



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

May 4, 2006

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Thayer, Iowa.

The City's receipts totaled \$8,900 for the year ended June 30, 2005. The receipts included \$2,746 in property tax, \$2,201 from charges for service, \$3,862 from operating grants, contributions and restricted interest, and \$91 from unrestricted interest on investments receipts.

Disbursements for the year totaled \$11,358, and included \$9,660 for public works, \$1,467 for general government and \$181 for culture and recreation.

A copy of the report is available for review at the City of Thayer, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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CITY OF THAYER

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

JUNE 30, 2005

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City of Thayer

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tony Smith	Mayor	Resigned
John Dobberthein (Appointed)	Mayor	Nov 2005
Keith Mitchell	Council Member	Resigned
Donna Dobberthein (Appointed)	Council Member	Nov 2005
Mike Ward, Sr.	Council Member	Jan 2006
Tom Britt	Council Member	Jan 2006
Alvan Snyder	Council Member	Jan 2006
Peggy Ragusi	Council Member	Jan 2006
Ronda Britt	City Clerk	Indefinite
Marion James	Attorney	Indefinite

City of Thayer



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Thayer, 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 Thayer's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

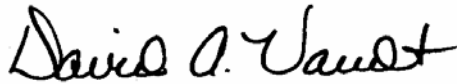
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2004.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we 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, each major fund and the aggregate remaining fund information of the City of Thayer 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.

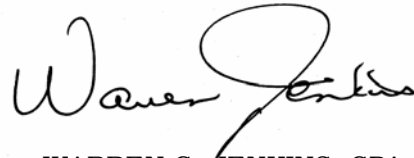
As described in Note 6, during the year ended June 30, 2005, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated March 17, 2006 on our consideration of the City of Thayer's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 10 and 18 and 19 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 17, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Thayer 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, and since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2005 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased by approximately \$2,500, due primarily to an increase in garbage collection disbursements in the General Fund and an increase in street lighting and tree removal disbursements in the Road Use Tax Fund.

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.

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, readers 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 that 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 includes one kind of activity:

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

Fund Financial Statements

The City has one kind of fund:

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 and 2) the Special Revenue, Road Use Tax 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.

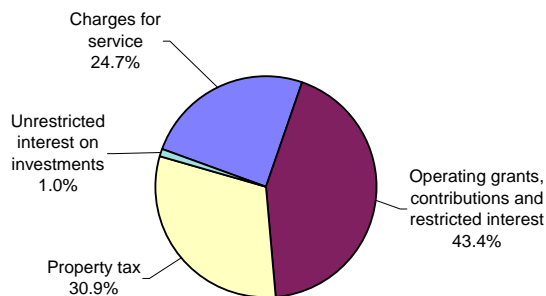
The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

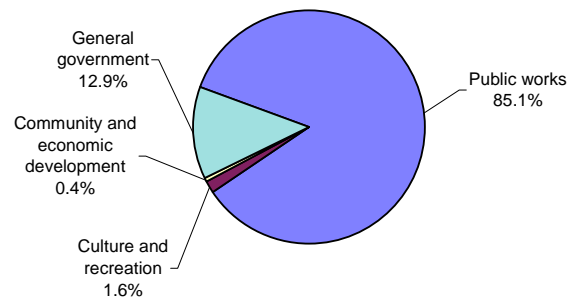
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$19,402 to \$16,944. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2005
Receipts:	
Program receipts:	
Charges for service	\$ 2,201
Operating grants, contributions and restricted interest	3,862
General receipts:	
Property tax	2,746
Unrestricted interest on investments	91
Total receipts	<u>8,900</u>
Disbursements:	
Public works	9,660
Culture and recreation	181
Community and economic development	50
General government	1,467
Total disbursements	<u>11,358</u>
Decrease in cash basis net assets	(2,458)
Cash basis net assets beginning of year	<u>19,402</u>
Cash basis net assets end of year	<u>\$ 16,944</u>

