>3,572,022</u>	<u>4,129,266</u>	<u>5,045,486</u>	<u>4,093,402</u>	<u>2,710,447</u>	<u>2,150,207</u>



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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, each major fund and the aggregate remaining fund information of the City of Fairfax, 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 March 10, 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 Fairfax'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 Fairfax's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fairfax'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, 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 Fairfax's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

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

Compliance and Other Matters

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

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

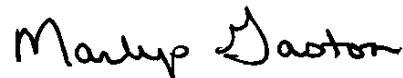
The City of Fairfax's Responses to the Findings

The City of Fairfax's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Fairfax'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 Fairfax 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

March 10, 2021

City of Fairfax
Schedule of Findings
Year ended June 30, 2020

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

- (1) Accounting system – performing all accounting functions, including making journal entries and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement functions, handling and recording cash and reconciling.
- (3) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (4) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (5) Payroll – recordkeeping, preparing and distributing.
- (6) Utilities – billing, collecting, depositing and posting.
- (7) Debt – recordkeeping, compliance and debt payment processing.
- (8) Investments – custodian and record keeping.

Cause – The City has 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 ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. The City should utilize current personnel and officials to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of the review.

City of Fairfax

Schedule of Findings

Year ended June 30, 2020

Response – The City will try to segregate duties as much as possible going forward and will have Council Members and the Mayor help in this process.

Conclusion – Response accepted.

(B) Journal Entries

Criteria – An effective internal control system provides for internal controls related to preparation of journal entries by all employees. Supporting documentation for all journal entries supports the accuracy of the entries by the employees and an independent review helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – Four out of ten journal entries tested did not have evidence of independent review.

Cause – The City has a limited number of employees and procedures have not been designed to ensure the review and approval of journal entries is clearly documented.

Effect – Lack of independent approval of transactions could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should establish policies and procedures to ensure all journal entries are independently reviewed.

Response – The City has implemented procedures to ensure all journal entries (with supporting documentation) are approved and are reviewed by an independent person. The City will work towards 100% compliance that evidence of the review will be documented by the reviewer’s signature and date.

Conclusion – Response accepted.

(C) Disaster Recovery Plan

Criteria – A disaster recovery plan for financial continuity should include the following:

- Identification of critical applications.
- Identification of steps for recovery of any operating systems for City operations.
- Identification of computer equipment needed for temporary processing.
- Identification of business location(s) which could be used to process critical applications in the event of an emergency, including any applicable written agreements for the use of the locations.
- Requirement to keep a copy of the disaster recovery plan off site.
- Requirement to keep system backups current and off site.
- An inventory of all hardware and components.
- An inventory of all software applications.

City of Fairfax

Schedule of Findings

Year ended June 30, 2020

- A requirement that copies of all user documentation and policy and procedures manual be located off site.
- A requirement for extra stock of paper supplies, such as checks, warrants, purchase orders, etc., be located off site.
- Requirement outlining the frequency of testing the disaster recovery plan to identify issues and document the results of testing.

Condition – The City does not have a written disaster recovery plan for its computer system.

Cause – Management has not required a written disaster recovery plan for its computer.

Effect – The failure to have a formal disaster recovery plan could result in the City’s inability to function in the event of a disaster or continue City business without interruption.

Recommendation – The City should develop a written disaster recovery plan.

Response – The City will look into the development and implementation of a computer system disaster recovery plan.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Fairfax
 Schedule of Findings
 Year ended June 30, 2020

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2020 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Star Bar	Meals for library trainings	\$ 697
Walmart	Drinks purchased for staff, elected officials and guests	39
Costco	Drinks purchased for staff, elected officials and guests	292

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

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

Response – The City Council has approved a public purpose resolution. The City Council approves all claims. All purchases have been made according to the approved public purpose resolution.

Conclusion – Response acknowledged. The City should document the public benefit prior to authorizing further payments.

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

City of Fairfax

Schedule of Findings

Year ended June 30, 2020

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

Name, Title and Business Connection	Transaction Description	Amount
Mike Sankot, Fire Chief, Co-Owner of Sankot's Garage	Miscellaneous parts, supplies and service	\$ 8,082
Mike Daly, Council Member, Father-in-law owns Waln Repair and Collision	Truck repair	140
Marianne Wainwright, Councilmember Works at LL Pelling	Paving and asphalt services	3,843

In accordance with Chapter 362.5(3)(h) of the Code of Iowa, the transactions with Sankot's Garage do not appear to represent a conflict of interest.

