

CITY OF THOMPSON, IOWA

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

JUNE 30, 2005

- Prepared By -

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CITY OF THOMPSON, IOWA

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CITY OF THOMPSON, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Darrell Morgan	Mayor	January 2006
Fred Fiebelkorn	Mayor Pro tem	January 2006
Jeanne Krull	Council Member	January 2008
Arin Anderson	Council Member	January 2008
Merle Aanrud	Council Member	January 2008
Steve Reimann	Council Member	January 2008
Diane Adams	Clerk	Indefinite
Paul Doster	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 Thompson, 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 Thompson'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 U.S. 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 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 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 Thompson 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 as described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated August 30, 2005 on my consideration of the City of Thompson's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That 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.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 24 through 26 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 Thompson's basic financial statements. Other supplementary information included in Schedules 1 through 3 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.



August 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Thompson 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. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities increased 27%, or approximately \$75,000 from fiscal 2004 to fiscal 2005. Charges for services increased approximately \$28,000, miscellaneous revenues increased approximately \$11,000, and other financing sources increased \$27,000.

Disbursements increased 20%, or approximately \$53,000, in fiscal 2005 from fiscal 2004. Public safety, public works and culture and recreation disbursements increased approximately \$55,000, \$1,000 and \$5,000, respectively, while general government disbursements decreased approximately \$6,300.

The City's total cash basis net assets increased 11%, or approximately \$41,000, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities increased approximately \$25,000 and the assets of the business type activities increased by approximately \$16,000.

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 nonmajor 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 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 Local Option Sales Tax, 3) the Debt Service Fund, and 4) the Capital Projects 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 statement for governmental funds includes 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 two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

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

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 increased from a year ago, increasing from \$301,223 to \$326,823. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 96	\$ 68
Operating grants, contributions and restricted interest	70	50
Capital grants, contributions and restricted interest	12	21
General receipts:		
Property tax	99	93
Local option sales tax	36	37
Grants and contributions not restricted to specific purposes	11	9
Unrestricted investment earnings	2	2
Note proceeds	10	-
Other general receipts	3	2
Total receipts and transfers	<u>\$ 339</u>	<u>\$ 282</u>
Disbursements:		
Public safety	\$ 83	\$ 29
Public works	115	114
Culture and recreation	54	49
Community and economic development	4	5
General government	57	64
Total disbursements	<u>\$ 313</u>	<u>\$ 261</u>
 Increase in cash basis net assets	 \$ 26	 \$ 21
Cash basis net assets beginning of year	<u>301</u>	<u>280</u>
 Cash basis net assets end of year	 <u>\$ 327</u>	 <u>\$ 301</u>

The City's total receipts for governmental activities increased by 20%, or \$57,000. The total cost of all programs and services increased by approximately \$52,000, or 20%, with no new programs added this year. The significant increase in receipts and disbursements was due to the increase in public safety receipts and disbursements.

The cost of all governmental activities this year was \$313,000 compared to \$261,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 10-13, the amount taxpayers ultimately financed for these activities was only \$135,000 because some of the cost was paid by those directly benefited from the programs (\$96,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$82,000). Overall, the City's governmental activities receipts, including governmental aid and fees for service, increased in 2005 from approximately \$57,000 to approximately \$339,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$135,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	<u>Year ended June 30,</u>	
	<u>2005</u>	<u>2004</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 49	\$ 47
Sewer	63	63
General receipts:		
Unrestricted interest on investments	1	-
Other general receipts	<u>1</u>	<u>12</u>
Total receipts	<u>\$ 114</u>	<u>\$ 122</u>
Disbursements and transfers:		
Water	\$ 40	\$ 49
Sewer	<u>59</u>	<u>55</u>
Total disbursements and transfers	<u>\$ 99</u>	<u>\$ 104</u>
Increase (decrease) in cash balance	\$ 15	\$ 18
Cash basis net assets beginning of year	<u>89</u>	<u>71</u>
Cash basis net assets end of year	<u>\$ 104</u>	<u>\$ 89</u>

Total business type activities receipts for the fiscal year were \$114,000 compared to \$122,000 last year. This significant decrease was due primarily to the prior year miscellaneous receipts. Total disbursements for the fiscal year decreased by 5% to a total of \$99,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Thompson completed the year, its governmental funds reported a combined fund balance of \$431,374, an increase of \$41,306 above last year's total of \$390,068. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$8,134 from the prior year to \$132,627. The decrease was due to an increase in public safety disbursements.

