

CITY OF NEW HAMPTON  
FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

June 30, 2004

HAGEN & KALLEVANG, P.C.  
Certified Public Accountants

CITY OF NEW HAMPTON

## TABLE OF CONTENTS

		<u>Page No.</u>
OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT		2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS		4-10
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>	
Government-wide Financial Statement: Statement of Activities and Net Assets – Cash Basis	A	11
Governmental Fund Financial Statements: Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	12
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets – Governmental Funds	C	13
Proprietary Fund Financial Statements: Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	14
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets – Proprietary Funds	E	
Notes to Financial Statements		15-25
REQUIRED SUPPLEMENTAL INFORMATION		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		26
Notes to Required Supplementary Information – Budgetary Reporting		27
OTHER SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	28
Schedule of Indebtedness	2	29
Bond and Note Maturities	3	30-32
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4	33
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING		34-35
SCHEDULE OF FINDINGS		36-38

CITY OF NEW HAMPTON

OFFICIALS

(Before January 2004)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ray Klenske	Mayor	December 31, 2003
Robert Clites	Mayor Pro Tem	December 31, 2003
Roger Katz	Council Member	December 31, 2003
Renae Croell	Council Member	December 31, 2003
William Hurd	Council Member	December 31, 2003
Robert Martin	Council Member	December 31, 2003
Donald Schueth	Council Member	December 31, 2003
Suellen Kolbet	Clerk/Treasurer	Indefinite
Kevin Kennedy	Attorney	Indefinite

(After January 2004)

Darwin Sitting	Mayor	December 31, 2005
Robert Martin	Mayor Pro Tem	December 31, 2005
Robert Clites	Council Member	December 31, 2005
Nita Geerts	Council Member	December 31, 2005
William Hurd	Council Member	December 31, 2005
Donald Schueth	Council Member	December 31, 2005
Dawn Wegman	Council Member	December 31, 2005
Suellen Kolbet	Clerk/Treasurer	Indefinite
Kevin Kennedy	Attorney	Indefinite

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, the business type activities, each major fund and the aggregate remaining fund information of the City of New Hampton, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the basic financial statements of the City's primary government and the discretely presented component unit that is included for budget purposes as listed in the table of contents. These financial statements are the responsibility of the City of New Hampton'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, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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.

The financial statements referred to above include only the primary government of the City of New Hampton which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity and the discretely presented component unit that is included for budget purposes. The financial statements do not include financial data for all the City's legally separate component units, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of New Hampton as of June 30, 2004, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information for the primary government of the City of New Hampton and the discretely presented component unit that is included for budget purposes as of June 30, 2004, 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 discussed in Note 18, during the year ended June 30, 2004, 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; and 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 January 14, 2005 on our consideration of the City’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management’s Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 26 through 27 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary included in Schedules 1 through 4 is presented for purposes additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hagen & Kallewang, P.C.*

January 14, 2005

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of New Hampton 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, 2004. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

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

### 2004 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities decreased 20.1%, or approximately \$686,000 from fiscal 2003 to fiscal 2004. The revenue sources with major changes from the prior year are as follows:

	Increase (Decrease)
Charges for service	\$ 93,000
Grants and contributions	(583,000)
Taxes	(205,000)
Investment earnings	(31,000)
Sale of assets	49,000
All others, net	(9,000)
	<u>\$ (686,000)</u>

Disbursements increased a half of one percent, or \$17,000, in fiscal 2004 from fiscal 2003. The disbursements with major changes from the prior year are as follows:

Public safety	\$ 7,000
Public works	(26,000)
Culture and recreation	52,500
Community and economic development	(601,000)
Debt service	147,000
Capital project	428,000
All others, net	9,500
	<u>\$ 17,000</u>

The City's total cash basis net assets decreased 15% or approximately \$633,000 from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities decreased approximately \$528,000 and the assets of the business type activities decreased by approximately \$105,000.

## 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 non-major governmental funds and the indebtedness of the City.

### **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, health and social service, 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.

- Component unit information represents that of the New Hampton Municipal Electric Light Plant which is the only component unit included in the City's budget and annual reporting process. The Light Plant is separately audited, however limited information is presented discretely from that of the City's. A component unit is a legally separate entity but one whose financial and accounting practices are closely linked to those of the City.

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

- 2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. 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 statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$2,724,037 to \$2,196,039. The analysis that follows focuses on the changes in cash balances for governmental activities.

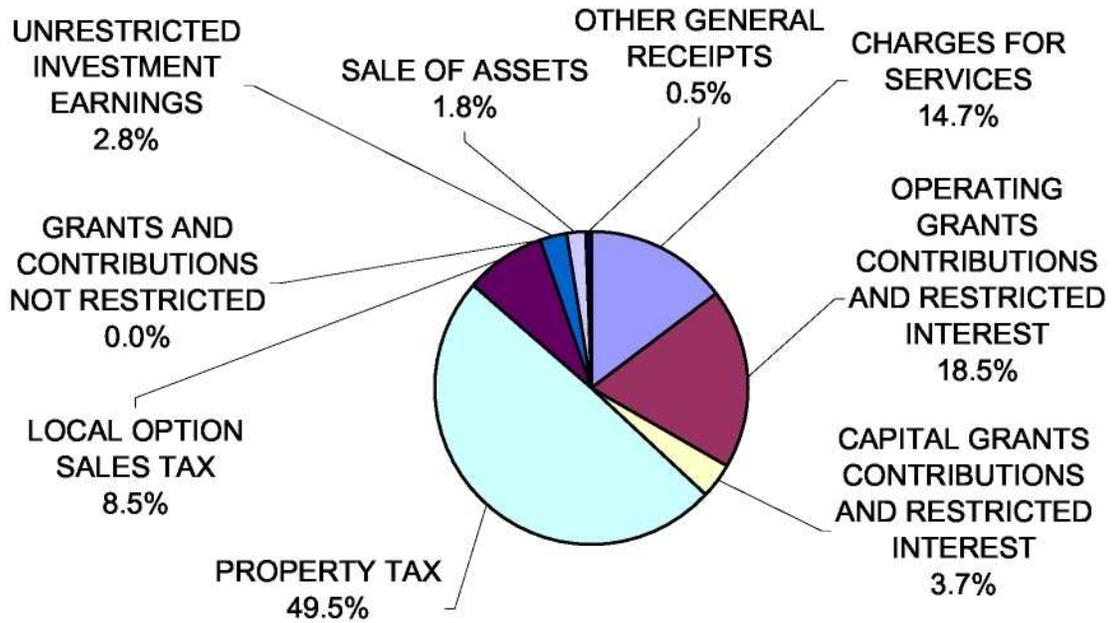
Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	<u>2004</u>	<u>2003</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 402,889	\$ 309,451
Operating grants, contributions and restricted interest	504,575	718,751
Capital grants, contributions and restricted interest	102,287	471,398
General receipts:		
Property tax	1,349,932	1,440,994
Local option sales tax	231,446	345,431
Grants and contributions not restricted to specific purposes	-	-
Unrestricted investment earnings	75,649	106,404
Sale of assets	49,000	-
Other general receipts	12,898	22,678
Transfers, net	-	-
Total receipts and transfers	<u>2,728,676</u>	<u>3,415,107</u>
Disbursements and transfers:		
Public safety	452,200	445,072
Public works	348,886	375,085
Health and social services	3,607	3,607
Culture and recreation	570,504	517,958
Community and economic development	339,580	940,540
General government	503,406	473,947
Debt service	377,582	230,840
Capital projects	660,911	232,850
Transfers, net	-	19,528
Total disbursements and transfers	<u>3,256,676</u>	<u>3,239,427</u>
Increase (decrease) in cash basis net assets	(528,000)	175,680
Cash basis net assets beginning of year	<u>2,724,039</u>	<u>2,548,359</u>
Cash basis net assets end of year	<u>\$ 2,196,039</u>	<u>\$ 2,724,039</u>