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Waln Repair and Collision and LL Pelling do not appear to represent conflicts of interest since the total transactions were less than \$6,000 during the fiscal year.

- (5) 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.
- (6) 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.
- (7) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) Deposits and Investments – 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.
- (9) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the City understated the amount reported as Tax Increment Financing (TIF) debt outstanding on the Levy Authority Summary by \$83,285.

Recommendation – The City should ensure the TIF debt outstanding properly reports all TIF debt issues.

City of Fairfax

Schedule of Findings

Year ended June 30, 2020

Response – The City will double check calculations to ensure the correct amounts are reported on the AURR.

Conclusion – Response accepted.

- (11) Agreement between the City Parks and Recreation Department and the Fairfax Youth Sports Association – The Fairfax Youth Sports Association (FYSA) is a private non-profit organization whose purpose, as described on the City’s website, is to support the boys and girls of Fairfax, Iowa, and surrounding communities by providing a safe, organized sports program, regardless of athletic ability or experience, while promoting a sense of sportsmanship and fair play for all participants. The FYSA was created in 2008. Joe Kell serves as the President of the FYSA.

Prior to November 2019, the FYSA leased the City’s concession stand and the City’s athletic fields situated within the Fairfax Regional Sports and Park Complex and City Park to the FYSA for \$1 annually. Pursuant to the lease agreement, the City established rental rates for the athletic fields, collected and receipted the rental fees and issued a check at the end of the season for 50% of the rental fees to the FYSA. The FYSA, in return, coordinated rental of the athletic fields and also collected and remitted rental fees to the City. The FYSA also provided all necessary kitchen equipment and appliances for the concession stand, including all items intended for sale, and staff to run the concession stand during authorized activities. The FYSA retained all receipts generated through concession stand sales.

In November 2019, the City hired Joe Kell as the new Parks and Recreation Director, while he also retained his position as President of the FYSA. As the City Parks and Recreation Director, Mr. Kell has various duties as specified in the Position Description for the Parks and Recreation Director, including arranging, attending and supervising department recreational programs and events. The Director also seeks grants, rental or sponsorship opportunities for park projects and organizes, participates and supervises the concessions stand during programs and events, in addition to a variety of other duties. When the Director position was created, the City shifted youth sports activities which had previously been under the purview of the FYSA to the City. The City now handles all registration for activities, collects and records the necessary fees and manages the youth sport activities.

On January 14, 2020, the City Council approved a Partnership Agreement (Agreement) with the FYSA. The Agreement is in place until changed by the City Council. Under the Agreement, the FYSA has first priority for use of the Fairfax Regional Sports and Park Complex, Fetter Field and City Park Field, community events have second priority and partner tournaments and other activities have last priority. Use of the complex, Fetter Field and City Park Field are free to the FYSA and other approved community events while the City retains all non-refundable deposits and fees generated by partner tournaments and other activities. Also pursuant to the agreement, the FYSA will purchase and stock all food product for sale through the concession stand and will retain concession stand receipts for all approved Fairfax Youth Sports activities, Fairfax USA Days and the Leon Evans Car Cruise In. The FYSA will also retain concession receipts for other activities upon mutual agreement between the City and the FYSA, but only when the FYSA staffs the concession stand and pays for all the food and supplies. The FYSA will provide volunteers for the concession stand during these events. The FYSA will provide use of all appliances and equipment currently in the concession stand

City of Fairfax

Schedule of Findings

Year ended June 30, 2020

at no charge to the City for partner tournaments and other activities and will maintain the appliances/equipment at no cost to the City. The FYSA will also provide all current sporting equipment needed at the fields and current field supplies and equipment necessary to prep the fields at no cost to the City. The sporting equipment, supplies and equipment necessary to prep the fields will be provided until it is no longer functional or needs to be replaced.

Under the Agreement, The City will retain all concession receipts generated by partner tournaments and non-FYSA activities. The City will staff the concession stand during the partner tournaments and other activities and is responsible for paying all costs associated with staffing the concession stand. The City will pay the FYSA for the cost of food sold during partner tournaments and other activities, at 36% of the City's total concession sales, including condiments, paper products and other products needed to run a concession stand.