Receipts by Source



Disbursements by Function



The cash basis net assets of the City's governmental activities decreased by approximately \$2,500, due primarily to an increase in garbage collection disbursements from the General Fund and an increase in street lighting disbursements and tree removal in the Road Use Tax Fund.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Thayer completed the year, its governmental funds reported a combined fund balance of \$16,944, a decrease of approximately \$2,500 below the June 30, 2004 balance of \$19,402. 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 \$687 from the prior year, to a year-end balance of \$935. The decrease was due in part to an increase in garbage collection costs.
- The Road Use Tax Fund cash balance decreased by \$1,771 to \$16,009 during the fiscal year. This decrease was attributable to spending \$1,425 on tree removal and an increase in street lighting disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not amend its budget. The budget was not overspent in any function.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Thayer's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates and fees charged for various City activities. The City's fiscal year 2006 assessed taxable valuation has decreased \$11,190 from the fiscal year 2005 level.

The proposed fiscal year 2006 budget includes total receipts of \$11,362 and disbursements of \$25,620. The City's fiscal year 2006 budget includes \$18,000 of public works disbursements for street resurfacing.

The proposed fiscal year 2006 levy is \$8.10 per \$1,000 of assessed property valuation, which is unchanged from fiscal year 2005.

These parameters were taken into account when adopting the budget for fiscal year 2006.

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 Ronda Britt, City Clerk, P.O. Box 86, Thayer, Iowa 50254-0086.

Basic Financial Statements

Exhibit A

City of Thayer

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2005

	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities
Functions/Programs:				
Governmental activities:				
Public works	\$ 9,660	2,201	3,803	(3,656)
Culture and recreation	181	-	59	(122)
Community and economic development	50	-	-	(50)
General government	1,467	-	-	(1,467)
Total	\$ 11,358	2,201	3,862	(5,295)
General Receipts:				
Property tax levied for general purposes				2,746
Unrestricted interest on investments				91
Total general receipts				2,837
Change in cash basis net assets				(2,458)
Cash basis net assets beginning of year				19,402
Cash basis net assets end of year				\$ 16,944
Cash Basis Net Assets				
Restricted for streets				\$ 16,009
Unrestricted				935
Total cash basis net assets				\$ 16,944

See notes to financial statements.

City of Thayer

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

As of and for the year ended June 30, 2005

	General	<u>Special Revenue</u> Road Use Tax	Total
Receipts:			
Property tax	\$ 2,448	-	2,448
Other city tax	298	-	298
Use of money and property	3	88	91
Intergovernmental	-	3,803	3,803
Charges for service	2,201	-	2,201
Miscellaneous	59	-	59
Total receipts	<u>5,009</u>	<u>3,891</u>	<u>8,900</u>
Disbursements:			
Operating:			
Public works	4,085	5,575	9,660
Culture and recreation	181	-	181
Community and economic development	50	-	50
General government	1,380	87	1,467
Total disbursements	<u>5,696</u>	<u>5,662</u>	<u>11,358</u>
Deficiency of receipts under disbursements	(687)	(1,771)	(2,458)
Cash balances beginning of year	<u>1,622</u>	<u>17,780</u>	<u>19,402</u>
Cash balances end of year	<u>\$ 935</u>	<u>16,009</u>	<u>16,944</u>
Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 935	-	935
Special revenue fund	-	16,009	16,009
Total cash basis fund balances	<u>\$ 935</u>	<u>16,009</u>	<u>16,944</u>

See notes to financial statements.

City of Thayer

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

The City of Thayer is a political subdivision of the State of Iowa located in Union 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 garbage service for its citizens.

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Financial Statement – 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.

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.

Unrestricted net assets consist of net assets not meeting 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

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

C. Measurement Focus and Basis of Accounting

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted.

(2) Cash

The City's deposits in the local bank 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 depository 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 had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) 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. The City's contribution to IPERS for the year ended June 30, 2005 was \$19, equal to the required contribution.

(4) Risk Management

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

(5) Subsequent Events

In September 2005, the City entered into a CDBG grant agreement for \$66,000 for a sanitary sewer system. The Southern Iowa Rural Water Association (SIRWA) is contributing \$555,000 for the local matching funds for the project. Also, the City entered into an agreement with a local contractor for roof replacement at the city hall for \$2,844.

(6) Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2005. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type.

Implementation of these standards had no effect on the beginning balances of the City.

