



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
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NEWS RELEASE

FOR RELEASE

March 30, 2023

Contact: Ernest Ruben
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$5,789,990 for the year ended June 30, 2022 a 62.3% decrease from the prior year. Disbursements for the year ended June 30, 2022 totaled \$7,109,972 a 38.4% decrease from the prior year. The significant decrease in receipts is due primarily to the prior year proceeds from the issuance of general obligation bonds and drawdowns on water revenue bonds. The decrease in disbursements is primarily due to the prior year associated refunding of debt, purchase of a building and increased project disbursements in the water and sewer funds.

AUDIT FINDINGS:

Sand reported four findings related to the receipt and disbursement of taxpayer funds. They are found on pages 48 through 53 of this report. The findings address issues such as a lack of segregation of duties and disbursements which may not meet the requirements of a public purpose. Sand provided the City with recommendations to address each of the findings.

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

A copy of the audit report is available for review on the Auditor of State's web site at [Audit Reports – Auditor of State](#).

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CITY OF FAIRFAX

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

JUNE 30, 2022

City of Fairfax



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

March 21, 2023

Officials of the City of Fairfax
Fairfax, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Fairfax, Iowa, for the year ended June 30, 2022. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

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

Rob Sand
Auditor of State

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City of Fairfax

Officials

(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bernie Frieden	Mayor	Jan 2022
Marianne Wainwright	Mayor Pro tem	Jan 2022
Travis Otto	Council Member	Jan 2022
Nick Volk	Council Member	Jan 2022
Michael Daly	Council Member	Jan 2024
Katherine Pacha	Council Member	Jan 2024
Cynthia Stimson	City Clerk/Treasurer	Indefinite
Tina Rosenkrans	Deputy City Clerk/Treasurer	Indefinite
Staci Klinefelter	Deputy City Clerk/Utilities	Indefinite
Randy Scholer	Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bernie Frieden	Mayor	Jan 2024
Marianne Wainwright	Mayor Pro tem	Jan 2026
Michael Daly	Council Member	Jan 2024
Katherine Pacha	Council Member	Jan 2024
Tom Nurre	Council Member	Jan 2026
Nick Volk	Council Member	Jan 2026
Cynthia Stimson	City Clerk/Treasurer	Indefinite
Tina Rosenkrans	Deputy City Clerk/Treasurer	Indefinite
Staci Klinefelter	Deputy City Clerk/Utilities	Indefinite
Randy Scholer	Attorney	Indefinite

City of Fairfax



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fairfax, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fairfax as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Fairfax, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the City of Fairfax adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management 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, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fairfax's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Fairfax's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Fairfax's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairfax's basic financial statements. We previously audited, in accordance with the standards referred to in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report, the financial statements for the six years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The financial statements for the three years ended June 30, 2015 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 and 2 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

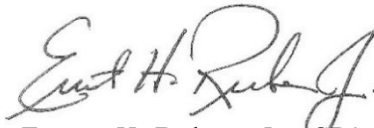
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of City Contributions on pages 32 through 40 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2023 on our consideration of the City of Fairfax's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Fairfax's internal control over financial reporting and compliance.



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

March 21, 2023

City of Fairfax

Basic Financial Statements

City of Fairfax

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2022

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 564,296	250,119	190,893
Public works	827,195	-	442,675
Culture and recreation	935,775	26,422	74,052
Community and economic development	12,015	150	-
General government	441,162	51,866	4,854
Debt service	1,419,529	-	-
Total governmental activities	4,199,972	328,557	712,474
Business type activities:			
Water	1,365,526	719,424	-
Sewer	1,312,931	792,736	-
Solid waste	228,737	220,889	-
Farm operations	2,806	6,258	-
Total business type activities	2,910,000	1,739,307	-
Total	\$ 7,109,972	2,067,864	712,474

General Receipts and Transfers:

Property and other city tax levied for general purposes

Tax increment financing

Local option sales tax

Commercial/industrial tax replacement

American Rescue Plan Act

Unrestricted interest on investments

General obligation bond proceeds,

Revenue bond proceeds

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:

 American Rescue Plan Act projects

 Streets

 Local option sales tax

 Debt service

 Capital improvements

 Meter deposits

Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(123,284)	-	(123,284)
(384,520)	-	(384,520)
(835,301)	-	(835,301)
(11,865)	-	(11,865)
(384,442)	-	(384,442)
<u>(1,419,529)</u>	<u>-</u>	<u>(1,419,529)</u>
<u>(3,158,941)</u>	<u>-</u>	<u>(3,158,941)</u>
-	(646,102)	(646,102)
-	(520,195)	(520,195)
-	(7,848)	(7,848)
-	3,452	3,452
<u>-</u>	<u>(1,170,693)</u>	<u>(1,170,693)</u>
<u>(3,158,941)</u>	<u>(1,170,693)</u>	<u>(4,329,634)</u>
992,022	-	992,022
1,038,245	-	1,038,245
488,900	-	488,900
15,195	-	15,195
213,519	-	213,519
317	134	451
46,000	-	46,000
-	146,697	146,697
56,290	12,333	68,623
<u>264,975</u>	<u>(264,975)</u>	<u>-</u>
<u>3,115,463</u>	<u>(105,811)</u>	<u>3,009,652</u>
(43,478)	(1,276,504)	(1,319,982)
<u>3,206,826</u>	<u>3,217,506</u>	<u>6,424,332</u>
<u>\$ 3,163,348</u>	<u>1,941,002</u>	<u>5,104,350</u>
\$ 213,519	-	213,519
194,544	-	194,544
623,137	-	623,137
393,385	191,629	585,014
1,229,253	1,053,336	2,282,589
-	25,020	25,020
<u>509,510</u>	<u>671,017</u>	<u>1,180,527</u>
<u>\$ 3,163,348</u>	<u>1,941,002</u>	<u>5,104,350</u>