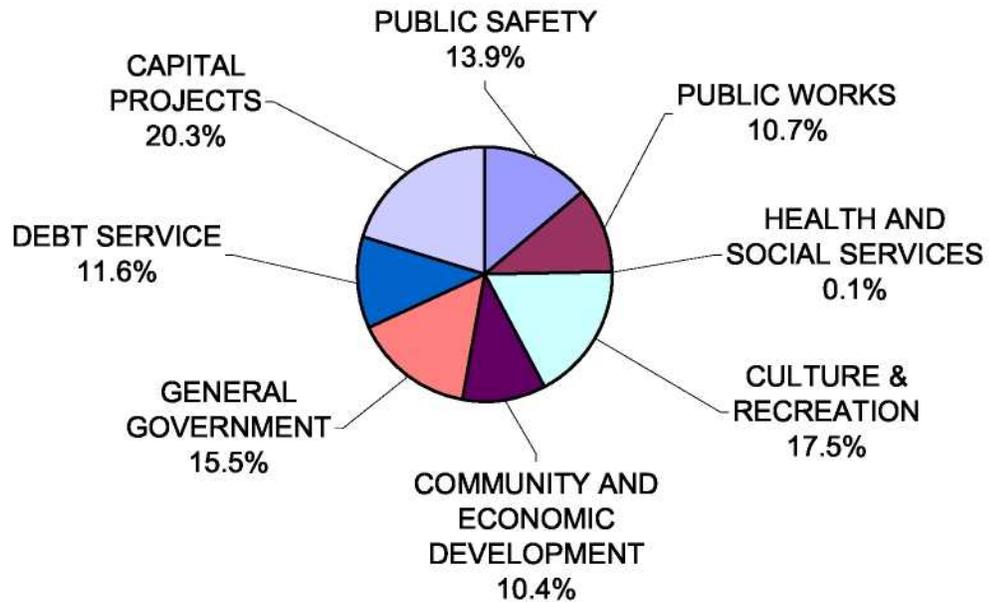
The City's total receipts for governmental activities decreased by 20.1% or approximately \$686,000. The total cost of all programs and services increased by approximately \$17,000 or .5% with no new programs added this year. The significant decrease in receipts was primarily from the decrease in interest rates, as well as the decrease in interest income because cash reserves have been used for large capital projects. Also did not receive as much grant revenue.

The cost of all governmental activities this year was \$3,256,676 compared to \$3,239,427 last year. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$2,246,925 because some of the cost was paid by those directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants, contributions and charges for services. Overall, the large cost of Capital Projects was financed by using cash reserves and a proposed bond sale in 2005.

**Receipts by Source**



**Disbursements by Function**



The analysis that follows focuses on the changes in cash balances for business type activities:

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30,	
	2004	2003
Receipts and transfers:		
Program receipts:		
Charges for service		
Water	\$ 183,775	\$ 180,819
Sewer	487,617	489,291
General receipts:		
Unrestricted investment earnings		33,792
Transfers	-	19,528
Total receipts and transfers	<u>671,392</u>	<u>723,430</u>
Disbursements and transfers:		
Water	204,868	247,463
Sewer	571,543	572,859
Transfers	-	-
Total disbursements and transfers	<u>776,411</u>	<u>820,322</u>
Increase (decrease) in cash balance	(105,019)	(96,892)
Cash basis net assets beginning of year	<u>1,563,139</u>	<u>1,660,031</u>
Cash basis net assets end of year	<u>\$ 1,458,120</u>	<u>\$ 1,563,139</u>

Total business type activities receipts for the fiscal year were \$671,392 compared to \$723,430 last year. This decrease was primarily due to a decrease in utility revenues and miscellaneous revenue. The cash balance decreased by approximately \$105,000 from the prior year because some Water Utility capital projects were financed by reserves. Total disbursements and transfers for the fiscal year decreased by 5% to a total of \$776,411. The component unit (Light Plant) had total cash receipts of \$3,034,519 for 2004 compared to \$2,965,129 for 2003. Total cash disbursements for 2004 was \$3,382,310 compared to \$3,851,098 for 2003. The cash balance decreased \$347,791 to \$5,301,553.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of New Hampton completed the year, its governmental funds reported a combined fund balance of \$2,196,029 a decrease of more than \$528,000 above last year's total of \$2,724,039. 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 by more than \$50,000. This is due in part to the elimination of property tax replacement funds from the State of Iowa.
- The Road Use Tax Fund cash balance increased by \$16,115 to \$129,080 during the fiscal year. This increase was attributable to the mild winter and the fact that not as many road maintenance projects were completed.
- The Urban Renewal Tax Increment Fund was established for Economic Development projects. The balance increased by \$34,429 to \$613,217. The fund is used to collect incremental taxes and fund tax increment projects. The reserve balance in the fund will be used to finance water and sewer lines that have been constructed to serve the new industrial park.
- The Industrial Park Fund has a deficit balance of \$599,772. This fund includes expenditures for the water and sewer project to the new industrial park, as well as several other capital projects. When complete, this will be funded by the reserve balance in the Tax Increment Fund as well as from General Obligation bonds.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$21,093 to \$578,829, due primarily to capital repairs to the water towers.
- The Sewer Fund cash balance decreased by \$83,926 to \$879,291, due primarily to the cost of retiring bonds.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget three times. These amendments increased budgeted disbursements by \$2,157,690. The City had sufficient cash balances to absorb these additional costs. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the health and social service, community and economic development, and debt service functions.

## DEBT ADMINISTRATION

At June 30, 2004, the City had approximately \$2,968,360 in bonds and other long-term debt, compared to approximately \$3,327,615 last year, as shown below.

