CITY OF TRIPOLI

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
& SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS

June 30, 2005

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City of Tripoli

Officials

Name	Title	Term Expires
	(Before January 2005)	
Eugene Buenger	Mayor	12-31-05
Madeleine Ambrose	Council Member	12-31-07
Brenda Bergmann	Council Member	12-31-05
Melvin Bergmann	Council Member	12-31-05
Fred Homeister	Council Member	12-31-07
Randy Kirchhoff	Council Member	12-31-05
	(After January 2005)	
Eugene Buenger	Mayor	12-31-05
Madeleine Ambrose	Council Member	12-31-07
Brenda Bergmann	Council Member	12-31-05
Melvin Bergmann	Council Member	12-31-05
Fred Homeister	Council Member	12-31-07
Randy Kirchhoff	Council Member	12-31-05
De Ann Lahmann	Clerk/Treasurer	Indefinite
Carter Stevens	Attorney	Indefinite

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tripoli, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Tripoli's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I 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. I believe my audit provides a reasonable basis for my opinions.

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 generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2004.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2004, as discussed in the preceding paragraph, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Tripoli as of and for the year ended June 30, 2005 on the basis of accounting described in Note 1. Also, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tripoli as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated December 19, 2005 on my consideration of the City of Tripoli's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

MEMBER: Iowa Society of Certified Public Accountants • Minnesota Society of Certified Public Accountants
• American Institute of Certified Accountants • Division for CPA Firms • Private Companies Practice Section

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 19 through 20 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tripoli's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Keith Oltrogge CPA

Keith Oltrogge
Certified Public Accountant

December 19, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tripoli provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased 79.3% or $787,213 from fiscal 2004 to fiscal 2005. Note proceeds increased by $1,053,365.

- Disbursements increased 110.6%, or $926,630, in fiscal 2005 from fiscal 2004. Public works, debt service and capital projects disbursements increased $38,401, $702,783 and $147,677, respectively.

- The City's total cash basis net assets increased 9.2%, or $83,744 from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased $5,968 and the assets of the business type activities increased by $89,712.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

- Business Type Activities include the waterworks, solid waste, ambulance and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

   The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the water, sewer, solid waste funds, ambulance and sewer sinking funds, considered to be major funds of the City.

   The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

   Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from $559,862 to $553,894. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

		Year Ended June 30, 2005
Receipts and transfers:		
Program receipts:		
Charges for service	$	76,607
Operating grants, contributions and restricted interest		129,142
Capital grants, contributions and restricted interest		-
General receipts:		
Property tax		344,919
Local option sales tax		108,227
Unrestricted investment earnings		2,818
Note proceeds		1,053,365
Other general receipts		43,370
Total receipts	$	1,758,448
Disbursements:		
Public safety	$	84,530
Public works		140,633
Health and social services		300
Culture and recreation		158,119
Community and economic development		12,932
General government		80,141
Debt service		805,018
Capital projects		482,743
Total disbursements	$	1,764,416
Decrease in cash basis net assets	$	-5,968
Cash basis net assets beginning of year		559,862
Cash basis net assets end of year	$	553,894

Changes in Cash Basis Net Assets of Business Type Activities

		Year Ended June 30, 2005
Receipts:		
Program receipts:		
Charges for service:		
Water	$	88,163
Sewer		177,570
Solid waste		72,138
Ambulance		66,300
Sewer sinking		-
Capital grants, contributions and restricted interest		16,843
General receipts:		
Unrestricted interest on investments		4,272
Other general receipts		40,229
Total receipts	$	465,515
Disbursements:		
Water	$	90,530
Sewer		158,463
Solid waste		47,244
Ambulance		55,248
Sewer sinking		24,318
Total disbursements	$	375,803
Increase in cash balance	$	89,712
Cash basis net assets beginning of year		351,036
Cash basis net assets end of year	$	440,748

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Tripoli completed the year, its governmental funds reported a combined fund balance of $553,894, a decrease of $5,968 below last year's total of $559,862.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 4, 2005 and resulted in an increase in operating disbursements related to a cost overrun of approximately of $1,025,952 on various maintenance projects involving several programs.