The Road Use Tax Fund cash balance increased by \$5,000 to \$65,418 during the fiscal year. This increase was attributable to excess Road use tax receipts over current year disbursements. The City intends to use this money to upgrade the condition of all City roads.

The Local Option Sales Tax cash balance increased by \$18,196 to \$94,330 during the fiscal year. This is due to transfers out being less than receipts.

The Tax Increment Financing Fund cash balance increased by \$10,547 to \$39,060 during the fiscal year. This increase was due to there being no disbursements this year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased by \$10,899 to \$39,343, due primarily to a decrease in operating expenses.

The Sewer Fund cash balance increased by \$4,798 to \$65,199, due primarily to a decrease in current year disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not amend its budget. Receipts were approximately \$52,00 higher than budgeted. The budget was exceeded in the public safety and culture and recreation functions.

DEBT ADMINISTRATION

At June 30, 2005, the City had approximately \$391,000 in bonds and other long-term debt, compared to approximately \$410,000 last year, as shown below.

Outstanding Debt at Year-End
(Expressed in Thousands)

	June 30,	
	2005	2004
Sewer Revenue Bonds	\$ 381	\$ 391
Fire Truck Lease	10	19
	<u>\$ 391</u>	<u>\$ 410</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$9,902 is significantly below its constitutional debt limit of \$383,614.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Thompson elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. In the fall of 2003 the Little Bison Daycare and the school remodel project were completed. The City feels these projects may attract more families to the community.

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, Diane Adams, City Clerk, City of Thompson.

CITY OF THOMPSON, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Operating Grants, Charges for Service</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public Safety	\$ 83,444	\$ 36,321	\$ 20,905	\$ -
Public works	115,036	46,683	49,555	-
Culture and recreation	54,404	12,737	-	12,000
Community and economic development	3,514	-	-	-
General government	<u>57,213</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental Activities	<u>\$ 313,611</u>	<u>\$ 95,741</u>	<u>\$ 70,460</u>	<u>\$ 12,000</u>
Business type activities:				
Water	\$ 39,695	\$ 49,040	\$ -	\$ -
Sewer	<u>59,454</u>	<u>63,254</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 99,149</u>	<u>\$ 112,294</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$ 412,760</u>	<u>\$ 208,035</u>	<u>\$ 70,460</u>	<u>\$ 12,000</u>

(continued)

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

Governmental Activities	Business Type Activities	Total
\$ (26,218)	\$ -	\$ (26,218)
(18,798)	-	(18,798)
(29,667)	-	(29,667)
(3,514)	-	(3,514)
(57,213)	-	(57,213)
\$ (135,410)	\$ -	\$ (135,410)
\$ -	\$ 9,345	\$ 9,345
-	3,800	3,800
\$ -	\$ 13,145	\$ 13,145
\$ (135,410)	\$ 13,145	\$ (122,265)

CITY OF THOMPSON, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
Local option sales tax
Grants and contributions not restricted to specific purpose
Unrestricted interest on investments
Loan proceeds
Miscellaneous

Total general receipts and transfers

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:
 Streets
 Other purposes
Unrestricted

Total cash basis net assets

See Notes to Financial Statements.

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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 88,664	\$ -	\$ 88,664
10,547	-	10,547
35,550	-	35,550
11,204	-	11,204
2,436	998	3,434
10,092		10,092
<u>2,526</u>	<u>1,554</u>	<u>4,080</u>
<u>\$ 161,019</u>	<u>\$ 2,552</u>	<u>\$ 163,571</u>
\$ 25,609	\$ 15,697	\$ 41,306
<u>301,223</u>	<u>88,845</u>	<u>390,068</u>
<u>\$ 326,832</u>	<u>\$ 104,542</u>	<u>\$ 431,374</u>
\$ 65,418	\$ -	\$ 65,418
133,390	-	133,390
<u>128,024</u>	<u>104,542</u>	<u>232,566</u>
<u>\$ 326,832</u>	<u>\$ 104,542</u>	<u>\$ 431,374</u>