### Outstanding Debt at Year-End

	Year ended June 30,	
	2004	2003
General obligation bonds	\$ 2,105,000	\$ 2,235,000
Revenue notes	640,000	745,000
Urban renewal tax increment financing revenue bonds	<u>223,360</u>	<u>347,615</u>
Total	<u>\$ 2,968,360</u>	<u>\$ 3,327,615</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 \$2,105,000 is significantly below its constitutional debt limit of 6,821,667.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of New Hampton's 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. Unemployment in the County now stands at 6.3 percent, versus 8.1 percent a year ago. This compares with the State's unemployment rate of 4.7 percent and the national rate of 3.9 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2 percent for fiscal year 2004 compared with the national rate of 3.4 percent. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$3.2 million, a decrease of 4% over the final 2004 budget. This decrease is due to several factors. They are the elimination of State funding, decrease in interest income due to low interest rates and the City's use of reserve funds for capital projects, and a decrease in taxes collected. The City has added no major new programs or initiatives to the 2005 budget, but has increased water service rates.

## 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 Suellen Kolbet, City Clerk at 641-394-5906.

## BASIC FINANCIAL STATEMENTS

## CITY OF NEW HAMPTON

## STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the year ended June 30, 2004

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	Light Plant
Primary government								
Governmental activities								
Public safety	\$ (452,200)	\$ 37,180	\$ 1,474	\$ -	\$ (413,546)	\$ -	\$ (413,546)	\$ -
Public works	(348,886)	163,030	312,498	-	126,642	-	126,642	-
Health and social services	(3,607)	-	-	-	(3,607)	-	(3,607)	-
Culture and recreation	(570,504)	103,006	44,922	102,287	(320,289)	-	(320,289)	-
Community and economic development	(339,580)	24,722	130,681	-	(184,177)	-	(184,177)	-
General government	(503,406)	74,951	15,000	-	(413,455)	-	(413,455)	-
Debt service	(377,582)	-	-	-	(377,582)	-	(377,582)	-
Capital projects	(660,911)	-	-	-	(660,911)	-	(660,911)	-
Total governmental activities	<u>(3,256,676)</u>	<u>402,889</u>	<u>504,575</u>	<u>102,287</u>	<u>(2,246,925)</u>	<u>-</u>	<u>(2,246,925)</u>	<u>-</u>
Business type activities								
Water	(204,868)	183,775	-	-	-	(21,093)	(21,093)	-
Sewer	(571,543)	487,617	-	-	-	(83,926)	(83,926)	-
Total business type activities	<u>(776,411)</u>	<u>671,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(105,019)</u>	<u>(105,019)</u>	<u>-</u>
Total primary government	<u>\$ (4,033,087)</u>	<u>\$ 1,074,281</u>	<u>\$ 504,575</u>	<u>\$ 102,287</u>	<u>(2,246,925)</u>	<u>(105,019)</u>	<u>(2,351,944)</u>	<u>-</u>
Component unit								
Light plant	<u>\$ (3,382,310)</u>	<u>\$ 2,814,637</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(527,673)</u>
General Receipts								
Property tax levied for								
General purposes					951,715	-	951,715	-
Tax increment financing					369,535	-	369,535	-
Debt service					28,682	-	28,682	-
Local option sales tax					231,446	-	231,446	-
Grants and contributions not restricted to specific purpose					-	-	-	-
Unrestricted interest on investments					75,649	-	75,649	156,984
Bond proceeds					-	-	-	-
Miscellaneous					12,898	-	12,898	-
Sale of assets					49,000	-	49,000	22,898
Transfers					-	-	-	-
Total general receipts and transfers					<u>1,718,925</u>	<u>-</u>	<u>1,718,925</u>	<u>179,882</u>
Change in cash basis net assets					(528,000)	(105,019)	(633,019)	(347,791)
Cash basis net assets beginning of year					<u>2,724,039</u>	<u>1,563,139</u>	<u>4,287,178</u>	<u>5,649,344</u>
Cash basis net assets end of year					<u>\$ 2,196,039</u>	<u>\$ 1,458,120</u>	<u>\$ 3,654,159</u>	<u>\$ 5,301,553</u>
Cash Basis Net Assets								
Restricted								
Streets					\$ 129,080	\$ -	\$ 129,080	\$ -
Urban renewal purposes					613,217	-	613,217	-
Debt service					5,117	15,345	20,462	1,980,524
Other purposes					111,992	-	111,992	-
Unrestricted					<u>1,336,633</u>	<u>1,442,775</u>	<u>2,779,408</u>	<u>3,321,029</u>
Total cash basis net assets					<u>\$ 2,196,039</u>	<u>\$ 1,458,120</u>	<u>\$ 3,654,159</u>	<u>\$ 5,301,553</u>

See notes to financial statements.

## CITY OF NEW HAMPTON

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2004

	General	Special Revenue		Capital Project	Other Nonmajor Governmental Funds	Total
		Road Use Tax	Urban Renewal Increment	Industrial Park		
<b>Receipts</b>						
Property tax	\$ 709,635	\$ -	\$ -	\$ -	\$ 241,670	\$ 951,305
Tax increment financing collections	-	-	369,535	-	-	369,535
Other city tax	27,684	-	-	-	232,854	260,538
Licenses and permits	14,471	-	-	-	-	14,471
Use of money and property	84,676	-	-	-	3,639	88,315
Intergovernmental	103,634	307,498	-	-	145,083	556,215
Charges for service	296,959	-	-	-	-	296,959
Special assessments	-	-	-	-	-	-
Miscellaneous	135,968	-	-	5,210	1,160	142,338
Total receipts	<u>1,373,027</u>	<u>307,498</u>	<u>369,535</u>	<u>5,210</u>	<u>624,406</u>	<u>2,679,676</u>
<b>Disbursements</b>						
Operating						
Public safety	405,249	-	-	-	46,951	452,200
Public works	75,003	273,883	-	-	-	348,886
Health and social services	3,607	-	-	-	-	3,607
Culture and recreation	537,329	-	-	-	33,175	570,504
Community and economic development	8,462	-	181,295	-	149,823	339,580
General government	417,426	-	-	-	85,980	503,406
Debt service	-	-	132,214	-	245,368	377,582
Capital projects	72,801	-	-	584,136	3,974	660,911
Total disbursements	<u>1,519,877</u>	<u>273,883</u>	<u>313,509</u>	<u>584,136</u>	<u>565,271</u>	<u>3,256,676</u>
Excess of receipts over (under) disbursements	<u>(146,850)</u>	<u>33,615</u>	<u>56,026</u>	<u>(578,926)</u>	<u>59,135</u>	<u>(577,000)</u>
<b>Other financing sources (uses)</b>						
Bond proceeds	-	-	-	-	-	-
Sale of capital assets	49,000	-	-	-	-	49,000
Operating transfers in	124,801	-	-	-	199,730	324,531
Operating transfers out	(77,500)	(17,500)	(21,597)	-	(207,934)	(324,531)
Total other financing sources (uses)	<u>96,301</u>	<u>(17,500)</u>	<u>(21,597)</u>	<u>-</u>	<u>(8,204)</u>	<u>49,000</u>
Net change in cash balances	(50,549)	16,115	34,429	(578,926)	50,931	(528,000)
Cash balances beginning of year	1,387,182	112,965	578,788	(20,846)	665,950	2,724,039
Cash balances end of year	<u>\$ 1,336,633</u>	<u>\$ 129,080</u>	<u>\$ 613,217</u>	<u>\$ (599,772)</u>	<u>\$ 716,881</u>	<u>\$ 2,196,039</u>
<b>Cash Basis Fund Balances</b>						
Reserved						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 5,117	\$ 5,117
Unreserved						
General fund	1,336,633	-	-	-	-	1,336,633
Special revenue funds	-	129,080	613,217	-	617,707	1,360,004
Capital projects fund	-	-	-	(599,772)	13,608	(586,164)
Permanent fund	-	-	-	-	80,449	80,449
Total cash basis fund balances	<u>\$ 1,336,633</u>	<u>\$ 129,080</u>	<u>\$ 613,217</u>	<u>\$ (599,772)</u>	<u>\$ 716,881</u>	<u>\$ 2,196,039</u>

