



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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NEWS RELEASE

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FOR RELEASE

March 30, 2022

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$15,369,676 for the year ended June 30, 2021 a 148% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$11,534,461, a 112% increase over the prior year. The significant increase in receipts is due primarily to proceeds from the issuance of general obligation bonds and drawdowns on water revenue bonds. The increase in disbursements is primarily due to the associated refunding of debt, purchase of a building and increased project disbursements in the water and sewer funds.

AUDIT FINDINGS:

Sand reported four findings related to the receipt and disbursement of taxpayer funds. They are found on pages 46 through 49 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.

All of the 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, 2021

City of Fairfax



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Rob Sand
Auditor of State

March 23, 2022

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, 2021. 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

<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
Tina Rosenkrans	Office Administrator	Indefinite
Staci Klinefelter	Utilities Clerk	Indefinite
Randy Scholer	Attorney	Indefinite



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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, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as 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, 2021, 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

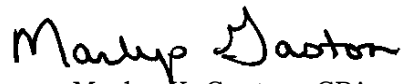
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairfax's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2020 (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 four 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 and 2 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 23, 2022 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
Chief Deputy Auditor of State

March 23, 2022

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, 2021

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 396,095	65,255	381,303
Public works	498,227	-	408,395
Culture and recreation	1,268,536	42,352	164,038
Community and economic development	52,082	99	-
General government	1,638,548	46,372	-
Debt service	1,432,271	-	-
Total governmental activities	5,285,759	154,078	953,736
Business type activities:			
Water	3,817,038	621,550	-
Sewer	936,937	740,423	-
Solid waste	222,078	213,350	-
Farm operations	7,070	6,934	-
Total business type activities	4,983,123	1,582,257	-
Total	\$ 10,268,882	1,736,335	953,736

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 \$97,423,
 net of \$52,420 issuance costs
 Revenue bond proceeds
 General obligation bonds refunded
 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
50,463	-	50,463
(89,832)	-	(89,832)
(1,062,146)	-	(1,062,146)
(51,983)	-	(51,983)
(1,592,176)	-	(1,592,176)
<u>(1,432,271)</u>	<u>-</u>	<u>(1,432,271)</u>
(4,177,945)	-	(4,177,945)
-	(3,195,488)	(3,195,488)
-	(196,514)	(196,514)
-	(8,728)	(8,728)
-	(136)	(136)
-	<u>(3,400,866)</u>	<u>(3,400,866)</u>
<u>(4,177,945)</u>	<u>(3,400,866)</u>	<u>(7,578,811)</u>
878,539	-	878,539
1,195,589	-	1,195,589
329,367	-	329,367
14,496	-	14,496
6,651	149	6,800
4,549,353	2,650,650	7,200,003
	2,946,266	2,946,266
(1,265,579)	-	(1,265,579)
54,739	53,806	108,545
<u>162,311</u>	<u>(162,311)</u>	<u>-</u>
<u>5,925,466</u>	<u>5,488,560</u>	<u>11,414,026</u>
1,747,521	2,087,694	3,835,215
1,459,305	1,129,812	2,589,117
<u>\$ 3,206,826</u>	<u>3,217,506</u>	<u>6,424,332</u>
\$ 96,660	-	96,660
209,961	-	209,961
353,379	175,342	528,721
1,683,997	2,480,509	4,164,506
-	24,655	24,655
<u>862,829</u>	<u>537,000</u>	<u>1,399,829</u>
<u>\$ 3,206,826</u>	<u>3,217,506</u>	<u>6,424,332</u>

