



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

March 31, 2003

Contact: Andy Nielsen
515/281-5515

The Office of Auditor of State today released an audit report on the City of Fairfield, Iowa, for the year ended June 30, 2002.

The City's receipts totaled \$8,522,614 for the year ended June 30, 2002, a 2 percent decrease from 2001. The receipts included \$2,903,831 in property tax, \$284,252 in tax increment financing collections, \$981,104 from the state, \$683,505 in local option sales tax, \$108,765 from the federal government and \$43,182 in interest on investments.

Disbursements for the year totaled \$10,332,341, a 13 percent decrease from 2001, and included \$2,300,882 for community protection, \$1,662,452 for human development, \$5,916,962 for home and community environment, \$442,953 for policy and administration and \$9,092 for non-program.

This report contains recommendations to the City Council and other City officials. For example, the City should review its internal control procedures and segregate duties to the extent possible, and establish policies and procedures regarding the use and operation of its computer system. The City has responded to each item in the report and stated that corrective action is being taken.

A copy of the audit report is available for review in the office of the Auditor of State and the City Clerk's office.

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CITY OF FAIRFIELD
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2002

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City of Fairfield

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2002)		
Robert Rasmussen	Mayor	Jan 2002
Myron Gookin	Council Member/Mayor Pro tem	Jan 2002
Pauline Reeder	Council Member	Jan 2002
John Revolinski	Council Member	Jan 2002
Dick Reed	Council Member	Jan 2004
Tom Thompson	Council Member	Jan 2004
Matt Patton	Council Member	Jan 2004
Tom Stanley	Council Member	Jan 2004
John Brown	Administrative Coordinator/City Clerk	Indefinite
Joy Messer	Deputy City Clerk	Indefinite
John Morrissey	City Attorney	Indefinite
(After January 2002)		
Edward Malloy	Mayor	Jan 2004
Myron Gookin	Council Member/Mayor Pro tem	Jan 2006
Dick Reed	Council Member	Jan 2004
Tom Thompson	Council Member	Jan 2004
Matt Patton	Council Member	Jan 2004
Tom Stanley	Council Member	Jan 2004
Pauline Reeder	Council Member	Jan 2006
John Revolinski	Council Member	Jan 2006
John Brown	Administrative Coordinator/City Clerk	Indefinite
Joy Messer	Deputy City Clerk	Indefinite
John Morrissey	City Attorney	Indefinite

City of Fairfield



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the City of Fairfield, Iowa, as of and for the year ended June 30, 2002. These financial statements are the responsibility of the City of Fairfield's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Fairfield as of and for the year ended June 30, 2002, and its indebtedness at June 30, 2002, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our reports dated January 23, 2003 on our consideration of the City of Fairfield's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2001 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

January 23, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

City of Fairfield

Financial Statements

City of Fairfield
 Combined Statement of Cash Transactions

All Fund Types

Year ended June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
Receipts:			
Property tax	\$ 1,897,089	419,644	437,116
Tax increment financing collections	-	284,252	-
Other City tax	160,097	704,395	20,701
Licenses and permits	22,791	-	-
Use of money and property	12,706	655	-
Intergovernmental	293,790	761,829	-
Charges for service	579,641	-	-
Special assessments	-	-	58,766
Miscellaneous	79,678	3,268	-
Total receipts	3,045,792	2,174,043	516,583
Disbursements:			
Community Protection Program	1,270,972	842,647	187,263
Human Development Program	1,066,778	107,905	373,984
Home and Community Environment Program	397,368	699,935	633,717
Policy and Administration Program	330,930	112,023	-
Non-program	-	-	-
Total disbursements	3,066,048	1,762,510	1,194,964
Excess (deficiency) of receipts over (under) disbursements	(20,256)	411,533	(678,381)
Other financing sources (uses):			
Sale of general fixed assets	6,000	-	-
Operating transfers in	88,761	-	356,476
Operating transfers out	-	(445,237)	-
Total other financing sources (uses)	94,761	(445,237)	356,476
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	74,505	(33,704)	(321,905)
Balance beginning of year	42,481	281,445	322,639
Balance end of year	\$ 116,986	247,741	734

See notes to financial statements.

Capital Projects	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Trust	
149,982	-	-	-	2,903,831
-	-	-	-	284,252
7,436	-	-	-	892,629
-	-	-	-	22,791
-	128,783	-	82,217	224,361
33,137	108,765	823	-	1,198,344
-	2,063,383	-	-	2,643,024
-	-	-	-	58,766
-	164,748	8,660	38,262	294,616
190,555	2,465,679	9,483	120,479	8,522,614
-	-	-	-	2,300,882
-	-	-	113,785	1,662,452
1,482,430	2,656,262	-	47,250	5,916,962
-	-	-	-	442,953
-	-	9,092	-	9,092
1,482,430	2,656,262	9,092	161,035	10,332,341
(1,291,875)	(190,583)	391	(40,556)	(1,809,727)
-	-	-	-	6,000
-	353,049	-	-	798,286
-	(353,049)	-	-	(798,286)
-	-	-	-	6,000
(1,291,875)	(190,583)	391	(40,556)	(1,803,727)
87,853	662,737	(70,648)	954,839	2,281,346
(1,204,022)	472,154	(70,257)	914,283	477,619

City of Fairfield

Comparison of Receipts, Disbursements and Changes in Balances -

Actual to Budget

Year ended June 30, 2002

	Actual	Less Funds Funds not Required to be Budgeted	Net
Receipts:			
Property tax	\$ 2,903,831	-	2,903,831
Tax increment financing collections	284,252	-	284,252
Other City tax	892,629	-	892,629
Licenses and permits	22,791	-	22,791
Use of money and property	224,361	17,573	206,788
Intergovernmental	1,198,344	823	1,197,521
Charges for service	2,643,024	-	2,643,024
Special assessments	58,766	-	58,766
Miscellaneous	294,616	21,559	273,057
Total receipts	<u>8,522,614</u>	<u>39,955</u>	<u>8,482,659</u>
Disbursements:			
Community Protection Program	2,300,882	-	2,300,882
Human Development Program	1,662,452	15,632	1,646,820
Home and Community Environment Program	5,916,962	-	5,916,962
Policy and Administration Program	442,953	-	442,953
Non-program	9,092	9,092	-
Total disbursements	<u>10,332,341</u>	<u>24,724</u>	<u>10,307,617</u>
Excess (deficiency) of receipts over (under) disbursements	(1,809,727)	15,231	(1,824,958)
Other financing sources, net	<u>6,000</u>	-	<u>6,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,803,727)	15,231	(1,818,958)
Balance beginning of year	<u>2,281,346</u>	<u>326,219</u>	<u>1,955,127</u>
Balance end of year	<u>\$ 477,619</u>	<u>341,450</u>	<u>136,169</u>

See notes to financial statements.