See notes to financial statements.

## CITY OF NEW HAMPTON

RECONCILIATION OF THE STATEMENT OF CASH  
RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2004

Total governmental funds cash balances (page 12)	\$ 2,196,039
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
Not applicable	<u>                  -</u>
Cash basis net assets of governmental activities (page 11)	<u>\$ 2,196,039</u>
Net change in cash balances (page 12)	\$ (528,000)
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
Not applicable	<u>                  -</u>
Change in cash balance of governmental activities (page 11)	<u>\$ (528,000)</u>

See notes to financial statements.

CITY OF NEW HAMPTON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2004

	Enterprise Funds			Component Unit
	Primary Government			
	Water	Sewer	Total	Light Plant
Operating receipts:				
Use of money and property	\$ 3,820	\$ 27,545	\$ 31,365	\$ 156,984
Charges for service	149,281	450,622	599,903	2,689,356
Miscellaneous	30,674	9,450	40,124	125,281
Total operating receipts	<u>183,775</u>	<u>487,617</u>	<u>671,392</u>	<u>2,971,621</u>
Operating disbursements:				
Business type activities	<u>204,868</u>	<u>419,228</u>	<u>624,096</u>	<u>3,382,310</u>
Total operating disbursements	<u>204,868</u>	<u>419,228</u>	<u>624,096</u>	<u>3,382,310</u>
Excess of operating receipts over (under) operating disbursements	<u>(21,093)</u>	<u>68,389</u>	<u>47,296</u>	<u>(410,689)</u>
Non-operating receipts (disbursements):				
Sale of assets	-	-	-	22,898
Miscellaneous	-	-	-	40,000
Debt service	-	(152,315)	(152,315)	-
Total non-operating receipts (disbursements)	<u>-</u>	<u>(152,315)</u>	<u>(152,315)</u>	<u>62,898</u>
Excess of receipts over (under) disbursements	<u>(21,093)</u>	<u>(83,926)</u>	<u>(105,019)</u>	<u>(347,791)</u>
Other financing sources (uses)				
Operating transfers in	59,800	163,561	223,361	-
Operating transfers out	<u>(59,800)</u>	<u>(163,561)</u>	<u>(223,361)</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	<u>(21,093)</u>	<u>(83,926)</u>	<u>(105,019)</u>	<u>(347,791)</u>
Cash balances beginning of year	<u>599,922</u>	<u>963,217</u>	<u>1,563,139</u>	<u>5,649,344</u>
Cash balances end of year	<u>\$ 578,829</u>	<u>\$ 879,291</u>	<u>\$ 1,458,120</u>	<u>\$ 5,301,553</u>
Cash Basis Fund Balance				
Reserved for debt service	\$ -	\$ -	\$ -	\$ 1,980,524
Unreserved	<u>578,829</u>	<u>879,291</u>	<u>1,458,120</u>	<u>3,321,029</u>
Total cash basis fund balances	<u>\$ 578,829</u>	<u>\$ 879,291</u>	<u>\$ 1,458,120</u>	<u>\$ 5,301,553</u>

See notes to financial statements.

## CITY OF NEW HAMPTON

RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
TO THE STATEMENT OF ACTIVITIES AND NET ASSETS -  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2004

Total enterprise funds cash balances (page 14)	\$ 1,458,120
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
Not applicable	<u>          -</u>
Cash basis net assets of business type activities (page 11)	<u>\$ 1,458,120</u>
Net change in cash balances (page 14)	\$ (105,019)
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
Not applicable	<u>          -</u>
Change in cash balance of business type activities (page 11)	<u>\$ (105,019)</u>

See notes to financial statements.

CITY OF NEW HAMPTON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of New Hampton is a political subdivision of the State of Iowa located in Chickasaw County. It was first incorporated in 1873 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 nonpartisan 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. The City also provides water and sewer utilities for its citizens as well as electrical power through the component unit noted below.

A. Reporting Entity

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

These financial statements present the City of New Hampton (the primary government) and the component unit which is included in the City's budget. The included discretely presented component unit is as follows:

The New Hampton Municipal Electric Light Plant is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Light Plant is governed by a five-member board appointed by the City Council and Utility's operating budget is subject to the approval of the City Council. Certain disclosures about the component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

The component units discussed below are not included in the City's reporting entity for various reasons although the operational or financial relationship with the City may or may not be significant. Excluded component units are as follows:

The New Hampton Volunteer Fire Department is legally separate from the City. The New Hampton Volunteer Fire Department has been established pursuant to local ordinance to prevent and extinguish fires and to protect lives and property against fires, to promote fire prevention and fire safety and to answer all emergency calls for which there is no other established agency. Although the New Hampton Volunteer Fire Department is legally separate from the City, its purpose is to benefit the City of New Hampton (the primary government) by providing the above services and by soliciting contributions and managing those funds.

CITY OF NEW HAMPTON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

The New Hampton Public Library Memorial Foundation is legally separate from the City. Although the New Hampton Public Library Memorial Foundation is legally separate from the City, its purpose is to benefit the City of New Hampton (the primary government) by maintaining an association of persons interested in the New Hampton Public Library, to promote and stimulate use of the New Hampton Public Library, to work with and support the library staff and Board of Trustees in their efforts to inform and educate the public as to the library's resources and services and to generate financial support for the further development of library services.

Jointly Governed Organizations - The City also 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: Chickasaw County Emergency Management, Chickasaw County Ambulance Service, Chickasaw County Joint Communication System, Iowa Northland Region Council of Governments, Floyd-Mitchell Solid Waste Agency, and Economic Development Advisory 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. Government 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.

*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.

CITY OF NEW HAMPTON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation – (continued)

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

Capital Projects:

Industrial Park is used to account for capital improvements being done on the City's industrial park area.