City of Fairfax

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

As of and for the year ended June 30, 2022

	General	Special	
		Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 971,789	-	-
Tax increment financing	-	-	-
Local option sales tax	-	-	488,900
Other city tax	20,233	-	-
Licenses and permits	84,646	-	-
Use of money and property	37,337	-	-
Intergovernmental	595,055	373,403	-
Charges for service	2,848	-	-
Miscellaneous	231,246	-	-
Total receipts	1,943,154	373,403	488,900
Disbursements:			
Operating:			
Public safety	564,296	-	-
Public works	471,898	275,519	79,778
Culture and recreation	912,229	-	23,546
Community and economic development	12,015	-	-
General government	438,762	-	2,400
Debt service	-	-	-
Total disbursements	2,399,200	275,519	105,724
Excess (deficiency) of receipts over (under) disbursements	(456,046)	97,884	383,176
Other financing sources (uses):			
Bond proceeds	-	-	-
Sale of assets	1,500	-	-
Transfers in	-	-	60,000
Transfers out	(139,998)	-	(30,000)
Total other financing sources (uses)	(138,498)	-	30,000
Change in cash balances	(594,544)	97,884	413,176
Cash balances beginning of year	2,546,826	96,660	209,961
Cash balances end of year	\$ 1,952,282	194,544	623,137
Cash Basis Fund Balances			
Restricted for:			
American Rescue Plan Act projects	213,519	-	-
Streets	-	194,544	-
Local option sales tax	-	-	623,137
Debt service	-	-	-
Capital improvements	1,229,253	-	-
Committed for:			
Fire department	81,791	-	-
Fireworks	12,461	-	-
Library	244,294	-	-
Parks	40,292	-	-
Unassigned	130,672	-	-
Total cash basis fund balances	\$ 1,952,282	194,544	623,137

See notes to financial statements.

<u>Revenue</u>		
<u>Tax Increment Financing</u>	<u>Debt Service</u>	<u>Total</u>
-	-	971,789
1,038,245	-	1,038,245
-	-	488,900
-	-	20,233
-	-	84,646
317	-	37,654
-	-	968,458
-	-	2,848
-	-	231,246
<u>1,038,562</u>	<u>-</u>	<u>3,844,019</u>
-	-	564,296
-	-	827,195
-	-	935,775
-	-	12,015
-	-	441,162
-	1,419,529	1,419,529
<u>-</u>	<u>1,419,529</u>	<u>4,199,972</u>
<u>1,038,562</u>	<u>(1,419,529)</u>	<u>(355,953)</u>
-	46,000	46,000
-	-	1,500
-	1,419,829	1,479,829
<u>(1,044,856)</u>	<u>-</u>	<u>(1,214,854)</u>
<u>(1,044,856)</u>	<u>1,465,829</u>	<u>312,475</u>
(6,294)	46,300	(43,478)
<u>321,514</u>	<u>31,865</u>	<u>3,206,826</u>
<u>315,220</u>	<u>78,165</u>	<u>3,163,348</u>
-	-	213,519
-	-	194,544
-	-	623,137
315,220	78,165	393,385
-	-	1,229,253
-	-	81,791
-	-	12,461
-	-	244,294
-	-	40,292
-	-	130,672
<u>315,220</u>	<u>78,165</u>	<u>3,163,348</u>

City of Fairfax

City of Fairfax

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

As of and for the year ended June 30, 2022

	Enterprise			
	Water	Sewer	Nonmajor	Total
Operating receipts:				
Licenses and permits	\$ 1,500	1,450	-	2,950
Charges for service	717,924	791,286	227,147	1,736,357
Miscellaneous	12,333	-	-	12,333
Total operating receipts	731,757	792,736	227,147	1,751,640
Operating disbursements:				
Business type activities	381,917	313,157	231,543	926,617
Excess (deficiency) of operating receipts over (under) operating disbursements	349,840	479,579	(4,396)	825,023
Non-operating receipts (disbursements):				
Interest on investments	-	134	-	134
Revenue bond proceeds	146,697	-	-	146,697
Debt service	(233,557)	(179,520)	-	(413,077)
Capital outlay	(750,052)	(820,254)	-	(1,570,306)
Net non-operating receipts (disbursements)	(836,912)	(999,640)	-	(1,836,552)
Deficiency of receipts under disbursements	(487,072)	(520,061)	(4,396)	(1,011,529)
Transfers out	(47,337)	(217,638)	-	(264,975)
Change in cash balances	(534,409)	(737,699)	(4,396)	(1,276,504)
Cash balances beginning of year	1,480,529	1,730,992	5,985	3,217,506
Cash balances end of year	\$ 946,120	993,293	1,589	1,941,002
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 18,794	172,835	-	191,629
Capital improvements	565,691	487,645	-	1,053,336
Meter deposits	25,020	-	-	25,020
Unrestricted	336,615	332,813	1,589	671,017
Total cash basis fund balances	\$ 946,120	993,293	1,589	1,941,002

See notes to financial statements.