City of Fairfax

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

As of and for the year ended June 30, 2021

	Special		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 867,899	-	-
Tax increment financing	-	-	-
Local option sales tax	-	-	329,367
Other city tax	10,640	-	-
Licenses and permits	83,225	-	-
Use of money and property	42,815	-	-
Intergovernmental	364,991	317,732	-
Charges for service	3,370	-	-
Miscellaneous	371,251	-	-
Total receipts	<u>1,744,191</u>	<u>317,732</u>	<u>329,367</u>
Disbursements:			
Operating:			
Public safety	396,095	-	-
Public works	93,109	263,283	141,835
Culture and recreation	1,268,036	-	500
Community and economic development	51,707	-	-
General government	1,552,148	-	86,400
Debt service	-	-	-
Total disbursements	<u>3,361,095</u>	<u>263,283</u>	<u>228,735</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,616,904)</u>	<u>54,449</u>	<u>100,632</u>
Other financing sources (uses):			
Bond proceeds, including premiums of \$97,423, net of \$52,420 of issuance costs	3,209,124	-	-
General obligation bonds refunded	-	-	-
Transfers in	3,500	-	10,000
Transfers out	(155,147)	-	(30,000)
Total other financing sources (uses)	<u>3,057,477</u>	<u>-</u>	<u>(20,000)</u>
Change in cash balances	1,440,573	54,449	80,632
Cash balances beginning of year	<u>1,106,253</u>	<u>42,211</u>	<u>129,329</u>
Cash balances end of year	<u>\$ 2,546,826</u>	<u>96,660</u>	<u>209,961</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	-	96,660	-
Local option sales tax	-	-	209,961
Debt service	-	-	-
Capital improvements	1,683,997	-	-
Committed for:			
Fire department	124,824	-	-
Fireworks	16,400	-	-
Library	240,821	-	-
Parks	42,282	-	-
Unassigned	<u>438,502</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 2,546,826</u>	<u>96,660</u>	<u>209,961</u>

See notes to financial statements.

<u>Revenue</u>		
<u>Tax Increment Financing</u>	<u>Debt Service</u>	<u>Total</u>
-	-	867,899
1,195,589	-	1,195,589
-	-	329,367
-	-	10,640
-	-	83,225
316	-	43,131
-	-	682,723
-	-	3,370
-	-	371,251
<u>1,195,905</u>	<u>-</u>	<u>3,587,195</u>
-	-	396,095
-	-	498,227
-	-	1,268,536
375	-	52,082
-	-	1,638,548
-	1,432,271	1,432,271
<u>375</u>	<u>1,432,271</u>	<u>5,285,759</u>
<u>1,195,530</u>	<u>(1,432,271)</u>	<u>(1,698,564)</u>
-	1,340,229	4,549,353
-	(1,265,579)	(1,265,579)
-	1,388,837	1,402,337
(1,054,879)	-	(1,240,026)
<u>(1,054,879)</u>	<u>1,463,487</u>	<u>3,446,085</u>
140,651	31,216	1,747,521
180,863	649	1,459,305
<u>321,514</u>	<u>31,865</u>	<u>3,206,826</u>
-	-	96,660
-	-	209,961
321,514	31,865	353,379
-	-	1,683,997
-	-	124,824
-	-	16,400
-	-	240,821
-	-	42,282
-	-	438,502
<u>321,514</u>	<u>31,865</u>	<u>3,206,826</u>

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, 2021

	Enterprise			
	Water	Sewer	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 621,550	740,423	220,284	1,582,257
Miscellaneous	22,327	31,479	-	53,806
Total operating receipts	643,877	771,902	220,284	1,636,063
Operating disbursements:				
Business type activities	339,984	290,130	229,148	859,262
Excess (deficiency) of operating receipts over (under) operating disbursements	303,893	481,772	(8,864)	776,801
Non-operating receipts (disbursements):				
Interest on investments	-	148	1	149
General obligation bond proceeds, including premium of \$97,423, net of \$52,420 issuance costs	1,065,650	1,585,000	-	2,650,650
Revenue bond proceeds	2,946,266	-	-	2,946,266
Debt service	(201,044)	(177,642)	-	(378,686)
Capital outlay	(3,276,010)	(469,165)	-	(3,745,175)
Net non-operating receipts (disbursements)	534,862	938,341	1	1,473,204
Excess (deficiency) of receipts over (under) disbursements	838,755	1,420,113	(8,863)	2,250,005
Transfers in	470	-	-	470
Transfers out	(54,271)	(105,010)	(3,500)	(162,781)
Total transfers in (out)	(53,801)	(105,010)	(3,500)	(162,311)
Change in cash balances	784,954	1,315,103	(12,363)	2,087,694
Cash balances beginning of year	695,575	415,889	18,348	1,129,812
Cash balances end of year	\$ 1,480,529	1,730,992	5,985	3,217,506
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 18,538	156,804	-	175,342
Capital improvements	1,172,610	1,307,899	-	2,480,509
Meter deposits	24,655	-	-	24,655
Unrestricted	264,726	266,289	5,985	537,000
Total cash basis fund balances	\$ 1,480,529	1,730,992	5,985	3,217,506

See notes to financial statements.