DEBT ADMINISTRATION

At June 30, 2005, the City had $1,431,139 in bonds and other long-term debt, compared to $1,146,255 last year, as shown below.

Outstanding Debt at Year-End

	June 30,	
	2005	2004
General obligation bonds and notes	$ 720,000	$ 284,600
Urban renewal tax increment financing revenue bonds	-	102,000
Revenue notes	711,139	759,655
Total	$ 1,431,139	$ 1,146,255

Debt increased as a result of issuing a general obligation note for a street improvement project.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact De Ann Lahmann, City Clerk, 303 South Main Street, Tripoli IA 50676.

Basic Financial Statements

City of Tripoli

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2005

		Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions, & Restricted Interest	Capital Grants, Contributions & Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	$ 84,530	$ 5,060	$ 3,110	$ -
Public works	140,633	24,282	108,931	-
Health and social services	300	-	-	-
Culture and recreation	158,119	47,265	17,101	-
Community and economic development	12,932	-	-	-
General government	80,141	-	-	-
Debt service	805,018	-	-	-
Capital projects	482,743	-	-	-
Total governmental activities	$ 1,764,416	$ 76,607	$ 129,142	$ -
Business type activities:				
Water	$ 90,530	$ 88,163	$ 2,422	$ -
Sewer	158,463	177,570	2,421	-
Solid waste	47,244	72,138	-	-
Ambulance	55,248	66,300	12,000	-
Sewer sinking	24,318	-	-	-
Total business type activities	$ 375,803	$ 404,171	$ 16,843	$ -
Total	$ 2,140,219	$ 480,778	$ 145,985	$ -

General Receipts:
Property tax levied for:
General purposes
Tax increment financing
Debt service
Local option sales tax
Unrestricted interest on investments
Note proceeds
Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets
Restricted:
Debt service
Unrestricted

Total cash basis net assets
See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

Governmental Activities	Business Type Activities	Total
$ -76,360	$ -	$ -76,360
-7,420	-	-7,420
-300	-	-300
-93,753	-	-93,753
-12,932	-	-12,932
-80,141	-	-80,141
-805,018	-	-805,018
-482,743	-	-482,743
$ -1,558,667	$ -	$ -1,558,667
$ -	$ 55	$ 55
-	21,528	21,528
-	24,894	24,894
-	23,052	23,052
-	-24,318	-24,318
$ -	$ 45,211	$ 45,211
$ -1,558,667	$ 45,211	$ -1,513,456
$ 252,446	$ -	$ 252,446
14,931	-	14,931
77,542	-	77,542
108,227	-	108,227
2,818	4,272	7,090
1,053,365	-	1,053,365
43,370	40,229	83,599
$ 1,552,699	$ 44,501	$ 1,597,200
$ -5,968	$ 89,712	$ 83,744
559,862	351,036	910,898
$ 553,894	$ 440,748	$ 994,642
$ -42,486	$ 37,968	$ -4,518
596,380	402,780	999,160
$ 553,894	$ 440,748	$ 994,642