City of Fairfax

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

For financial reporting purposes, the City of Fairfax has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria for 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: Linn County Assessor's Conference Board, Linn County Emergency Management Commission, Linn County Joint 911 Service Board, and the Corridor Metropolitan Planning Organization.

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for receipts from the tax authorized by referendum and used for any lawful purpose of the City.

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

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2022, disbursements did not exceed the amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Bonds and Leases Payable

A summary of changes in bonds and leases payable for the year ended June 30, 2022 is as follows:

	Beginning Balances Restated	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 13,070,000	-	1,161,000	11,909,000	1,206,000
Lease agreements	88,439	-	28,471	59,968	29,468
Governmental activities total	<u>\$ 13,158,439</u>	<u>-</u>	<u>1,189,471</u>	<u>11,968,968</u>	<u>1,235,468</u>
Business type activities:					
Water revenue bonds - direct borrowing	\$ 3,479,303	146,697	163,000	3,463,000	165,000
Sewer revenue bonds	1,026,000	-	159,000	867,000	163,000
Business-type activities total	<u>\$ 4,505,303</u>	<u>146,697</u>	<u>322,000</u>	<u>4,330,000</u>	<u>328,000</u>

General Obligation Bonds

A summary of the City's June 30, 2022 general obligation bonds payable is as follows:

Year	Water Improvement			Water Main Improvement and Fairfax Athletics and Park Complex		
	Issued Feb 10, 2010			Issued Nov 10, 2011		
Ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	3.00%	\$ 6,000	1,470	2.80%	\$ 210,000	12,330
2024	3.00	7,000	1,290	3.10	215,000	6,450
2025	3.00	7,000	1,080	-	-	-
2026	3.00	7,000	870	-	-	-
2027	3.00	7,000	660	-	-	-
2028-2032	3.00	15,000	690	-	-	-
2033-2036		-	-	-	-	-
Total		<u>\$ 49,000</u>	<u>6,060</u>		<u>\$ 425,000</u>	<u>18,780</u>

Year Ending June 30,	Corporate Purpose Issued Apr 8, 2014			Corporate Purpose Issued Jun 10, 2015		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2023	2.25%	\$ 115,000	15,172	2.15%	\$ 180,000	23,885
2024	2.40	115,000	12,585	2.15	185,000	20,015
2025	2.50	120,000	9,825	2.35	190,000	16,037
2026	2.60	125,000	6,825	3.00	135,000	11,573
2027	2.75	130,000	3,575	3.00	135,000	8,400
2028-2032		-	-	3.00	145,000	4,350
2033-2036		-	-		-	-
Total		<u>\$ 605,000</u>	<u>47,982</u>		<u>\$ 970,000</u>	<u>84,260</u>

Year Ending June 30,	Corporate Purpose and Refunding Issued Jun 27, 2017			Corporate Purpose and Refunding Issued Aug 28, 2018		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2023	1.80%	\$ 55,000	9,315	2.50%	\$ 185,000	49,283
2024	2.05	55,000	8,325	2.50	185,000	44,658
2025	2.05	55,000	7,197	2.60	195,000	40,033
2026	2.35	60,000	6,070	2.75	195,000	34,962
2027	2.35	60,000	4,660	2.80	205,000	29,600
2028-2032	2.60	125,000	4,940	2.90-3.20	785,000	58,110
2033-2036		-	-		-	-
Total		<u>\$ 410,000</u>	<u>40,507</u>		<u>\$ 1,750,000</u>	<u>256,646</u>

Year Ending June 30,	Corporate Purpose Issued Jan 14, 2020			Urban Renewal Series 2020B Issued Nov 10, 2020		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2023	2.00%	\$ 95,000	21,850	0.00%	\$ -	70,642
2024	2.00	100,000	19,950	0.70	340,000	70,643
2025	2.00	105,000	17,950	0.80	355,000	68,263
2026	2.00	105,000	15,850	0.95	355,000	65,423
2027	2.00	115,000	13,750	1.10	365,000	62,050
2028-2032	2.00	525,000	33,950	1.20-2.00	1,915,000	234,790
2033-2036	2.05	45,000	1,845	2.00-2.10	1,245,000	51,260
Total		<u>\$ 1,090,000</u>	<u>125,145</u>		<u>\$ 4,575,000</u>	<u>623,071</u>

