CITY OF NEW HAMPTON

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

June 30, 2006

CITY OF NEW HAMPTON

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CITY OF NEW HAMPTON

OFFICIALS

Name	Title	Term Expires
	(Before January 2006)	
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
	(After January 2006)	
Darwin Sitting	Mayor	December 31, 2007
Robert Martin	Mayor Pro Tem	December 31, 2007
Robert Clites	Council Member	December 31, 2007
Nita Geerts	Council Member	December 31, 2007
William Hurd	Council Member	December 31, 2007
Stanley Perkins	Council Member	December 31, 2007
Donald Schueth	Council Member	December 31, 2007
Suellen Kolbet	Clerk/Treasurer	Indefinite
Kevin Kennedy	Attorney	Indefinite

Hagen & Kallevang PC
CERTIFIED PUBLIC ACCOUNTANTS

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, the aggregate remaining fund information, and the discretely presented component unit of the City of New Hampton, Iowa, as of and for the year ended June 30, 2006, 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 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 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 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 do not include the financial activity of all the component units identified in Note 1. Such financial activity should be reported in the governmental activities and the Special Revenue Funds of the City's primary government in order to be in conformity with U.S. generally accepted accounting principles. The amount of financial activity that should be reported is not known.

In our opinion, except for the effects of the omission of the financial activity of the component units for the year ended June 30, 2006 on the governmental activities, each major fund, and the aggregate remaining fund information, as described above, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and the aggregate remaining fund information of the City of New Hampton at June 30, 2006, 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.

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In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities, each major fund, and the discretely presented component unit of the City of New Hampton as of June 30, 2006 and the respective changes in cash basis financial position of the business type activities, each major fund, and the discretely presented component unit for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2007 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 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 4 through 10 and 25 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have 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.

Our audit was conducted 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 three years ended June 30, 2005 (which are not presented herein) and expressed qualified opinions on those financial statements due to not including all component units which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hagen + Kallevang, P.C.

January 12, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

Revenues of the City's governmental activities increased 16%, or approximately $560,000 from fiscal 2005 to fiscal 2006. The revenue sources with major changes from the prior year are as follows:

	Increase (Decrease)
Charges for service	$ (114,000)
Grants and contributions	835,000
Property tax	190,000
Investment earnings	34,600
Bond proceeds	(620,000)
Transfers	187,800
All others, net	46,600
	$ 560,000

Disbursements increased 16% or approximately $584,900, in fiscal 2006 from fiscal 2005. The disbursements with major changes from the prior year are as follows:

Public safety	$ 220,000
Public works	30,000
Culture and recreation	(49,000)
Community and economic development	502,000
General government	27,200
Debt service	44,200
Capital project	(188,900)
All others, net	(600)
	$ 584,900

The City's total cash basis net assets decreased 10% or approximately $305,000 from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities decreased approximately $70,000 and the assets of the business type activities decreased by approximately $235,000.

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 three 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 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 component unit. 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

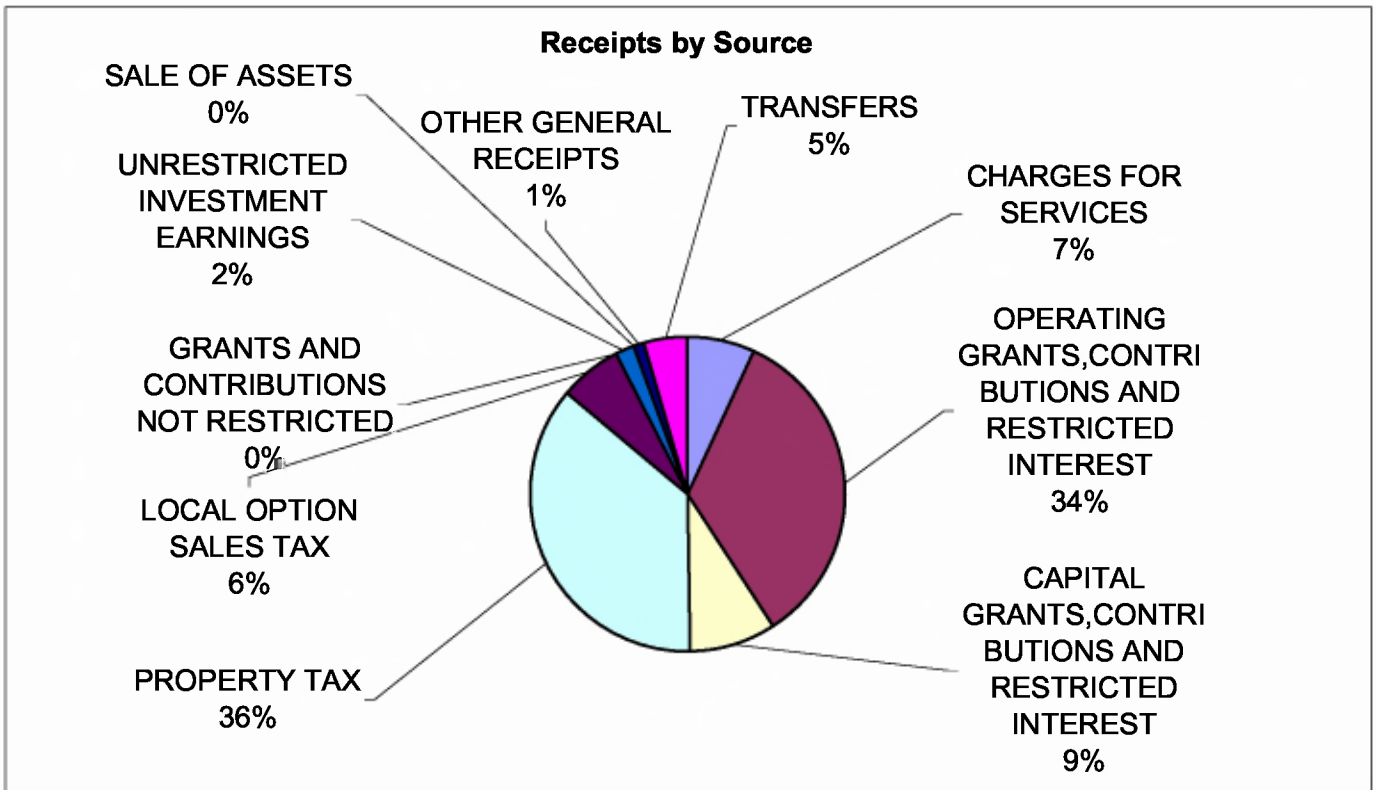
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from $2,105,883 to $2,080,787. The analysis that follows focuses on the changes in cash balances for governmental activities.

