



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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Des Moines, Iowa 50319-0006
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NEWS RELEASE

FOR RELEASE

June 30, 2022

Contact: Ernest Ruben
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$54,487,473 for the year ended June 30, 2021, a 164.5% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$49,031,235, a 126.1% increase over the prior year. The significant increase in receipts and disbursements is due primarily to refinancing and issuance of USDA sewer revenue capital loan notes.

AUDIT FINDINGS:

Sand reported twelve findings related to the receipt and disbursement of taxpayer funds. They are found on pages 62 through 74 of this report. The findings address issues such as a lack of segregation of duties, the lack of performing proper bank to book reconciliations, unrecorded and incorrectly recorded amounts in the financial statements and improper management of Public Library donations. Sand provided the City with recommendations to address each of the findings.

Nine of the twelve findings discussed above for the City 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 [Audit Reports - Auditor of State](#).

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CITY OF FAIRFIELD

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

JUNE 30, 2021

City of Fairfield



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Rob Sand
Auditor of State

June 16, 2022

Officials of the City of Fairfield
Fairfield, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Fairfield, Iowa, for the year ended June 30, 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 Fairfield throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	10-11
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	12-13
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	15
Notes to Financial Statements		16-35
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual – All Governmental Funds and Proprietary Funds		38-39
Notes to Other Information – Budgetary Reporting		41
Schedule of the City’s Proportionate Share of the Net Pension Liability		42-43
Schedule of City Contributions		44-45
Notes to Other Information – Pension Liability		46-47
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	50-51
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Enterprise Funds	2	53
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	3	54-55
Schedule of Expenditures of Federal Awards	4	57
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 <u>Government Auditing Standards</u>		58-59
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance		60-61
Schedule of Findings and Questioned Costs		62-74
Staff		75

City of Fairfield

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Connie Boyer	Mayor	Jan 2022
Paul Gandy	Mayor Pro tem	Jan 2022
Doug Flournoy	Council Member	Jan 2022
Michael Halley	Council Member	Jan 2022
Katy Anderson	Council Member	Jan 2024
Judy Ham	Council Member	Jan 2024
Tom Twohill	Council Member	Jan 2024
Martha Rasmussen	Council Member	Jan 2024
Aaron Kooiker	City Administrator	Indefinite
Rebekah Loper	City Clerk	Indefinite
John Morrissey	City Attorney	Indefinite

City of Fairfield



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fairfield, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fairfield as of June 30, 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

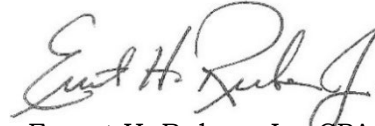
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairfield's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight 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 year ended June 30, 2012 (which is not presented herein) was audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 38 through 47, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 16, 2022 on our consideration of the City of Fairfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Fairfield's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

June 16, 2022

City of Fairfield

Basic Financial Statements

City of Fairfield

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 3,298,328	58,360	399,289	-
Public works	1,222,845	19,035	1,417,861	-
Health and social services	4,500	-	-	-
Culture and recreation	1,449,406	309,289	197,459	-
Community and economic development	422,614	49,563	10,170	-
General government	624,362	82,850	-	-
Debt service	1,277,953	-	-	-
Capital projects	540,694	-	-	379,177
Total governmental activities	8,840,702	519,097	2,024,779	379,177
Business type activities:				
Water	2,469,040	2,963,849	-	-
Sewer	36,610,596	3,359,564	-	-
Airport	525,542	40,240	-	392,267
Solid waste	585,355	580,683	-	-
Total business type activities	40,190,533	6,944,336	-	392,267
Total Primary Government	\$ 49,031,235	7,463,433	2,024,779	771,444
Component Unit:				
Fairfield Public Library Foundation	\$ 64,474	-	97,057	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Note proceeds				
Farm rent				
Sale of capital assets				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Permanent fund				
Expendable:				
Streets				
Debt service				
Deposits				
Health plan trustee				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Fairfield Public Library Foundation
(2,840,679)	-	(2,840,679)	
214,051	-	214,051	
(4,500)	-	(4,500)	
(942,658)	-	(942,658)	
(362,881)	-	(362,881)	
(541,512)	-	(541,512)	
(1,277,953)	-	(1,277,953)	
(161,517)	-	(161,517)	
(5,917,649)	-	(5,917,649)	
-	494,809	494,809	
-	(33,251,032)	(33,251,032)	
-	(93,035)	(93,035)	
-	(4,672)	(4,672)	
-	(32,853,930)	(32,853,930)	
(5,917,649)	(32,853,930)	(38,771,579)	
			32,583
4,491,830	-	4,491,830	-
1,097,910	-	1,097,910	-
243,561	-	243,561	-
1,183,792	-	1,183,792	-
83,867	-	83,867	-
140,728	-	140,728	-
21,271	12,438	33,709	-
-	36,797,684	36,797,684	-
-	66,100	66,100	-
35,000	-	35,000	-
2,668	50,968	53,636	-
(68,000)	68,000	-	-
7,232,627	36,995,190	44,227,817	-
1,314,978	4,141,260	5,456,238	32,583
7,947,835	3,619,729	11,567,564	1,466,166
\$ 9,262,813	7,760,989	17,023,802	1,498,749
\$ 483,518	-	483,518	-
1,917,934	-	1,917,934	-
935,146	819,882	1,755,028	-
-	152,657	152,657	-
95,942	47,023	142,965	-
1,888,206	-	1,888,206	-
3,942,067	6,741,427	10,683,494	1,498,749
\$ 9,262,813	7,760,989	17,023,802	1,498,749