City of Fairfax

Notes to Financial Statements

June 30, 2021

(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. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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, 2021, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2021 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, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 8,326,000	7,155,000	2,411,000	13,070,000	1,161,000
Business type activities:					
Water revenue bonds	\$ 670,127	2,965,176	156,000	3,479,303	163,000
Sewer revenue bonds	1,180,000	-	154,000	1,026,000	159,000
Business-type activities total	\$ 1,850,127	2,965,176	310,000	4,505,303	322,000

General Obligation Bonds

A summary of the City's June 30, 2021 general obligation bonds payable is as follows:

Year Ending June 30,	Water Improvement Issued Feb 10, 2010			Water Improvement Issued May 12, 2011		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
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	3.00	7,000	870	-	-	-
2027-2031	3.00	22,000	1,350	-	-	-
2032-2035		-	-	-	-	-
Total		\$ 55,000	7,710		\$ 60,000	2,190

Year Ending June 30,	Water Main Improvement and Fairfax Athletics and Park Complex			Corporate Purpose		
	Issued Nov 10, 2011			Issued Apr 8, 2014		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.60%	\$ 200,000	17,530	2.05%	\$ 110,000	17,428
2023	2.80	210,000	12,330	2.25	115,000	15,172
2024	3.10	215,000	6,450	2.40	115,000	12,585
2025		-	-	2.50	120,000	9,825
2026		-	-	2.60	125,000	6,825
2027-2031		-	-	2.75	130,000	3,575
2032-2035		-	-		-	-
Total		<u>\$ 625,000</u>	<u>36,310</u>		<u>\$ 715,000</u>	<u>65,410</u>

Year Ending June 30,	Corporate Purpose			Corporate Purpose and Refunding		
	Issued Jun 10, 2015			Issued Jun 27, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	1.80%	\$ 175,000	27,035	1.80%	\$ 50,000	10,215
2023	2.15	180,000	23,885	1.80	55,000	9,315
2024	2.15	185,000	20,015	2.05	55,000	8,325
2025	2.35	190,000	16,037	2.05	55,000	7,197
2026	3.00	135,000	11,573	2.35	60,000	6,070
2027-2031	3.00	280,000	12,750	2.35-2.60	185,000	9,600
2032-2035		-	-		-	-
Total		<u>\$ 1,145,000</u>	<u>111,295</u>		<u>\$ 460,000</u>	<u>50,722</u>

Year Ending June 30,	Corporate Purpose and Refunding			Corporate Purpose		
	Issued Aug 28, 2018			Issued Jan 14, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.00%	\$ 180,000	53,782	2.00%	\$ 95,000	23,750
2023	2.00	185,000	49,283	2.00	95,000	21,850
2024	2.00	185,000	44,658	2.00	100,000	19,950
2025	2.00	195,000	40,033	2.00	105,000	17,950
2026	2.00	195,000	34,962	2.00	105,000	15,850
2027-2031	2.00-2.05	990,000	87,710	2.00	585,000	45,650
2032-2035		-	-	2.05	100,000	3,895
Total		<u>\$ 1,930,000</u>	<u>310,428</u>		<u>\$ 1,185,000</u>	<u>148,895</u>

Year Ending June 30,	Urban Renewal Series 2020B			Corporate Purpose Series 2020C		
	Issued Nov 10, 2020			Issued Nov 10, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022		\$ -	70,642	0.35%	\$ 285,000	4,558
2023		-	70,642	0.40	280,000	3,560
2024	0.70%	340,000	70,643	0.50	290,000	2,440
2025	0.80	355,000	68,263	0.60	165,000	990
2026	0.95	355,000	65,423		-	-
2027-2031	1.10-2.00	1,880,000	263,520		-	-
2032-2035	2.00-2.10	1,645,000	84,580		-	-
Total		<u>\$ 4,575,000</u>	<u>693,713</u>		<u>\$ 1,020,000</u>	<u>11,548</u>

	Municipal Building Series 2021			Total		
	Issued Jun 23, 2021					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	2.00%	\$ -	24,411	\$ 1,161,000	253,191	1,414,191
2023	2.00	80,000	26,000	1,206,000	233,507	1,439,507
2024	2.00	85,000	24,400	1,577,000	210,756	1,787,756
2025	2.00	85,000	22,700	1,277,000	184,075	1,461,075
2026	2.00	85,000	21,000	1,067,000	162,573	1,229,573
2027-2031	2.00	460,000	78,400	4,532,000	502,555	5,034,555
2032-2035	2.00	505,000	30,800	2,250,000	119,275	2,369,275
		<u>\$ 1,300,000</u>	<u>227,711</u>	<u>\$ 13,070,000</u>	<u>1,665,932</u>	<u>14,735,932</u>

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, 2021, the City paid \$6,000 of principal and \$1,830 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, 2021, the City paid \$60,000 of principal and \$4,380 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, 2021, the City paid \$195,000 of principal and \$22,210 of interest on the bonds.