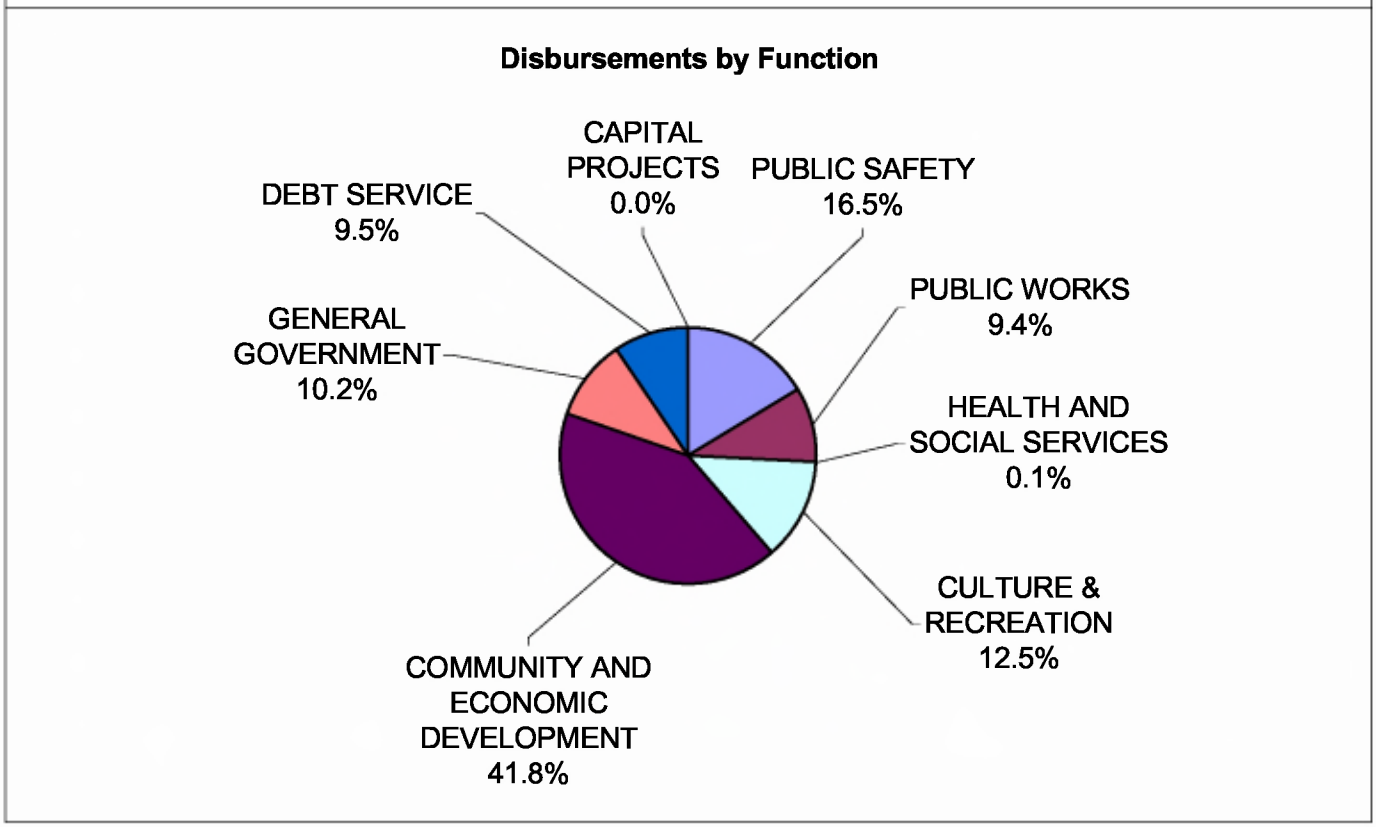
Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,			
	2006	2005	2004	2003
Receipts and transfers:				
Program receipts:				
Charges for service	$ 289,108	$ 403,065	$ 402,889	$ 309,451
Operating grants, contributions and restricted interest	1,407,648	578,096	504,575	718,751
Capital grants, contributions and restricted interest	360,081	354,439	102,287	471,398
General receipts:				
Property tax	1,512,787	1,322,485	1,349,932	1,440,994
Local option sales tax	260,061	239,685	231,446	345,431
Grants and contributions not restricted to specific purposes	-	-	-	-
Unrestricted investment earnings	79,514	44,909	75,649	106,404
Bond proceeds	-	620,000	-	-
Sale of assets	4,581	-	49,000	-
Other general receipts	40,000	19,017	12,898	22,678
Transfers, net	187,832	-	-	-
Total receipts and transfers	4,141,612	3,581,696	2,728,676	3,415,107
Disbursements and transfers:				
Public safety	694,434	474,699	452,200	445,072
Public works	395,535	365,578	348,886	375,085
Health and social services	3,393	3,655	3,607	3,607
Culture and recreation	528,719	577,764	570,504	517,958
Community and economic development	1,759,025	1,257,134	339,580	940,540
General government	428,778	401,524	503,406	473,947
Debt service	401,824	357,563	377,582	230,840
Capital projects	-	188,935	660,911	232,850
Transfers, net	-	-	-	19,528
Total disbursements and transfers	4,211,708	3,626,852	3,256,676	3,239,427
Increase (decrease) in cash basis net assets	(70,096)	(45,156)	(528,000)	175,680
Cash basis net assets beginning of year	2,150,883	2,196,039	2,724,039	2,548,359
Cash basis net assets end of year	$ 2,080,787	$ 2,150,883	$ 2,196,039	$ 2,724,039