CITY OF THOMPSON, IOWA
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Special</u> <u>Road Use</u> <u>Tax</u>
RECEIPTS:		
Property tax	\$ 88,664	\$ -
Tax increment financing tax	-	-
Other city tax	-	-
Licenses and permits	450	-
Use of money and property	2,436	-
Intergovernmental	32,905	49,555
Charges for service	96,335	-
Miscellaneous	12,686	-
Total receipts	<u>\$ 233,476</u>	<u>\$ 49,555</u>
DISBURSEMENTS:		
Operating:		
Public safety	\$ 83,444	\$ -
Public works	70,481	44,555
Culture and recreation program	54,404	-
Community and economic development	3,514	-
General government	57,213	-
Total disbursements	<u>\$ 269,056</u>	<u>\$ 44,555</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ (35,580)</u>	<u>\$ 5,000</u>
Other financing sources (uses):		
Loan proceeds	\$ 10,092	\$ -
Operating transfers in	17,354	-
Operating transfers out	-	-
Total other financing sources (uses)	<u>\$ 27,446</u>	<u>\$ -</u>
Net change in cash balances	\$ (8,134)	\$ 5,000
Cash balances beginning of year	<u>140,761</u>	<u>60,418</u>
Cash balances end of year	<u>\$ 132,627</u>	<u>\$ 65,418</u>
Cash Basis Fund Balances:		
Unreserved:		
General fund	\$ 132,627	\$ -
Special revenue funds	-	65,418
Debt service	-	-
Total Cash Basis Fund Balances	<u>\$ 132,627</u>	<u>\$ 65,418</u>

See Notes to Financial Statements.

<u>Revenues</u>		<u>Other Nonmajor Governmental Funds</u>		<u>Total</u>
<u>Local Option Sales Tax</u>	<u>Tax Increment Financing</u>			
\$ -	\$ -	\$ -	\$ -	\$ 88,664
-	10,547	-	-	10,547
35,550	-	-	-	35,550
-	-	-	-	2,436
-	-	-	-	82,460
-	-	-	-	450
-	-	-	-	96,335
-	-	-	-	12,686
<u>\$ 35,550</u>	<u>\$ 10,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,128</u>
\$ -	\$ -	\$ -	\$ -	\$ 83,444
-	-	-	-	115,036
-	-	-	-	54,404
-	-	-	-	3,514
-	-	-	-	57,213
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313,611</u>
<u>\$ 35,550</u>	<u>\$ 10,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,517</u>
\$ -	\$ -	\$ -	\$ -	\$ 10,092
-	-	-	-	17,354
(17,354)	-	-	-	(17,354)
<u>\$ (17,354)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,092</u>
\$ 18,196	\$ 10,547	\$ -	\$ -	\$ 25,609
76,134	28,513	(4,603)	-	301,223
<u>\$ 94,330</u>	<u>\$ 39,060</u>	<u>\$ (4,603)</u>	<u>\$ -</u>	<u>\$ 326,832</u>
\$ -	\$ -	\$ -	\$ -	\$ 132,627
94,330	39,060	(2,245)	-	196,563
-	-	(2,358)	-	(2,358)
<u>\$ 94,330</u>	<u>\$ 39,060</u>	<u>\$ (4,603)</u>	<u>\$ -</u>	<u>\$ 326,832</u>

CITY OF THOMPSON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating receipts:			
Charges for service	\$ 49,040	\$ 63,254	\$ 112,294
Miscellaneous	1,554	-	1,554
Total operating receipts	\$ 50,594	\$ 63,254	\$ 113,848
Operating disbursements:			
Business type activities	39,695	59,454	99,149
Excess of operating receipts over operating disbursements	\$ 10,899	\$ 3,800	\$ 14,699
Non-operating receipts			
Interest on investments	-	998	998
Net change in cash balances	\$ 10,899	\$ 4,798	\$ 15,697
Cash balances beginning of year	28,444	60,401	88,845
Cash balances end of year	<u>\$ 39,343</u>	<u>\$ 65,199</u>	<u>\$ 104,542</u>
Cash Basis Fund Balances			
Unreserved	<u>\$ 39,343</u>	<u>\$ 65,199</u>	<u>\$ 104,542</u>

See Notes to Financial Statements.

CITY OF THOMPSON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(1) Summary of Significant Accounting Policies

The City of Thompson is a political subdivision of the State of Iowa located in Winnebago County. It was first incorporated in 1892 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 services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations - The City participates in a jointly governed organization that provides goods or services to the citizenry of the City but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating government. City officials are members of the Winnebago County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental 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 nonfiduciary 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.

CITY OF THOMPSON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(1) Summary of Significant Accounting Policies - continued

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 nonmajor 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 Local Option Sales Tax Fund is used to account for local option sales tax receipts and disbursements.

The Tax Increment Financing Fund is utilized to account for the receipt of TIF revenues from the City's TIF district.