City of Tripoli

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

As of and for the year ended June 30, 2005

		Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment	Special Assessment
Receipts:				
Property tax	$ 204,998	$ -	$ -	$ -
Tax increment financing collections	-	-	14,931	-
Other city tax	-	-	-	-
Licenses and permits	2,655	-	-	-
Use of money and property	2,132	-	-	-
Intergovernmental	20,211	108,921	-	-
Charges for service	34,691	-	-	-
Special assessments	-	-	-	23,739
Miscellaneous	55,119	359	-	-
Total receipts	$ 319,806	$ 109,280	$ 14,931	$ 23,739
Disbursements:				
Operating:				
Public safety	$ 72,951	$ -	$ -	$ -
Public works	32,715	92,354	-	-
Health and social services	300	-	-	-
Culture and recreation	144,914	-	-	-
Community and economic development	12,932	-	-	-
General government	66,691	-	-	-
Debt service	-	-	106,650	320,531
Capital projects	-	-	-	481,265
Total disbursements	$ 330,503	$ 92,354	$ 106,650	$ 801,796
Excess (deficiency) of receipts over (under) disbursements	$ -10,697	$ 16,926	$ -91,719	$ -778,057
Other financing sources (uses):				
Note proceeds	$ -	$ -	$ 99,325	$ 701,485
Operating transfers in	-	1,526	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	$ -	$ 1,526	$ 99,325	$ 701,485
Net change in cash balances	$ -10,697	$ 18,452	$ 7,606	$ -76,572
Cash balances beginning of year	185,868	140,352	74,482	-8,069
Cash balances end of year	$ 175,171	$ 158,804	$ 82,088	$ -84,641
Cash Basis Fund Balances				
Reserved:				
Debt service	$ -	$ -	$ -	$ -
Unreserved:				
General fund	175,171	-	-	-
Special revenue funds	-	158,804	82,088	-84,641
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	$ 175,171	$ 158,804	$ 82,088	$ -84,641

See notes to financial statements.

Capital Projects	Debt Service	Other Non-Major Governmental Funds	Total
$ -	$ 77,542	$ 47,448	$ 329,988
-	-	-	14,931
108,227	-	-	108,227
-	-	-	2,655
-	-	686	2,818
-	-	3,424	132,556
-	-	-	34,691
-	-	-	23,739
-	-	-	55,478
$ 108,227	$ 77,542	$ 51,558	$ 705,083
$ -	$ -	$ 11,579	$ 84,530
-	-	15,564	140,633
-	-	-	300
-	-	13,205	158,119
-	-	-	12,932
-	-	13,450	80,141
-	377,837	-	805,018
1,478	-	-	482,743
$ 1,478	$ 377,837	$ 53,798	$ 1,764,416
$ 106,749	$ -300,295	$ -2,240	$ -1,059,333
$ -	$ 252,555	$ -	$ 1,053,365
-	-	-	1,526
-	-	-1,526	-1,526
$ -	$ 252,555	$ -1,526	$ 1,053,365
$ 106,749	$ -47,740	$ -3,766	$ -5,968
105,971	5,254	56,004	559,862
$ 212,720	$ -42,486	$ 52,238	$ 553,894
$ -	$ -42,486	$ -	$ -42,486
-	-	-	175,171
-	-	22,168	178,419
212,720	-	-	212,720
-	-	30,070	30,070
$ 212,720	$ -42,486	$ 52,238	$ 553,894

City of Tripoli

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets – Governmental Funds
As of and for the year ended June 30, 2005

Total governmental funds cash balances (page 10)	$	553,894
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:		
None		-
Cash basis net assets of governmental activities (page 9)	$	553,894
Net change in cash balances (page 10)	$	-5,968
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:		
None		-
Change in cash balance of governmental activities (page 9)	$	-5,968

See notes to financial statements.

City of Tripoli

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

As of and for the year ended June 30, 2005

	Water	Sewer	Enterprise Solid Waste
Operating receipts:			
Charges for service	$ 88,163	$ 177,570	$ 72,138
Operating disbursements:			
Business type activities	$ 90,530	$ 134,861	$ 47,244
Excess (deficiency) of operating receipts over (under) operating disbursements	$ -2,367	$ 42,709	$ 24,894
Non-operating receipts (disbursements):			
Intergovernmental	$ 2,422	$ 2,421	$ -
Interest on investments	-	-	-
Miscellaneous	-	-	-
Debt service	-	-23,602	-
Total non-operating receipts (disbursements)	$ 2,422	$ -21,181	$ -
Excess of receipts over disbursements	$ 55	$ 21,528	$ 24,894
Operating transfers in	2,235	-	-
Operating transfers out	-	-	-
Net change in cash balances	$ 2,290	$ 21,528	$ 24,894
Cash balances beginning of year	16,907	154,862	-2,641
Cash balances end of year	$ 19,197	$ 176,390	$ 22,253
Cash Basis Fund Balances			
Reserved for debt service	$ -	$ -	$ -
Unreserved	19,197	176,390	22,253
Total cash basis fund balances	$ 19,197	$ 176,390	$ 22,253

See notes to financial statements.