The City's total receipts for governmental activities increased by 16% or approximately $560,000. The total cost of all programs and services increased by approximately $70,000 or 3% with no new programs added this year. The increase in receipts was primarily from grant funds. The increase in expenditures was largely due to economic development grants awarded to a new industry locating in the community, and a project to add infrastructure in the new South Industrial Park.

The cost of all governmental activities this year was $4,211,708 compared to $3,626,852 last year. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only $1,208,908 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.


Receipts by Source
SALE OF ASSETS
0%
OTHER GENERAL
RECEIPTS
1%
TRANSFERS
5%
UNRESTRICTED
INVESTMENT
EARNINGS
2%
CHARGES FOR
SERVICES
7%
GRANTS AND
CONTRIBUTIONS
NOT RESTRICTED
0%
OPERATING
GRANTS,CONTRI
BUTIONS AND
RESTRICTED
INTEREST
34%
LOCAL OPTION
SALES TAX
6%
CAPITAL
GRANTS,CONTRI
BUTIONS AND
RESTRICTED
INTEREST
9%
PROPERTY TAX
36%


Disbursements by Function
CAPITAL
PROJECTS
0.0%
PUBLIC SAFETY
16.5%
DEBT SERVICE
9.5%
PUBLIC WORKS
9.4%
GENERAL
GOVERNMENT
10.2%
HEALTH AND
SOCIAL SERVICES
0.1%
CULTURE &
RECREATION
12.5%
COMMUNITY AND
ECONOMIC
DEVELOPMENT
41.8%

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,			
	2006	2005	2004	2003
Receipts and transfers:				
Program receipts:				
Charges for service				
Water	$ 217,299	$ 188,214	$ 183,775	$ 180,819
Sewer	465,530	498,061	487,617	489,291
General receipts:				
Unrestricted investment earnings	10,242	13,311		33,792
Other general receipts	4,415	2,560	-	-
Transfers	-	-	-	19,528
Total receipts and transfers	697,486	702,146	671,392	723,430
Disbursements and transfers:				
Water	320,650	189,904	204,868	247,463
Sewer	424,042	1,147,256	571,543	572,859
Transfers	187,832	-	-	-
Total disbursements and transfers	932,524	1,337,160	776,411	820,322
Increase (decrease) in cash balance	(235,038)	(635,014)	(105,019)	(96,892)
Cash basis net assets beginning of year	823,106	1,458,120	1,563,139	1,660,031
Cash basis net assets end of year	$ 588,068	$ 823,106	$ 1,458,120	$ 1,563,139

Total business type activities receipts for the fiscal year were $697,486 compared to $702,146 last year. This decrease was primarily due to a decrease in utility revenues and miscellaneous revenue. The cash balance decreased by approximately $235,000 because an extensive water tower renovation project was completed. Total disbursements and transfers for the fiscal year decreased by 30% for a total of $404,636.