Amended Budget	Variance Favorable (Unfavorable)	Net as % of Amended Budget
2,900,046	3,785	100%
282,304	1,948	101%
835,416	57,213	107%
22,950	(159)	99%
159,200	47,588	130%
2,355,355	(1,157,834)	51%
3,144,170	(501,146)	84%
59,534	(768)	99%
36,500	236,557	748%
<u>9,795,475</u>	<u>(1,312,816)</u>	<u>87%</u>
2,744,167	443,285	84%
1,657,674	10,854	99%
12,464,074	6,547,112	47%
579,419	136,466	76%
-	-	
<u>17,445,334</u>	<u>7,137,717</u>	<u>59%</u>
(7,649,859)		
<u>7,730,000</u>		
80,141		
<u>2,166,215</u>		
<u><u>2,246,356</u></u>		

City of Fairfield
Statement of Indebtedness
Year ended June 30, 2002

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Street construction	Jan 2, 1958	2.600%	\$ 85,000
Capital projects	Jun 1, 1993	4.20-4.375	810,000
Policemen's and firemen's pension	Jun 1, 1993	6.25-6.500	595,000
Library and street construction	May 1, 1995	5.00-5.600	3,300,000
Total			
General obligation capital loan notes:			
General corporate purpose - series 2001A	May 1, 2001	4.20-4.85%	\$ 4,330,000
Urban renewal project - series 2001B	May 1, 2001	5.40-6.20	325,000
Total			
Revenue bonds:			
Water	Jun 1, 1977	4.90-5.70%	\$ 1,500,000
Water	May 1, 1995	4.60-5.75	1,165,000
Total			
Mortgage note payable (note 6):			
Logan Apartments	Jun 1, 1977	8.75%	\$ 960,000
Lease-purchase agreement (note 7):			
Water generator	Dec 31, 1999	6.85%	\$ 105,180
Bank loan (note 14):			
Library	Mar 17, 2000	5.00%	\$ 44,000

See notes to financial statements.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid	Principal and Interest Due and Unpaid
5,000	-	5,000	-	5,520
215,000	105,000	110,000	9,223	-
160,000	75,000	85,000	10,213	-
2,280,000	215,000	2,065,000	119,992	-
\$ 2,660,000	395,000	2,265,000	139,428	5,520
4,330,000	325,000	4,005,000	206,214	-
325,000	25,000	300,000	21,994	-
\$ 4,655,000	350,000	4,305,000	228,208	-
25,000	-	25,000	-	32,838
890,000	80,000	810,000	48,183	-
\$ 915,000	80,000	835,000	48,183	32,838
357,202	61,813	295,389	28,815	-
84,104	13,399	70,705	5,397	-
41,460	2,152	39,308	2,024	-

City of Fairfield

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Blended Component Units

The Friends of the Fairfield Library and Fairfield Library Foundation were established as non-profit corporations in accordance with Chapter 504A of the Code of Iowa. These non-profit corporations are legally separate from the City but are so intertwined with the City that they are, in substance, the same as the City. The funds of these components units, including the Fairfield Public Library House, are reported as part of the City and blended into the Special Revenue and Trust Funds. Although the Friends of the Fairfield Library and Fairfield Library Foundation are legally separate from the City, their purpose is to benefit the City of Fairfield (the primary government) by soliciting contributions and managing those funds.

Jointly Governed Organizations

The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Jefferson County Assessor's Conference Board, Jefferson County E911 Joint Service Board and Jefferson County Emergency Management Agency. The City also participates in the Jefferson County Regional Service Agency, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and fund balances. The various funds and their designated purposes are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are 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 that are not paid through other funds.

Special Revenue Funds - The Special Revenue Funds are utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Fund - The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation, long-term debt.

Capital Projects Funds - The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

Proprietary Funds

Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Internal Service Fund - The Internal Service Fund is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Trust Funds - The Trust Funds are utilized to account for monies and properties received and held by the City in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable and Non-expendable Trust Funds.

C. Basis of Accounting

The City of Fairfield 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.

D. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except for the blended component units, the Internal Service Fund and the Non-expendable Trust Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2002 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 insure 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.

In addition, the City had investments in the Iowa Public Agency Investment Trust (IPAIT) which are valued at an amortized cost of \$49,470 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3.

(3) Bonds And Notes Payable

Annual debt service requirements to maturity for general obligation bonds, capital loan notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		General Obligation Capital Loan Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 425,000	119,580	360,000	198,730	80,000	44,183	865,000	362,493
2004	245,000	97,742	380,000	182,963	85,000	40,102	710,000	320,807
2005	255,000	85,370	395,000	166,058	90,000	35,683	740,000	287,111
2006	265,000	72,238	415,000	148,287	100,000	30,913	780,000	251,438
2007	285,000	58,458	435,000	130,185	105,000	25,513	825,000	214,156
2008	140,000	43,495	310,000	110,537	110,000	19,790	560,000	173,822
2009	150,000	35,970	325,000	96,080	115,000	13,685	590,000	145,735
2010	155,000	27,720	335,000	80,622	125,000	7,187	615,000	115,529
2011	165,000	19,040	250,000	64,445	-	-	415,000	83,485
2012	175,000	9,800	200,000	52,095	-	-	375,000	61,895
2013	-	-	210,000	42,895	-	-	210,000	42,895
2014	-	-	220,000	33,130	-	-	220,000	33,130
2015	-	-	230,000	22,680	-	-	230,000	22,680
2016	-	-	240,000	11,640	-	-	240,000	11,640
Total	\$ 2,260,000	569,413	4,305,000	1,340,347	810,000	217,056	7,375,000	2,126,816

The resolution providing for the issuance of the 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 funds.
- (b) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of the installment of principal next due shall be made to the water revenue bond and interest sinking account. At June 30, 2002, the balance in this fund was \$72,322.
- (c) Additional monthly transfers of 25 percent of the amount required to be deposited in the water revenue bond and interest sinking account shall be made to the water reserve account until \$132,187 is accumulated and maintained. At June 30, 2002, the balance in this account was \$165,025.
- (d) Monthly transfers of \$500 shall be made to the water improvement account until such account reaches a balance of \$50,000. At June 30, 2002, the balance in this account was \$52,437.
- (e) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to retire any subordinate obligations and then can be used for any lawful purpose.
- (f) Bonds maturing after June 1, 2005 may be called for redemption by the issuer and paid before maturity on June 1, 2005 or any interest payment date thereafter.

(4) Sewer Utility Replacement Account

Ordinance number 733, dated December 1, 1986, which established a user charge system to provide funds for all costs associated with the City's wastewater treatment works, provides for the creation of a Sewer Utility Replacement Account. The purpose of this account is to provide for replacement needs over the useful life of the wastewater treatment works. Deposits in the Sewer Utility Replacement Account are to be made quarterly from the revenues of the Sewer Utility Account in the amount of \$31,250 per quarter. At June 30, 2002, the balance in this account was \$204,382.

(5) Water Capital Improvement Reserve Sinking Account

Resolution number 1395, dated August 24, 1992, provides for the creation of a Water Capital Improvement Reserve Sinking Account. The purpose of this account is to provide for anticipated capital improvements to the water utility system. Deposits to this account are to be made monthly from the revenues of the Water Utility Account in the amount of \$8,350. At June 30, 2002, the balance in this account was \$(467,826). The deficit is due to a water distribution project.

(6) Mortgage Payable - Logan Apartments

The land and buildings for the Logan Apartments are secured by a first mortgage note to MDS Loan Services, L. P. The note, with a balance of \$295,389 at June 30, 2002, bears interest at 8.75% and is due in monthly installments of \$7,552. Final payment on the note is scheduled for April, 2006.

The long-term mortgage matures as follows:

<u>Year Ending June 30,</u>	<u>Principal Amount</u>
2003	\$ 67,443
2004	73,587
2005	80,291
2006	<u>74,068</u>
Total	<u>\$ 295,389</u>

(7) Lease-Purchase Agreement

The City has entered into an agreement to lease a water generator, with interest at 6.85% per annum. The following is a schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreement in effect at June 30, 2002:

<u>Year Ending June 30,</u>	<u>Amount</u>
2003	\$ 18,796
2004	18,796
2005	18,796
2006	18,796
2007	<u>7,831</u>
Total minimum lease payments	83,015
Less amount representing interest	<u>(12,310)</u>
Present value of net minimum lease payments	<u>\$ 70,705</u>

(8) Pension and Retirement Benefits

Iowa Public Employees' Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2002, 2001 and 2000 were \$100,026, \$95,480 and \$93,804, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa - The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits which are established by State statute to plan members and beneficiaries. The police department and the full time employees of the fire department for the City of Fairfield participate in this Plan. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th St., Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate may not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2002, 2001, and 2000 were \$115,291, \$114,577, and \$107,035, respectively, which met the required minimum contribution for each year.