City of Fairfield

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

As of and for the year ended June 30, 2021

	Special Revenue				
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits	Urban Renewal Tax Increment Financing
Receipts:					
Property tax	\$ 3,106,259	-	-	1,074,931	-
Tax increment financing	-	-	-	-	243,561
Local option sales tax	-	-	1,183,792	-	-
Other city tax	136,216	-	-	18,123	-
Licenses and permits	158,291	-	-	-	-
Use of money and property	21,271	-	-	-	1,608
Intergovernmental	553,566	1,416,404	-	27,642	-
Charges for service	340,207	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	54,564	593	-	1,737	-
Total receipts	4,370,374	1,416,997	1,183,792	1,122,433	245,169
Disbursements:					
Operating:					
Public safety	2,694,326	-	138,591	459,154	-
Public works	-	936,281	168,865	117,699	-
Health and social services	-	-	4,500	-	-
Culture and recreation	1,208,394	-	22,495	130,195	-
Community and economic development	232,287	-	90,625	35,126	64,576
General government	553,340	-	550	70,472	-
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	4,688,347	936,281	425,626	812,646	64,576
Excess (deficiency) of receipts over (under) disbursements	(317,973)	480,716	758,166	309,787	180,593
Other financing sources (uses):					
Transfers in	372,268	-	-	-	-
Transfers out	(217,000)	-	(206,350)	(165,918)	(217,221)
Sale of capital assets	35,000	-	-	-	-
Total other financing sources (uses)	190,268	-	(206,350)	(165,918)	(217,221)
Change in cash balances	(127,705)	480,716	551,816	143,869	(36,628)
Cash balances beginning of year	4,300,912	856,873	157,378	527,466	597,282
Cash balances end of year	\$ 4,173,207	1,337,589	709,194	671,335	560,654
Cash Basis Fund Balances					
Nonspendable - Library endowment	\$ -	-	-	-	-
Restricted for:					
Streets	-	1,337,562	580,372	-	-
Debt service	-	-	-	-	560,654
Health plan trustee	-	27	-	95,915	-
Other purposes	231,140	-	128,822	575,420	-
Unassigned	3,942,067	-	-	-	-
Total cash basis fund balances	\$ 4,173,207	1,337,589	709,194	671,335	560,654

See notes to financial statements.

Debt Service	Capital Projects	Permanent		Total
		Library Endowment	Nonmajor	
1,080,098	236,186	-	-	5,497,474
-	-	-	-	243,561
-	-	-	-	1,183,792
17,812	3,982	-	-	176,133
-	-	-	-	158,291
-	-	2,163	17,013	42,055
27,167	373,956	-	1,000	2,399,735
-	-	-	-	340,207
-	8,292	-	-	8,292
-	3,002	-	79,244	139,140
1,125,077	625,418	2,163	97,257	10,188,680
-	-	-	5,878	3,297,949
-	-	-	-	1,222,845
-	-	-	-	4,500
-	-	-	88,322	1,449,406
-	-	-	-	422,614
-	-	-	-	624,362
1,277,953	-	-	-	1,277,953
-	541,073	-	-	541,073
1,277,953	541,073	-	94,200	8,840,702
(152,876)	84,345	2,163	3,057	1,347,978
366,221	-	1,466	-	739,955
-	-	-	(1,466)	(807,955)
-	-	-	-	35,000
366,221	-	1,466	(1,466)	(33,000)
213,345	84,345	3,629	1,591	1,314,978
161,147	703,872	479,889	163,016	7,947,835
374,492	788,217	483,518	164,607	9,262,813
-	-	483,518	-	483,518
-	-	-	-	1,917,934
374,492	-	-	-	935,146
-	-	-	-	95,942
-	788,217	-	164,607	1,888,206
-	-	-	-	3,942,067
374,492	788,217	483,518	164,607	9,262,813

City of Fairfield

City of Fairfield

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

As of and for the year ended June 30, 2021

	Enterprise			Total
	Water	Sewer	Nonmajor	
Operating receipts:				
Use of money and property	\$ -	-	35,890	35,890
Charges for service	2,885,037	3,337,731	581,676	6,804,444
Miscellaneous	78,812	21,833	3,357	104,002
Total operating receipts	2,963,849	3,359,564	620,923	6,944,336
Operating disbursements:				
Business type activities	1,688,506	1,225,291	773,877	3,687,674
Excess (deficiency) of operating receipts over (under) operating disbursements	1,275,343	2,134,273	(152,954)	3,256,662
Non-operating receipts (disbursements):				
Revenue note proceeds	-	36,797,684	-	36,797,684
Farm rent	-	-	66,100	66,100
Airport improvement grant	-	-	392,267	392,267
Coronavirus relief fund grant	7,000	-	-	7,000
Interest on investments	5,559	6,230	649	12,438
Miscellaneous	25,076	18,892	-	43,968
Capital outlay	(345,134)	(8,200,322)	(337,020)	(8,882,476)
Debt service	(435,400)	(27,184,983)	-	(27,620,383)
Net non-operating receipts (disbursements)	(742,899)	1,437,501	121,996	816,598
Excess (deficiency) of receipts over (under) disbursements	532,444	3,571,774	(30,958)	4,073,260
Transfers in	-	-	68,000	68,000
Change in cash balances	532,444	3,571,774	37,042	4,141,260
Cash balances beginning of year	2,619,276	733,992	266,461	3,619,729
Cash balances end of year	\$ 3,151,720	4,305,766	303,503	7,760,989
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 481,152	338,730	-	819,882
Deposits	152,657	-	-	152,657
Health plan trustee	28,279	18,744	-	47,023
Unrestricted	2,489,632	3,948,292	303,503	6,741,427
Total cash basis fund balances	\$ 3,151,720	4,305,766	303,503	7,760,989

See notes to financial statements.

City of Fairfield

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Blended Component Unit

The Fairfield Parks and Recreation Foundation was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. This non-profit corporation is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. Their purpose is to benefit the City of Fairfield (the primary government) by soliciting contributions and managing those funds. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Fairfield Parks and Recreation Foundation meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

Discretely Presented Component Unit

The Fairfield Public Library Foundation was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. Its purpose is to benefit the City of Fairfield (the primary government) by soliciting contributions and managing those funds. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Fairfield Public Library Foundation meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Fairfield Public Library Foundation are substantially for the direct benefit of the City of Fairfield Library.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jefferson County Assessor's Conference Board, Jefferson County Emergency Management Agency and Jefferson County 911 Joint Service Board. The City also participates in the Jefferson County Regional Service Agency, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

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

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

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

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

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds and all remaining proprietary funds are aggregated and reported as nonmajor proprietary funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

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

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

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in 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 statement, cash basis fund balances are classified as follows:

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the public safety function prior to amendment and in the community and economic development function at June 30, 2021.