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.

CITY OF THOMPSON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

C. Measurement Focus and Basis of Accounting

The City of Thompson 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

(2) Cash and 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.

The city's investments are categorized to give an indication of level of risk assumed by the City at year end. The City's investments are all Category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's name.

CITY OF THOMPSON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(3) **Bonds and Notes Payable**

Annual debt service requirements to maturity for sewer revenue bonds are as follows:

Year Ending June 30,	Sewer Revenue Bonds	
	Principal	Interest
2006	\$ 8,518	\$ 25,204
2007	10,277	23,445
2008	10,924	22,798
2009	11,613	22,109
2010	12,344	21,378
2011-2015	74,413	94,197
2016-2020	101,000	67,610
2021-2025	151,577	31,528
Total	<u>\$380,666</u>	<u>\$308,269</u>

The bonds will only be redeemed from the future earnings of the sewer activities.

At the option of the City, the revenue bonds issue of April 2, 1986 are subject to redemption and prepayment on any date, in whole or from time to time in part, in inverse order of maturity at a price of par plus accrued interest to call date, by giving proper notice.

The city has also entered into the following loan agreement with the Titonka Savings Bank, Thompson, Iowa:

<u>Date of Loan</u>	6/30/05
Original amount	\$10,092
Interest rate	6.0%
Payment dates	Annual
Payment amount	\$10,092
Maturity date	6/30/07
Collateral	None
At June 30, 2005:	
Number of payments remaining	1
Outstanding balance	\$10,092

(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 statement and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

CITY OF THOMPSON, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

(4) **Pension and Retirement Benefits** - continued

Plan members are required to contribute 3.70% of their annual 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 \$4,857 equal to the required contribution for the year

(5) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use. 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, 2005, primarily relating to the General Fund is \$2,198.

This liability has been computed based on rates of pay in effect at June 30, 2005.

(6) **Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	<u>\$ 17,354</u>

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

(7) **Related Party Transactions**

The City had business transactions between the City and City officials totaling \$1,083 during the year ended June 30, 2005.

(8) **Deficit Fund Balances**

The Special Revenue Fund - CDBG and the Debt Service Fund had deficit balances of \$2,245 and \$2,358, respectfully, as of June 30, 2005. The deficits were a result of final costs incurred without budgeting for offsetting revenues. The deficits will be eliminated upon receipt of state grants and property tax collections.

CITY OF THOMPSON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(9) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 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 member's 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, 2005 were \$9,000.

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 \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$100,00 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

CITY OF THOMPSON, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

(9) Risk Management - continued

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, 2005, 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 such 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 public employee dishonesty coverage and workers compensation coverage. 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.

Required Supplementary Information

CITY OF THOMPSON, IOWA
 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

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds Not Required To Be Budgeted</u>
RECEIPTS:			
Property tax	\$ 88,664	\$ -	\$ -
Tax increment financing collections	10,547	-	-
Other city tax	35,550	-	-
Licenses and permits	450	-	-
Use of money and property	2,436	998	-
Intergovernmental	82,460	-	-
Charges for service	96,335	112,294	-
Miscellaneous	12,686	1,554	-
Total receipts	<u>\$ 329,128</u>	<u>\$ 114,846</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 83,444	\$ -	\$ -
Public works	115,036	-	-
Culture and recreation	54,404	-	-
Community and economic development	3,514	-	-
General government	57,213	-	-
Business type activities	-	99,149	-
Total disbursements	<u>\$ 313,611</u>	<u>\$ 99,149</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 15,517	\$ 15,697	\$ -
Other financing sources, net	<u>10,092</u>	<u>-</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements	\$ 25,609	\$ 15,697	\$ -
Balance beginning of year	<u>301,223</u>	<u>88,845</u>	<u>-</u>
Balance end of year	<u>\$ 326,832</u>	<u>\$ 104,542</u>	<u>\$ -</u>