The component unit (Light Plant) had total cash receipts of $4,098,000 for 2006 compared to $7,186,776 for 2005. Total cash disbursements for 2006 were $5,965,716 compared to 2005 for $4,569,997. The cash balance decreased $1,955,916 to $5,962,416.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of New Hampton completed the year, its governmental funds reported a combined fund balance of $2,080,787, a decrease of more than $70,000 compared to last year's total of $2,150,883. 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 approximately $25,000. This is due in part to an increase in fuel, utilities, salaries, and grant funds.
- The Grants Fund was a major fund this fiscal year due to grants received from the State and awarded to a new industry.
- The Urban Renewal Tax Increment Fund was established for Economic Development projects. The balance decreased by $570,154 to ($7,164). The fund is used to collect incremental taxes and fund tax increment projects. The reserve balance in the fund was used to finance water and sewer lines that had been constructed to serve the new industrial park.
- The Industrial Park Fund has a balance of $16,322. This fund includes expenditures for the water and sewer project to the new industrial park, as well as several other capital projects. The Project is complete, and has been 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 $286,085 to $295,035.
- The Sewer Fund cash balance increased by $51,047 to $293,033.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. This amendment increased budgeted disbursements by $3,258,494. The City had sufficient cash balances to absorb these additional costs. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the Health and Social Services function by $60.

DEBT ADMINISTRATION

At June 30, 2006, the City had approximately $2,420,475 in bonds and other long-term debt, compared to approximately $2,700,694 last year, as shown below:

Outstanding Debt at Year-End

	Year ended June 30,			
	2006	2005	2004	2003
General obligation bonds	$ 2,400,000	$ 2,590,000	$ 2,105,000	$ 2,235,000
Revenue notes	-	-	640,000	745,000
Urban renewal tax increment financing revenue bonds	20,475	110,694	223,360	347,615
Total	$ 2,420,475	$ 2,700,694	$ 2,968,360	$ 3,327,615

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 $2,400,000 is significantly below its constitutional debt limit of $7,845,882.

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 2007 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 4.8%, versus 5.7% a year ago. This compares with the State's unemployment rate of 4.1% and the national rate of 4.7%.

Inflation in the State continues to be somewhat higher than the national Consumer Price Index increase. The State's CPI increase was 3.6 percent for fiscal year 2006 compared with the national rate of 3.2 percent.

These indicators were taken into account when adopting the budget for fiscal year 2007. Amounts available for appropriation in the operating budget are $6 million, a decrease of 6% over the final 2006 budget. This decrease is due to a large number of capital projects completed in 2006 and grants that were awarded to a new industry.

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, 2006

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants, Contributions, and Restricted Interest	Program Receipts: Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets: Primary Government: Governmental Activities	Primary Government: Business Type Activities	Primary Government: Total	Component Unit: Light Plant
Primary government								
Governmental activities								
Public safety	$ (694,434)	$ 11,554	$ 176,233	$ -	$ (506,647)	$ -	$ (506,647)	$ -
Public works	(395,535)	117,006	310,999	-	32,470	-	32,470	-
Health and social services	(3,393)	-	-	-	(3,393)	-	(3,393)	-
Culture and recreation	(528,719)	128,272	50,214	16,400	(333,833)	-	(333,833)	-
Community and economic development	(1,759,025)	1,500	868,646	343,681	(545,198)	-	(545,198)	-
General government	(428,778)	30,776	1,556	-	(396,446)	-	(396,446)	-
Debt service	(401,824)	-	-	-	(401,824)	-	(401,824)	-
Capital projects	-	-	-	-	-	-	-	-
Total governmental activities	(4,211,708)	289,108	1,407,648	360,081	(2,154,871)	-	(2,154,871)	-
Business type activities								
Water	(320,650)	217,299	-	-	-	(103,351)	(103,351)	-
Sewer	(424,042)	465,530	-	-	-	41,488	41,488	-
Total business type activities	(744,692)	682,829	-	-	-	(61,863)	(61,863)	-
Total primary government	$ (4,956,400)	$ 971,937	$ 1,407,648	$ 360,081	(2,154,871)	(61,863)	(2,216,734)	-
Component unit								
Business type activities								
Light plant	$ (5,965,716)	$ 3,722,517	$ -	$ -	-	-	-	(2,243,199)
General Receipts								
Property and other city tax levied for:								
General purposes					1,080,877	-	1,080,877	-
Tax increment financing					303,879	-	303,879	-
Debt service					128,031	-	128,031	-
Local option sales tax					260,061	-	260,061	-
Unrestricted interest on investments					79,514	10,242	89,756	149,284
Bond proceeds					-	-	-	-
Miscellaneous					40,000	4,415	44,415	137,999
Sale of assets					4,581	-	4,581	-
Transfers					187,832	(187,832)	-	-
Total general receipts and transfers					2,084,775	(173,175)	1,911,600	287,283
Change in cash basis net assets					(70,096)	(235,038)	(305,134)	(1,955,916)
Cash basis net assets beginning of year					2,150,883	823,106	2,973,989	7,918,332
Cash basis net assets end of year					$ 2,080,787	$ 588,068	$ 2,668,855	$ 5,962,416
Cash Basis Net Assets								
Restricted								
Streets					$ 119,424	$ -	$ 119,424	$ -
Urban renewal purposes					(7,164)	-	(7,164)	-
Debt service					(894)	-	(894)	1,846,029
Other purposes					738,005	-	738,005	-
Unrestricted					1,231,416	588,068	1,819,484	4,116,387
Total cash basis net assets					$ 2,080,787	$ 588,068	$ 2,668,855	$ 5,962,416