(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.

At June 30, 2021, the City had the following investments:

Investment	Carrying Amount	Fair Value	Maturity
Library mutual funds, donated	\$ 13,179	35,294	N/A
Library stocks, donated	509	1,154	N/A
Park and Recreation Foundation mutual funds	7,912	13,932	N/A
Park and Recreation Foundation stocks	5,121	50,906	N/A

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

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

At June 30, 2021, the Fairfield Public Library Foundation (Foundation), a discretely presented component unit, had the following investments:

Investment	Carrying Amount	Fair Value	Maturity
Mutual funds	\$ 1,480,374	2,063,961	N/A

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

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

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

Credit risk – The investments in mutual funds are unrated.

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

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds/notes	\$ 7,077,000 *	-	1,058,000	6,019,000	1,096,000 *
Business type activities:					
Direct Borrowing:					
Water revenue notes	\$ 1,270,000	-	410,000	860,000	423,000
Sewer revenue notes	7,179,940	28,319,115	3,635,254	31,863,801	617,284
Sewer anticipation project notes	18,230,906	8,478,569	22,158,666	4,550,809	-
Sewer interim revenue project notes	1,047,277	-	1,047,277	-	-
Business-type activities total	\$ 27,728,123	36,797,684	27,251,197	37,274,610	1,040,284

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

General Obligation Bonds and Capital Loan Notes

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

Year Ending June 30,	Park Improvements, Street Construction, Fire and Street Equipment, Parking Facility Construction Issued Jul 1, 2010			Recreation and Outdoor Swimming Facility Issued Feb 5, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	3.40%	\$ 220,000	7,480	3.50%	\$ 149,000	99,890
2023		-	-	3.50	195,000	94,675
2024		-	-	3.50	202,000	87,850
2025		-	-	3.50	209,000	80,780
2026		-	-	3.50	217,000	73,465
2027-2031		-	-	3.50	1,147,000	248,920
2032-2034		-	-	3.50	735,000	52,010
Total		\$ 220,000	7,480		\$ 2,854,000	737,590

Year Ending June 30,	Refunding Issued May 31, 2016			Taxable Refunding Issued May 31, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.00%	\$ 595,000	11,900	2.25%	\$ -	26,675
2023		-	-	2.70	500,000	26,675
2024		-	-	2.80	325,000	13,675
2025		-	-	2.00	175,000	4,900
2026		-	-		-	-
2027-2031		-	-		-	-
2032-2034		-	-		-	-
Total		\$ 595,000	11,900		\$ 1,000,000	71,925

Year Ending June 30,	Urban Renewal Projects			Street and Airport Improvements, Library Equipment		
	Issued Jun 1, 2018			Issued Aug 8, 2019		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	3.50%	\$ 57,000	26,250	2.28%	\$ 75,000	13,680
2023	3.50	54,000	24,255	2.28	75,000	11,970
2024	3.50	63,000	22,365	2.28	75,000	10,260
2025	3.50	66,000	20,160	2.28	75,000	8,550
2026	3.50	68,000	17,850	2.28	75,000	6,840
2027-2031	3.50	365,000	52,255	2.28	225,000	10,260
2032-2034	3.50	77,000	3,080		-	-
Total		<u>\$ 750,000</u>	<u>166,215</u>		<u>\$ 600,000</u>	<u>61,560</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2022	\$ 1,096,000	185,875	1,281,875
2023	824,000	157,575	981,575
2024	665,000	134,150	799,150
2025	525,000	114,390	639,390
2026	360,000	98,155	458,155
2027-2031	1,737,000	311,435	2,048,435
2032-2034	812,000	55,090	867,090
Total	<u>\$ 6,019,000</u>	<u>1,056,670</u>	<u>7,075,670</u>

On July 1, 2010, the City issued \$4,915,000 of general obligation essential purpose notes with interest rates ranging from 1.00% to 3.40% per annum. The notes were issued to pay the costs of improvements to existing parks, construction of streets, equipment for the Fire and Streets departments and construction of public parking facilities. During the year ended June 30, 2021, the City paid \$215,000 of principal and \$14,468 of interest on the notes.

On February 5, 2015, the City issued \$3,775,000 of general obligation capital loan notes with an interest rate of 3.50% per annum. The notes were issued for constructing a recreation and outdoor swimming facility. During the year ended June 30, 2021, the City paid \$143,000 of principal and \$104,895 of interest on the notes.

On May 31, 2016, the City issued \$3,315,000 of general obligation refunding notes with interest rates ranging from 2.00% to 3.00% per annum. The notes were issued to refund the Series 2006A general obligation bond. During the year ended June 30, 2021, the City paid \$575,000 of principal and \$29,150 of interest on the notes.

On May 31, 2016, the City issued \$1,985,000 of taxable general obligation refunding capital loan notes with interest rates ranging from 1.10% to 2.80% per annum. The notes were issued to refund the outstanding series 2013 general obligation anticipation project notes. During the year ended June 30, 2021, the City paid \$50,000 of principal and \$27,800 of interest on the notes.

On June 1, 2018, the City issued \$750,000 of general obligation capital loan notes with an interest rate of 3.50% per annum. The notes were issued for street, sidewalk and storm sewer improvements in the West Industrial Park and Lincoln Court subdivision urban renewal areas. During the year ended June 30, 2021, the City paid \$26,250 of interest on the notes.

On August 8, 2019, the City issued \$775,000 of general obligation capital loan notes with an interest rate of 2.28% per annum. The notes were issued for street and airport improvements, and library equipment. During the year ended June 30, 2021, the City paid \$75,000 of principal and \$15,390 of interest on the notes.