(9) Compensated Absences

City employees accumulate unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2002, primarily relating to the General Fund, was \$77,000. This liability has been computed based on rates of pay in effect at June 30, 2002.

(10) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 384.12 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 400 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2002 was \$116,057.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks, including automobile physical damage, are also reinsured on an individual member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2002, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation, and other property and liability. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Contractual Commitments

The City has entered into various construction contracts totaling approximately \$7,028,088. The unpaid contract balances at June 30, 2002 totaled \$5,030,032. These balances will be paid as work on the projects progresses. These construction contracts will be funded with local sources and possible bond or note sales in fiscal year 2003.

(12) Deficit Balances

The General Fund, Park, Recreation and Pool Account had a deficit balance of \$4,270 at June 30, 2002. The deficit balance resulted because of a past capital outlay. The deficit will be eliminated by continuing to collect outstanding pledges.

The Capital Projects Fund, Recreation Trails, 2nd & Broadway, Walton Lake Subdivision, Airport Improvements, 2000 RISE Project and Capital Improvement Replacement Fund Accounts had deficit balances of \$1,646, \$843, \$491,098, \$450,519, \$69,266, and \$279,822, respectively, at June 30, 2002. These deficit balances were a result of project costs incurred prior to availability of funds. The deficit balances will be eliminated by local sources, grants and future bond or note issues.

The Enterprise Fund, Water Capital Improvement Reserve Sinking, Water-State Revolving, Airport Hanger Development and Yard Waste Accounts had deficit balances of \$467,826, \$950,894, \$44,349, and \$978, respectively, at June 30, 2002. The deficits will be eliminated by local sources, grants, bond or note sales and transfers from other accounts.

The Internal Service Fund, Revolving Account had a deficit balance of \$70,257 at June 30, 2002. This account is reimbursed for advances made and, as a result, normally has a deficit balance.

(13) Southeast Iowa Small Cities and Counties Health Care Plan

The City, in conjunction with Jefferson County, entered into an agreement authorized by Chapter 28E of the Code of Iowa for health insurance which is funded through employer and employee contributions. The City and County are contingently liable with respect to medical claims made by the participants in the plan. The plan is self-insured up to a stop loss amount including aggregate coverage of 120% of established covered claims and specific coverage with a \$25,000 specific deductible. Coverage from an independent insurer is maintained for losses in excess of both the individual and aggregate stop loss amounts. Claims based on occurrences prior to April 1, 2000 remain insured under previous insurance policies. An independent claims administrator performs all claims handling procedures. Settled claims have not exceeded the plan coverage during any of the past three years.

The unaudited cash balance of the Southeast Iowa Small Cities and Counties Health Care Plan was \$69,330 at June 30, 2002. The plan had unaudited claims expense, after reinsurance reimbursement, of \$885,463 for the plan year ended June 30, 2002. The plan had an unaudited reserve for incurred but unpaid claims of \$128,198 at June 30, 2002.

(14) Library Bank Loan

On March 17, 2001, the Fairfield Public Library entered into a bank loan totaling \$44,000 to purchase a home and property adjacent to the existing library. The loan bears 5.00% per annum interest and requires monthly payments of \$348 from April 17, 2001 through February 17, 2005, with a final payment of \$33,028 due on March 17, 2005. The balance outstanding totaled \$39,308 at June 30, 2002.

(15) Litigation

The City is involved in several legal matters as of June 30, 2002. The probability of loss, if any, is undeterminable.

(16) Subsequent Events

On July 12, August 22, and September 11, 2002, the City approved the issuance of Water State Revolving Loan Fund Construction Warrants for \$500,000, \$750,000, and \$800,000, respectively. The interest rates on the warrants was 5.00%. The warrants will be paid with state revolving loan funds from the Iowa Department of Natural Resources.

On July 30, 2002, the City approved the issuance of a 2002 Airport Project Construction Warrant for \$750,000. The interest rate on the warrant was 5.00% per annum. The warrant will be redeemed with Federal Aviation Administration grant funds.

On July 22, 2002, the City accepted the low bid of \$440,441 for the airport apron and taxiway rehabilitation project. The project will be paid with local sources and funds from the Federal Aviation Administration.

On December 4, 2002, the City accepted the low bid of \$872,475 for the Wastewater Digester Project. The project costs will be paid from local sources and bond/note proceeds.

Supplemental Information

City of Fairfield

City of Fairfield
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General	Park, Recreation and Pool	Hotel/ Motel Tax	Total
Receipts:				
Property tax	\$ 1,897,089	-	-	1,897,089
Other City tax:				
Mobile home tax	15,876	-	-	15,876
Utility tax replacement excise tax	78,126	-	-	78,126
Hotel/motel tax	16,009	-	-	16,009
Cable franchise tax	50,086	-	-	50,086
	<u>160,097</u>	-	-	<u>160,097</u>
Licenses and permits:				
Liquor	7,551	-	-	7,551
Inspection fees	7,875	-	-	7,875
Beer	2,825	-	-	2,825
Building	3,115	-	-	3,115
Bicycle	30	-	-	30
Business	1,395	-	-	1,395
	<u>22,791</u>	-	-	<u>22,791</u>
Use of money and property:				
Interest on investments	12,405	301	-	12,706
Intergovernmental:				
State allocation	146,773	-	-	146,773
Bank franchise tax	27,403	-	-	27,403
County library allocation	65,463	-	-	65,463
City library allocation	1,230	-	-	1,230
Library open access	4,461	-	-	4,461
Enrich Iowa	7,501	-	-	7,501
Township fire protection	40,959	-	-	40,959
	<u>293,790</u>	-	-	<u>293,790</u>
Charges for service:				
Solid waste recycling	77,900	-	-	77,900
Garbage collection	202,442	-	-	202,442
Park and recreation fees	106,520	3,690	-	110,210
Pool fees	101,790	-	-	101,790
Library fines and book charges	27,345	-	-	27,345
Security service revenue	710	-	-	710
Parking fines and fees	51,273	-	-	51,273
Animal control fees	2,421	-	-	2,421
Miscellaneous	5,550	-	-	5,550
	<u>575,951</u>	<u>3,690</u>	-	<u>579,641</u>

Schedule 1

City of Fairfield
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General	Park, Recreation and Pool	Hotel/ Motel Tax	Total
Receipts (continued):				
Miscellaneous:				
Court fines	26,939	-	-	26,939
Contributions, gifts, and bequests	-	10,342	-	10,342
Library, pool, and recreation concessions	10,772	-	-	10,772
Refunds and reimbursements	22,084	-	-	22,084
Public access TV	3,932	-	-	3,932
Miscellaneous	5,609	-	-	5,609
	<u>69,336</u>	<u>10,342</u>	<u>-</u>	<u>79,678</u>
Total receipts	<u>3,031,459</u>	<u>14,333</u>	<u>-</u>	<u>3,045,792</u>
Disbursements:				
Community Protection Program:				
Police:				
Personal services	814,520	-	-	814,520
Contractual services	107,504	-	-	107,504
Commodities	36,206	-	-	36,206
Capital outlay	6,422	-	-	6,422
	<u>964,652</u>	<u>-</u>	<u>-</u>	<u>964,652</u>
Fire:				
Personal services	252,267	-	-	252,267
Contractual services	17,249	-	-	17,249
Commodities	18,258	-	-	18,258
Capital outlay	8,546	-	-	8,546
	<u>296,320</u>	<u>-</u>	<u>-</u>	<u>296,320</u>
Ambulance	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
	<u>1,270,972</u>	<u>-</u>	<u>-</u>	<u>1,270,972</u>
Human Development Program:				
Animal control	6,998	-	-	6,998