We noted the following:

- Joe Kell is the City's Parks and Recreation Director and also serves as the President of the FYSA, making the lines of authority and responsibilities of the FYSA unclear. It is also unclear under which role Mr. Kell serves at any given time.
- This dual role creates competing interests in the use of the City's sports complex and fields which Mr. Kell is responsible for arranging.
- While the FYSA owns and provides the sporting equipment, supplies and equipment to prep the fields, as well as volunteers to run concessions for certain events, there is no documentation of the value of what FYSA provides in return for priority and free use of the City's facilities.
- Article III, Section 31 of the Iowa Constitution requires public funds and property only be used for public benefit and prohibits contributions to private entities. This provision has been found by the Iowa Supreme Court to be applicable to local governments. 1986 Iowa Op. Att'yGen. 113 (#86-8-8) [1986 WL 79961], citing *Love v. City of Des Moines*, 210 Iowa 90, 101, 230 N.W. 373, 278 (1930); *Willis v. City of Des Moines*, 357 N.W.2d 567, 570, 572 (Iowa 1984).

Recommendation – The City should consult legal counsel to determine whether the dual roles held by the City's Parks and Recreation Director are incompatible or create a conflict of interest. The City should also ensure and document the free use of the City's facilities and fields by a private non-profit organization, the cost the City pays the FYSA for concession food and supplies, and the concession receipts, if any, the FYSA is allowed to retain for other activities represent an arm's length transaction in which the City receives at least like in return.

City of Fairfax

Schedule of Findings

Year ended June 30, 2020

Response – The FYSA and the City of Fairfax have had a mutual partnership since 2008, when the FYSA was first formed for the purpose supporting the boys and girls of Fairfax IA. and surrounding communities by providing a safe, organized sports program, regardless of athletic ability or experience, while promoting a sense of sportsmanship and fair play for all participants. As in the past, the FYSA does not get any public funding and is solely supported by private contributions. During the transition in 2019 when the sports participation part of FYSA was merged with the City of Fairfax, great care was taken to identify and promote this change with full transparency. At that time the FYSA took on a much narrower role of fund raiser to be able to continue its community involvement. In two instances we missed updating the verbiage for a clearer understanding to the reader of what was happening. These two documents have now been updated to reflect the more accurate relationship between the FYSA and the City of Fairfax.

As stated above, FYSA supports itself by fundraising, including operating and depositing the concession stand receipts during FYS events or other events as designated by the City. FYSA does carry liability insurance for their activities and insures all of the equipment they own, which the City of Fairfax uses. The FYSA does pay the 36% food cost just like the City because they are the original purchaser of the food. This is not a benefit only for the FYSA. Any Fairfax civic club or organization has the same access for a fund raiser by manning the concession stand during such events. This includes ongoing clubs or a one-time event.

The fact that Joe is the president of the FYSA did not affect any part of the hiring decision or process. With oversights that have been put into place by the City and the FYSA all interactions are monitored at all times. Although the FYSA has had many volunteers over the years, Joe's involvement with the FYSA has been consistent. It is his leadership that has guided FYSA through all of these years and is only natural that would continue in the current situation.

When the City of Fairfax decided to hire a full-time Parks and Recreation Director, we were concerned that the transition would be smooth for the community. Hiring Joe as the director helped accomplish this. He had years of experience organizing these events, as well as working with the players and coaches. The entire community knows and trusts Joe and this helped our transition succeed, even during COVID19. For these reasons and more he was the most qualified applicant for the position.

You stated the dual role creates competing interest, we think FYSA and the City have the same interest and goals – to support the youth in Fairfax and provide them a sports program. We have been working together for this common interest for years. All of these efforts provide a public benefit for Fairfax.

The City will submit a revised agreement with FYSA to our attorney for review along with this audit comment.

City of Fairfax

Schedule of Findings

Year ended June 30, 2020

Conclusion – Response acknowledged. We do not disagree or question there are benefits to the City's relationship with the FYSA. Our question regarding that relationship revolves solely around the potential for the City Parks and Recreation Director, who is also President of the FYSA, being in a position which creates competing interests when making decisions of who can use the City's facilities and who has priority. For this reason, the City should consult the City Attorney to determine how to resolve this situation.

In addition, while public funds may not be provided directly to the FYSA, public property is provided to the organization for free use, bringing into question compliance with Article III, Section 31 of the Iowa Constitution. The City should document the value of the free use of public property, to ensure the value of the free use does not exceed the value of what the organization provides under the agreement, thereby ensuring and documenting compliance with the Iowa Constitution.

City of Fairfax

Staff

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