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.

C. Measurement Focus and 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.

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.

CITY OF NEW HAMPTON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the health and social services, community and economic development and debt service functions.

E. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and the disclosure of other financial information. Actual results could differ from those estimates.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2004 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 had no investments at June 30, 2004.

CITY OF NEW HAMPTON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Tax Increment Financing (TIF) Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 135,000	\$ 94,483	\$ 112,665	\$ 14,616
2006	140,000	88,736	90,219	7,220
2007	145,000	82,696	16,886	1,306
2008	155,000	76,378	3,590	215
2009	160,000	69,530	-	-
2010-2014	750,000	239,814	-	-
2015-2018	620,000	73,738	-	-
	<u>\$ 2,105,000</u>	<u>\$ 725,375</u>	<u>\$ 223,360</u>	<u>\$ 23,357</u>

Year Ending June 30,	Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2005	\$ 115,000	\$ 40,715	\$ 362,665	\$ 149,814
2006	120,000	33,700	350,219	129,656
2007	125,000	26,200	286,886	110,202
2008	135,000	18,200	293,590	94,793
2009	145,000	9,425	305,000	78,955
2010-2014	-	-	750,000	239,814
2015-2018	-	-	620,000	73,738
	<u>\$ 640,000</u>	<u>\$ 128,240</u>	<u>\$ 2,968,360</u>	<u>\$ 876,972</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

CITY OF NEW HAMPTON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 3 - BONDS AND NOTES PAYABLE (continued)

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond retirement account for the purpose of making the bond principal and interest payments when due.
- (c) Additional monthly transfers shall be made to the sewer reserve account until specific minimum balances have been accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

NOTE 4 - PENSION AND RETIREMENT BENEFITS

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

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$58,030, \$54,950 and \$56,625, respectively, equal to the required contributions for each year.

CITY OF NEW HAMPTON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2004, primarily relating to the General Fund, is as follows:

Vacation	\$ 42,136
Sick leave	<u>31,296</u>
Total	<u>\$ 73,432</u>

This liability has been computed based on rates of pay in effect at June 30, 2004.

NOTE 6 – ECONOMIC DEVELOPMENT

The City, to encourage economic development, provides rebates to developers. The rebates are paid only from incremental property taxes therefore do not constitute a general obligation of the City. Terms of the rebates vary according to the agreement. The City as of June 30, 2004 had a total of \$1,690,106 to pay in rebates through the year 2017.

NOTE 7 – LEASES

The City as of June 30, 2004 ended a 5-year lease for office space for the economic development office. The new lease is on a month-to-month basis at \$305 per month. Lease payments had been \$285 and the total for last year was \$3,470.

NOTE 8 - MAJOR UTILITY CONSUMER

An agreement, dated November 12, 1993, with a consumer states that the City will provide it with sewage treatment services for a period of fifteen years, beginning November 1993, with the stipulation that the consumer share in the additional cost of providing that service and to guarantee the City a minimum of \$77,000 per year. The amounts paid to the City are in lieu of any other rates or charges for the service.

CITY OF NEW HAMPTON  
NOTES TO FINANCIAL STATEMENTS  
Year ended June 30, 2004

NOTE 9 – TRANSFERS

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfers to		Transfers from	
General		Special Revenue	
General	\$ 4,123	Trust	<u>\$ 4,123</u>
General	2,923	Permanent	
		Cemetery Perpetual Care	<u>\$ 2,923</u>
		General	
Equipment replacement	77,500	General	<u>\$ 77,500</u>
Equipment replacement	17,500	Special Revenue	
General	<u>22,755</u>	Road Use Tax	<u>\$ 17,500</u>
	<u>\$ 124,801</u>	Special Revenue	
		Emergency	<u>\$ 22,755</u>
Special Revenue		Special Revenue	
Housing Rehabilitation	<u>\$ 2,835</u>	Urban Renewal Tax Increment	\$ 2,835
Debt Service			
TIF Obligation Bonds	<u>\$ 14,788</u>	Urban Renewal Tax Increment	14,788
Capital Projects			
TIF Project	<u>\$ 3,974</u>	Urban Renewal Tax Increment	<u>3,974</u>
			<u>\$ 21,597</u>
Debt Service		Special Revenue	
General Obligation Bond	<u>\$ 178,133</u>	Local Option Sales Tax	<u>\$ 178,133</u>
Water		Water	
Equipment replacement - water	<u>\$ 59,800</u>	Water	<u>\$ 59,800</u>
Sewer		Sewer	
Revenue Bond	\$ 150,000	Sewer	\$ 150,000
Equipment replacement - sewer	10,000	Sewer	10,000
Sewer	<u>3,561</u>	Sewer reserve	<u>3,561</u>
	<u>\$ 163,561</u>		<u>\$ 163,561</u>

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

NOTE 10 – RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$17,079 during the year ended June 30, 2004.

CITY OF NEW HAMPTON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 11 – 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 any of the past three fiscal years.

NOTE 12 - DEFICIT FUND BALANCE

The City had the following deficit fund balances at June 30, 2004:

Special Revenue		
Housing Rehabilitation Grant	\$	5,364
Grants		7,306
Capital Projects		
Industrial Park Development		599,772

The deficits in the special revenue will be eliminated by a transfer of funds from the general fund and receipt of grant proceeds. The deficits in the capital projects accounts will decrease as TIF and other financing is acquired to complete projects in progress

NOTE 13 - SELF FUNDING

The City has established a partially self-funded group medical plan which is on a calendar year basis. The plan allows the City lower monthly premiums for coverage in exchange for the potential of claims actually filed. If all the covered individuals submitted the maximum claim to be paid by the City, the total would be \$233,559. As of June 30, 2004 \$59,003 in claims had been paid.

NOTE 14 - CONSTRUCTION IN PROGRESS

The City has projects that are in various phases of completion. Total costs are estimated at \$908,521 with \$357,891 paid for as of June 30, 2004. The projects are expected to be funded by various sources.

NOTE 15 - GENERAL FUND BALANCE

The City has designated \$836,127 of the \$1,336,633 General Fund balance to be available for equipment replacement and special projects.

NOTE 16 - COMMITMENTS

The City belongs to a 28E with the County and local School to construct and operate a wellness center. The City has agreed to contribute \$100,000 towards the project. The City gave \$50,000 during 2004 and will then pay \$10,000 per year for the next five to complete its obligation.

NOTE 17 - SUBSEQUENT EVENTS

In August 2004, the City issued \$500,000 of general obligation bonds and entered into construction contracts totaling \$468,520 for a water project. The City also entered into a construction contract for \$186,500 for a street project to be financed from road use tax funds.

CITY OF NEW HAMPTON

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2004

NOTE 18 – 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, 2004. 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. Nonmajor funds are presented in total in one column.

The government-wide financial statement reports the City’s governmental and business type activities.