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, 2021, the City paid \$1,250,000 of principal and \$15,348 of interest on the bonds. These bonds were retired as of June 30, 2021.

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, 2021, the City paid \$105,000 of principal and \$19,527 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, 2021, the City paid \$170,000 of principal and \$30,095 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, 2021, the City paid \$140,000 of principal and \$12,245 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, 2021, the City paid \$140,000 of principal and \$57,282 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, 2021, the City paid \$85,000 of principal and \$33,226 of interest on the bonds.

On November 10, 2020, the City issued \$4,575,000 of general obligation urban renewal bonds, with interest rates ranging from 0.70 to 2.10% per annum. The bonds were issued to fund the construction of certain street and highway improvements and repairs, bridge replacement, sanitary sewer and water main extensions, City park improvements and installation of street lighting, repair, cleanup and replacement of property, buildings and public facilities that were damaged by a disaster and reimbursement of City funds were already expended for this activity. During the year ended June 30, 2021, interest of \$39,442 was paid on the bonds.

On November 10, 2020, the City issued \$1,280,000 of general obligation refunding bonds, with interest rates ranging from 0.30 to 0.60% per annum. The bonds were issued to refund the outstanding balance of the City's general obligation corporate purpose and refunding bonds, series 2013. During the year ended June 30, 2021, the City paid \$260,000 of principal and \$2,980 of interest on the bonds.

On June 23, 2021, the City issued \$1,300,000 of general obligation municipal building bonds, with interest rates of 2.00% per annum. The bonds were issued to finance the acquisition of the building in which City Hall is located. During the year ended June 30, 2021, no principal or interest was paid on the bonds.

Revenue Bonds

Sewer Revenue Bonds

A summary of the City's June 30, 2021 sewer revenue bonds payable is as follows:

Year Ending June 30,	Sewer		
	Issued Nov 2, 2006		
	Interest Rates	Principal	Interest
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	1.75	179,000	6,352
2027-2031	1.75	184,000	3,220
Total		\$ 1,026,000	64,400

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 36.2% of net receipts. During the year ended June 30, 2021, the City paid principal of \$154,000 and interest of \$20,650 on the bonds. The total principal and interest remaining to be paid on the bonds is \$1,090,400. For the current year, principal and interest paid and total customer net receipts were \$174,650 and \$481,772, 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.

Water Revenue Bonds – Direct Borrowing

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. In the event of default, the issuer shall have the right to take any action authorized under the regulations, the revenue bond or the agreement and to take whatever other action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2021, the City drew down \$2,965,176. At June 30, 2021, the City had drawn down \$3,635,303 of the

authorized amount, leaving a balance of \$146,697 to draw. An initiation fee of \$18,910, 0.5% of the authorized borrowing for the water revenue bonds, was charged by the IFA. 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. \$156,000 in principal and \$39,404 in interest payments were made during the year ended June 30, 2021.

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

- d) 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.
- e) Sufficient monthly transfers shall be made to a water revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- f) 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.

(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, 2021, 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, 2021, 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, 2021, 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 2021, 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 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$60,727.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$528,658 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020, the City’s proportion was 0.007526%, which was an increase of 0.000183% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$81,515, \$101,530, and \$56,266, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 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, 2020 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 2020 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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
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	\$ 883,462	528,658	231,163

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, 2021, primarily relating to the General Fund is as follows:

Type of Benefit	Amount
Vacation	\$ 12,000
Compensatory time	25,000
Total	<u>\$ 37,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise: Farm Operations	\$ 3,500
Special Revenue Local Option Sales Tax	Sewer	10,000
Debt Service	General	154,677
	Special Revenue: Tax Increment Financing	1,054,879
	Local Option Sales Tax	30,000
	Enterprise: Water	54,271
	Sewer	95,010
		<u>1,388,837</u>
Water	General	470
		<u>\$ 1,402,807</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) Construction Commitments

The City has entered into construction contracts totaling approximately \$6,162,000 for various street, parking lot, splash pad, water and sewer improvements. As of June 30, 2021, approximately \$4,138,000 has been paid on the contracts. The remaining \$2,024,000 will be paid as work on the projects progresses.

(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.