Year Ending June 30,	Corporate Purpose Series 2020C Issued Nov 10, 2020			Municipal Building Series 2021 Issued Jun 23, 2021		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2023	0.40%	\$ 280,000	3,560	2.00%	\$ 80,000	26,000
2024	0.50	290,000	2,440	2.00	85,000	24,400
2025	0.60	165,000	990	2.00	85,000	22,700
2026		-	-	2.00	85,000	21,000
2027		-	-	2.00	90,000	19,300
2028-2032		-	-	2.00	465,000	69,200
2033-2036		-	-	2.00	410,000	20,700
Total		<u>\$ 735,000</u>	<u>6,990</u>		<u>\$ 1,300,000</u>	<u>203,300</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2023	\$ 1,206,000	233,507	1,439,507
2024	1,577,000	210,756	1,787,756
2025	1,277,000	184,075	1,461,075
2026	1,067,000	162,573	1,229,573
2027	1,107,000	141,995	1,248,995
2028-2032	3,975,000	406,030	4,381,030
2033-2036	1,700,000	73,805	1,773,805
	<u>\$ 11,909,000</u>	<u>1,412,741</u>	<u>13,321,741</u>

On February 10, 2010, the City issued \$118,000 of general obligation water improvement bonds with interest rates of 3.00% per annum. The bonds were issued to pay a portion of the cost of constructing improvements and extensions to the municipal waterworks system. During the year ended June 30, 2022, the City paid \$6,000 of principal and \$1,650 of interest on the bonds.

On May 12, 2011, the City issued \$540,000 of general obligation bonds with interest rates ranging from 1.35% to 3.65% per annum. The bonds were issued to help with costs associated with water system improvements. During the year ended June 30, 2022, the City paid the remaining \$60,000 of principal and \$2,190 of interest on the bonds.

On November 10, 2011, the City issued \$2,260,000 of general obligation bonds with interest rates ranging from 2.00% to 3.10% per annum. The bonds were issued for constructing water main improvements and developing and constructing the Fairfax Athletics and Park Complex. During the year ended June 30, 2022, the City paid \$200,000 of principal and \$17,530 of interest on the bonds.

On April 8, 2014, the City issued \$1,330,000 of general obligation bonds with interest rates ranging from 2.00% to 2.75% per annum. The bonds were for construction of street, street lighting, sanitary sewer, storm sewer, drainage, water main and trail improvements. During the year ended June 30, 2022, the City paid \$110,000 of principal and \$17,427 of interest on the bonds.

On June 10, 2015, the City issued \$2,080,000 of general obligation bonds with interest rates ranging from 1.00% to 3.00% per annum. The bonds were issued for acquisition of a fire truck and emergency warning siren system and construction of street, sanitary and storm sewer, sewage treatment, water main and trail system improvements. During the year ended June 30, 2022, the City paid \$175,000 of principal and \$27,035 of interest on the bonds.

On June 27, 2017, the City issued \$955,000 of general obligation bonds with interest rates ranging from 1.00% to 2.60% per annum. The bonds were issued for construction of street and waterworks improvements, planning for projects in the City's urban renewal area and refunding the general obligation corporate purpose notes, series 2009. During the year ended June 30, 2022, the City paid \$50,000 of principal and \$10,215 of interest on the bonds.

On August 28, 2018, the City issued \$2,170,000 of general obligation bonds with interest rates ranging from 2.50% to 3.20% per annum. The bonds were issued for construction of street, bridge, sanitary sewer, city park and trail improvements and refunding the September 1, 2016 water and sewer revenue bond anticipation project notes. During the year ended June 30, 2022, the City paid \$180,000 of principal and \$53,782 of interest on the bonds.

On January 14, 2020, the City issued \$1,270,000 of general obligation corporate purpose bonds, with interest rates ranging from 2.0% to 2.05% per annum. The bonds were issued to fund the construction of certain sanitary sewer, waterworks, city park and bridge improvements, and acquisition of a fire truck. During the year ended June 30, 2022, the City paid \$95,000 of principal and \$23,750 of interest on the bonds.

On November 10, 2020, the City issued \$4,575,000 of general obligation urban renewal bonds, with interest rates ranging from interest free to 2.10% per annum. The bonds were issued to fund the construction of certain street and highway improvements and repairs, bridge replacement, sanitary sewer and water main extensions, City park improvements and installation of street lighting, repair, cleanup and replacement of property, buildings and public facilities that were damaged by a disaster and reimbursement of City funds were already expended for this activity. During the year ended June 30, 2022, interest of \$70,642 was paid on the bonds.

On November 10, 2020, the City issued \$1,280,000 of general obligation refunding bonds, with interest rates ranging from 0.30% to 0.60% per annum. The bonds were issued to refund the outstanding balance of the City's general obligation corporate purpose and refunding bonds, series 2013. During the year ended June 30, 2022, the City paid \$285,000 of principal and \$4,557 of interest on the bonds.

On June 23, 2021, the City issued \$1,300,000 of general obligation municipal building bonds, with interest rates of 2.00% per annum. The bonds were issued to finance the acquisition of the building in which City Hall is located. During the year ended June 30, 2022, interest of \$24,411 was paid on the bonds.

In June 2022, the City received a good faith deposit of \$46,000 on \$2,300,000 general obligation bonds which were fully funded in July 2022.