Revenue Capital Loan Notes – Direct Borrowing

A summary of the City’s June 30, 2021 revenue notes payable is as follows:

Year Ending June 30,	Water - Direct Borrowing		
	Issued Feb 13, 2003		
	Interest Rates	Principal	Interest
2022	1.75%	\$ 423,000	15,050
2023	1.75	437,000	7,647
Total		\$ 860,000	22,697

Year Ending June 30,	Sewer - Direct Borrowing		
	Issued Aug 10, 2017		
	Interest Rates	Principal	Interest
2022	2.00%	\$ 76,335	79,365
2023	2.00	77,876	77,824
2024	2.00	79,447	76,252
2025	2.00	81,051	74,649
2026	2.00	82,687	73,013
2027-2031	2.00	439,155	339,345
2032-2036	2.00	485,300	293,200
2037-2041	2.00	536,295	242,205
2042-2046	2.00	592,648	185,852
2047-2051	2.00	654,923	123,577
2052-2056	2.00	723,743	54,757
2057-2058	2.00	173,655	2,115
Total		\$ 4,003,115	1,622,154

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$5,797,000 of water revenue capital loan notes issued in February 2003. Proceeds from the notes provided financing for the construction of water main improvements and extensions. The notes are payable solely from water customer net receipts and are payable through 2023. During the year ended June 30, 2014, the Iowa Finance Authority reduced the interest rate from 3.0% to 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. Annual principal and interest payments on the notes required approximately 34% of net receipts. The total principal and interest remaining to be paid on the notes is \$882,697. For the current year, principal and interest paid and total customer net receipts were \$432,225 and \$1,275,343, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$4,282,000 and \$29,843,000 of sewer revenue capital loan notes issued in August 2017 and September 2020, respectively. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant and refinancing of previously issued sewer revenue notes. The notes are payable solely from sewer customer net receipts and are payable through 2058. The interest rates on the August 2017 and September 2020 issues are 2.0% and 1.125% per annum, respectively. The agreements also require the City to annually pay a .25% servicing fee on the outstanding principal balance. Annual principal and interest payments on the notes required approximately 53% of net receipts. During the year ended June 30, 2021, principal totaling \$2,857,153 was refunded by the sewer revenue notes issued in September 2020. The total principal and interest remaining to be paid on the notes is \$39,639,981. For the current year, principal and interest paid and total customer net receipts were \$1,121,868 and \$2,134,273, respectively. During the year ended June 30, 2021, the City had drawn down a total of \$28,319,115 from the September 2020 bond issuance. A final repayment schedule will be calculated when the City has finished making draws on the bonds.

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

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a water revenue note sinking account and a sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) A water reserve account shall be established and maintained in the amount of \$444,648. A sewer reserve account shall be established and maintained in the amount of \$248,460.
- d) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net operating receipts at a level not less than 110% of the principal and interest coming due in the next succeeding year.

Sewer Revenue Capital Loan Anticipation Project Notes – Direct Borrowing

On September 26, 2017, the City entered into a loan anticipation project note agreement with CoBank to borrow up to \$29,843,000 for sewer improvements. The note bears a variable interest rate of 1.2% or greater per annum. On June 1, 2020, the City amended this agreement to extend the maturity date to December 31, 2020. During the year ended June 30, 2021, the City received proceeds of \$4,000,000 for a total of \$22,158,666 drawn on the anticipation project note. During the year ended June 30, 2021, the City paid the balance of \$22,158,666 of principal and \$81,959 of interest on the anticipation project note.

On February 28, 2020, the City entered into a loan anticipation project note agreement with First Internet Bank to borrow up to \$11,142,000. The note bears a fixed interest rate of 2.95% per annum. The note matures on December 1, 2022. During the year ended June 30, 2021, the City received proceeds of \$4,478,569. As of June 30, 2021, the City had drawn a total of \$4,550,809 on the anticipation project note.

(4) Pension Plans

Iowa Public Employees' Retirement System

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 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 were \$249,516.

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 \$2,194,012 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 0.031233%, which was a decrease of 0.000294% from 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 \$349,931, \$499,796 and \$60,207, 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, as follows:

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

The actuarial assumptions used in the June 30, 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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	\$ 3,722,818	2,194,012	912,215

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

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

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

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

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

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

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

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

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

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

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

Contributions – Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2021.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City’s contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 25.31% for the year ended June 30, 2021.

The City’s contributions to MFPRSI for the year ended June 30, 2021 was \$229,765.

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

There were no state appropriations to MFPRSI for the year ended June 30, 2021.

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 \$2,194,012 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 MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2020, the City’s proportion was 0.275218%, which was a decrease of 0.023466% from 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 \$407,740, \$437,661 and \$14,543, respectively.

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2017.

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

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap	7.49%
Small cap	8.10
International large cap	7.20
Emerging markets	7.90
Global infrastructure	7.50
Private non-core real estate	11.50
Private credit	6.40
Private equity	10.80
Core plus fixed income	4.00
Private core real estate	7.20

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 3,366,917	2,195,140	1,224,536

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$567,436 and plan members eligible for benefits contributed \$218,995 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>61</u>
Total	<u><u>62</u></u>

(6) Compensated Absences

City employees accumulate unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time payable to employees at June 30, 2021, primarily relating to the General and Enterprise Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 113,000
Sick leave	94,000
Compensatory time	21,000
Total	<u>\$ 228,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2021. Sick leave is payable when used or, after an employment period of twenty years, upon termination, retirement or death. Accumulated sick leave hours are paid at the rate of one-half upon retirement or death and one-fourth upon termination.

