

**CITY OF FAIRFIELD
FAIRFIELD, ILLINOIS**

**TAX INCREMENT FINANCING FUND
AUDITED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED APRIL 30, 2021



**CITY OF FAIRFIELD, IL
TAX INCREMENT FINANCING FUND
AUDITED FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Fairfield
Fairfield, Illinois

We have audited the accompanying financial statements of the Tax Increment Financing Funds (TIF #1 Fund and TIF #2 Fund) of the City of Fairfield, Illinois, as of and for the year ended April 30, 2021, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 entity'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 entity'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Mayor and City Council
City of Fairfield

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the Tax Increment Financing Funds of the City of Fairfield, Illinois, as of April 30, 2021, and the respective changes in modified cash basis financial position thereof and the respective budgetary comparison for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

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 modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis-of-matter

As discussed in Note 1, the financial statements present only the Tax Increment Financing Funds (TIF #1 Fund and TIF #2 Fund) of the City of Fairfield, Illinois and do not purport to, and do not present fairly the financial position of the City of Fairfield, Illinois, as of April 30, 2021, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with the modified cash basis of accounting. Our opinion is not modified with respect to this matter.



Kemper CPA Group LLP
Certified Public Accountants and Consultants

Evansville, Indiana
November 15, 2021



INDEPENDENT ACCOUNTANT’S REPORT

To the Mayor and City Council
City of Fairfield
Fairfield, Illinois

We have examined the City of Fairfield, Illinois’ Tax Increment Financing Funds’ compliance with the requirements of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 84-1417) for the year ended April 30, 2021. Management is responsible for the City’s compliance with those requirements. Our responsibility is to express an opinion on management’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City of Fairfield, Illinois’ compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Fairfield, Illinois’ compliance with specified requirements.

In our opinion, the City of Fairfield, Illinois, did not comply, in all material respects with the aforementioned requirements during the year ended April 30, 2021. The results of our procedures disclosed an instance of noncompliance which is described in the accompanying schedule of findings and responses as item 2021-001.

The City of Fairfield, Illinois’ response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City of Fairfield, Illinois’ response was not subjected to the procedures applied in the examination of the City’s compliance with the aforementioned requirements, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, City Council, management, and the Illinois Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.


Kemper CPA Group LLP
Certified Public Accountants and Consultants

Evansville, Indiana
November 15, 2021

CITY OF FAIRFIELD, ILLINOIS
TAX INCREMENTS FINANCING FUNDS
STATEMENTS OF ASSETS, LIABILITIES, AND FUND BALANCE
MODIFIED CASH BASIS
APRIL 30, 2021

	TIF #1	TIF #2
Assets:	Fund	Fund
Cash	\$ 971,252	\$ 7,584
Due from other funds	973,232	0
Total assets	\$ 1,944,484	\$ 7,584
Liabilities:		
Due to other funds	\$ 0	\$ 1,005,036
Fund Balance:		
Restricted	\$ 1,944,484	\$ 0
Unassigned	0	(997,452)
Total fund balance	\$ 1,944,484	\$ (997,452)

The accompanying notes are an integral part of these financial statements.

CITY OF FAIRFIELD, ILLINOIS
TAX INCREMENTS FINANCING FUNDS
STATEMENTS OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
FOR THE YEAR ENDED APRIL 30, 2021

	TIF #1	TIF #2
	Fund	Fund
Revenue:		
Property taxes	\$ 992,360	\$ 10,425
Interest income	1,522	174
Total revenues	<u>993,882</u>	<u>10,599</u>
Expenditures:		
Taxes - interest subsidy	\$ 33,863	0
Rehabilitation of existing buildings	79,456	0
Public works	136,522	0
Program administration	3,093	0
Professional services	51,812	0
Return of TIF surplus money	453,000	0
Miscellaneous	1	0
Total expenditures	<u>757,747</u>	<u>0</u>
Excess of revenues over expenditures	<u>236,135</u>	<u>10,599</u>
Other Financing Uses		
Transfers out	<u>(386,537)</u>	<u>0</u>
Total other financing uses	<u>(386,537)</u>	<u>0</u>
Net change in fund balance	(150,402)	10,599
Fund balance - beginning of year	<u>2,094,886</u>	<u>(1,008,051)</u>
Fund balance - end of year	<u>\$ 1,944,484</u>	<u>\$ (997,452)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FAIRFIELD, ILLINOIS
TAX INCREMENTS FINANCING FUNDS
BUDGETARY COMPARISON SCHEDULE-
MODIFIED CASH BASIS
TIF #1 FUND
FOR THE YEAR ENDED APRIL 30, 2021