City of Fairfield
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General	Park, Recreation and Pool	Hotel/ Motel Tax	Total
Disbursements (continued):				
Human Development Program:				
Library:				
Personal services	229,298	-	-	229,298
Contractual services	86,194	-	-	86,194
Commodities	15,599	-	-	15,599
Capital outlay	19,362	-	-	19,362
	<u>350,453</u>	-	-	<u>350,453</u>
Parks and recreation:				
Personal services	249,877	-	-	249,877
Contractual services	116,999	5,969	-	122,968
Commodities	39,071	-	-	39,071
Capital outlay	21,185	-	-	21,185
Miscellaneous	-	1,000	-	1,000
	<u>427,132</u>	<u>6,969</u>	-	<u>434,101</u>
Swimming pools:				
Personal services	149,378	-	-	149,378
Contractual services	51,492	-	-	51,492
Commodities	25,302	-	-	25,302
Capital outlay	6,230	-	-	6,230
	<u>232,402</u>	-	-	<u>232,402</u>
Public access TV:				
Personal services	22,680	-	-	22,680
Contractual services	4,659	-	-	4,659
Commodities	10,985	-	-	10,985
	<u>38,324</u>	-	-	<u>38,324</u>
Municipal band				
	4,500	-	-	4,500
	<u>1,059,809</u>	<u>6,969</u>	-	<u>1,066,778</u>
Home and Community Environment Program:				
Solid waste:				
Contractual services	300,189	-	-	300,189
Cemetery:				
Contractual services	9,000	-	-	9,000

Schedule 1

City of Fairfield
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General	Park, Recreation and Pool	Hotel/ Motel Tax	Total
Disbursements (continued):				
Home and Community Environment Program:				
Airport:				
Contractual services	64,032	-	-	64,032
Commodities	947	-	-	947
	<u>64,979</u>	-	-	<u>64,979</u>
Transit:				
Contractual services	5,965	-	-	5,965
Parking meters:				
Personal services	16,519	-	-	16,519
Commodities	250	-	-	250
Capital outlay	466	-	-	466
	<u>17,235</u>	-	-	<u>17,235</u>
	<u>397,368</u>	-	-	<u>397,368</u>
Policy and Administration Program:				
Mayor and Council Members:				
Personal services	18,388	-	-	18,388
Contractual services	1,771	-	-	1,771
	<u>20,159</u>	-	-	<u>20,159</u>
Finance Officer/Clerk:				
Personal services	61,282	-	-	61,282
Contractual services	164,751	-	-	164,751
Commodities	11,220	-	-	11,220
	<u>237,253</u>	-	-	<u>237,253</u>
Planning:				
Personal services	57,969	-	-	57,969
Contractual services	12,170	-	-	12,170
Commodities	3,059	-	-	3,059
Capital outlay	320	-	-	320
	<u>73,518</u>	-	-	<u>73,518</u>
	<u>330,930</u>	-	-	<u>330,930</u>
Total disbursements	<u>3,059,079</u>	<u>6,969</u>	-	<u>3,066,048</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(27,620)</u>	<u>7,364</u>	-	<u>(20,256)</u>

City of Fairfield
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General	Park, Recreation and Pool	Hotel/ Motel Tax	Total
Other financing sources (uses):				
Sale of general fixed assets	6,000	-	-	6,000
Operating transfers in (out):				
General:				
General	-	-	16,009	16,009
Hotel/Motel Tax	(16,009)	-	-	(16,009)
Special Revenue:				
Employee Benefits	88,761	-	-	88,761
Total other financing sources (uses)	78,752	-	16,009	94,761
Excess of receipts and other financing sources over disbursements and other financing uses	51,132	7,364	16,009	74,505
Balance beginning of year	54,115	(11,634)	-	42,481
Balance end of year	\$ 105,247	(4,270)	16,009	116,986

See accompanying independent auditor's report.

City of Fairfield
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2002

	Road Use Tax	Friends of the Library
Receipts:		
Property tax	\$ -	-
Tax increment financing collections	-	-
Other city tax:		
Mobile home tax	-	-
Utility tax replacement excise tax	-	-
Local option sales tax	-	-
Use of money and property:		
Interest on investments	-	655
Intergovernmental:		
Road use tax allocation	761,829	-
Miscellaneous:		
Dues and memberships	-	3,268
Total receipts	761,829	3,923
Disbursements:		
Community Protection Program:		
Personal services	-	-
Contractual services	95,798	-
Commodities	19,161	-
Capital outlay	-	-
	114,959	-
Human Development Program:		
Personal services	-	-
Contractual services	-	5,834
Commodities	-	584
	-	6,418
Home and Community Environment Program:		
Personal services	440,103	-
Contractual services	69,303	-
Commodities	107,809	-
Capital outlay	76,620	-
	693,835	-

Employee Benefits	Urban Renewal Tax Increment Financing	Local Option Sales Tax	Total
419,644	-	-	419,644
	284,252	-	284,252
3,450	-	-	3,450
17,440	-	-	17,440
-	-	683,505	683,505
20,890	-	683,505	704,395
-	-	-	655
-	-	-	761,829
-	-	-	3,268
440,534	284,252	683,505	2,174,043
159,004	-	-	159,004
-	-	546,804	642,602
-	-	-	19,161
-	-	21,880	21,880
159,004	-	568,684	842,647
79,487	-	-	79,487
-	-	22,000	27,834
-	-	-	584
79,487	-	22,000	107,905
3,600	-	-	443,703
-	-	-	69,303
-	-	2,500	110,309
-	-	-	76,620
3,600	-	2,500	699,935

City of Fairfield
Combining Schedule of Cash Transactions
Special Revenue Funds
Year ended June 30, 2002

	Road Use Tax	Friends of the Library
Disbursements (continued):		
Policy and Administration Program:		
Personal services	-	-
Commodities	-	-
Capital outlay	-	-
	-	-
	-	-
Total disbursements	808,794	6,418
Excess (deficiency) of receipts over (under) disbursements	(46,965)	(2,495)
Other financing uses:		
Operating transfers out:		
General:		
General	-	-
Debt service	-	-
Total other financing uses	-	-
Excess (deficiency) of receipts over (under) disbursements and other financing uses	(46,965)	(2,495)
Balance beginning of year	154,571	14,041
Balance end of year	\$ 107,606	11,546

See accompanying independent auditor's report.

Employee Benefits	Urban Renewal Tax Increment Financing	Local Option Sales Tax	Total
28,800	-	-	28,800
-	-	19,043	19,043
-	-	64,180	64,180
28,800	-	83,223	112,023
270,891	-	676,407	1,762,510
169,643	284,252	7,098	411,533
(88,761)	-	-	(88,761)
(81,578)	(274,898)	-	(356,476)
(170,339)	(274,898)	-	(445,237)
(696)	9,354	7,098	(33,704)
20,314	61,273	31,246	281,445
19,618	70,627	38,344	247,741

City of Fairfield

City of Fairfield
 Schedule of Cash Transactions
 Debt Service Fund
 Year ended June 30, 2002

	General Obligation Bonds
Receipts:	
Property tax	\$ 437,116
Other City tax:	
Mobile home tax	3,533
Utility tax replacement excise tax	17,168
	20,701
Special assessments	58,766
Total receipts	516,583
Disbursements:	
Community Protection Program:	
Debt service:	
Principal redemption	90,000
Interest payments	14,935
Municipal Fire and Police Retirement System of Iowa - District Court judgement	80,828
Administrative fees	1,500
	187,263
Human Development Program:	
Debt service:	
Principal redemption	225,000
Interest payments	148,984
	373,984
Home and Community Environment Program:	
Debt service:	
Principal redemption	430,000
Interest payments	203,717
	633,717
Total disbursements	1,194,964
Deficiency of receipts under disbursements	(678,381)
Other financing sources:	
Operating transfers in:	
Special Revenue:	
Employee Benefits	81,578
Urban Renewal Tax Increment Financing	274,898
Total other financing sources	356,476
Deficiency of receipts and other financing sources under disbursements	(321,905)
Balance beginning of year	322,639
Balance end of year	\$ 734

See accompanying independent auditor's report.