Funds		
Ambulance	Sewer Sinking	Total
$ 66,300	$ -	$ 404,171
$ 55,248	$ 24,318	$ 352,201
$ 11,052	$ -24,318	$ 51,970
$ 12,000	$ -	$ 16,843
17	4,255	4,272
-	40,229	40,229
-	-	-23,602
$ 12,017	$ 44,484	$ 37,742
$ 23,069	$ 20,166	$ 89,712
-	90	2,325
-2,325	-	-2,325
$ 20,744	$ 20,256	$ 89,712
164,196	17,712	351,036
$ 184,940	$ 37,968	$ 440,748
$ -	$ 37,968	$ 37,968
184,940	-	402,780
$ 184,940	$ 37,968	$ 440,748

City of Tripoli

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets – Proprietary Funds
As of and for the year ended June 30, 2005

Total enterprise funds cash balances (page 12)	$	440,748
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:		
None		-
Cash basis net assets of business type activities (page 9)	$	440,748
Net change in cash balances (page 12)	$	89,712
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:		
None		-
Change in cash balance of business type activities (page 9)	$	89,712

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tripoli is a political subdivision of the State of Iowa located in Bremer County. It was first incorporated in 1894 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, ambulance, sewer, and solid waste utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Bremer County Assessor's Conference Board, Tripoli-Readlyn Sanitation Agency and Bremer County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Special Assessment Fund is used to account for the street project.

Capital Projects Fund is 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.

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

The City reports the following major proprietary funds:

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

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Solid Waste Fund accounts for the operation and maintenance of the City's garbage service.

The Ambulance Fund accounts for the operation and maintenance of the City's ambulance service.

The Sewer Sinking Fund is maintained for the sewer improvement note.

C. Measurement Focus and Basis of Accounting

The City of Tripoli 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.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the debt service and business type activities functions.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2005 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.

NOTE 3 – BONDS AND NOTES PAYABLE

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

Year Ending	General Obligation Bonds		Revenue Notes		Totals	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2006	$50,000	$26,908	$75,139	$27,617	$125,139	$54,525
2007	50,000	25,507	55,000	24,931	105,000	50,438
2008	50,000	24,008	57,000	22,775	107,000	46,783
2009	50,000	22,457	59,000	20,541	109,000	42,998
2010	50,000	20,833	62,000	18,228	112,000	39,061
2011	55,000	19,107	64,000	15,798	119,000	34,905
2012	55,000	17,127	66,000	13,289	121,000	30,416
2013	55,000	15,065	68,000	10,702	123,000	25,767
2014	55,000	12,920	71,000	8,036	126,000	20,956
2015	55,000	10,720	51,000	5,253	106,000	15,973
2016	55,000	8,465	38,000	3,254	93,000	11,719
2017	50,000	6,155	39,000	1,764	89,000	7,919
2018	45,000	4,005	2,000	235	47,000	4,240
2019	45,000	2,025	2,000	157	47,000	2,182
2020	-	-	2,000	78	2,000	78
	$720,000	$215,302	$711,139	$172,658	$1,431,139	$387,960

NOTE 4 – PENSION AND RETIREMENT BENEFITS

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 6.16% and 9.23%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2005 was $9,078, equal to the required contribution for the year.

NOTE 5 – INTER-FUND TRANSFERS

The detail of inter-fund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Road Use Tax	Employee Benefits	$ 1,526
Enterprise Fund:	Enterprise Fund:	
Water	Ambulance	2,235
Enterprise Fund:	Enterprise Fund:	
Sewer Sinking	Ambulance	90
		$ 3,851

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

NOTE 6 – RISK MANAGEMENT

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

NOTE 7 – DEFICIT FUND BALANCES

The Special Revenue – Special Assessment Fund had a deficit balance of $84,641 at June 30, 2005. The deficit balance was a result of project costs incurred prior to the availability of funds.