(11) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

City of Fairfax

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, 2021

	Governmental Funds Actual	Enterprise Funds Actual	Total
Receipts:			
Property tax	\$ 867,899	-	867,899
Tax increment financing	1,195,589	-	1,195,589
Other city tax	340,007	-	340,007
Licenses and permits	83,225	-	83,225
Use of money and property	43,131	149	43,280
Intergovernmental	682,723	-	682,723
Charges for service	3,370	1,582,257	1,585,627
Miscellaneous	371,251	53,806	425,057
Total receipts	<u>3,587,195</u>	<u>1,636,212</u>	<u>5,223,407</u>
Disbursements:			
Public safety	396,095	-	396,095
Public works	498,227	-	498,227
Culture and recreation	1,268,536	-	1,268,536
Community and economic development	52,082	-	52,082
General government	1,638,548	-	1,638,548
Debt service	2,697,850	-	2,697,850
Business type activities	-	4,983,123	4,983,123
Total disbursements	<u>6,551,338</u>	<u>4,983,123</u>	<u>11,534,461</u>
Excess (deficiency) of receipts over (under) disbursements	(2,964,143)	(3,346,911)	(6,311,054)
Other financing sources (uses), net	<u>3,446,085</u>	<u>5,434,605</u>	<u>8,880,690</u>
Change in balances	481,942	2,087,694	2,569,636
Balances beginning of year	<u>1,459,305</u>	<u>1,129,812</u>	<u>2,589,117</u>
Balances end of year	<u>\$ 1,941,247</u>	<u>3,217,506</u>	<u>5,158,753</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
854,735	854,735	13,164
1,175,000	1,175,000	20,589
287,756	287,756	52,251
78,375	98,925	(15,700)
37,500	44,700	(1,420)
486,593	1,007,325	(324,602)
1,484,500	1,674,350	(88,723)
152,600	461,640	(36,583)
<u>4,557,059</u>	<u>5,604,431</u>	<u>(381,024)</u>
724,024	635,141	239,046
548,551	2,010,651	1,512,424
1,009,371	1,897,183	628,647
77,630	128,900	76,818
418,260	1,897,260	258,712
1,206,888	3,003,609	305,759
3,536,969	7,708,554	2,725,431
<u>7,521,693</u>	<u>17,281,298</u>	<u>5,746,837</u>
(2,964,634)	(11,676,867)	5,365,813
150,000	11,450,000	(2,569,310)
(2,814,634)	(226,867)	2,796,503
4,041,675	2,589,117	-
<u>1,227,041</u>	<u>2,362,250</u>	<u>2,796,503</u>

City of Fairfax

City of Fairfax

Notes to Other Information – Budgetary Reporting

June 30, 2021

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 \$9,759,605. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021, 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 Seven Years*
(In Thousands)

Other Information

	2021	2020	2019	2018
City's proportion of the net pension liability	0.007526%	0.007343%	0.007177%	0.006898%
City's proportionate share of the net pension liability	\$ 528	425	454	459
City's covered payroll	\$ 600	561	543	519
City's proportionate share of the net pension liability as a percentage of its covered payroll	88.00%	75.76%	83.61%	88.44%
IPERS' net position as a percentage of the total liability pension	82.90%	85.45%	83.62%	82.21%

* 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.

2017	2016	2015
0.006238%	0.005562%	0.005829%
393	275	231
446	382	382
88.12%	71.99%	60.47%
81.82%	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

	2021	2020	2019	2018
Statutorily required contribution	\$ 61	57	53	48
Contributions in relation to the statutorily required contribution	(61)	(57)	(53)	(48)
Contribution deficiency (excess)	-	-	-	-
City's covered payroll	\$ 643	600	561	543
Contributions as a percentage of covered payroll	9.49%	9.50%	9.45%	8.84%

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
46	41	34	34	30	26
(46)	(41)	(34)	(34)	(30)	(26)
-	-	-	-	-	-
519	446	382	382	342	321
8.86%	9.19%	8.90%	8.90%	8.77%	8.10%

City of Fairfax

Notes to Other Information – Pension Liability

Year ended June 30, 2021

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, 2021

	Enterprise		
	Solid Waste	Farm Operations	Total
Operating receipts:			
Charges for service	\$ 213,350	6,934	220,284
Operating disbursements:			
Business type activities	222,078	7,070	229,148
Deficiency of operating receipts under operating disbursements	(8,728)	(136)	(8,864)
Non-operating receipts:			
Interest on investments	-	1	1
Deficiency of receipts under disbursements	(8,728)	(135)	(8,863)
Transfers out	-	(3,500)	(3,500)
Change in cash balances	(8,728)	(3,635)	(8,863)
Cash balances beginning of year	11,596	6,752	18,348
Cash balances end of year	\$ 2,868	3,117	9,485
Cash Basis Fund Balances			
Unrestricted	\$ 2,868	3,117	5,985