Revenue Bonds

A summary of the City's June 30, 2022 sewer and water revenue bonds payable is as follows:

Year Ending June 30,	Sewer			Water		
	Issued Nov 2, 2006			Issued May 29, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	1.75%	\$ 163,000	15,173	1.75%	\$ 165,000	60,532
2024	1.75	168,000	12,320	1.75	168,000	57,645
2025	1.75	173,000	9,380	1.75	171,000	54,705
2026	1.75	179,000	6,352	1.75	174,000	51,713
2027	1.75	184,000	3,220	1.75	177,000	48,667
2028-2032		-	-	1.75	933,000	195,773
2033-2037		-	-	1.75	1,017,000	111,265
2038-2040		-	-	1.75	654,000	23,030
Total		<u>\$ 867,000</u>	<u>46,445</u>		<u>\$ 3,459,000</u>	<u>603,330</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2023	\$ 328,000	75,705	403,705
2024	336,000	69,965	405,965
2025	344,000	64,085	408,085
2026	353,000	58,065	411,065
2027	361,000	51,887	412,887
2028-2032	933,000	195,773	1,128,773
2033-2037	1,017,000	111,265	1,128,265
2038-2040	654,000	23,030	677,030
Total	<u>\$ 4,326,000</u>	<u>649,775</u>	<u>4,975,775</u>

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,400,000 of sewer revenue bonds issued in November 2006. The agreement also requires the City to annually pay a 0.25% servicing fee on the outstanding principal balance. The bonds are payable solely from sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the bonds required 36.9% of net receipts. During the year ended June 30, 2022, the City paid principal of \$159,000 and interest of \$17,955 on the bonds. The total principal and interest remaining to be paid on the bonds is \$913,445. For the current year, principal and interest paid and total customer net receipts were \$176,955 and \$479,579, respectively.

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

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

Water Revenue Bonds – Direct Borrowing

On May 29, 2020, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority (IFA) for the issuance of up to \$3,782,000 water revenue bonds with interest at 1.75% per annum. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the City's water system. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. In the event of default, the issuer shall have the right to take any action authorized under the regulations, the revenue bond or the agreement and to take whatever other action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the City under the agreement. During the year ended June 30, 2022, the City drew down \$146,697. At June 30, 2022, the City had drawn down the authorized \$3,782,000, net of \$4,000 withheld receipts for municipal advisor fee. An initiation fee of \$18,910, 0.5% of the authorized borrowing for the water revenue bonds, was charged by the IFA. The agreement also requires the City to pay .25% servicing fee on the outstanding principal balance. Annual principal and interest payments on the bonds required 64.2% of net receipts. During the year ended June 30, 2022, the City paid principal of \$163,000 and interest of \$61,738 on the bonds. The total principal and interest remaining to be paid on the bonds is \$4,062,330. For the current year, principal and interest paid and total customer net receipts were \$224,738 and \$349,840, respectively.

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

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

The City does not pay for use of the systems as required by the water revenue bond resolution.

Lease Agreements

On May 11, 2021 City of Fairfax entered into a lease agreement for an excavator. The agreement requires three annual payments of \$16,472 with an implicit interest rate of 3.5%. During the year ended June 30, 2022, the City made lease payments totaling \$16,472. The lease payment is made from the Special Revenue, Local Option Sales Tax Fund.

On May 11, 2021 City of Fairfax entered into a lease agreement for a skid loader. The agreement requires three annual payments of \$15,095 with an implicit interest rate of 3.5%. During the year ended June 30, 2022, the City made lease payments totaling \$15,095. Lease payments are made equally from the General Fund, Special Revenue, Road Use Tax Fund and Enterprise, Water and Sewer Funds.

A summary of the City’s June 30, 2022 lease agreements is as follows:

Year Ending June 30,	Excavator			Skid Loader			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 15,377	1,095	16,472	\$ 14,091	1,004	15,095	\$ 29,468	2,099	31,567
2024	15,915	557	16,472	14,585	510	15,095	30,500	1,067	31,567
Totals	\$ 31,292	1,652	32,944	\$ 28,676	1,514	30,190	\$ 59,968	3,166	63,134

(4) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2022, 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 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2022 totaled \$65,985.

Net Pension Liability (Asset), Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City had a liability of \$8,471 for its proportionate share of the overall plan net pension asset. The overall plan net pension asset was measured as of June 30, 2021. The total plan pension liability used in its calculation of the overall plan net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the overall plan net pension asset was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion of the overall plan net pension asset was (0.002454)%, which was an decrease of 0.009980% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City's pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled (\$38,705), \$73,316 and \$468,783, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension asset in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2021 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 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension asset 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 asset.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) 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 (asset)	\$ 390,692	8,471	(311,852)

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.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time to employees at June 30, 2022, primarily relating to the General Fund is as follows:

Type of Benefit	Amount
Vacation	\$ 16,000
Compensatory time	27,000
Total	<u>\$ 43,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2022.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer to	Transfer from	Amount
Special Revenue		
Local Option Sales Tax	Sewer	<u>\$ 60,000</u>
Debt Service	General	139,998
	Special Revenue:	
	Tax Increment Financing	1,044,856
	Local Option Sales Tax	30,000
	Enterprise:	
	Water	47,337
	Sewer	<u>157,638</u>
		<u>1,419,829</u>
		<u>\$ 1,479,829</u>

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

(7) Risk Management

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

(8) Construction Commitments

The City has entered into construction contracts totaling approximately \$6,220,000 for various street, parking lot, splash pad, water and sewer improvements. As of June 30, 2022, approximately \$6,170,000 has been paid on the contracts. The remaining \$50,000 will be paid as work on the projects progresses.