	Budget	Actual	Actual Over (Under)
Revenue:			
Property taxes	\$ 1,126,220	\$ 992,360	\$ (133,860)
Interest income	830	1,522	692
Total revenues	1,127,050	993,882	(133,168)
Expenditures:			
Taxes - interest subsidy	45,000	33,863	(11,137)
Property assembly	10,000	0	(10,000)
Rehabilitation of existing buildings	250,000	79,456	(170,544)
Public works	2,000,000	136,522	(1,863,478)
Program administration	30,000	3,093	(26,907)
Professional services	85,000	51,812	(33,188)
Return of TIF surplus money	453,000	453,000	0
Miscellaneous	1,000	1	(999)
Total expenditures	2,874,000	757,747	(2,116,253)
Excess of revenues over expenditures		236,135	
Other Financing Uses			
Transfers out		(386,537)	
Total other financing uses		(386,537)	
Net change in fund balance	\$ (1,746,950)	(150,402)	\$ 1,983,085
Fund balance - beginning of year		2,094,886	
Fund balance - end of year		\$ 1,944,484	

The accompanying notes are an integral part of these financial statements.

CITY OF FAIRFIELD, ILLINOIS
TAX INCREMENTS FINANCING FUNDS
BUDGETARY COMPARISON SCHEDULE-
MODIFIED CASH BASIS
TIF #2 FUND
FOR THE YEAR ENDED APRIL 30, 2021

	Budget	Actual	Actual Over (Under)
Revenue:			
Property taxes	\$ 0	\$ 10,425	\$ 10,425
Interest income	0	174	174
Total revenues	0	10,599	10,599
Expenditures:			
Land assembly & Site Preparation	40,000	0	(40,000)
Public works	12,500	0	(12,500)
Roadway Improvements	12,500	0	(12,500)
Planning, legal, professional	25,000	0	(25,000)
Miscellaneous	5,000	0	(5,000)
Total expenditures	95,000	0	(95,000)
Excess of revenues over expenditures		10,599	
Net change in fund balance	\$ (95,000)	10,599	\$ 105,599
Fund balance - beginning of year		(1,008,051)	
Fund balance - end of year		\$ (997,452)	

The accompanying notes are an integral part of these financial statements.

CITY OF FAIRFIELD, ILLINOIS
TAX INCREMENT FINANCING FUNDS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The accompanying financial statements present only financial position and the results of operations for the Tax Increment Financing Funds (TIF #1 Fund and TIF #2 Fund) and do not contain financial data for any other fund of the City of Fairfield, Illinois.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Tax Increment Financing Funds, which are special revenue funds, are the only funds in the financial statements in this report. A special revenue fund is a governmental fund and is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The City maintains its accounting records for the Tax Increment Financing Funds on the modified cash basis. Accordingly, revenue and expenditures or expenses are recorded when received and disbursed. This differs from the generally accepted accounting principle of recording revenues and expenditures of governmental funds when they become measurable and available and when the related liability is incurred. As a result these statements are not intended to and do not present financial position and results of operations in conformity with generally accepted accounting principles.

CITY OF FAIRFIELD, ILLINOIS
TAX INCREMENT FINANCING FUNDS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets and Budgetary Accounting

The City adopts its budget in accordance with the modified cash basis of accounting. All annual appropriations lapse at fiscal yearend. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the Mayor submits to the City Council a proposed appropriation ordinance for the fiscal year commencing on May 1.
2. Public hearings are conducted at an advertised location to obtain taxpayer comments.
3. Prior to August 1, the budget is legally enacted through passage of an ordinance.
4. The original budget was approved by Council on July 21, 2020.

For the year ended April 30, 2021, TIF #1 did not have any expenditures exceed appropriate expenditures., respectively. For the year ended April 30, 2021, TIF #2 did not have any actual expenditures exceed appropriated expenditures.

E. Cash and Deposits

For purposes of the Statement of Assets, Liabilities, and Fund Balance, the City considers all checking, savings, certificates of deposits, and money market accounts, as cash. As such, the City does not maintain any cash equivalents.