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

	2021	2020	2019	2018
Receipts:				
Property tax	\$ 867,899	792,295	760,397	739,276
Tax increment financing	1,195,589	1,010,603	973,767	946,788
Local option sales tax	329,367	298,488	264,406	262,375
Other city tax	10,640	17,351	15,824	16,594
Licenses and permits	83,225	63,271	93,554	89,193
Use of money and property	43,131	32,020	36,835	23,787
Intergovernmental	682,723	458,707	444,033	440,735
Charges for service	3,370	1,805	2,304	3,528
Miscellaneous	371,251	100,328	103,028	109,162
Total	<u>\$ 3,587,195</u>	<u>2,774,868</u>	<u>2,694,148</u>	<u>2,631,438</u>
Disbursements:				
Operating:				
Public safety	\$ 396,095	1,033,265	416,330	378,904
Public works	498,227	388,066	439,807	321,230
Culture and recreation	1,268,536	635,679	433,195	398,799
Community and economic development	52,457	34,073	8,665	35,479
General government	1,638,173	402,215	360,387	339,788
Debt service	<u>2,697,850</u>	<u>1,196,147</u>	<u>1,067,754</u>	<u>1,392,961</u>
Total	<u>\$ 6,551,338</u>	<u>3,689,445</u>	<u>2,726,138</u>	<u>2,867,161</u>

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
643,691	608,423	597,563	580,825	520,387	540,087
1,006,816	985,032	860,078	706,060	717,125	450,269
290,378	276,415	253,933	253,948	240,131	255,718
16,379	15,855	8,401	8,542	7,645	6,202
57,945	45,829	33,156	43,567	26,452	30,703
22,039	12,923	9,373	10,956	13,876	29,960
592,034	457,530	781,113	443,071	347,783	334,696
3,433	3,428	3,453	3,832	5,105	10,240
147,030	51,941	60,313	78,937	142,454	65,599
2,779,745	2,457,376	2,607,383	2,129,738	2,020,958	1,723,474
528,309	905,781	383,152	478,843	400,435	262,658
759,666	669,319	1,301,332	1,925,806	417,548	265,955
388,288	381,983	1,029,373	767,059	1,602,417	1,123,820
125,816	97,650	15,740	5,499	5,326	11,992
483,322	275,804	253,202	270,829	198,952	240,765
1,037,873	1,241,485	1,146,467	1,597,450	1,468,724	805,257
3,323,274	3,572,022	4,129,266	5,045,486	4,093,402	2,710,447



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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, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 23, 2022. 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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fairfax's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fairfax's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Fairfax's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, we identified a deficiency in internal control, described in the accompanying Schedule of Findings as item (A), that we consider to be a material weakness.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters 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, 2021 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
Chief Deputy Auditor of State

March 23, 2022

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

(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, 2021

Response – We are constantly reviewing our processes to ensure we have cross checking and segregation as much as possible with our limited staff.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Fairfax

Schedule of Findings

Year ended June 30, 2021

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2021 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	\$ 121

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 Fairfax City Council has previously adopted a resolution stating that they consider this a public purpose. We are in the process of amending this resolution to be more specific.

Conclusion – Response acknowledged. Just stating something is a public purpose is not sufficient. The City should document how the public is benefiting from these disbursements prior to authorizing any further payments.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (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	\$ 6,093
Mike Daly, Council Member, Father-in-law owns Waln Repair and Collision	Truck repair	4,669
Marianne Wainwright, Council Member, works at LL Pelling	Paving and asphalt services	1,224

City of Fairfax

Schedule of Findings

Year ended June 30, 2021

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) Tax Increment Financing – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans. Also, the City properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.
- (11) 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 overstated the amount reported on the Tax Increment Financing (TIF) debt outstanding on the Levy Authority Summary by \$709,515.

Recommendation – The City should ensure that the outstanding debt amounts reported on Levy Authority Summary agree with the City's records.

Response – The City accidentally included the fire truck portion of a debt. We know this is not TIF eligible and will try not to do this again.

Conclusion – Response accepted.

City of Fairfax

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Chief Deputy
Lesley R. Geary, CPA, Manager
Adam J. Sverak, Staff Auditor
Brandon L. Weddell, Staff Auditor