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, 2006

	General	Special Revenue: Grants	Special Revenue: Urban Renewal Increment	Capital Project: Indusrial Park	Other Nonmajor Governmental Funds	Total
Receipts						
Property tax	$ 756,744	$ -	$ -	$ -	$ 423,206	$ 1,179,950
Tax increment financing	-	-	303,879	-	-	303,879
Other city tax	26,708	-	-	-	262,311	289,019
Licenses and permits	15,049	-	-	-	-	15,049
Use of money and property	86,359	-	-	-	3,961	90,320
Intergovernmental	592,507	503,933	-	315,322	309,114	1,720,876
Charges for service	216,104	-	-	-	760	216,864
Special assessments	-	-	-	-	-	-
Miscellaneous	93,999	-	-	28,359	10,884	133,242
Total receipts	1,787,470	503,933	303,879	343,681	1,010,236	3,949,199
Disbursements						
Operating						
Public safety	627,366	-	-	-	67,068	694,434
Public works	101,330	-	-	-	294,205	395,535
Health and social services	3,393	-	-	-	-	3,393
Culture and recreation	509,174	-	-	-	19,545	528,719
Community and economic development	369,521	504,098	268,440	590,201	26,765	1,759,025
General government	356,773	-	-	-	72,005	428,778
Debt service	-	-	81,389	-	320,435	401,824
Capital projects	-	-	-	-	-	-
Total disbursements	1,967,557	504,098	349,829	590,201	800,023	4,211,708
Excess of receipts over (under) disbursements	(180,087)	(165)	(45,950)	(246,520)	210,213	(262,509)

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, 2006

	General	Special Revenue: Grants	Special Revenue: Urban Renewal Increment	Capital Project: Indusrial Park	Other Nonmajor Governmental Funds	Total
Other financing sources (uses)						
Bond proceeds	-	-	-	-	-	-
Sale of capital assets	4,581	-	-	-	-	4,581
Operating transfers in	212,119	-	-	920,000	406,275	1,538,394
Operating transfers out	(61,318)	-	(524,204)	(201,615)	(563,425)	(1,350,562)
Total other financing sources (uses)	155,382	-	(524,204)	718,385	(157,150)	192,413
Net change in cash balances	(24,705)	(165)	(570,154)	471,865	53,063	(70,096)
Cash balances beginning of year	1,256,121	(6,197)	562,990	(455,543)	793,512	2,150,883
Cash balances end of year	$ 1,231,416	$ (6,362)	$ (7,164)	$ 16,322	$ 846,575	$ 2,080,787
Cash Basis Fund Balances						
Reserved						
Debt service	$ -	$ -	$ -	$ -	$ (894)	$ (894)
Unreserved						
General fund	1,231,416	-	-	-	-	1,231,416
Special revenue funds	-	(6,362)	(7,164)	-	575,384	561,858
Capital projects fund	-	-	-	16,322	199,903	216,225
Permanent fund	-	-	-	-	72,182	72,182
Total cash basis fund balances	$ 1,231,416	$ (6,362)	$ (7,164)	$ 16,322	$ 846,575	$ 2,080,787

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, 2006

Total governmental funds cash balances (page 13)	$ 2,080,787
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
Not applicable	-
Cash basis net assets of governmental activities (page 11)	$ 2,080,787
Net change in cash balances (page 13)	$ (70,096)
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
Not applicable	-
Change in cash balance of governmental activities (page 11)	$ (70,096)

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, 2006

	Enterprise Funds			
	Primary Government			Component Unit
	Water	Sewer	Total	Light Plant
Operating receipts:				
Charges for service	$ 175,139	$ 457,550	$ 632,689	$ 3,722,517
Miscellaneous	42,160	7,980	50,140	107,999
Total operating receipts	217,299	465,530	682,829	3,830,516
Operating disbursements:				
Business type activities	320,650	424,042	744,692	5,646,407
Total operating disbursements	320,650	424,042	744,692	5,646,407
Excess of operating receipts over (under) operating disbursements	(103,351)	41,488	(61,863)	(1,815,891)
Non-operating receipts (disbursements):				
Interest on investments	5,370	4,872	10,242	149,284
Bond proceeds	-	-	-	-
Miscellaneous	856	3,559	4,415	30,000
Debt service	-	-	-	(319,309)
Total non-operating receipts (disbursements)	6,226	8,431	14,657	(140,025)
Excess of receipts over (under) disbursements	(97,125)	49,919	(47,206)	(1,955,916)
Transfers				
Operating transfers in	80,840	11,128	91,968	-
Operating transfers out	(269,800)	(10,000)	(279,800)	-
Total other financing sources (uses)	(188,960)	1,128	(187,832)	-
Net change in cash balances	(286,085)	51,047	(235,038)	(1,955,916)
Cash balances beginning of year	581,120	241,986	823,106	7,918,332
Cash balances end of year	$ 295,035	$ 293,033	$ 588,068	$ 5,962,416
Cash Basis Fund Balance				
Reserved for debt service	$ -	$ -	$ -	$ 1,846,029
Unreserved	295,035	293,033	588,068	4,116,387
Total cash basis fund balances	$ 295,035	$ 293,033	$ 588,068	$ 5,962,416