Required Supplementary Information

City of Thayer

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

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Original and Final Budget	Budget to Actual Variance
Receipts:			
Property tax	\$ 2,448	2,525	(77)
Other city tax	298	336	(38)
Use of money and property	91	102	(11)
Intergovernmental	3,803	6,550	(2,747)
Charges for service	2,201	2,400	(199)
Miscellaneous	59	-	59
Total receipts	<u>8,900</u>	<u>11,913</u>	<u>(3,013)</u>
Disbursements:			
Public works	9,660	10,350	690
Culture and recreation	181	1,250	1,069
Community and economic development	50	250	200
General government	1,467	3,395	1,928
Total disbursements	<u>11,358</u>	<u>15,245</u>	<u>3,887</u>
Excess (deficiency) of receipts over (under) disbursements	(2,458)	(3,332)	874
Balances beginning of year	<u>19,402</u>	<u>18,029</u>	<u>(1,373)</u>
Balances end of year	<u>\$ 16,944</u>	<u>14,697</u>	<u>(499)</u>

See accompanying independent auditor's report.

City of Thayer

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 the Special Revenue Fund.

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. 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 and the Special Revenue Fund. 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 ended June 30, 2005, disbursements did not exceed the amounts budgeted.

City of Thayer



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Thayer, 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 our report thereon dated March 17, 2006. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2004. Except as noted in the Independent Auditor's Report, we conducted our 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 our audit, we considered the City of Thayer's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Thayer'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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness.

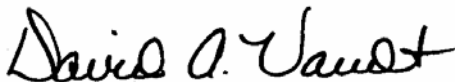
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Thayer's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

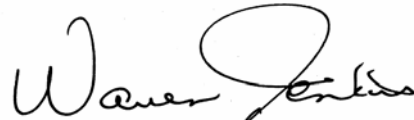
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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 Thayer and other parties to whom the City of Thayer may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 17, 2006

City of Thayer
Schedule of Findings
Year ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- (A) 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. When duties are properly segregated, the activities of one employee act as a check on those of another. One person has control over each of the following areas:
- (1) Accounting system – performing all general accounting functions and having custody of assets.
 - (2) Cash – preparing bank account reconciliations, initiating cash receipts and disbursement functions and handling and recording cash.
 - (3) Receipts – collecting, depositing, journalizing and posting.
 - (4) Garbage receipts – billing, collecting, depositing, posting and reconciling.
 - (5) Disbursements – purchasing, check signing, recording and reconciling.

Recommendation – We 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 utilizing currently available personnel. Evidence of various reviews should be indicated by initials of the independent reviewer.

Response – We will make sure that Council members review monthly accounting records including bank reconciliations, receipt and disbursement information and garbage billing and collections.

Conclusion – Response accepted.

- (B) Prenumbered Receipts – The City does not issue prenumbered receipts for all collections. Also, collections are not always deposited on a timely basis.

Recommendation – The City should issue prenumbered receipts for all collections and should deposit collections in a timely manner.

Response – We will start using prenumbered receipts immediately and will make deposits more timely.

Conclusion – Response accepted.

City of Thayer

Schedule of Findings

Year ended June 30, 2005

- (C) Disbursements – Certain disbursements were not approved by the City Council and did not have supporting invoices or documentation attached. Also, checks are not signed by an independent person.

Recommendation – The City Council should approve each disbursement after reviewing supporting documentation and the City should retain invoices or supporting documentation for all disbursements. Also, checks should be signed by a person who did not prepare the check or approve the check.

Response – We will list every disbursement approved by the Council in the minutes record. We will have checks signed by an independent person.

Conclusion – Response acknowledged. The City should retain invoices or supporting documentation for all disbursements.

- (D) Clerk's Monthly Report – The Clerk submits a monthly financial report to the Council for review and approval. The report did not contain a comparison of budget with actual amounts.

Recommendation – The Clerk's monthly report should also include a comparison of budget with actual amounts to provide the Council with additional information to make decisions and to monitor the budget during the year.

Response – We will require monthly reports which include periodic budget with actual comparisons.

Conclusion – Response accepted.