Required Supplementary Information

CITY OF NEW HAMPTON

BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

As of and for the year ended June 30, 2004

	Primary Government			Less Funds Not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
	Governmental Funds Actual	Proprietary Funds Actual	Component Unit			Original	Final	
<b>Receipts</b>								
Property tax	\$ 951,305	\$ -	\$ -	\$ -	\$ 951,305	\$ 907,520	\$ 907,520	\$ 43,785
Tax increment financing collections	369,535	-	-	-	369,535	316,000	330,000	39,535
Other city tax	260,538	-	-	-	260,538	295,951	295,951	(35,413)
Licenses and permits	14,471	-	-	-	14,471	14,450	14,450	21
Use of money and property	88,315	31,365	156,984	-	276,664	158,766	158,766	117,898
Intergovernmental	556,215	-	-	-	556,215	412,645	498,645	57,570
Charges for service	296,959	599,903	2,689,356	-	3,586,218	3,416,100	3,416,100	170,118
Special assessments	-	-	-	-	-	-	-	-
Miscellaneous	142,338	40,124	125,281	72,276	235,467	43,750	84,797	150,670
Total receipts	<u>2,679,676</u>	<u>671,392</u>	<u>2,971,621</u>	<u>72,276</u>	<u>6,250,413</u>	<u>5,565,182</u>	<u>5,706,229</u>	<u>544,184</u>
<b>Disbursements</b>								
Public safety	452,200	-	-	-	452,200	496,049	512,131	(59,931)
Public works	348,886	-	-	-	348,886	432,707	433,207	(84,321)
Health and social services	3,607	-	-	-	3,607	3,603	3,603	4
Culture and recreation	570,504	-	-	-	570,504	506,057	572,255	(1,751)
Community and economic development	339,580	-	-	-	339,580	178,875	279,829	59,751
General government	503,406	-	-	72,276	431,130	461,323	467,279	(36,149)
Debt service	377,582	-	-	-	377,582	376,333	376,333	1,249
Capital projects	660,911	-	-	-	660,911	310,000	940,000	(279,089)
Business type activities	-	776,411	3,382,310	-	4,158,721	4,767,136	6,105,136	(1,946,415)
Total disbursements	<u>3,256,676</u>	<u>776,411</u>	<u>3,382,310</u>	<u>72,276</u>	<u>7,343,121</u>	<u>7,532,083</u>	<u>9,689,773</u>	<u>(2,346,652)</u>
Excess of receipts over (under) disbursements	(577,000)	(105,019)	(410,689)	-	(1,092,708)	(1,966,901)	(3,983,544)	2,890,836
Other financing sources, net	49,000	-	62,898	-	111,898	-	400,000	(288,102)
Excess of receipts and other financing sources over (under) disbursements and other financing uses	(528,000)	(105,019)	(347,791)	-	(980,810)	(1,966,901)	(3,583,544)	2,602,734
Balances beginning of year	<u>2,724,039</u>	<u>1,563,139</u>	<u>5,649,344</u>	-	<u>9,936,522</u>	<u>9,349,865</u>	<u>9,349,865</u>	<u>586,657</u>
Balances end of year	<u>\$ 2,196,039</u>	<u>\$ 1,458,120</u>	<u>\$ 5,301,553</u>	<u>\$ -</u>	<u>\$ 8,955,712</u>	<u>\$ 7,382,964</u>	<u>\$ 5,766,321</u>	<u>\$ 3,189,391</u>

See accompanying independent auditor's report.

CITY OF NEW HAMPTON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
BUDGETARY REPORTING

June 30, 2004

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 including the New Hampton Municipal Electric Light Plant except blended component units, Internal Service Funds, and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was amended three times to increase budgeted disbursements by \$2,157,690. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the health and social service, community and economic development, and debt service functions.

## Other Supplementary Information

## CITY OF NEW HAMPTON

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2004

	Special		Revenue				Park & Rec. Special	Debt Service		Capital Projects				Permanent Cemetery Perpetual Care	Total
	Employee Benefits	Emergency	Local Option Sales Tax	Housing Rehabilitation Grant	Grants	Trust		Library Improvement	General Obligation Bonds	TIF Obligation Bonds	Swimming Pool	TIF Project	Wastewater Facility		
<b>Receipts</b>															
Property tax	\$ 190,513	\$ 22,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,536	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 241,670
Other city tax	1,128	134	231,446	-	-	-	-	146	-	-	-	-	-	-	232,854
Use of money and property	-	-	-	-	-	-	-	-	-	-	-	-	-	3,639	3,639
Intergovernmental	-	-	-	72,364	72,719	-	-	-	-	-	-	-	-	-	145,083
Special assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-	1,160	1,160
<b>Total receipts</b>	<b>191,641</b>	<b>22,755</b>	<b>231,446</b>	<b>72,364</b>	<b>72,719</b>	<b>-</b>	<b>-</b>	<b>28,682</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,799</b>	<b>624,406</b>
<b>Disbursements</b>															
Operating															
Public safety	46,951	-	-	-	-	-	-	-	-	-	-	-	-	-	46,951
Public works	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	25,408	-	-	-	-	-	7,767	-	-	-	-	-	-	-	33,175
Community and economic development	-	-	-	74,475	75,348	-	-	-	-	-	-	-	-	-	149,823
General government	85,980	-	-	-	-	-	-	-	-	-	-	-	-	-	85,980
Debt service	-	-	-	-	-	-	-	230,580	14,788	-	-	-	-	-	245,368
Capital projects	-	-	-	-	-	-	-	-	-	3,974	-	-	-	-	3,974
<b>Total disbursements</b>	<b>158,339</b>	<b>-</b>	<b>-</b>	<b>74,475</b>	<b>75,348</b>	<b>-</b>	<b>7,767</b>	<b>230,580</b>	<b>14,788</b>	<b>-</b>	<b>3,974</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>565,271</b>
Excess of receipts over (under) disbursements	33,302	22,755	231,446	(2,111)	(2,629)	-	(7,767)	-	(201,898)	(14,788)	-	(3,974)	-	-	59,135
Other financing sources (uses)															
Operating transfers in	-	-	-	2,835	-	-	-	178,133	14,788	-	3,974	-	-	-	199,730
Operating transfers out	-	(22,755)	(178,133)	-	-	(4,123)	-	-	-	-	-	-	-	(2,923)	(207,934)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(22,755)</b>	<b>(178,133)</b>	<b>2,835</b>	<b>-</b>	<b>(4,123)</b>	<b>-</b>	<b>178,133</b>	<b>14,788</b>	<b>-</b>	<b>3,974</b>	<b>-</b>	<b>-</b>	<b>(2,923)</b>	<b>(8,204)</b>
Net change in cash balances	33,302	-	53,313	724	(2,629)	(4,123)	(7,767)	-	(23,765)	-	-	-	-	1,876	50,931
Cash balances beginning of year	45,386	-	366,117	(6,088)	(4,677)	103,443	38,367	2,339	28,882	-	7	-	11,133	2,468	665,950
Cash balances end of year	\$ 78,688	\$ -	\$ 419,430	\$ (5,364)	\$ (7,306)	\$ 99,320	\$ 30,600	\$ 2,339	\$ 5,117	\$ -	\$ 7	\$ -	\$ 11,133	\$ 2,468	\$ 716,881
<b>Cash Basis Fund Balances</b>															
Reserved															
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,117	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,117
Unreserved															
Special revenue funds	78,688	-	419,430	(5,364)	(7,306)	99,320	30,600	2,339	-	-	-	-	-	-	617,707
Capital projects fund	-	-	-	-	-	-	-	-	-	-	7	11,133	2,468	-	13,608
Permanent fund	-	-	-	-	-	-	-	-	-	-	-	-	-	80,449	80,449
<b>Total cash basis fund balances</b>	<b>\$ 78,688</b>	<b>\$ -</b>	<b>\$ 419,430</b>	<b>\$ (5,364)</b>	<b>\$ (7,306)</b>	<b>\$ 99,320</b>	<b>\$ 30,600</b>	<b>\$ 2,339</b>	<b>\$ 5,117</b>	<b>\$ -</b>	<b>\$ 7</b>	<b>\$ -</b>	<b>\$ 11,133</b>	<b>\$ 2,468</b>	<b>\$ 716,881</b>