City of Fairfield
Combining Schedule of Cash Transactions
Capital Projects Funds
Year ended June 30, 2002

	Recreation Trails	Jackson Place	2nd & Broadway
Receipts:			
Property tax	\$ -	-	-
Other City tax:			
Mobile home tax	-	-	-
Utility tax replacement excise tax	-	-	-
	-	-	-
Intergovernmental:			
Revitalize Iowa's sound economy	-	-	-
Sales tax refund	-	2,143	-
	-	2,143	-
Total receipts	-	2,143	-
Disbursements:			
Home and Community Environment Program:			
Contractual services	-	-	843
Capital outlay	-	7,073	-
Total disbursements	-	7,073	843
Excess (deficiency) of receipts over (under) disbursements	-	(4,930)	(843)
Balance beginning of year	(1,646)	15,411	-
Balance end of year	\$ (1,646)	10,481	(843)

See accompanying independent auditor's report.

Carrington Pointe	Walton Lake Subdivision	Airport Improvements	1998 Paving Project	2000 RISE Project	Capital Improvement Replacement	Total
-	-	-	-	-	149,982	149,982
-	-	-	-	-	1,256	1,256
-	-	-	-	-	6,180	6,180
-	-	-	-	-	7,436	7,436
-	-	-	-	24,801	-	24,801
-	-	-	-	-	6,193	8,336
-	-	-	-	24,801	6,193	33,137
-	-	-	-	24,801	163,611	190,555
-	62,789	154,216	10,395	158	53,436	281,837
23,621	499,414	248,022	-	9,165	413,298	1,200,593
23,621	562,203	402,238	10,395	9,323	466,734	1,482,430
(23,621)	(562,203)	(402,238)	(10,395)	15,478	(303,123)	(1,291,875)
102,312	71,105	(48,281)	10,395	(84,744)	23,301	87,853
78,691	(491,098)	(450,519)	-	(69,266)	(279,822)	(1,204,022)

City of Fairfield
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

	Water Utility	Water Meter Deposits	Water Bond and Interest Sinking	Water Reserve	Water Improve- ment
Receipts:					
Use of money and property:					
Interest on investments	\$ -	-	-	-	-
Rent	-	-	-	-	-
	-	-	-	-	-
Intergovernmental:					
Housing and Urban					
Development rental subsidy	-	-	-	-	-
United States Department of Agriculture loan deficiency payments	-	-	-	-	-
	-	-	-	-	-
Charges for service:					
Sale of water	1,506,857	-	-	-	-
Sewer rental fees	-	-	-	-	-
Main extension, hook-up and tapping fees	14,095	-	-	-	-
	1,520,952	-	-	-	-
Miscellaneous:					
Refunds and reimbursements	4,052	-	-	-	-
Merchandise sales and service	12,760	-	-	-	-
Sales tax collected	73,209	-	-	-	-
Tenant security deposits	-	-	-	-	-
Customer deposits	-	20,319	-	-	-
Late charges	10,407	-	-	-	-
Miscellaneous	-	-	-	-	-
	100,428	20,319	-	-	-
Total receipts	1,621,380	20,319	-	-	-
Disbursements:					
Home and Community Environment Program:					
Jordan well:					
Contractual services	-	-	-	-	-
Plant:					
Personal services	205,374	-	-	-	-
Contractual services	200,891	-	-	-	-
Commodities	104,169	-	-	-	-
Capital outlay	5,293	-	-	-	-
	515,727	-	-	-	-

Water Capital Improvement Reserve Sinking	Water - State Revolving	Sewer Utility	Sewer Utility Replace- ment	Logan Apart- ments	Logan Apart- ments Deposit	Airport Hangar Develop- ment	Yard Waste	Total
24	-	-	-	-	1,321	-	-	1,345
-	-	-	-	104,393	-	23,045	-	127,438
24	-	-	-	104,393	1,321	23,045	-	128,783
-	-	-	-	105,976	-	-	-	105,976
-	-	-	-	-	-	2,789	-	2,789
-	-	-	-	105,976	-	2,789	-	108,765
-	-	-	-	-	-	-	-	1,506,857
-	-	542,431	-	-	-	-	-	542,431
-	-	-	-	-	-	-	-	14,095
-	-	542,431	-	-	-	-	-	2,063,383
-	-	16,945	-	28	-	1,809	-	22,834
-	-	-	-	462	-	4,162	6,546	23,930
-	-	-	-	-	-	-	-	73,209
-	-	-	-	-	1,966	-	-	1,966
-	-	-	-	-	-	-	-	20,319
-	-	-	-	-	-	-	-	10,407
3,917	-	-	-	1,832	-	6,334	-	12,083
3,917	-	16,945	-	2,322	1,966	12,305	6,546	164,748
3,941	-	559,376	-	212,691	3,287	38,139	6,546	2,465,679
-	18,847	-	-	-	-	-	-	18,847
-	-	171,743	-	-	-	-	-	377,117
-	143,580	104,375	25,731	-	-	-	-	474,577
-	-	134,586	-	-	-	-	-	238,755
-	242,368	-	3,209	-	-	-	-	250,870
-	385,948	410,704	28,940	-	-	-	-	1,341,319

City of Fairfield
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

	Water Utility	Water Meter Deposits	Water Bond and Interest Sinking	Water Reserve	Water Improve- ment
Disbursements (continued):					
Home and Community Environment Program:					
Sanitary sewers:					
Personal services	-	-	-	-	-
Contractual services	-	-	-	-	-
Capital outlay	-	-	-	-	-
	-	-	-	-	-
Distribution:					
Personal services	169,520	-	-	-	-
Contractual services	3,255	-	-	-	-
Commodities	41,904	-	-	-	-
Capital outlay	43,235	-	-	-	-
	257,914	-	-	-	-
Accounting and collection:					
Personal services	111,104	-	-	-	-
Contractual services	103,044	-	-	-	-
Commodities	3,658	-	-	-	-
Capital outlay	51,809	-	-	-	-
	269,615	-	-	-	-
Administration:					
Personal services	58,306	-	-	-	-
Contractual services	6,190	-	-	-	-
	64,496	-	-	-	-
Meter deposit refunds	-	19,390	-	-	-
Logan Apartment operations:					
Personal services	-	-	-	-	-
Contractual services	-	-	-	-	-
Commodities	-	-	-	-	-
Capital outlay	-	-	-	-	-
Security deposit refunds	-	-	-	-	-
	-	-	-	-	-
Airport development:					
Contractual services	-	-	-	-	-
Commodities	-	-	-	-	-
	-	-	-	-	-
Yard waste:					
Contractual services	-	-	-	-	-
Commodities	-	-	-	-	-
	-	-	-	-	-

Water Capital Improvement Reserve Sinking	Water - State Revolving	Sewer Utility	Sewer Utility Replace- ment	Logan Apart- ments	Logan Apart- ments Deposit	Airport Hangar Develop- ment	Yard Waste	Total
-	-	84,650	-	-	-	-	-	84,650
-	-	3,745	-	-	-	-	-	3,745
-	-	21,597	-	-	-	-	-	21,597
-	-	109,992	-	-	-	-	-	109,992
-	-	-	-	-	-	-	-	169,520
-	25,640	-	-	-	-	-	-	28,895
-	-	-	-	-	-	-	-	41,904
-	134,959	-	-	-	-	-	-	178,194
-	160,599	-	-	-	-	-	-	418,513
-	-	-	-	-	-	-	-	111,104
-	-	-	-	-	-	-	-	103,044
-	-	-	-	-	-	-	-	3,658
-	-	-	-	-	-	-	-	51,809
-	-	-	-	-	-	-	-	269,615
-	-	-	-	-	-	-	-	58,306
-	-	-	-	-	-	-	-	6,190
-	-	-	-	-	-	-	-	64,496
-	-	-	-	-	-	-	-	19,390
-	-	-	-	39,405	-	-	-	39,405
-	-	-	-	89,728	-	-	-	89,728
-	-	-	-	2,638	-	-	-	2,638
-	-	-	-	11,323	-	-	-	11,323
-	-	-	-	-	2,618	-	-	2,618
-	-	-	-	143,094	2,618	-	-	145,712
-	-	-	-	-	-	9,728	-	9,728
-	-	-	-	-	-	13,305	-	13,305
-	-	-	-	-	-	23,033	-	23,033
-	-	-	-	-	-	-	6,035	6,035
-	-	-	-	-	-	-	1,703	1,703
-	-	-	-	-	-	-	7,738	7,738