City of Thayer
Schedule of Findings
Year ended June 30, 2005

Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has not been approved by the City. Maximum deposit amounts were not established during the year ended June 30, 2005.

Recommendation – The City should adopt a resolution naming official depositories and establishing a maximum deposit amount for each depository named.

Response – We will adopt this resolution at our next meeting naming depository bank and setting a maximum deposit amount.

Conclusion – Response accepted.

- (2) Certified Budget – Disbursements during the year ended June 30, 2005 did not exceed the amounts budgeted.

- (3) Questionable Disbursements – Certain disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Peggy Ragusi	Christmas party for kids	\$ 50
Donna Dobberthein	Easter egg hunt for kids	50

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

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response – We will establish a policy for this. Our town has very little recreation opportunities for children and we consider these disbursements as recreation.

Conclusion – Response accepted.

- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Thayer
 Schedule of Findings
 Year ended June 30, 2005

- (5) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name and Title	Transaction Description	Amount
Alvan Snyder, Council Member	Snow removal and insurance	\$ 678
Britanee Ward, daughter of Council Member	Mowing	160

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Council Member and family member do not appear to represent conflicts of interest since the total transactions with each individual were less than \$2,500 during the fiscal year.

- (6) Bond Coverage – The City did not provide surety bond coverage for City officials and employees.

Recommendation – The City is required by Chapter 64 of the Code of Iowa to provide surety bond coverage for all officials and employees. The City should provide this coverage and the amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

Response – We approved obtaining this coverage at the most recent Council meeting.

Conclusion – Response accepted.

- (7) Council Minutes – Certain transactions were found that we believe should have been approved in the Council minutes but were not. Also, minutes were not properly signed by the Mayor and Clerk as required by Chapter 380.7 of the Code of Iowa and did not always show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.

Recommendation – The City should sign minutes as required and should include information sufficient to indicate the vote of each member present.

Response – We will make sure that minutes are signed by both the Mayor and the Clerk. We will make sure that the minutes show votes of each Council member present. All checks approved by the Council will be listed in the minutes record.

Conclusion – Response accepted.

- (8) Deposits – Except as noted above, no instances of non-compliance with the deposit provisions of Chapters 12B and 12C of the Code of Iowa were noted.

- (9) Garbage Rates – The City collects garbage pickup fees from citizens of the City on a monthly basis. The rate set by ordinance is \$3 per month per household, but the City currently charges \$12 per month per household. Also, the billing register did not include the date and amount paid for each customer account.

City of Thayer

Schedule of Findings

Year ended June 30, 2005

Recommendation – If the City wishes to continue charging \$12 per month per household, the City should amend the current ordinance from \$3 to \$12 per month per household. A complete billing register, including the date and amount paid for each customer account, should be maintained. In addition, each receipt should be evidenced by issuing a prenumbered receipt.

Response – We will amend the ordinance to show the proper garbage rates. We will include information on our billing records to show dates paid and will begin using prenumbered receipts.

Conclusion – Response accepted.

- (10) Payroll Taxes – IPERS is paid by the City, but the employee share of IPERS is not withheld from the employee. Also, FICA and Medicare are not withheld or paid by the City. In addition, a W-2 was not issued to the City employee and IRS forms 1099 were not issued for contract labor of more than \$600 per year.

Recommendation – The City should withhold IPERS and FICA/Medicare from the Clerk's salary and submit IRS form 941, quarterly payroll reports. Also, the City should issue a W-2 to the City employee and issue IRS form 1099 for contract labor of more than \$600 each year.

Response – We will withhold the required taxes from the clerk's salary. We will submit all appropriate tax forms and will issue a W-2 and 1099's if applicable.

Conclusion – Response accepted.

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

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

Response – We will notify the bank to provide both sides of the check.

Conclusion – Response accepted.

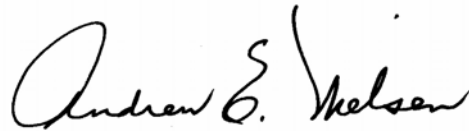
- (12) Petition Items – All items on the petition for audit have been investigated and any matters requiring disclosure are included in the above findings.

City of Thayer

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Paul F. Kearney, CGFM, Senior Auditor
Karen J. Kibbe, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State