See accompanying independent auditor's report.

CITY OF NEW HAMPTON  
SCHEDULE OF INDEBTEDNESS

Year ended June 30, 2004

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid	Bond Due and Unpaid
<b>General Obligation Bonds</b>										
Wastewater treatment plant	Jan 1, 1999	3.85 - 4.70%	\$ 2,200,000	\$ 1,895,000	\$ -	\$ 95,000	\$ 1,800,000	\$ 83,133	\$ -	\$ -
Swimming pool restoration	Jan 11, 2001	4.75 - 5.10	395,000	340,000	-	35,000	305,000	16,847	-	-
<b>Total</b>				<b>\$ 2,235,000</b>	<b>\$ -</b>	<b>\$ 130,000</b>	<b>\$ 2,105,000</b>	<b>\$ 99,980</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Urban Renewal Tax Increment Financing (TIF) Revenue Bonds</b>										
*Fareway	Dec 1, 1990	6.00 - 7.00%	\$ 137,500	\$ 40,000	\$ -	\$ 12,000	\$ 28,000	\$ 2,788	\$ -	\$ -
DJ's	Jun 1, 1993	8.00	19,000	5,250	-	2,500	2,750	420	-	-
McGrath	Dec 30, 1993	6.50	58,000	9,500	-	9,500	-	618	-	-
Tri-Mark #2	Nov 1, 1993	8.50	70,000	7,612	-	7,612	-	495	-	-
Tri-State Signing	Jul 8, 1994	6.50	18,500	5,000	-	2,500	2,500	325	-	-
Zip's Truck Equipment	Jul 8, 1994	6.50	59,000	21,800	-	6,800	15,000	1,417	-	-
New Hampton Metal Fabrication	Jul 8, 1994	6.50	8,100	2,850	-	950	1,900	185	-	-
Plum Building Systems	Jul 8, 1994	6.50	54,000	20,075	-	6,200	13,875	1,305	-	-
Custom Foods	Jul 26, 1994	6.50	315,000	116,500	-	36,500	80,000	7,573	-	-
Dr. Boeding	Jul 26, 1994	6.50	14,500	5,400	-	1,700	3,700	351	-	-
New Hampton Electric	Dec 9, 1994	6.50	7,000	2,300	-	1,100	1,200	149	-	-
Tom's Restaurant	Dec 9, 1994	6.50	4,650	1,650	-	525	1,125	107	-	-
Precision of New Hampton	Dec 9, 1994	6.50	5,000	1,525	-	750	775	99	-	-
Tri-Mark #3	Jan 27, 1995	6.50	125,000	34,000	-	17,000	17,000	2,210	-	-
Super 8 Motel	Aug 3, 1995	6.50	117,500	51,000	-	12,500	38,500	3,315	-	-
Brummond	Sept 19, 1996	6.50	12,000	4,500	-	2,000	2,500	270	-	-
Schluetter	Nov 6, 1997	6.00	8,000	2,628	-	1,275	1,353	158	-	-
Gage	Nov 6, 1997	6.00	28,000	16,025	-	2,843	13,182	961	-	-
<b>Total</b>				<b>\$ 347,615</b>	<b>\$ -</b>	<b>\$ 124,255</b>	<b>\$ 223,360</b>	<b>\$ 22,746</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue Bonds</b>										
Sewer	May 1, 1994	5.70 - 6.50%	\$ 1,500,000	\$ 745,000	\$ -	\$ 105,000	\$ 640,000	\$ 47,015	\$ -	\$ -

\*Bonds are a general obligation and TIF bond combination. Principal and interest paid through Debt Service Fund.

CITY OF NEW HAMPTON  
BOND AND NOTE MATURITIES

June 30, 2004

Year Ending June 30.	GENERAL OBLIGATION BONDS					REVENUE BONDS		
	Wastewater Treatment		Swim Pool Restoration		Total	Sewer		
	Issued Jan 1, 1999		Issued Jan 11, 2001			Issued May 1, 1994		
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount	
2005	4.05%	\$ 100,000	4.85%	\$ 35,000	\$ 135,000	6.10%	\$ 115,000	
2006	4.10	100,000	4.85	40,000	140,000	6.25	120,000	
2007	4.15	105,000	4.90	40,000	145,000	6.40	125,000	
2008	4.20	110,000	4.95	45,000	155,000	6.50	135,000	
2009	4.25	115,000	5.00	45,000	160,000	6.50	145,000	
2010	4.30	120,000	5.05	50,000	170,000		-	
2011	4.35	125,000	5.10	50,000	175,000		-	
2012	4.40	130,000		-	130,000		-	
2013	4.45	135,000		-	135,000		-	
2014	4.50	140,000		-	140,000		-	
2015	4.55	145,000		-	145,000		-	
2016	4.60	150,000		-	150,000		-	
2017	4.65	160,000		-	160,000		-	
2018	4.70	165,000		-	165,000		-	
		<u>\$ 1,800,000</u>		<u>\$ 305,000</u>	<u>\$ 2,105,000</u>		<u>\$ 640,000</u>	

Tax Increment Financing (TIF) Bonds

Year Ending June 30.	Fareway		DJ's		Tri-State Signing	
	Issued Dec 1, 1993		Issued Jun 1, 1993		Issued Jul 8, 1994	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	7.00%	\$ 13,000	8.00%	\$ 2,750	6.50%	\$ 2,500
2006	7.00	15,000		-		-
2007		-		-		-
2008		-		-		-
		<u>\$ 28,000</u>		<u>\$ 2,750</u>		<u>\$ 2,500</u>