City of Fairfield
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

	Water Utility	Water Meter Deposits	Water Bond and Interest Sinking	Water Reserve	Water Improve- ment
Disbursements (continued):					
Home and Community Environment Program:					
Debt service:					
Principal redemption	13,399	-	80,000	-	-
Interest payments	5,397	-	48,183	-	-
	<u>18,796</u>	<u>-</u>	<u>128,183</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>1,126,548</u>	<u>19,390</u>	<u>128,183</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>494,832</u>	<u>929</u>	<u>(128,183)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):					
Operating transfers in (out):					
Enterprise:					
Water Utility	-	-	127,849	-	-
Water Bond and Interest Sinking	(127,849)	-	-	-	-
Water Capital Improvement Reserve Sinking	(100,200)	-	-	-	-
Sewer Utility	-	-	-	-	-
Sewer Utility Replacement	-	-	-	-	-
Total other financing sources (uses)	<u>(228,049)</u>	<u>-</u>	<u>127,849</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>266,783</u>	<u>929</u>	<u>(334)</u>	<u>-</u>	<u>-</u>
Balance beginning of year	<u>637,536</u>	<u>84,287</u>	<u>72,656</u>	<u>165,025</u>	<u>52,437</u>
Balance end of year	<u>\$ 904,319</u>	<u>85,216</u>	<u>72,322</u>	<u>165,025</u>	<u>52,437</u>

See accompanying independent auditor's report.

Water Capital Improvement Reserve Sinking	Water - State Revolving	Sewer Utility	Sewer Utility Replace- ment	Logan Apart- ments	Logan Apart- ments Deposit	Airport Hangar Develop- ment	Yard Waste	Total
-	-	-	-	61,813	-	-	-	155,212
-	-	-	-	28,815	-	-	-	82,395
-	-	-	-	90,628	-	-	-	237,607
-	565,394	520,696	28,940	233,722	2,618	23,033	7,738	2,656,262
3,941	(565,394)	38,680	(28,940)	(21,031)	669	15,106	(1,192)	(190,583)
100,200	-	-	-	-	-	-	-	228,049
-	-	-	-	-	-	-	-	(127,849)
-	-	-	-	-	-	-	-	(100,200)
-	-	-	125,000	-	-	-	-	125,000
-	-	(125,000)	-	-	-	-	-	(125,000)
100,200	-	(125,000)	125,000	-	-	-	-	-
104,141	(565,394)	(86,320)	96,060	(21,031)	669	15,106	(1,192)	(190,583)
(571,967)	(385,500)	89,614	108,322	456,067	13,501	(59,455)	214	662,737
(467,826)	(950,894)	3,294	204,382	435,036	14,170	(44,349)	(978)	472,154

City of Fairfield

City of Fairfield
 Schedule of Cash Transactions
 Internal Service Fund
 Year ended June 30, 2002

	Revolving Fund
Receipts:	
Intergovernmental:	
Jefferson County reimbursements	\$ 823
Miscellaneous:	
Sales tax collections	505
Reimbursements	8,155
	8,660
Total receipts	9,483
Disbursements:	
Non-program:	
Commodities	9,092
	9,092
Excess of receipts over disbursements	391
Balance beginning of year	(70,648)
Balance end of year	\$ (70,257)

See accompanying independent auditor's report.

City of Fairfield
Combining Schedule of Cash Transactions
Trust Funds
Year ended June 30, 2002

	Library Memorial	Library Building Trust
Receipts:		
Use of money and property:		
Interest on investments	\$ 17,774	8,880
Dividends	57	-
Gain on investments	-	-
Rent	-	-
Loan repayments	-	-
	17,831	8,880
Miscellaneous:		
Contributions, gifts, and bequests	19,045	200
Sale of books and records	2,001	-
Miscellaneous	3,210	4,175
	24,256	4,375
Total receipts	42,087	13,255
Disbursements:		
Human Development Program:		
Contractual services	-	-
Books, magazines, records, and microfilm	46,875	-
Subscriptions	3,706	-
Library building and equipment costs	-	52,436
Debt service:		
Principal	-	-
Interest	-	-
Miscellaneous	1,554	-
	52,135	52,436
Home and Community Environment Program:		
Fairfield economic development	-	-
Regional economic development investments allocation	-	-
	-	-
Total disbursements	52,135	52,436
Excess (deficiency) of receipts over (under) disbursements	(10,048)	(39,181)
Balance beginning of year	15,706	235,053
Balance end of year	\$ 5,658	195,872

See accompanying independent auditor's report.

<u>Expendable Trusts</u>				
Fairfield Library Foundation	Friends of the Library Fairfield Public Library House	UDAG- FALCO Project Fund	Non- Expendable Trust Library Endowment	Total
708	-	1,114	-	28,476
-	-	-	-	57
9,010	-	-	-	9,010
-	7,200	-	-	7,200
-	-	37,474	-	37,474
<u>9,718</u>	<u>7,200</u>	<u>38,588</u>	-	<u>82,217</u>
1,000	-	-	8,631	28,876
-	-	-	-	2,001
-	-	-	-	7,385
<u>1,000</u>	-	-	<u>8,631</u>	<u>38,262</u>
<u>10,718</u>	<u>7,200</u>	<u>38,588</u>	<u>8,631</u>	<u>120,479</u>
-	3,435	-	-	3,435
-	-	-	-	46,875
-	-	-	-	3,706
-	-	-	-	52,436
-	2,152	-	-	2,152
-	2,024	-	-	2,024
-	360	-	1,243	3,157
-	<u>7,971</u>	-	<u>1,243</u>	<u>113,785</u>
-	-	16,000	-	16,000
-	-	31,250	-	31,250
-	-	47,250	-	47,250
-	<u>7,971</u>	<u>47,250</u>	<u>1,243</u>	<u>161,035</u>
10,718	(771)	(8,662)	7,388	(40,556)
<u>45,468</u>	<u>2,626</u>	<u>321,254</u>	<u>334,732</u>	<u>954,839</u>
<u>56,186</u>	<u>1,855</u>	<u>312,592</u>	<u>342,120</u>	<u>914,283</u>

City of Fairfield
 Bond and Note Maturities
 June 30, 2002

Year Ending June 30,	General Obligation Bonds							Total
	Capital Projects		Policemen's and Firemen's Pension		Library and Street Construction			
	Issued Jun 1, 1993		Issued Jun 1, 1993		Issued May 1, 1995			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2003	4.375%	\$ 110,000	6.50%	\$ 85,000	5.000%	\$ 230,000	\$ 425,000	
2004		-		-	5.050	245,000	245,000	
2005		-		-	5.150	255,000	255,000	
2006		-		-	5.200	265,000	265,000	
2007		-		-	5.250	285,000	285,000	
2008		-		-	5.375	140,000	140,000	
2009		-		-	5.500	150,000	150,000	
2010		-		-	5.600	155,000	155,000	
2011		-		-	5.600	165,000	165,000	
2012		-		-	5.600	175,000	175,000	
2013		-		-		-	-	
2014		-		-		-	-	
2015		-		-		-	-	
2016		-		-		-	-	
Total		<u><u>\$ 110,000</u></u>		<u><u>\$ 85,000</u></u>		<u><u>\$ 2,065,000</u></u>	<u><u>\$ 2,260,000</u></u>	

See accompanying independent auditor's report.