(7) Interfund Transfers

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

Transfer To	Transfer From	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 206,350
	Employee Benefits	165,918
		<u>372,268</u>
Permanent Library Endowment	Special Revenue:	
	Library Memorial	<u>1,466</u>
Debt Service	General	149,000
	Special Revenue:	
	Urban Renewal Tax	217,221
	Increment Finance	<u>366,221</u>
Enterprise: Airport	General	<u>68,000</u>
Total		<u>\$ 807,955</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 a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2021 were \$240,668.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with the Sondheim building, workers compensation, airport general liability and employee blanket bond in the amount of \$9,211,280, \$5,000,000, \$10,000,000 and \$500,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Employee Health Insurance Plan

The City self-funds a portion of health insurance deductibles for its employees. The plan is funded by both employee and City contributions and is administered by Employee Benefit Systems (EBS) under an agreement which is subject to automatic renewal. The City self-funds up to \$4,000 per individual or \$8,000 per family, with employees contributing the first \$500 to \$2,000, respectively. Administrative service fees and premiums are paid monthly from the City’s operating funds to a separate account administered by EBS. During the year ended June 30, 2021, the City paid \$786,431 into the account. At June 30, 2021, the account balance was \$142,965. The activity for this account is recorded in the City’s Special Revenue, Road Use Tax and Employee Benefits Funds and the Enterprise, Water and Sewer Funds.

(10) Lessor Operating Lease

The City leases unused land around the Airport. The following is a schedule by year of minimum future rentals on this lease as of June 30, 2021:

Year ending June 30,	Amount
2022	\$ 33,050

(11) Development Agreement

The City has entered into a development agreement with Pale Moon Investments (developer) for the construction of a hotel with a minimum assessed value of \$3,000,000. The City agreed to pay the developer an amount not to exceed \$500,000, subject to annual appropriation by the City Council. The agreement requires up to ten annual payments, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2021, the City rebated \$10,527 of incremental tax to the developer. At June 30, 2021, no additional payments will be made on the agreement as the agreement period has ended.

Additionally, the City has entered into a development agreement with Vastu Partners, LLC (developer) for the construction of a Low and Moderate Income residential subdivision with a minimum assessed value of 5,000,000. The City has agreed to pay the developer an amount not to exceed \$1,500,000, subject to annual appropriation by the City Council. The agreement requires ten annual payments, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2021, the City rebated \$54,049 of incremental tax to the developer. At June 30, 2021, the remaining balance to be paid on the agreement was \$1,445,951.

(12) Tax Abatements

Governmental Accounting Standards Boards Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2021, \$25,885 of property tax was diverted from the City under the urban renewal and economic development agreements.

(13) Construction Commitment

The City entered into construction contracts totaling \$35,424,792 for sanitary sewer improvements and road construction. As of June 30, 2021, \$29,558,572 has been paid on the contracts. The remaining \$5,866,220 balance will be paid as work on the projects progresses.

(14) COVID-19

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

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

(15) Subsequent Events

In October 2021, the City issued \$10,585,000 of sewer revenue capital loan notes for sanitary sewer improvements, including replacing two interceptor sewers, acquisition and construction of interceptor sewer pipe, acquiring equipment to complete the project and refunding any outstanding project notes.

(16) 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 Fairfield

Other Information

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

Other Information

Year ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 5,497,474	-	-
Tax increment financing	243,561	-	-
Other city tax	1,359,925	-	-
Licenses and permits	158,291	-	-
Use of money and property	42,055	114,428	879
Intergovernmental	2,399,735	399,267	-
Charges for service	340,207	6,804,444	-
Special assessments	8,292	-	-
Miscellaneous	139,140	147,970	29,217
Total receipts	10,188,680	7,466,109	30,096
Disbursements:			
Public safety	3,297,949	-	-
Public works	1,222,845	-	-
Health and Social Services	4,500	-	-
Culture and recreation	1,449,406	-	27,586
Community and economic development	422,614	-	-
General government	624,362	-	-
Debt service	1,277,953	-	-
Capital projects	541,073	-	-
Business type activities	-	40,190,533	-
Total disbursements	8,840,702	40,190,533	27,586
Excess (deficiency) of receipts over (under) disbursements	1,347,978	(32,724,424)	2,510
Other financing sources, net	(33,000)	36,865,684	-
Change in balances	1,314,978	4,141,260	2,510
Balances beginning of year	7,947,835	3,619,729	91,687
Balances end of year	\$ 9,262,813	7,760,989	94,197

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
5,497,474	5,400,287	5,400,287	97,187
243,561	244,123	244,123	(562)
1,359,925	1,270,155	1,270,155	89,770
158,291	114,100	114,100	44,191
155,604	1,047,545	1,047,545	(891,941)
2,799,002	2,321,579	2,569,345	229,657
7,144,651	46,632,193	46,632,193	(39,487,542)
8,292	-	-	8,292
257,893	2,000	2,000	255,893
<u>17,624,693</u>	<u>57,031,982</u>	<u>57,279,748</u>	<u>(39,655,055)</u>
3,297,949	2,796,252	3,500,000	202,051
1,222,845	1,823,240	1,823,240	600,395
4,500	4,500	4,500	-
1,421,820	1,676,653	1,676,653	254,833
422,614	352,616	352,616	(69,998)
624,362	848,909	848,909	224,547
1,277,953	1,277,954	1,277,954	1
541,073	1,318,789	1,318,789	777,716
<u>40,190,533</u>	<u>46,566,091</u>	<u>46,566,091</u>	<u>6,375,558</u>
<u>49,003,649</u>	<u>56,665,004</u>	<u>57,368,752</u>	<u>8,365,103</u>
(31,378,956)	366,978	(89,004)	31,289,952
36,832,684	-	-	36,832,684
5,453,728	366,978	(89,004)	5,542,732
<u>11,475,877</u>	<u>14,123,173</u>	<u>14,123,173</u>	<u>(2,647,296)</u>
<u>16,929,605</u>	<u>14,490,151</u>	<u>14,034,169</u>	<u>2,895,436</u>

City of Fairfield

City of Fairfield

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 except the component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$703,748. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the community and economic development function. In addition, disbursements exceeded the amount budgeted in the public safety function prior to the May 24, 2021 budget amendment.