CITY OF NEW HAMPTON  
BOND AND NOTE MATURITIES

June 30, 2004

Tax Increment Financing (TIF) Bonds						
Year Ending June 30,	Zip's Truck Equipment		New Hampton Metal Fabrication		Plum Bldg Systems	
	Issued Jul 8, 1994		Issued Jul 8, 1994		Issued Jul 8, 1994	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	6.50%	\$ 7,200	6.50%	\$ 950	6.50%	\$ 6,600
2006	6.50	7,800	6.50	950	6.50	7,275
2007		-		-		-
2008		-		-		-
		<u>\$ 15,000</u>		<u>\$ 1,900</u>		<u>\$ 13,875</u>

Tax Increment Financing (TIF) Bonds								
Year Ending June 30,	Custom Foods		Dr. Boeding		New Hampton Electric		Tom's Restaurant	
	Issued Jul 26, 1994		Issued Jul 26, 1994		Issued Dec 9, 1994		Issued Dec 9, 1994	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	6.50%	\$ 39,000	6.50%	\$ 1,800	6.50%	\$ 1,200	6.50%	\$ 525
2006	6.50	41,000	6.50	1,900		-	6.50	600
2007		-		-		-		-
2008		-		-		-		-
		<u>\$ 80,000</u>		<u>\$ 3,700</u>		<u>\$ 1,200</u>		<u>\$ 1,125</u>

CITY OF NEW HAMPTON  
BOND AND NOTE MATURITIES

June 30, 2004

Year Ending June 30,	Tax Increment Financing (TIF) Bonds					
	Precision of New Hampton		Tri-Mark #3		Super 8 Motel	
	Issued Dec 9, 1994		Issued Jan 27, 1995		Issued Aug 3, 1995	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2005	6.50%	\$ 775	6.50%	\$ 17,000	6.50%	\$ 12,500
2006		-		-	6.50	12,500
2007		-		-	6.50	13,500
2008		-		-		-
		<u>\$ 775</u>		<u>\$ 17,000</u>		<u>\$ 38,500</u>

Year Ending June 30,	Tax Increment Financing (TIF) Bonds						
	Brummond		Schluetter		Gage		Total
	Issued Sept 19, 1996		Issued Nov 6, 1997		Issued Nov 6, 1997		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2005	6.50%	\$ 2,500	6.00%	\$ 1,353	6.00%	\$ 3,013	\$ 113,341
2006		-		-	6.00	3,194	\$ 82,944
2007		-		-	6.00	3,386	\$ 16,886
2008		-		-	6.00	3,589	3,589
		<u>\$ 2,500</u>		<u>\$ 1,353</u>		<u>\$ 13,182</u>	<u>\$ 223,360</u>

## CITY OF NEW HAMPTON

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS

For the Last Two Years

	Years ended June 30,	
	2004	2003
Receipts		
Property tax	\$ 951,305	\$ 1,001,779
Tax increment financing collections	369,535	409,305
Other city tax	260,538	375,341
Licenses and permits	14,471	11,424
Use of money and property	88,315	106,404
Intergovernmental	556,215	1,148,943
Charges for service	296,959	162,731
Special assessments	-	-
Miscellaneous	142,338	199,180
Total	<u>\$ 2,679,676</u>	<u>\$ 3,415,107</u>
Disbursements		
Operating		
Public safety	452,200	445,072
Public works	348,886	375,085
Health and social services	3,607	3,607
Culture and recreation	570,504	517,958
Community and economic development	339,580	940,540
General government	503,406	473,947
Debt service	377,582	230,840
Capital projects	660,911	202,850
Total	<u>\$ 3,256,676</u>	<u>\$ 3,189,899</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Honorable Mayor and  
Members of the City Council

We have audited the financial statements of City of New Hampton, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated January 14, 2005. Our report expressed an unqualified opinion on the primary government financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of New Hampton. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of New Hampton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of New Hampton'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 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 II-A-04 is a material weakness. Prior year reportable conditions have been resolved except for item II-A-04.

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 New Hampton, and other parties to whom the City of New Hampton 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 City of New Hampton 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.

*Hagen & Kallvarg, P.C.*

January 14, 2005

CITY OF NEW HAMPTON

SCHEDULE OF FINDINGS

Year ended June 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the primary government financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A Single Audit was not necessary since Federal funds expended during the year were less than \$500,000.

Part II: Findings Related to the Financial Statements

Instances of Non-Compliance

No matters were noted

Reportable Conditions

II-A-04

Segregation of Duties - The City is not large enough to permit an adequate segregation of duties for an effective system of internal control. The concentration of closely related duties and responsibilities such as the handling of cash receipts and disbursements, recording of the cash transactions and preparing various reports by a small staff makes it impossible to establish an adequate system of automatic checks for good internal control.

Recommendation - We realize this condition will be difficult to improve on. However, we do believe it is important that council be aware this condition does exist and make changes when cost effective.

Response and Corrective Action Plan - We will make changes and improvements whenever possible and economically feasible.

Conclusion - Response accepted.

CITY OF NEW HAMPTON  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year ended June 30, 2004

Part III: Other Findings Related to Statutory Reporting

III-A-04

Official Depositories - A resolution naming official depositories has been adopted by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year.

III-B-04

Certified Budget - Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the health and social services, community and economic development and debt services 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 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended appropriately in the future.

Conclusion - Response accepted.

III-C-04

Questionable Expenditures - No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

III-D-04

Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-E-04

Business Transactions - The following business transactions between the City and City officials or employees were noted:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Renaë Croell, Council Member Husband is part owner of Concrete Foundations, Inc. Croell Redi Mix	Services, per bid Services, other Concrete	\$15,178 613 572
Nita Geerts, Council Member Husband is owner of Geerts Plumbing & Heating, Inc.	Services	716

In accordance with Chapter 362.5(10) of the Code of Iowa the above transactions do not appear to represent conflicts of interest since the non-bid transactions were less than \$1,500 during the fiscal year.

CITY OF NEW HAMPTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2004

Part III: Other Findings Related to Statutory Reporting (continued)

III-F-04

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-04

Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-H-04

Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted except the City did not receive the minimum interest rate on three time certificates.

Recommendation - We recommend the City contact the local bank and request a check for the difference of what the City should have earned and what it was paid.

Response - The banks have been contacted and checks for the difference in interest have been received.

Conclusion - Response accepted.

III-I-04

Revenue Bonds - The City was in compliance with its bond resolutions.

III-J-04

Financial Condition - The City has several accounts with deficit balances at June 30, 2004.

Recommendation - They should investigate alternatives to eliminate these deficits in order to return the accounts to a sound financial position.

Response and corrective action plan - We will investigate alternatives to eliminate deficit balances.

Conclusion - Response accepted.

See accompanying independent auditor's report.