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, 2006

Total enterprise funds cash balances (page 15)	$ 588,068
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
Not applicable	-
Cash basis net assets of business type activities (page 11)	$ 588,068
Net change in cash balances (page 15)	$ (235,038)
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
Not applicable	-
Change in cash balance of business type activities (page 11)	$ (235,038)

See notes to financial statements.

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 discretely presented component unit, New Hampton Municipal Light Plant (Light Plant). The component unit discussed below is included in the City's reporting entity because of the significance of the operational or financial relationship with the City.

The New Hampton Municipal 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 the operating budget is subject to the approval of the City Council. The Light Plant 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 following component units are not included in the City's reporting entity because the financial transactions were not available.

The New Hampton Firefighters Association is legally separate from the City. The Association has been established 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 Association 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.

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 Joint Communication System, Iowa Northland Region Council of Governments, Floyd-Mitchell-Chickasaw Solid Waste Agency, Economic Development Advisory Board, and Chickasaw County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. 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 service.

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.

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 Grants Fund is used to account for significant funds received from the Federal and State for economic development projects.

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 in 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.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the debt service function.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2006 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.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

NOTE 3 - BONDS AND NOTES PAYABLE

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

Year Ending June 30,	General Obligation Bonds		Tax Increment Financing (TIF) Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 200,000	$ 102,353	$ 16,886	$ 1,296	$ 216,886	$ 103,649
2008	210,000	94,468	3,589	215	213,589	94,683
2009	220,000	85,970	-	-	220,000	85,970
2010	230,000	76,913	-	-	230,000	76,913
2011	240,000	67,248	-	-	240,000	67,248
2012 - 2016	975,000	200,331	-	-	975,000	200,331
2017 - 2021	325,000	22,950	-	-	325,000	22,950
	$ 2,400,000	$ 650,233	$ 20,475	$ 1,511	$ 2,420,475	$ 651,744

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

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.

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.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were $60,359, $60,627, and $58,030, respectively, equal to the required contributions for each year.

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, 2006, primarily relating to the General Fund, is as follows:

Vacation	$ 37,166
Sick leave	32,813
Total	$ 69,979

This liability has been computed based on rates of pay in effect at June 30, 2006.

NOTE 6 - ECONOMIC DEVELOPMENT

The City, to encourage economic development, provides rebates to businesses and 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, 2006 had a total of $1,979,569 to pay in rebates through the year 2018.

NOTE 7 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling $982 during the year ended June 30, 2006.

NOTE 8 - 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 9 - TRANSFERS

The detail of interfund and intrafund transfers for the year ended June 30, 2006 are as follows:

Transfers to		Transfers from	
General		Special Revenue	
General	$ 8,156	Trust	$ 8,156
		Permanent	
General	240	Cemetery Perpetual Care	$ 240
		General	
Equipment replacement	39,150	General	$ 39,150
		Special Revenue	
General	112,582	Employee Benefits	$ 112,582
		Special Revenue	
Equipment replacement	27,500	Road Use Tax	$ 27,500
		Special Revenue	
General	24,491	Emergency	$ 24,491
	$ 212,119		
Special Revenue		Capital Projects	
Housing rehabilitation	$ 4,773	TIF project	$ 4,773
Debt Service		Special Revenue	
TIF Obligation Bonds	$ 16,050	Urban Renewal Tax Increment	$ 16,050
Capital Projects		Special Revenue	
Industrial park	$ 500,000	Urban Renewal Tax Increment	$ 500,000
Industrial park	210,000	Local Option Sales Tax	$ 210,000
		Water	
Industrial park	210,000	Water	$ 210,000
	$ 920,000		
Capital Projects		Capital Projects	
Police renovation	$ 201,615	Industrial park	$ 201,615
Capital Projects		Special Revenue	
TIF project	$ 8,154	Urban Renewal Tax Increment	$ 8,154
Debt Service		Special Revenue	
General Obligation Bond	$ 175,683	Local Option Sales Tax	$ 175,683
Water		Water	
Equipment replacement - water	$ 59,800	Water	$ 59,800
Sewer		Sewer	
Equipment replacement - sewer	$ 10,000	Sewer	$ 10,000
Water		General	
Equipment replacement - water	$ 21,040	Equipment replacement	$ 21,040
Sewer			
Equipment replacement - sewer	$ 1,128	Equipment replacement	$ 1,128

NOTE 9 - TRANSFERS (continued)

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

NOTE 10 - DEFICIT FUND BALANCE

The City had the following deficit fund balances at June 30, 2006:

Special Revenue	
Grants	$ 6,362
Urban Renewal Increment	7,164
Library Improvement	13,400
Debt Service	
General Obligation Bonds	894
Capital Projects	
TIF	1,022

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

NOTE 11 - 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 $237,900. As of June 30, 2006, $72,416 in claims had been paid.