General Obligation Capital Loan Notes					Revenue Bonds	
General Corporate		Urban Renewal			Water	
Purpose - Series		Project - Series			Issued May 1, 1995	
2001A		2001B				
Issued May 1, 2001		Issued May 1, 2001				
Interest		Interest			Interest	
Rates	Amount	Rates	Amount	Total	Rates	Amount
4.000%	\$ 335,000	6.05%	\$ 25,000	\$ 360,000	5.10%	\$ 80,000
.000	350,000	6.10	30,000	380,000	5.20	85,000
.250	365,000	6.15	30,000	395,000	5.30	90,000
.375	385,000	6.20	30,000	415,000	5.40	100,000
.500	400,000	6.25	35,000	435,000	5.45	105,000
.500	275,000	6.30	35,000	310,000	5.55	110,000
.500	290,000	6.35	35,000	325,000	5.65	115,000
.500	295,000	6.40	40,000	335,000	5.75	125,000
.500	210,000	6.45	40,000	250,000		-
.500	200,000		-	200,000		-
.600	210,000		-	210,000		-
.700	220,000		-	220,000		-
.750	230,000		-	230,000		-
.800	240,000		-	240,000		-
	<u>\$ 4,005,000</u>		<u>\$ 300,000</u>	<u>\$ 4,305,000</u>		<u>\$ 810,000</u>

Schedule 9

City of Fairfield

Comparison of Taxes and Intergovernmental Receipts

	Years ended June 30,			
	2002	2001	2000	1999
Property tax	\$ 2,903,831	2,789,922	2,938,138	3,069,805
Tax increment financing collections	284,252	173,345	128,944	144,100
Other City tax:				
Mobile home tax	24,115	23,608	26,204	28,382
Utility tax replacement excise tax	118,914	113,972	-	-
Hotel/motel tax	16,009	-	-	-
Local option sales tax	683,505	511,239	888,690	85,104
Cable franchise tax	50,086	48,365	56,923	36,487
	<u>892,629</u>	<u>697,184</u>	<u>971,817</u>	<u>149,973</u>
Intergovernmental:				
State allocation	146,773	160,176	160,647	160,521
Sales tax refund	8,336	5,550	12,859	3,417
Bank franchise tax	27,403	26,747	23,745	21,173
Library allocations and open access	71,154	71,885	71,328	67,254
Township fire protection	40,959	48,703	41,970	27,364
Road use tax	761,829	779,293	792,332	749,237
Recreational infrastructure grant	-	-	15,960	-
Resource Enhancement and Protection	-	100,000	-	-
Revitalize Iowa's Sound Economy	24,801	70,298	-	-
Housing and Urban Development rental subsidy	105,976	151,510	128,538	140,488
United States Department of Agriculture loan deficiency payments	2,789	2,572	-	-
Underground storage tank	-	-	1,400	-
Federal Aviation Administration airport improvement program grant	-	297,177	-	-
Airport hangar grant	-	-	-	1,580
Enrich Iowa	7,501	3,367	2,475	-
Jefferson County reimbursements	823	5,217	136,214	98,452
	<u>1,198,344</u>	<u>1,722,495</u>	<u>1,387,468</u>	<u>1,269,486</u>
Total	<u>\$ 5,279,056</u>	<u>5,382,946</u>	<u>5,426,367</u>	<u>4,633,364</u>

See accompanying independent auditor's report.

City of Fairfield
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2002

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expendi- tures
Direct:			
U.S. Department of Transportation: Federal Aviation Administration: Airport Improvement Program	20.106	DTFA09-01-A-40004	\$ 103,056
U.S. Department of Housing and Urban Development - Office of Housing: Tenant Assistance Program	14.182	IA050008008	105,976
U.S. Department of Agriculture-Farm Service Agency: Commodity Loans and Loan Deficiency Payments Program	10.051	ID 42 6004655	<u>2,516</u>
Total Direct			<u>211,548</u>
Indirect:			
Iowa Department of Transportation: Highway Planning and Construction Surface Transportation Program	20.205	STP-U-2465(606)--70-51	130,520
Environmental Protection Agency: Iowa Department of Natural Resources: Capitalization Grants for Drinking Water - State Revolving Fund	66.468	FS-51-00-DWSRF-011	<u>466,202</u>
Total Indirect			<u>596,722</u>
Total			<u>\$ 808,270</u>

Basis of presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Fairfield and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

City of Fairfield



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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Fairfield, Iowa, as of and for the year ended June 30, 2002, and have issued our report thereon dated January 23, 2003. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the City of Fairfield's operations for the year ended June 30, 2002 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. Prior year statutory comments have been resolved except for items IV-G-02 and IV-I-02.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Fairfield's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Fairfield's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items II-A-02 and II-B-02 are material weaknesses. Prior year reportable conditions have been resolved except for items II-A-02, II-B-02 and II-C-02.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Fairfield and other parties to whom the City of Fairfield may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

January 23, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance**

City of Fairfield



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over Compliance

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Fairfield, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2002. The City of Fairfield's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Fairfield's management. Our responsibility is to express an opinion on the City of Fairfield's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fairfield's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Fairfield's compliance with those requirements.

In our opinion, the City of Fairfield complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the City of Fairfield is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Fairfield and other parties to whom the City of Fairfield may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

January 23, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

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

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The City's major program was CFDA Number 66.468 - Capitalization Grants for Drinking Water - State Revolving Fund.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Fairfield did not qualify as a low-risk auditee.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-02 Segregation of Duties - One important element in designing internal control that safeguards assets and reasonably ensures the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated the activities of one employee act as a check of those of another. One person has control over all the following areas:

- 1) Cash—preparing bank account reconciliations, cash receipt and disbursement functions, handling and recording cash.
- 2) Receipts—collecting, depositing, recording and reconciling.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available personnel.

Response - Effective January 2003, one more staff member was trained to be a part of the financial records process. Given limited staff, there will always be problems with segregation of duties requirements.

Conclusion - Response accepted.

II-B-02 Separately Maintained Records - The bookkeeping and custody of the Trust Funds, Library Memorial, Library Building, and Library Endowment Accounts were under the control of the Director of the Library in a location separate from the Clerk's office. These accounts were not reflected in the City's accounting system, monthly fund balances or annual budget. The Library lacked segregation of duties over cash as the bank account reconciler also has access to cash. Receipts were not deposited timely. Invoices were not properly marked paid to help prevent possible duplicate payment of invoices.

The bookkeeping and custody of the Enterprise Fund, Logan Apartments Deposit Account was under the control of the Manager of the Logan Apartments in a location separate from the Clerk's office. This account was not reflected in the City's accounting system, monthly fund balances or annual budget. Duties are not segregated, as the Logan Apartments Manager prepares tenant certifications, prepares housing assistance payment requests, collects rent, reconciles rent receivable each month, collects and refunds security deposits, and performs other accounting duties for the apartments. Additionally, bank deposits were not made on a timely basis and deposit refunds were not made within 30 days as required by the rental agreements.

Recommendation - Chapter 384.20 of the Code of Iowa states in part that a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any City purpose. Internal control could be strengthened and operating efficiency could be increased by integrating the Library and Logan Apartments Deposit Account receipts and disbursements with the City accounting records in the Clerk's office.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

If the Library accounting records are not integrated with the City accounting records in the Clerk's office, then duties should be properly segregated, receipts should be deposited timely, and invoices should be marked paid upon payment.

If the Logan Apartments accounting records are not integrated with the City accounting records in the Clerk's office, then control activities should be reviewed to obtain the maximum internal control possible under the circumstances. Also, deposits should be made on a timely basis and security deposit refunds should be made within 30 days, as required.