See Accompanying Independent Auditor's Report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 88,664	\$ 86,571	\$ 86,571	\$ 2,093
10,547	6,000	6,000	4,547
35,550	38,285	38,285	(2,735)
450	800	800	(350)
3,434	-	-	3,434
82,460	81,766	81,766	694
208,629	157,500	157,500	51,129
14,240	20,570	20,570	(6,330)
<u>\$ 443,974</u>	<u>\$ 391,492</u>	<u>\$ 391,492</u>	<u>\$ 52,482</u>
\$ 83,444	\$ 31,546	\$ 31,546	\$ (51,898)
115,036	124,542	124,542	9,506
54,404	52,462	52,462	(1,942)
3,514	4,500	4,500	986
57,213	57,851	57,851	638
99,149	102,364	102,364	3,215
<u>\$ 412,760</u>	<u>\$ 373,265</u>	<u>\$ 373,265</u>	<u>\$ (39,495)</u>
\$ 31,214	\$ 18,227	\$ 18,227	\$ 12,987
<u>10,092</u>	<u>-</u>	<u>-</u>	<u>10,092</u>
\$ 41,306	\$ 18,227	\$ 18,227	\$ 23,079
<u>390,068</u>	<u>310,071</u>	<u>310,071</u>	<u>79,997</u>
<u>\$ 431,374</u>	<u>\$ 328,298</u>	<u>\$ 328,298</u>	<u>\$ 103,076</u>

CITY OF THOMPSON, IOWA
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 perspectives 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 nonprogram. 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. The City did not amend the budget during the year.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public safety and culture and recreation functions.

Other Supplementary Information

CITY OF THOMPSON, IOWA
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	Special Revenue		Debt Service		Total
	CDBG				
RECEIPTS:					
None	\$ -		\$ -		\$ -
DISBURSEMENTS:					
None	-		-		-
Excess of receipts over disbursements	\$ -		\$ -		\$ -
Cash balances beginning of year	(2,245)		(2,358)		(4,603)
Cash balances end of year	<u>\$ (2,245)</u>		<u>\$ (2,358)</u>		<u>\$ (4,603)</u>
Cash Basis Fund Balances:					
Unreserved					
Special revenue funds	\$ (2,245)		\$ -		\$ (2,245)
Debt service	-		(2,358)		(2,358)
Total cash basis fund balances	<u>\$ (2,245)</u>		<u>\$ (2,358)</u>		<u>\$ (4,603)</u>

See Accompanying Independent Auditor's Report.

CITY OF THOMPSON, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2005

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
Revenue Bonds: Sewer	4-2-86	6.125%	\$ 493,000
Bank Note: Park equipment	6-30-05	6.00	10,092
Lease: Fire truck	6-1-96	6.52	75,000
Total			

See Accompanying Independent Auditor's Report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$391,089	\$ -	\$ 10,423	\$380,666	\$ 23,299	\$ -
-	10,092	-	10,092	-	-
<u>19,181</u>	<u>-</u>	<u>9,279</u>	<u>9,902</u>	<u>1,117</u>	<u>-</u>
<u>\$410,270</u>	<u>\$ 10,092</u>	<u>\$ 19,702</u>	<u>\$400,660</u>	<u>\$ 24,416</u>	<u>\$ -</u>

CITY OF THOMPSON, IOWA
BOND MATURITIES
JUNE 30, 2005

Revenue Bonds		
Sewer		
Issued April 2, 1986		
Year Ending June 30,	Interest Rates	Amount
2006	6.125%	\$ 8,518
2007	6.125	10,277
2008	6.125	10,924
2009	6.125	11,613
2010	6.125	12,344
2011	6.125	13,122
2012	6.125	13,949
2013	6.125	14,827
2014	6.125	15,761
2015	6.125	16,754
2016	6.125	17,810
2017	6.125	18,932
2018	6.125	20,125
2019	6.125	21,393
2020	6.125	22,740
2021	6.125	24,173
2022	6.125	25,696
2023	6.125	27,314
2024	6.125	29,035
2025	6.125	45,359
Total		<u>\$380,666</u>

See Accompanying Independent Auditor's Report.



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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 Thompson, 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 August 30, 2005. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed a qualified opinion since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2004. 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 Thompson'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 Thompson'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.

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 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 items II-A-05 and II-B-05 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Thompson's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 IV of the accompanying Schedule of Findings.

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 Thompson and other parties to whom the City of Thompson may report. 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 us by personnel of the City of Thompson 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.



August 30, 2005

CITY OF THOMPSON, IOWA
Schedule of Findings
Year Ended June 30, 2005

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

- (a) A qualified opinion was issued on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2004.
- (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 noncompliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. I noted that one person has control over most of the accounting and banking functions.

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

Response - We will review procedures and make changes to improve internal control where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-05 Centralized Bookkeeping - The bookkeeping and custody of records for the Volunteer Fire Department, Ambulance, Library and Parks funds are maintained by individuals outside the City Clerk's office. These transactions and the resulting balances are not recorded in the Clerk's records. 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".