The Debt Service Fund had a deficit balance of $42,486 at June 30, 2005. The deficit was the result of funds not transferred to pay principal and interest on debt by June 30, 2005. The funds will be transferred.

NOTE 8 – BANY LIBRARY MEMORIAL

The Library Board has received gifts from Herman Bany, which have been deposited into the Trust and Agency Fund, Bany Library Memorial Account. Stipulations of the gifts require funds to be used for the purchase of non-fiction books. It is the intent of the Library Board to use only the income from the trust principal to purchase the books. The balance in the account at June 30, 2005 totaled $15,058.

NOTE 9 – COMMITMENTS

At June 30, 2005, the City had contracts of $371,591 for a street improvement project, which was not yet complete. At June 30, 2005, $62,169 was paid, with the balance of $309,422 to be completed in 2006.

NOTE 10 – 28E AGREEMENT

The City has a 28E Agreement for garbage pick-up service with the City of Readlyn, forming the Tripoli-Readlyn Sanitation Agency. The City paid $43,159 for services in 2005.

REQUIRED SUPPLEMENTARY INFORMATION

City of Tripoli

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	$ 329,988	$ -
Tax increment financing collections	14,931	-
Other city tax	108,227	-
Licenses and permits	2,655	-
Use of money and property	2,818	4,272
Intergovernmental	132,556	16,843
Charges for service	34,691	404,171
Special assessments	23,739	-
Miscellaneous	55,478	40,229
Total receipts	$ 705,083	$ 465,515
Disbursements:		
Public safety	$ 84,530	$ -
Public works	140,633	-
Health and social services	300	-
Culture and recreation	158,119	-
Community and economic development	12,932	-
General government	80,141	-
Debt service	805,018	-
Capital projects	482,743	-
Business type activities	-	375,803
Total disbursements	$ 1,764,416	$ 375,803
Excess (deficiency) of receipts over (under) disbursements	$ -1,059,333	$ 89,712
Other financing sources, net	1,053,365	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	$ -5,968	$ 89,712
Balances beginning of year	559,862	351,036
Balances end of year	$ 553,894	$ 440,748

See accompanying independent auditor's report.

Net	Budgeted Amounts Original	Budgeted Amounts Final	Final to Net Variance
$ 329,988	$ 317,728	$ 317,728	$ 12,260
14,931	15,151	15,151	-220
108,227	85,886	85,886	22,341
2,655	1,500	1,500	1,155
7,090	3,000	3,000	4,090
149,399	110,385	110,385	39,014
438,862	385,310	385,310	53,552
23,739	-	-	23,739
95,707	26,800	1,052,752	-957,045
$ 1,170,598	$ 945,760	$ 1,971,712	$ -801,114
$ 84,530	$ 65,915	$ 89,467	$ 4,937
140,633	156,441	156,441	15,808
300	300	300	-
158,119	114,501	158,151	32
12,932	15,300	109,050	96,118
80,141	88,129	103,129	22,988
805,018	78,239	378,239	-426,779
482,743	72,000	622,000	139,257
375,803	355,310	355,310	-20,493
$ 2,140,219	$ 946,135	$ 1,972,087	$ -168,132
$ -969,621	$ -375	$ -375	$ -969,246
1,053,365	-	-	1,053,365
$ 83,744	$ -375	$ -375	$ 84,119
910,898	691,359	691,359	219,539
$ 994,642	$ 690,984	$ 690,984	$ 303,658

City of Tripoli

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2005

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by $1,025,952. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the debt service and business type activities functions.

Other Supplementary Information

City of Tripoli

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

As of and for the year ended June 30, 2005

	Special Revenue	
	Employee Benefits	Emergency
Receipts:		
Property tax	$ 41,750	$ 5,698
Use of money and property	-	-
Intergovernmental	-	-
Total receipts	$ 41,750	$ 5,698
Disbursements:		
Operating:		
Public safety	$ 11,579	$ -
Public works	15,564	-
Culture and recreation	5,979	-
General government	13,450	-
Total disbursements	$ 46,572	$ -
Excess (deficiency) of receipts over (under) disbursements	$ -4,822	$ 5,698
Other financing uses:		
Operating transfers in	5,698	-
Operating transfers out	-1,526	-5,698
Net change in cash balances	$ -650	$ -
Cash balances beginning of year	22,818	-
Cash balances end of year	$ 22,168	$ -
Cash Basis Fund Balances		
Unreserved:		
Special revenue funds	$ 22,168	$ -
Permanent fund	-	-
Total cash basis fund balances	$ 22,168	$ -

See accompanying independent auditor's report.