(9) Deficit Balance

The Enterprise, Solid Waste Fund had a deficit balance of \$4,980. The deficit is due to an excess of disbursements over receipts. The City intends to eliminate this deficit through raising the amount of the solid waste fee as well as considering a transfer into the fund or shifting expenses.

(10) Subsequent Event

On July 13, 2022, the City issued \$2,300,000 of General Obligation Corporate Purpose Bonds, Series 2022 for the purpose of paying the costs, to the extent of (a) planning, designing and constructing street, sanitary sewer system, storm water drainage system, utility system and pedestrian trail/sidewalk improvements; and (b) acquiring and installing street lighting, signage and signalization improvements. The bonds bears interest ranging from 2.7% to 3.5% per annum and are payable through 2034.

(11) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 96, Subscription-Based Information Technology Arrangements. The statement will be implemented for the fiscal year ending June 30, 2023. The revised requirements of this statement will require reporting of the right to use another party's information technology software alone or in combination with tangible capital assets that are not currently reported.

City of Fairfax

Other Information

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

Other Information

Year ended June 30, 2022

	Governmental Funds Actual	Enterprise Funds Actual	Total
Receipts:			
Property tax	\$ 971,789	-	971,789
Tax increment financing	1,038,245	-	1,038,245
Other city tax	509,133	-	509,133
Licenses and permits	84,646	2,950	87,596
Use of money and property	37,654	134	37,788
Intergovernmental	968,458	-	968,458
Charges for service	2,848	1,736,357	1,739,205
Miscellaneous	231,246	12,333	243,579
Total receipts	<u>3,844,019</u>	<u>1,751,774</u>	<u>5,595,793</u>
Disbursements:			
Public safety	564,296	-	564,296
Public works	827,195	-	827,195
Culture and recreation	935,775	-	935,775
Community and economic development	12,015	-	12,015
General government	441,162	-	441,162
Debt service	1,419,529	-	1,419,529
Capital projects	-	-	-
Business type activities	-	2,910,000	2,910,000
Total disbursements	<u>4,199,972</u>	<u>2,910,000</u>	<u>7,109,972</u>
Deficiency of receipts under disbursements	(355,953)	(1,158,226)	(1,514,179)
Other financing sources (uses), net	<u>312,475</u>	<u>(118,278)</u>	<u>194,197</u>
Change in balances	(43,478)	(1,276,504)	(1,319,982)
Balances beginning of year	<u>3,206,826</u>	<u>3,217,506</u>	<u>6,424,332</u>
Balances end of year	<u>\$ 3,163,348</u>	<u>1,941,002</u>	<u>5,104,350</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
Original	Final	Total
		Variance
979,725	979,725	(7,936)
1,045,000	1,045,000	(6,755)
397,385	541,291	(32,158)
90,875	90,875	(3,279)
39,700	47,200	(9,412)
634,373	1,098,692	(130,234)
1,721,445	1,818,524	(79,319)
187,580	256,580	(13,001)
<u>5,096,083</u>	<u>5,877,887</u>	<u>(282,094)</u>
390,960	580,961	16,665
1,735,371	1,888,088	1,060,893
1,219,399	1,505,519	569,744
64,900	125,275	113,260
452,605	602,455	161,293
1,394,817	1,420,817	1,288
-	213,519	213,519
<u>2,524,818</u>	<u>3,556,715</u>	<u>646,715</u>
<u>7,782,870</u>	<u>9,893,349</u>	<u>2,783,377</u>
(2,686,787)	(4,015,462)	2,501,283
-	147,700	46,497
<u>(2,686,787)</u>	<u>(3,867,762)</u>	<u>2,547,780</u>
4,903,796	6,424,330	2
<u>2,217,009</u>	<u>2,556,568</u>	<u>2,547,782</u>

City of Fairfax

City of Fairfax

Notes to Other Information – Budgetary Reporting

June 30, 2022

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$2,110,479. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements did not exceed the amounts budgeted.

City of Fairfax

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

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

Other Information

	2022	2021	2020	2019
City's proportion of the net pension liability/asset	(0.002454%) **	0.007526%	0.007343%	0.007177%
City's proportionate share of the net pension liability/asset	\$ 8	528	425	454
City's covered payroll	\$ 643	600	561	543
City's proportionate share of the net pension liability as a percentage of its covered payroll	1.24%	88.00%	75.76%	83.61%
IPERS' net position as a percentage of the total liability pension	100.81%	82.90%	85.45%	83.62%

* 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.

** Overall plan net pension asset.

See accompanying independent auditor's report.