City of Fairfield

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

For the Last Seven Years*
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

	2021	2020	2019	2018
City's proportion of the net pension liability	0.031233%	0.031527%	0.031881%	0.032912%
City's proportionate share of the net pension liability	\$ 2,194	1,826	2,017	2,192
City's covered payroll	\$ 2,586	2,526	2,503	2,553
City's proportionate share of the net pension liability as a percentage of its covered payroll	84.84%	72.29%	80.58%	85.86%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

Municipal Fire and Police Retirement System of Iowa

	2021	2020	2019	2018
City's proportion of the net pension liability	0.275218%	0.298684%	0.343799%	0.348951%
City's proportionate share of the net pension liability	\$ 1,825	1,959	2,047	2,047
City's covered payroll	\$ 904	999	988	927
City's proportionate share of the net pension liability as a percentage of its covered payroll	201.88%	196.10%	207.19%	220.82%
MFPRSI's net position as a percentage of the total pension liability	76.47%	79.94%	81.07%	80.60%

* 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
0.032499%	0.033866%	0.034200%
2,045	1,673	1,356
2,443	2,441	2,377
83.71%	68.54%	57.05%
81.82%	85.19%	87.61%

2017	2016	2015
0.342413%	0.333504%	0.321234%
2,141	1,567	1,164
875	871	820
244.69%	179.91%	141.95%
78.20%	83.04%	86.27%

City of Fairfield
Schedule of City Contributions

For the Last Ten Years
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

	2021	2020	2019	2018
Statutorily required contribution	\$ 250	244	239	224
Contributions in relation to the statutorily required contribution	(250)	(244)	(239)	(224)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 2,641	2,586	2,526	2,503
Contributions as a percentage of covered payroll	9.47%	9.44%	9.46%	8.95%

Municipal Fire and Police Retirement System of Iowa

	2021	2020	2019	2018
Statutorily required contribution	\$ 230	218	235	256
Contributions in relation to the statutorily required contribution	(230)	(218)	(235)	(256)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 874	904	999	988
Contributions as a percentage of covered payroll	26.32%	24.12%	23.52%	25.91%

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
229	219	219	213	195	182
(229)	(219)	(219)	(213)	(195)	(182)
-	-	-	-	-	-
2,553	2,443	2,441	2,377	2,232	2,234
8.97%	8.96%	8.97%	8.96%	8.74%	8.15%

2017	2016	2015	2014	2013	2012
256	258	266	247	209	182
(256)	(258)	(266)	(247)	(209)	(182)
-	-	-	-	-	-
927	875	871	820	800	735
27.62%	29.49%	30.54%	30.12%	26.12%	24.76%

City of Fairfield

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Iowa Public Employees' Retirement System

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

City of Fairfield

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Municipal Fire and Police Retirement System of Iowa

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

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

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

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

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

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

City of Fairfield

Supplementary Information

City of Fairfield

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

As of and for the year ended June 30, 2021

				Special
	Police Specialty	UDAG- FALCO Project	Live on The Square	Indian Creek Escrow
Receipts:				
Use of money and property	\$ -	-	-	17
Intergovernmental	1,000	-	-	-
Miscellaneous	3,200	-	-	-
Total receipts	4,200	-	-	17
Disbursements:				
Operating:				
Public safety	5,878	-	-	-
Culture and recreation	-	-	-	-
Total disbursements	5,878	-	-	-
Excess (deficiency) of receipts over (under) disbursements	(1,678)	-	-	17
Other financing sources (uses):				
Transfers out	-	-	-	-
Change in cash balances	(1,678)	-	-	17
Cash balances beginning of year	14,344	1	270	33,196
Cash balances end of year	\$ 12,666	1	270	33,213
Cash Basis Fund Balances				
Restricted for:				
Other purposes	\$ 12,666	1	270	33,213

See accompanying independent auditor's report.

Revenue						
Library Memorial	Library Capital Improvements	Fairfield Public Library House	Library Book Sale	Fairfield Parks and Recreation Foundation	Total	
7,117	-	9,000	-	879	17,013	
-	-	-	-	-	1,000	
36,568	-	-	10,259	29,217	79,244	
43,685	-	9,000	10,259	30,096	97,257	
-	-	-	-	-	5,878	
44,655	-	6,496	9,585	27,586	88,322	
44,655	-	6,496	9,585	27,586	94,200	
(970)	-	2,504	674	2,510	3,057	
(1,466)	-	-	-	-	(1,466)	
(2,436)	-	2,504	674	2,510	1,591	
6,417	1	10,265	6,835	91,687	163,016	
3,981	1	12,769	7,509	94,197	164,607	
3,981	1	12,769	7,509	94,197	164,607	

City of Fairfield

City of Fairfield

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

As of and for the year ended June 30, 2021

	Enterprise		
	Airport	Solid Waste	Total
Operating receipts:			
Use of money and property	\$ 35,890	-	35,890
Charges for service	993	580,683	581,676
Miscellaneous	3,357	-	3,357
Total operating receipts	40,240	580,683	620,923
Operating disbursements:			
Business type activities	188,522	585,355	773,877
Excess (deficiency) of operating receipts over (under) operating disbursements	(148,282)	(4,672)	(152,954)
Non-operating receipts (disbursements):			
Farm rent	66,100	-	66,100
Airport improvement grant	392,267	-	392,267
Interest on investments	63	586	649
Capital outlay	(337,020)	-	(337,020)
Net non-operating receipts (disbursements)	121,410	586	121,996
Excess (deficiency) of receipts over (under) disbursements	(26,872)	(4,086)	(30,958)
Transfers in	68,000	-	68,000
Change in cash balances	41,128	(4,086)	37,042
Cash balances beginning of year	59,886	206,575	266,461
Cash balances end of year	\$ 101,014	202,489	303,503
Cash Basis Fund Balances			
Unrestricted	\$ 101,014	202,489	303,503

See accompanying independent auditor's report.