NOTE 12 - GENERAL FUND BALANCE

The City has designated $818,121 of the $1,231,416 General Fund balance to be available for equipment replacement and special projects.

NOTE 13 - 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 has given $70,000 to date and will pay $10,000 per year for the next three to complete its obligation.

NOTE 14 - SUBSEQUENT EVENTS

In August 2005, the City entered into a construction contract for $489,081for additional work to be done in the industrial park.

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, 2006

	Primary Government					Budgeted Amounts		Final to
	Governmental Funds Actual	Proprietary Funds Actual	Component Unit	Less Funds Not Required to be Budgeted	Net	Original	Final	Total Variance
Receipts								
Property tax	$ 1,179,950	$ -	$ -	$ -	$ 1,179,950	$ 1,178,044	$ 1,178,044	$ 1,906
Tax increment financing collections	303,879	-	-	-	303,879	300,837	300,837	3,042
Other city tax	289,019	-	-	-	289,019	240,853	240,853	48,166
Licenses and permits	15,049	-	-	-	15,049	14,300	14,300	749
Use of money and property	90,320	10,242	149,284	-	249,846	220,736	220,736	29,110
Intergovernmental	1,720,876	-	-	144,045	1,576,831	350,323	1,494,123	82,708
Charges for service	216,864	632,689	3,722,517	132,534	4,439,536	3,793,228	4,195,428	244,108
Special assessments	-	-	-	-	-	-	-	-
Miscellaneous	133,242	54,555	137,999	-	325,796	58,250	59,539	266,257
Total receipts	3,949,199	697,486	4,009,800	276,579	8,379,906	6,156,571	7,703,860	676,046
Disbursements								
Public safety	694,434	-	-	-	694,434	532,469	803,775	(109,341)
Public works	395,535	-	-	-	395,535	584,662	584,862	(189,327)
Health and social services	3,393	-	-	-	3,393	3,333	3,333	60
Culture and recreation	528,719	-	-	-	528,719	508,238	619,126	(90,407)
Community and economic development	1,759,025	-	-	-	1,759,025	322,889	1,883,889	(124,864)
General government	428,778	-	-	79,045	349,733	360,406	365,206	(15,473)
Debt service	401,824	-	-	-	401,824	402,608	402,908	(1,084)
Capital projects	-	-	-	-	-	-	-	-
Business type activities	-	744,692	5,965,716	197,534	6,512,874	5,669,263	6,979,263	(466,389)
Total disbursements	4,211,708	744,692	5,965,716	276,579	10,645,537	8,383,868	11,642,362	(996,825)
Excess of receipts over (under) disbursements	(262,509)	(47,206)	(1,955,916)	-	(2,265,631)	(2,227,297)	(3,938,502)	1,672,871
Other financing sources, net	192,413	(187,832)	-	-	4,581	-	228,134	(223,553)
Excess of receipts and other financing sources over (under) disbursements and other financing uses	(70,096)	(235,038)	(1,955,916)	-	(2,261,050)	(2,227,297)	(3,710,368)	1,449,318
Balances beginning of year	2,150,883	823,106	7,918,332	-	10,892,321	9,864,607	9,864,607	1,027,714
Balances end of year	$ 2,080,787	$ 588,068	$ 5,962,416	$ -	$ 8,631,271	$ 7,637,310	$ 6,154,239	$ 2,477,032

See accompanying independent auditor's report.

CITY OF NEW HAMPTON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING

June 30, 2006

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds including the New Hampton Municipal Light Plant. 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 once to increase budgeted disbursements by $3,258,494. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the health and social services function.