Permanent		
Bany Memorial Trust	Library Building Trust	Total
$ -	$ -	$ 47,448
558	128	686
-	3,424	3,424
$ 558	$ 3,552	$ 51,558
$ -	$ -	$ 11,579
-	-	15,564
506	6,720	13,205
-	-	13,450
$ 506	$ 6,720	$ 53,798
$ 52	$ -3,168	$ -2,240
-	-	5,698
-	-	-7,224
$ 52	$ -3,168	$ -3,766
15,006	18,180	56,004
$ 15,058	$ 15,012	$ 52,238
$ -	$ -	$ 22,168
15,058	15,012	30,070
$ 15,058	$ 15,012	$ 52,238

City of Tripoli

Schedule of Indebtedness

Year ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bond:			
Swimming pool	April 1, 1991	6.8%	$158,000
General Obligation Notes:			
Street improvement	April 1, 1992	6.5%	$410,000
Fire equipment	May 12, 2003	4.5%	134,600
Warrant extension	October 17, 2004	4.5%	308,365
Street improvement	February 15, 2005	2.7-4.5%	745,000
			$1,597,965
Revenue Notes:			
Sewer improvement	December 27, 1995	5.5%	$347,575
Sewer lagoon 2000	August 1, 2000	3.92%	307,000
Sewer lagoon 2000	August 18, 2000	3.92%	409,000
			$1,063,575
Urban Renewal Tax Increment Financing (TIF) Revenue Bond	June 15, 2000	6.5%	$118,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
$30,000	$-	$30,000	$-	$1,445	$-
$120,000	$-	$120,000	$-	$5,151	$-
134,600	-	134,600	-	12,004	-
-	308,365	308,365	-	12,166	-
-	745,000	25,000	720,000	8,122	-
$254,600	$1,053,365	$587,965	$720,000	$37,443	$-
$64,655	$-	$42,516	$22,139	$2,979	$-
295,000	-	3,000	292,000	5,782	-
400,000	-	3,000	397,000	7,840	-
$759,655	$-	$48,516	$711,139	$16,601	$-
$102,000	$-	$102,000	$-	$4,650	$-

City of Tripoli

Bond and Note Maturities

June 30, 2005

Year Ending June 30,	General Obligation Bond Street Improvement Issued Feb 15, 2005		Revenue Note Sewer Improvement Issued Dec 27, 1995		Revenue Note Sewer Lagoon Issued Aug 1, 2000	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2006	2.88%	$50,000	5.5%	$22,139	3.92%	$27,000
2007	3.08%	50,000	-	-	3.92%	28,000
2008	3.10%	50,000	-	-	3.92%	29,000
2009	3.25%	50,000	-	-	3.92%	29,000
2010	3.45%	50,000	-	-	3.92%	31,000
2011	3.60%	55,000	-	-	3.92%	32,000
2012	3.75%	55,000	-	-	3.92%	33,000
2013	3.90%	55,000	-	-	3.92%	34,000
2014	4.00%	55,000	-	-	3.92%	35,000
2015	4.10%	55,000	-	-	3.92%	14,000
2016	4.20%	55,000	-	-	-	-
2017	4.30%	50,000	-	-	-	-
2018	4.40%	45,000	-	-	-	-
2019	4.50%	45,000	-	-	-	-
2020	-	-	-	-	-	-
		$720,000		$22,139		$292,000