City of Fairfield

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

For the Last Ten Years

	2021	2020	2019	2018
Receipts:				
Property tax	\$ 5,497,474	5,325,513	5,336,053	5,583,673
Tax increment financing	243,561	234,411	178,412	196,053
Local option sales tax	1,183,792	906,070	866,105	832,944
Other city tax	176,133	309,391	289,503	173,927
Licenses and permits	158,291	183,476	162,266	173,089
Use of money and property	42,055	90,575	114,800	75,388
Intergovernmental	2,399,735	1,607,836	1,610,190	1,874,547
Charges for service	340,207	384,921	500,910	530,990
Special assessments	8,292	10,414	14,658	25,718
Miscellaneous	139,140	409,483	504,574	595,483
Total	\$ 10,188,680	9,462,090	9,577,471	10,061,812
Disbursements:				
Operating:				
Public safety	\$ 3,297,949	2,487,263	2,344,494	2,421,067
Public works	1,222,845	1,471,772	1,176,390	1,195,957
Health and social services	4,500	-	-	-
Culture and recreation	1,449,406	1,656,490	1,565,209	1,466,549
Community and economic development	422,614	424,404	975,138	634,362
General government	624,362	1,001,261	760,280	764,198
Debt service	1,277,953	1,459,274	1,411,354	1,837,518
Capital projects	541,073	29,859	671,851	404,079
Total	\$ 8,840,702	8,530,323	8,904,716	8,723,730

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
5,568,341	5,095,809	5,205,442	4,567,137	4,389,250	4,305,856
215,247	108,146	154,982	105,228	189,020	168,392
949,434	914,736	837,462	747,914	825,393	833,706
194,713	174,197	168,666	144,046	131,492	196,848
134,150	143,622	153,548	138,796	131,114	21,927
33,923	32,117	26,321	41,523	64,537	16,151
1,948,171	2,186,371	1,750,849	1,204,178	1,685,508	2,122,051
473,394	464,585	474,450	469,719	501,509	533,266
36,206	32,730	43,963	43,870	53,529	-
1,611,358	1,194,132	2,059,959	300,996	239,928	88,337
<u>11,164,937</u>	<u>10,346,445</u>	<u>10,875,642</u>	<u>7,763,407</u>	<u>8,211,280</u>	<u>8,286,534</u>
2,371,519	2,165,383	2,061,445	2,083,750	2,005,343	1,773,322
1,138,220	1,155,388	970,765	919,575	1,173,014	788,506
-	-	4,450	-	-	24,042
1,672,525	1,752,530	2,073,533	2,075,406	2,246,585	1,968,927
265,265	291,600	267,377	211,799	220,509	134,867
723,472	582,532	828,026	796,394	514,862	700,625
1,963,281	1,802,052	1,913,530	1,627,479	1,582,824	1,574,018
1,183,166	4,834,725	5,021,949	573,037	912,042	2,889,145
<u>9,317,448</u>	<u>12,584,210</u>	<u>13,141,075</u>	<u>8,287,440</u>	<u>8,655,179</u>	<u>9,853,452</u>

City of Fairfield

City of Fairfield
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2021

Grantor/Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Transportation:			
Airport Improvement Program	20.106	3-19-0033-017-2019	\$ 236,017
COVID-19 - Airport Improvement Program	20.106	3-19-0030-018-2020	30,000
			<u>266,017</u>
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		<u>7,110,621</u>
Total Direct			<u>7,376,638</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	20-CF-001	<u>14,809</u>
U.S. Department of the Treasury:			
Iowa Department of Revenue:			
COVID-19 - Coronavirus Relief Funds	21.019		<u>247,766</u>
Total Indirect			<u>262,575</u>
Total			<u>\$ 7,639,213</u>

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Fairfield under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Fairfield, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Fairfield.

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

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

See accompanying independent auditor's report.



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Fairfield, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 16, 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 Fairfield's internal control over financial reporting as a basis for designing the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fairfield's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fairfield's internal control.

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

Our consideration of internal control was for the limited purpose described in the first 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. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-21 through II-D-21 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fairfield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

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

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

Purpose of this Report

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

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


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

June 16, 2022



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

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

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Fairfield, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Fairfield's major federal program for the year ended June 30, 2021. The City of Fairfield's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the City of Fairfield complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

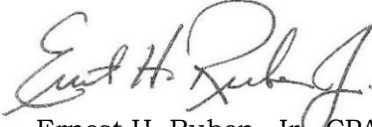
Report on Internal Control Over Compliance

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

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

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

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



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

June 16, 2022

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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

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

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-21 Segregation of Duties
(2021-001)

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

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

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

For the Fairfield Parks and Recreation Foundation (Foundation):

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

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

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

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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

Responses –

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

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

Conclusion – Responses accepted.

II-B-21 Fairfield Parks and Recreation Foundation Disbursements
(2021-002)

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

Condition – Disbursements are not approved by the Foundation Board.

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

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

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

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

Conclusion – Response accepted.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

II-C-21 Financial Reporting
(2021-003)

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

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

In addition, the City incorrectly recorded mobile home tax as property tax rather than other city tax, and intergovernmental receipts as miscellaneous receipts. These items have been subsequently corrected in the financial statements.

Additionally, the City has not recorded interest earned on certificate of deposits during the year.

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

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

Recommendation – The City should implement procedures to ensure accurate financial reporting. In addition, the City should ensure interest earned is properly recorded.

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

Conclusion – Response accepted.

II-D-21 Bank Reconciliations
(2021-004)

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

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

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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

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

Recommendation – The City’s monthly bank reconciliations should include a comparison of the book balances to bank balances for all bank and investment accounts held by the City and the variances between book and bank balances should be investigated and resolved in a timely manner.

Responses – The City will endeavor to reconcile bank statements in a timely manner and record interest appropriately.

Conclusions – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

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

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-21 Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amount budgeted in the community and economic development function. Disbursements also exceeded the amount budgeted in the public safety function prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will attempt to amend the budget prior to exceeding function amounts. We believe once we have switched accounting software this will rectify this issue.

Conclusion – Response accepted.

IV-B-21 Questionable Disbursements – In December 2019, the City approved Resolution No. 3782, “Public Purpose Policy for the Expenditure of Funds for City Employees, Elected Officials and Members of City Boards and Commissions.” The policy states, “The following are policy guidelines for the expenditure of City funds for employees, elected officials and City Board and Commission members’ recognition, flowers and sustenance supplies:

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

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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

During the fiscal year, we noted one payment for \$50.00 for a fruit basket purchased in condolences to loss of employee's family member. While the City's policy allows these types of disbursements, the policy does not document how the public benefits from these disbursements. We also noted one payment totaling \$43 for an employee retirement reception. While the City's policy allows these types of disbursements, the policy does not establish dollar limits on retirement receptions.