2018	2017	2016	2015
0.006898%	0.006238%	0.005562%	0.005829%
459	393	275	231
519	446	382	382
88.44%	88.12%	71.99%	60.47%
82.21%	81.82%	85.19%	87.61%

City of Fairfax

Schedule of City Contributions

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

Other Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 66	61	57	53
Contributions in relation to the statutorily required contribution	<u>(66)</u>	<u>(61)</u>	<u>(57)</u>	<u>(53)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 699	643	600	561
Contributions as a percentage of covered payroll	9.44%	9.49%	9.50%	9.45%

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
48	46	41	34	34	30
(48)	(46)	(41)	(34)	(34)	(30)
-	-	-	-	-	-
543	519	446	382	382	342
8.84%	8.86%	9.19%	8.90%	8.90%	8.77%

City of Fairfax

Notes to Other Information – Pension Liability (Asset)

Year ended June 30, 2022

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

Supplementary Information

City of Fairfax

City of Fairfax

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

As of and for the year ended June 30, 2022

	Enterprise		
	Solid Waste	Farm Operations	Total
Operating receipts:			
Charges for service	\$ 220,889	6,258	227,147
Operating disbursements:			
Business type activities	228,737	2,806	231,543
Excess (deficiency) of operating receipts over (under) operating disbursements	(7,848)	3,452	(4,396)
Change in cash balances	(7,848)	3,452	(4,396)
Cash balances beginning of year	2,868	3,117	5,985
Cash balances end of year	\$ (4,980)	6,569	1,589
Cash Basis Fund Balances			
Unrestricted	\$ (4,980)	6,569	1,589

See accompanying independent auditor's report.

City of Fairfax

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

For the Last Ten Years

	2022	2021	2020	2019
Receipts:				
Property tax	\$ 971,789	867,899	792,295	760,397
Tax increment financing	1,038,245	1,195,589	1,010,603	973,767
Local option sales tax	488,900	329,367	298,488	264,406
Other city tax	20,233	10,640	17,351	15,824
Licenses and permits	84,646	83,225	63,271	93,554
Use of money and property	37,654	43,131	32,020	36,835
Intergovernmental	968,458	682,723	458,707	444,033
Charges for service	2,848	3,370	1,805	2,304
Miscellaneous	231,246	371,251	100,328	103,028
Total	<u>\$ 3,844,019</u>	<u>3,587,195</u>	<u>2,774,868</u>	<u>2,694,148</u>
Disbursements:				
Operating:				
Public safety	\$ 564,296	396,095	1,033,265	416,330
Public works	827,195	498,227	388,066	439,807
Culture and recreation	935,775	1,268,536	635,679	433,195
Community and economic development	12,015	52,457	34,073	8,665
General government	441,162	1,638,173	402,215	360,387
Debt service	1,419,529	2,697,850	1,196,147	1,067,754
Total	<u>\$ 4,199,972</u>	<u>6,551,338</u>	<u>3,689,445</u>	<u>2,726,138</u>

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
739,276	643,691	608,423	597,563	580,825	520,387
946,788	1,006,816	985,032	860,078	706,060	717,125
262,375	290,378	276,415	253,933	253,948	240,131
16,594	16,379	15,855	8,401	8,542	7,645
89,193	57,945	45,829	33,156	43,567	26,452
23,787	22,039	12,923	9,373	10,956	13,876
440,735	592,034	457,530	781,113	443,071	347,783
3,528	3,433	3,428	3,453	3,832	5,105
109,162	147,030	51,941	60,313	78,937	142,454
<u>2,631,438</u>	<u>2,779,745</u>	<u>2,457,376</u>	<u>2,607,383</u>	<u>2,129,738</u>	<u>2,020,958</u>
378,904	528,309	905,781	383,152	478,843	400,435
321,230	759,666	669,319	1,301,332	1,925,806	417,548
398,799	388,288	381,983	1,029,373	767,059	1,602,417
35,479	125,816	97,650	15,740	5,499	5,326
339,788	483,322	275,804	253,202	270,829	198,952
1,392,961	1,037,873	1,241,485	1,146,467	1,597,450	1,468,724
<u>2,867,161</u>	<u>3,323,274</u>	<u>3,572,022</u>	<u>4,129,266</u>	<u>5,045,486</u>	<u>4,093,402</u>



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Fairfax, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 21, 2023. 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Fairfax's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fairfax's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fairfax's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City'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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying Schedule of Findings as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fairfax's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2022 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.

City of Fairfax's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Fairfax's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The City of Fairfax's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

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



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

March 21, 2023

Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

2022-001 Segregation of Duties

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

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

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

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

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

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

City of Fairfax

Schedule of Findings

Year ended June 30, 2022

Response – The City of Fairfax has many processes in place to check receipts and disbursements. Due to limitations in staff size, sometimes only one person is in the office. We continue to review our processes and will make all improvements possible.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Fairfax

Schedule of Findings

Year ended June 30, 2022

Other Findings Related to Required Statutory Reporting:

2022-A Certified Budget – Disbursements during the year ended June 30, 2022 did not exceed the amounts budgeted.

2022-B Questionable Disbursements – In April 2022, The City approved Resolution No. 2022-38, A Resolution to Establish a Public Purpose for Certain Purchases. The policy states, in part, "... be it resolved by the City Council of the City of Fairfax, Fairfax, Iowa, that they do hereby support the following types of purchases as having a public purpose and authorize the ongoing policy for such purchases.

1. Food and non-alcoholic drinks at the Fairfax Fire Stations for the members or (of) the Fairfax Fire and Rescue Department.

This public purpose is as a benefit for the members of the Fairfax Fire and Rescue Department to aid them during calls, scheduled work for the department, or training. It is in the public's interest to encourage and keep members on the Fairfax Fire and Rescue Department.

2. Food and non-alcoholic drinks at a Fairfax Fire and Rescue Department's annual meal for the members or the Fairfax Fire and Rescue Department and their guests.