Response - The Library Board of Trustees indicates that it wishes to retain these funds under its control. These funds are estimated for and included in the annual budget that the City submits to the State of Iowa. In addition, activity in these funds is reported on a monthly basis to the Library Board of Trustees and the City Council. We will discuss the issues of segregation of duties, receipting practices and marking of paid invoices with the Librarian.

The Logan Apartments Deposit Account will be incorporated into the City's financial system by the end of the current fiscal year.

Conclusion - Response accepted.

II-C-02 Electronic Data Processing Systems - During our review of internal control, the existing control activities in the City's computer-based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the City's computer-based systems were noted:

The City does not have written policies for:

- requiring password changes because software does not require the user to change logins/passwords periodically.
- maintaining password privacy and confidentiality.
- personal use of computer equipment and software.
- use of the internet.

Recommendation - The City should develop written policies addressing the above items in order to improve the City's control over computer-based systems.

Response - A policy for the use of the Internet was adopted on February 10, 2003 by the City Council. Additional policies will be developed and implemented as time allows.

Conclusion - Response accepted.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE;

No matters were reported.

REPORTABLE CONDITIONS:

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

Part IV: Other Findings Related to Statutory Reporting:

IV-A-02 Official Depositories - A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.

IV-B-02 Certified Budget - Disbursements during the year ended June 30, 2002 did not exceed the amounts budgeted.

The budget amendment was published less than 10 days prior to the actual public hearing date as required by Chapter 384.16 of the Iowa Code.

Recommendation - The budget amendment publication should have been published in accordance with Chapter 384.16 of the Code of Iowa.

Response - Proper publication deadlines will be followed.

Conclusion - Response accepted.

IV-C-02 Questionable Disbursements - Certain disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Various local vendors	Employee City Picnic	\$ 2,590

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

Recommendation - Although the City Council documented their approval of the employee City picnic in the minutes record, the Council should determine and document the public purpose served by the disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper written documentation.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Response - Prior to authorizing the expenditures for the purpose cited above, City staff consulted with field personnel from the Office of State Auditor to determine procedures that should be followed if the City Council wished to pursue this purpose. The City staff and City Council followed the advice of said personnel.

The proposed expenditures were closely scrutinized at public meetings and by the local media. After such scrutiny the City Council approved the expenditures.

Said expenditures were readily identifiable by the City staff and the field auditors. Documentation of the special approvals was provided. It is the belief of the City staff that this is an issue of semantics.

Advice and guidance were sought prior to proceeding with this request. The proceedings advised were followed in a public forum with full disclosure of the proposed expense and open discussion of the merits of the proposal. Criticism implying that the City Council did not determine a public purpose is not a correct appraisal of this issue.

Conclusion - Response acknowledged. Article III, Section 31 of the Constitution of the State of Iowa provides guidance regarding public purpose. Specifically, this section states in part that "no public money or property shall be appropriated for local or private purposes." Documentation of the public purpose is essential when authorizing these types of disbursements, including a City employee picnic or other employee recognition.

To clarify, the Council's determination of public purpose, while discussed at the Council meeting, should also have been included in the minutes record to document the Council's discussion and to satisfy the public purpose requirements of Article III, Section 31 of the Constitution of the State of Iowa and an Attorney General's opinion dated April 25, 1979.

- IV-D-02 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-E-02 Business Transactions - No business transactions between the City and City officials or employees were noted for the year ended June 30, 2002.
- IV-F-02 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 that coverage is adequate for current operations.
- IV-G-02 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa for the fiscal year ended June 30, 2002.

Also, Logan Apartments minutes were not always signed.

Recommendation - The City should publish minutes as required. Also, Logan Apartment minutes should be signed to support approval of actions approved by the Logan Apartment's Board.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

Response – Publication procedures have been reviewed with the staff responsible for publishing the minutes. The Board secretary has been advised to sign their minutes.

Conclusion – Response accepted.

IV-H-02 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

IV-I-02 Financial Condition – At June 30, 2002, the City had deficit balances in the following accounts:

<u>Fund/Account</u>	<u>June 30, 2002</u>
General:	
Park, Recreation and Pool	\$ (4,270)
Capital Projects:	
Recreation Trails	(1,646)
2 nd & Broadway	(843)
Walton Lake Subdivision	(491,098)
Airport Improvements	(450,519)
2002 RISE Project	(69,266)
Capital Improvement Replacement	(279,822)
Enterprise:	
Water Capital Improvement Reserve	
Sinking	(467,826)
Water-State Revolving	(950,894)
Airport Hanger Development	(44,349)
Yard Waste	(978)
Internal Service:	
Revolving	(70,257)

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response – Most of these are project funds and represents amounts due from grants or future bond reimbursement. The loan for the SRF Fund was closed on February 6, 2003 and significant reimbursement has already been received. Any amounts not covered through these methods will be met by making transfers from appropriate funds.

Conclusion – Response accepted.

City of Fairfield

Schedule of Findings and Questioned Costs

Year ended June 30, 2002

IV-J-02 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check as required.

Response – The City will request that an image of both sides of the checks be sent to us. First National Bank of Fairfield has indicated that they will begin sending these with the March 2003 bank statements.

Conclusion – Response accepted.

IV-K-02 Garbage Rates – On January 14, 2002, the City approved Resolution No. 2143 establishing new garbage rates effective March 1, 2002. Chapter 384.84 of the Code of Iowa requires that rates be established by ordinance of the City Council.

Recommendation – The City should establish garbage rates in accordance with Chapter 384.84 of the Code of Iowa.

Response – This has been referred to the City Attorney to draft such an ordinance for consideration by the City Council.

Conclusion – Response accepted.

IV-L-02 City Owned House Rent – A City employee hired in June 1998 also entered into an agreement with the City to rent a City owned home for \$100 per month. The original agreement was for the fiscal year ended June 30, 1999. The employee has continued to live in the home and, as of June 30, 2002, the employee is delinquent in rent payments by \$1,150.

Recommendation – The City should consult with the City Attorney to resolve this matter.

Response – The tenant entered into a payroll deduction agreement with the City on February 10, 2003. An amount is deducted from every paycheck that will ensure that the amount of the current rent is paid and an additional amount will go to pay off the past due rent.

Conclusion – Response accepted.

IV-M-02 Other Information Required by Bond Resolutions

Account Requirements – The City complied with the account requirements in accordance with the revenue bond provisions.

City of Fairfield
Schedule of Findings and Questioned Costs
Year ended June 30, 2002

Insurance – The following insurance policies were in force at June 30, 2002:

Insurer	Description	Amount	Expiration Dates
Iowa Communities Assurance Pool	Property	\$26,096,041	Nov 1, 2002
Cincinnati Insurance Company	General Liability – Logan Apartments Each Occurrence Aggregate	2,000,000	Jun 1, 2003
Iowa Communities Assurance Pool	General Liability	5,000,000	Nov 1, 2002
	Officials Liability	5,000,000	
	Automobile Liability	5,000,000	
	Law Enforcement Liability	5,000,000	
Iowa Municipalities Workers Compensation Association	Workers Compensation	1,000,000	Jul 1, 2002
EMC Insurance Co.	Surety Bond Coverage - Blanket	300,000	Jan 1, 2003
Old Republic Insurance Co.	Airport Bodily Injury	5,000,000	Mar 13, 2003
Owners Insurance Co.	Business Liability & Medical	1,000,000	Jun 1, 2003
	Tenants Fire Legal	50,000	

Statistical Information:

Number of Customers at June 30, 2002: 4513

	Rate Per Cubic Foot
Water Rate Schedule – Monthly	
Monthly account fee(all meter sizes)	\$ 7.00
0 –1,500 Cubic Feet / month	0.0245
1,500 - 10,000 Cubic Feet / month	.02205
10,000 – 50,000 Cubic Feet / month	.0196
above 50,000 Cubic Feet / month	.01715

City of Fairfield

Staff

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