For the Fairfield Public Library, we noted one expenditure to Hy-Vee totaling \$7 for the purchase of an employee birthday cake.

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

Responses –

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

Library – The practice of spending \$7.00 of library revenue on a small Hy-Vee birthday cake to recognize an employee's birthday has been discontinued following the recommendation of the FY2019-2020 audit.

Conclusions –

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

Library – Response accepted.

IV-C-21 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

IV-D-21 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mark Brown, Fire Department employee, owner of Brown Tree Service	Tree removal and trimming	\$ 683
Dennis Johnson, husband of Library Director Rebecca Johnson	Maintenance service	749

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

IV-E-21 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

IV-F-21 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-G-21 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of the City Council proceedings were published, we noted two instances where the minutes were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

In addition, Chapter 21.3 of the Code of Iowa requires the City Council to keep minutes of all its meetings showing the date, time and place, members present, and the actions taken at each meeting. We noted one instance in the January 25, 2021 published minutes of the City Council meeting where an action taken regarding the renewal of a CD did not reference the dollar amount of the CD renewal.

Recommendation – The City should ensure all minutes are published within fifteen days as required. The City should also include sufficient detail to indicate the dollar amount of the renewed CD’s in the published minutes.

Response – The City will publish all minutes as required and notate in the minutes the approved CD rate in the future.

Conclusion – Response accepted.

IV-H-21 Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

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

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

A resolution naming official depositories has been approved by the City. However, the maximum deposit amounts stated in the resolution of \$20,000,000 was exceeded in September 2020 upon receipt of loan proceeds of \$29,843,000 in September 2020.

Recommendation – The City should adopt a new resolution to ensure the maximums set by the depository resolution are not exceeded.

Response – The City will ensure maximum deposit resolutions are not exceeded.

Conclusion – Response accepted.

IV-I-21 Annual Financial Report – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) be published by December 1st of each year and contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City and all expenditures...” We noted the following regarding the City’s 2020 AFR:

- The ending balances reported did not agree with the City’s records. The governmental fund total ending balance was understated by \$875,875 and the propriety fund total ending balance was overstated by \$349,938.

Recommendation – The City should establish procedures to ensure the AFR ending balances are properly supported and agree to the City’s records.

Response – The City will do our best to ensure reported balances agree to the City’s records.

Conclusion – Response accepted.

IV-J-21 Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.”

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

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

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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

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

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

IV-K-21 Annual Urban Renewal Report – The amount reported as TIF debt outstanding was understated by approximately \$176,000, in part by not including the Pale Moon developer agreement and North Campus Village correctly, and improperly including 9th and Burlington Street project internal loans which have not yet been certified. In addition, the amounts reported in the Levy Authority Summary for disbursements, receipts and beginning and ending cash balances did not reconcile to the City’s Special Revenue, Urban Renewal Tax Increment Financing Fund.

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

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

Conclusion – Response accepted.

IV-L-21 Tax Increment Financing – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Except as noted in IV-K-21, the City properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

IV-M-21 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks and unrepresented bonds/coupons, outstanding for more than two years to the Office of Treasurer of State annually. At June 30, 2021, the City’s had an unpaid coupon bond and interest totaling \$5,520. The City did not remit these obligations as required.

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

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

Conclusion – Response accepted.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

IV-N-21 Donation to the Fairfield Public Library – In January 2022, the Auditor of State’s office was contacted anonymously regarding concerns that a \$100,000 donation was made to the Fairfield Public Library, however, it was deposited into the Fairfield Public Library Foundation’s bank account. We requested the Foundation Treasurer to provide our office with a copy of the check. Upon follow-up to this request, we received a response from the Library Director that “a \$100,000 check payable to the Fairfield Public Library was returned to the donor, who will re-issue it payable to the FPL Foundation” and a scanned image would be provided once the new check arrived. On February 16, 2022, we followed up with the Library Director to determine the status of this check. Per discussion with the Library Director, and as described in the February 21, 2022 Fairfield Public Library Board meeting minutes, the Library Director “had previously given checks to the Fairfield Public Library Foundation that were written to the Fairfield Public Library after obtaining permission from the donor. This time, however, she was unable to obtain the permission but deposited the check in the Foundation account anyway. The Foundation Treasurer was contacted by the State Auditor’s office as they wanted to see a copy of the check. This inquiry was forwarded to the Library Director. Per the advice of [their] district librarian, she asked the Foundation’s Edwards Jones representative to return the check to the donor.” The Library director “understood the check would be rewritten and returned to the foundation. The donor decided not to return the check.”

Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee or other person and which show the receipt, use, and disposition of all city property.”

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 of the Constitution of the State of Iowa state, “...no public money or property shall be appropriated for local or private purposes, unless such appropriations, compensation, or claim, be allowed by two thirds the members elected to each branch of the General Assembly.”

At least six official Iowa Attorney General Opinions since 1972 have consistently concluded that “a governmental body may not donate public funds to a private entity, even if the entity is established for charitable education purposes and perform work which the government can’t perform directly. The opinions further state, “Even if the function of a private non-profit corporation fits within the cope of activities generally recognized as serving a public purpose, a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purposes.

Political subdivisions and municipalities, including cities, counties, schools and townships are municipal – governmental entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support ‘public’ services which are the same or similar to the services performed by the government, the private organization are not subject to the same degree of public accountability and oversight as governmental entities.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Recommendation – We are not aware of any statutory authority for the City to donate public funds to private non-profit organizations. The City should work with the Library Board to ensure that all donations received for the Fairfield Public Library are properly deposited with the City Public Library accounts and are not being turned over to the Foundation.

Response – The City and Library Board have implemented policies to ensure all donations made are credited to the correct entity.

Conclusion – Response accepted.

City of Fairfield

Staff

This audit was performed by:

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