Year Ending June 30,	Revenue Note Sewer Lagoon Issued Aug 18, 2000		Total Revenue Notes
	Interest Rate	Amount	
2006	3.92%	$26,000	$75,139
2007	3.92%	27,000	55,000
2008	3.92%	28,000	57,000
2009	3.92%	30,000	59,000
2010	3.92%	31,000	62,000
2011	3.92%	32,000	64,000
2012	3.92%	33,000	66,000
2013	3.92%	34,000	68,000
2014	3.92%	36,000	71,000
2015	3.92%	37,000	51,000
2016	3.92%	38,000	38,000
2017	3.92%	39,000	39,000
2018	3.92%	2,000	2,000
2019	3.92%	2,000	2,000
2020	3.92%	2,000	2,000
		$397,000	$711,139

See accompanying independent auditor's report.

City of Tripoli

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

For the Last Two Years

	2005	2004 (Unaudited)
Receipts:		
Property tax	$ 329,988	$ 349,146
Tax increment financing collections	14,931	53,966
Other city tax	108,227	74,888
Licenses and permits	2,655	2,693
Use of money and property	2,818	1,548
Intergovernmental	132,556	145,118
Charges for service	34,691	33,666
Special assessments	23,739	311,674
Miscellaneous	55,478	20,536
Bond proceeds	1,053,365	-
Total	$ 1,758,448	$ 993,235
Disbursements:		
Operating:		
Public safety	$ 84,530	$ 62,399
Public works	140,633	102,232
Health and social services	300	500
Culture and recreation	158,119	133,983
Community and economic development	12,932	16,036
General government	80,141	85,336
Debt service	805,018	102,235
Capital projects	482,743	335,065
Total	$ 1,764,416	$ 837,786

See accompanying independent auditor's report.

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

Keith Oltrogge CPA, P.C.

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

To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tripoli, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated December 19, 2005. My report expressed an unqualified opinion on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Tripoli's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Tripoli'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 I of the accompanying Schedule of Findings.

A material weakness is a reportable 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 caused by error or fraud 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. My 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, I believe item I-A-05 is a material weakness.

Compliance and Other Matters

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

MEMBER: Iowa Society of Certified Public Accountants • Minnesota Society of Certified Public Accountants
• American Institute of Certified Accountants • Division for CPA Firms • Private Companies Practice Section

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my 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.

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 Tripoli and other parties to whom the City of Tripoli 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.

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

Keith Oltrogge CPA

Keith Oltrogge
Certified Public Accountant

December 19, 2005

City of Tripoli

Schedule of Findings

Year ended June 30, 2005

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-05 Segregation of Duties – During my review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the City's financial statements. I noted that one individual in the City Clerk's office has custody of receipts and performs all record-keeping and reconciling functions for the office.

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

Response – We are currently reviewing operating procedures and duty assignments to obtain appropriate segregation of duties and maximize internal controls.

Conclusion – Response accepted.

City of Tripoli

Schedule of Findings

Year ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2005.

Recommendation – A new depository resolution should be approved with significant limits for all deposits.

Response – We will issue a new depository resolution.

Conclusion – Response accepted.

II-B-05 Certified Budget – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-C-05 Questionable Disbursements – I noted no disbursements that would not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-D-05 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-E-05 Business Transactions – No business transactions between the City and City officials or employees were noted.

II-F-05 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 insure that the coverage is adequate for current operations.

II-G-05 Council Minutes – No transactions were found that I believe should have been approved in the Council minutes but were not.

II-H-05 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.

II-I-05 Financial Condition – The Special Revenue – Special Assessments and Debt Service accounts had deficit balances of $84,641 and $42,486, respectively, at June 30, 2005.

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

Response – The Special Assessments deficit balance was due to the street improvement projects costs being incurred prior to the receipt of special assessment revenue. The Debt Service deficit was the result of funds not transferred by June 30, 2005. The funds were subsequently transferred.

Conclusion – Response accepted.

II-J-05 Financial Report – The annual Financial Report was filed with the State of Iowa timely, but had significant errors in the amounts reported.

Recommendation – The City should file an amended report with correct amounts as soon as possible.

Response – An amended report will be filed.

Conclusion - Response accepted.