F. Fund Equity

According to Government Auditing Standards, fund balances are to be classified into five major classifications: Non-spendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance based on the nature and extent of the constraints placed on a government's fund balances. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted fund balance – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

CITY OF FAIRFIELD, ILLINOIS
TAX INCREMENT FINANCING FUNDS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

F. Fund Equity (Concluded)

Committed fund balance - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned fund balance – amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for a specific purpose. Only the City Council may assign amounts for specific purposes.

Unassigned fund balance – all other spendable amounts.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

G. Date of Management’s Review

The City has evaluated subsequent events through November 15, 2021 the date which the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

A. Cash

The City maintains its’ Tax Increment Financing Funds operating cash accounts at one bank. At April 30, 2021, the carrying amount and bank balance of the Tax Increment Financing Fund cash deposits was \$978,836 and \$978,836, respectively.

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of April 30, 2021, \$728,836 of the City’s bank balance of \$978,836 was exposed to custodial credit risk as follows:

Collateral held by pledging bank’s trust department not in the City’s name	\$ <u>728,836</u>
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CITY OF FAIRFIELD, ILLINOIS
TAX INCREMENT FINANCING FUNDS
NOTES TO FINANCIAL STATEMENTS
APRIL 30, 2021

NOTE 2 – CASH AND INVESTMENTS (CONCLUDED)

B. Investments

The City is authorized by state statute and its own local ordinances to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper noted within the three highest classifications by at least two standard rating services, obligations of states and their political subdivisions, savings accounts and certificates of deposit, credit union shares, and the Illinois Funds Money Market Fund (IFMMF).

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

There is a loan from TIF #1 to TIF #2 for the purchase of infrastructure materials totaling \$272,200, payment of \$500,000 principal and interest of \$72,982 on bank loan owed by TIF #2, and payment of \$228,050 on the loan to the General Fund. During 2021, TIF #2 paid TIF #1 \$100,000 for the interfund loan. The balance due as of April 30, 2021 is \$973,232. This balance is presented as a Due From and Due To between the funds on the Statement of Assets, Liabilities, and Fund Balances.

TIF #2 has a loan from the City of Fairfield, Illinois General Fund of \$31,804 for charges for labor, equipment rental, fuel and maintenance that were for installation of infrastructure in the residential housing area of the development area.

These loans are not expected to be repaid within the next year.

NOTE 4 – TRANSFERS

During the year ended April 30, 2021, TIF#1 transferred out \$386,537 to other funds of the City. Of the \$386,537 total transfer, \$316,354 is a transfer related to the State Route 15 Water Rehabilitation project to the Waterworks and Sewer Fund and \$70,183 is a transfer relating to assets capitalized in the General Fund..

CITY OF FAIRFIELD, ILLINOIS
TAX INCREMENT FINANCING FUNDS
SCHEDULE OF FINDINGS AND RESPONSES
APRIL 30, 2021

FINDINGS – FINANCIAL STATEMENT AUDIT AND COMPLIANCE

2021-001 There is an improper use of funds between the two Tax Increment Financing districts of the City.

Deficiency: The City has loaned money from the Tax Increment Fund #1, established in 1992, to the Tax Increment Fund #2, established in 2004, totaling \$1,073,232.

Criteria: The Illinois Compiled Statutes outline the proper uses of funds provided under the “Tax Increment Allocation Redevelopment Act” (the Act). The Act is described in Chapter 65 5/Art. 11 Div. 74.4 of the Illinois Compiled Statutes. Under Sec. 11-74.4-4(q) of the Act, loans between redevelopment project areas are allowed when the areas are contiguous to one another. Based on a review of the redevelopment project maps and planning documents approved in Ordinance No. 1392 and Ordinance No. 1606 (for TIF #1 and TIF #2, respectively), the two redevelopment areas for the City of Fairfield, IL are not contiguous to one another.

Effect: Due to the nature of Sec. 11-74.4-4(q), the City may have an improper use of tax increment funds totaling \$1,073,232.

Recommendation: The City should consult with its legal counsel and notify the State of Illinois through its annual tax increment fund reports to determine the proper steps to remedy.

Management’s Response: The City has an ongoing consultation with its legal counsel, and has notified the State of Illinois, and is currently working to repay the loan between the two funds as soon as possible.