This public purpose is as an annual thank you recognition meal for the members of the Fairfax Fire and Rescue Department. It is in the public's interest to encourage, thank, and keep members on the Fairfax Fire and Rescue Department.

3. Food and non-alcoholic drinks at an emergency response site for the responding members of the Fairfax Fire and Rescue Department, when time spent or conditions make it necessary for health or safety.

This public purpose is as a benefit for the members of the Fairfax Fire and Rescue Department to aid them during calls. It is in the public's interest to encourage and keep members on the Fairfax Fire and Rescue Department and ensure their health and safety while on an emergency response.

4. Food and non-alcoholic drinks at an emergency response site for the responding members of another fire department giving mutual aid in the Fairfax Fire and Rescue Department's fire district, when time spent, or conditions make it necessary for health or safety.

This public purpose is as a benefit for the members of another department giving aid to the Fairfax Fire and Rescue Department. It is in the public's interest to keep a good mutual aid relationship with other departments and ensure their health and safety while on an emergency response.

5. Non-alcoholic drinks at the Fairfax Maintenance Shop and Fairfax City Hall for staff, elected officials, and guests.

This public purpose is as a benefit for the City of Fairfax staff and others. It is in the public interest to retain staff. It is a general accepted business purpose to supply basic drinks during a meeting.

City of Fairfax

Schedule of Findings

Year ended June 30, 2022

6. Food and non-alcoholic drinks at City of Fairfax staff training sessions.

This public purpose is as a benefit for the City of Fairfax staff. It is in the public interest to retain staff.

7. Food and non-alcoholic drinks during inventory at the Fairfax Public Library for staff and volunteers.

This public purpose is as a benefit for the City of Fairfax staff and others. It is in the public interest to retain staff. It is in the public interest to encourage volunteers to participate with projects.

8. Food and non-alcoholic drinks for volunteer crews during City projects.

It is in the public interest to encourage volunteers to participate with projects.

In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General's opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General's opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Fareway	Food for Fire Department monthly meeting and drinks for maintenance shop	\$ 296
Fareway	Food for Fire Department monthly meeting and drinks for maintenance shop	304
Kathy's Pies	Fire Department Christmas dinner	83
Star Bar	Meals for library trainings	30

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

Although the City has approved a policy for these types of disbursements, it is difficult to determine the benefit to be derived for these types of uses of public funds.

Recommendation – To ensure transparency for disbursements for the benefit of City employees beyond their approved compensation, the City Council should determine and document how the public benefits and debate and approve these individual disbursements each time they occur and not as a blanket approval. The debate and approval should be noted individually in the City Council minutes. Disbursements of this nature should be infrequent and modest in cost.

City of Fairfax

Schedule of Findings

Year ended June 30, 2022

Response – The Fairfax City Council has revised and adopted a resolution stating the public purpose for expenses. The City feels these are employee benefits and therefore a valid public purpose.

Conclusion – Response acknowledged. The City Council should determine and document how the public benefits and debate and approve these individual disbursements each time they occur and not as a blanket approval. The debate and approval should be noted individually in the City Council minutes. Disbursements of this nature should be infrequent and modest in cost.

2022-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2022-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mike Sankot, Fire Chief, Co-Owner of Sankot's Garage	Miscellaneous parts, supplies and service	\$ 4,508
Marianne Wainwright, Council Member, works at LL Pelling	Paving and asphalt services	2,044

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

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

2022-E 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.

2022-F 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.

2022-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

2022-H Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Fairfax

Schedule of Findings

Year ended June 30, 2022

2022-I Revenue Bonds – The following instances of non-compliance with revenue bond requirements were noted:

The water revenue bond covenants require the City to make monthly transfers to the water sinking account sufficient to cover the interest and principal payments when they become due. The City did not make the necessary monthly transfer for June 2022.

The water bond resolutions require all users of system, including the City, to be charged for use. All City departments are not charged for water usage, as required.

Recommendation – The City should ensure monthly transfers are made to the sinking fund, as required. The City should establish procedures to ensure all City departments are charged for water usage.

Response – The City credits the revenue from the Water Debt Service fee on the bills directly into the Water Debt Service Fund each day. The extra needed to make all water debt obligations is currently transferred once a year from the regular operating Water Fund. We will make this transfer in March of 2023 plus an extra month's amount for the ending balance since we just found out. Then in July of 2023, we will transfer the extra amount needed at the first of the fiscal year. We will continue to credit the fees directly as payments are made.

The City of Fairfax was not aware of this requirement. We will start charging water on the City's accounts immediately, as of March 2023.

Conclusion – Response acknowledged. The City should also ensure the amount transferred each month is correct.

2022-J Tax Increment Financing – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans. Also, the City properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

2022-K Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1.

2022-L Financial Condition – The Enterprise, Solid Waste Fund had a deficit balance of \$4,980 at June 30, 2022.

Recommendation – The City should investigate alternatives to eliminate this deficit to return this fund to a sound financial position

Response – We have discussed this at budget with the City Council. They raised the amount we keep from the Solid Waste Fee slightly. The City Council will review and consider making a transfer into the Solid Waste Fund or shifting some of the expenses currently charged to the Solid Waste Fund.

Conclusion – Response accepted.

City of Fairfax

Staff

This audit was performed by:

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