CITY OF THOMPSON, IOWA
Schedule of Findings
Year Ended June 30, 2005

Part II: Findings Related to the Financial Statements: - continued

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be recorded in the Clerk's records.

Response - We will look into this.

Conclusion - Response accepted.

II-C-05 Authorized Check Signer - It was noted that individuals who are listed on the Volunteer Fire Department and Ambulance Service signature cards are not City employees or council members.

Recommendation - All bank authorized signature cards should be reviewed and updated. Only current City employees or council members should be authorized signers.

Response - We will review all signature cards and update them per guidelines recommended.

Conclusion - Response accepted.

II-D-05 Control Over Swimming Pool Receipts

Comment - No daily reports or records are kept by swimming pool personnel. Only the deposit slip for the lump sum deposit is turned over to the City Clerk.

Recommendation - Greater control over cash collections from swimming pool operations would be attained if a daily report showing the number of swimmers, and the type and amount of receipts collected were prepared. This should be approved by the pool manager.

Response - We will get together with the pool manager to prepare an agreeable report format.

Conclusion - Response accepted.

II-E-05 Imprest Cash

Comment - Cash funds on hand at City Hall were not maintained on an imprest basis.

Recommendation - The cash funds should be maintained on an imprest basis to provide additional control over the funds. Imprest systems improve the accountability for cash and enhance reconciliation of receipts and deposits.

Response - We will try this.

Conclusion - Response accepted.

CITY OF THOMPSON, IOWA
Schedule of Findings
Year Ended June 30, 2005

Part II: Findings Related to the Financial Statements: - continued

II-F-05 Disbursements - Invoices were not properly marked paid to prevent duplicate payment of the invoices.

Recommendation - All invoices should be marked or stamped paid with the date of payment to aid in preventing duplicate payment of the invoices.

Response - We will do this in the future.

Conclusion - Response accepted.

II-G-05 Countersignature of Checks - I noted several checks with only one authorized signature.

Recommendation - Checks should be made out and signed by one individual and then the supporting documentation should be made available with the check to the second individual for the countersignature.

Response - We will follow this recommendation to the best of our ability.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

Not applicable

Part IV: Other Findings Related to Statutory Reporting:

IV-A-05 Official Depositories - A resolution naming official depositories has not been approved by the City.

Recommendation - The Council should approve a resolution in amounts sufficient to cover anticipated balances for all depositories.

Response - We will state an authorized depository.

Conclusion - Response accepted.

CITY OF THOMPSON, IOWA
Schedule of Findings
Year Ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting: - Continued

IV-B-05 Certified Budget - Disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the public safety and culture and recreation 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 sufficient amounts in accordance with Chapter 384.14 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.

IV-C-05 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

IV-E-05 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Steve Reimann, Council member/ Owner North Iowa Auto	Parts/Repair	\$1,083

In accordance with chapter 362.5(11) of the Code of Iowa, the transactions do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year.

IV-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.

IV-G-05 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not. Although the minutes of the Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the code of Iowa.

CITY OF THOMPSON, IOWA
Schedule of Findings
Year Ended June 30, 2005

Part IV: Other Findings Related to Statutory Reporting: - Continued

Recommendation - The city should comply with the Code of Iowa and publish minutes as required.

Response - We will comply with the Code requirements and publish minutes as required.

Conclusion - Response accepted.

IV-H-05 Deposits and Investments - The city has not established written investment policies as required by Chapter 12B.10 of the Code of Iowa.

Recommendation - The City should establish written policies that address investment goals, compliance with state law, diversification, maturity, quality and capability of investment management as required.

Response - We will adopt the required policies.

Conclusion - Response accepted.

IV-I-05 Employee Benefits Tax Levy - The tax levy for Employee Benefits was recorded in the General Fund instead of a Special Revenue Fund.

Recommendation - The Employee Benefits tax levy should be recorded in a Special Revenue Fund.

Response - We will set up a special account for this.

Conclusion - Response accepted.

IV-J-05 Financial Condition - The Special Revenue Fund - CDBG and Debt Service Fund had deficit balance at June 30, 2005.

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

Response - We will do this.

Conclusion - Response accepted.

IV-K-05 Utility Billings - The City does not appear to bill water based on rates specified in the City Code.

Recommendation - The City should take necessary steps to comply with the City Code and insure the billings are computed correctly.

Response - We will make the necessary changes.

Conclusion - Response accepted.

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