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, 2006

	Special Revenue								Debt Service		Capital Projects					Permanent	
	Employee Benefits	Emergency	Local Option Sales Tax	Housing Rehabilitation Grant	Road Use Tax	Trust	Library Improvement	Park & Rec. Special	General Obligation Bonds	TIF Obligation Bonds	Swimming Pool	Police Renovation	TIF Project	Wastewater Facility	Street Program	Cemetery Perpetual Care	Total
Receipts																	
Property tax	$ 271,447	$ 24,358	$ -	$ -	$ -	$ -	$ -	$ -	$ 127,401	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 423,206
Other city tax	1,487	133	260,061	-	-	-	-	-	630	-	-	-	-	-	-	-	262,311
Use of money and property	-	-	-	-	-	3,961	-	-	-	-	-	-	-	-	-	-	3,961
Intergovernmental	-	-	-	-	309,114	-	-	-	-	-	-	-	-	-	-	-	309,114
Charges for service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	760	760
Miscellaneous	2,500	-	-	8,384	-	-	-	-	-	-	-	-	-	-	-	-	10,884
Total receipts	275,434	24,491	260,061	8,384	309,114	3,961	-	-	128,031	-	-	-	-	-	-	760	1,010,236
Disbursements																	
Operating																	
Public safety	52,769	-	-	-	-	-	-	-	-	-	-	14,299	-	-	-	-	67,068
Public works	-	-	-	-	294,205	-	-	-	-	-	-	-	-	-	-	-	294,205
Health and social services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	19,545	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,545
Community and economic development	22,404	-	-	-	-	-	-	-	-	-	-	-	4,361	-	-	-	26,765
General government	68,925	-	-	-	-	3,080	-	-	-	-	-	-	-	-	-	-	72,005
Debt service	-	-	-	-	-	-	-	-	304,385	16,050	-	-	-	-	-	-	320,435
Capital projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total disbursements	163,643	-	-	-	294,205	3,080	-	-	304,385	16,050	-	14,299	4,361	-	-	-	800,023
Excess of receipts over (under) disbursements	111,791	24,491	260,061	8,384	14,909	881	-	-	(176,354)	(16,050)	-	(14,299)	(4,361)	-	-	760	210,213
Other financing sources (uses)																	
Operating transfers in	-	-	-	4,773	-	-	-	-	175,683	16,050	-	201,615	8,154	-	-	-	406,275
Operating transfers out	(112,582)	(24,491)	(385,683)	-	(27,500)	(6,156)	-	-	-	-	-	-	(4,773)	-	-	(240)	(563,425)
Total other financing sources (uses)	(112,582)	(24,491)	(385,683)	4,773	(27,500)	(6,156)	-	-	175,683	16,050	-	201,615	3,381	-	-	(240)	(157,150)
Net change in cash balances	(791)	-	(125,622)	13,157	(12,591)	(7,275)	-	-	(671)	-	-	187,316	(980)	-	-	520	53,063
Cash balances beginning of year	4,637	-	479,383	(1,753)	132,015	105,285	(13,400)	2,339	(223)	-	8	-	(42)	11,133	2,468	71,662	793,512
Cash balances end of year	$ 3,846	$ -	$ 353,761	$ 11,404	$ 119,424	$ 98,010	$ (13,400)	$ 2,339	$ (894)	$ -	$ 8	$ 187,316	$ (1,022)	$ 11,133	$ 2,468	$ 72,182	$ 846,575
Cash Basis Fund Balances																	
Reserved																	
Debt Service	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (894)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (894)
Unreserved																	
Special revenue funds	3,846	-	353,761	11,404	119,424	98,010	(13,400)	2,339	-	-	-	-	-	-	-	-	575,384
Capital projects fund	-	-	-	-	-	-	-	-	-	-	8	187,316	(1,022)	11,133	2,468	-	199,903
Permanent fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72,182	72,182
Total cash basis fund balances	$ 3,846	$ -	$ 353,761	$ 11,404	$ 119,424	$ 98,010	$ (13,400)	$ 2,339	$ (894)	$ -	$ 8	$ 187,316	$ (1,022)	$ 11,133	$ 2,468	$ 72,182	$ 846,575

See accompanying independent auditor's report.

CITY OF NEW HAMPTON

SCHEDULE OF INDEBTEDNESS

Year ended June 30, 2006

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
General Obligation Bonds										
Wastewater treatment plant	Jan 1, 1999	3.85 - 4.70%	$ 2,200,000	$ 1,700,000	$ -	$ 100,000	$ 1,600,000	$ 75,283	$ -	$ -
Swimming pool restoration	Jan 11, 2001	4.75 - 5.10	395,000	270,000	-	40,000	230,000	13,452	-	-
Debt Service Loan Agreement	Apr 1, 2005	2.60 - 3.90	620,000	620,000	-	50,000	570,000	24,450	-	-
Total				$ 2,590,000	$ -	$ 190,000	$ 2,400,000	$ 113,185	$ -	$ -
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds										
*Fareway	Dec 1, 1990	6.00 - 7.00%	$ 137,500	$ 15,000	$ -	$ 15,000	$ -	$ 1,050	$ -	$ -
Zip's Truck Equipment	Jul 8, 1994	6.50	59,000	7,800	-	7,800	-	507	-	-
New Hampton Metal Fabrication	Jul 8, 1994	6.50	8,100	950	-	950	-	62	-	-
Plum Building Systems	Jul 8, 1994	6.50	54,000	7,275	-	7,275	-	473	-	-
Custom Foods	Jul 26, 1994	6.50	315,000	41,000	-	41,000	-	2,665	-	-
Dr. Boeding	Jul 26, 1994	6.50	14,500	1,900	-	1,900	-	124	-	-
Tom's Restaurant	Dec 9, 1994	6.50	4,650	600	-	600	-	39	-	-
Super 8 Motel	Aug 3, 1995	6.50	117,500	26,000	-	12,500	13,500	1,690	-	-
Gage	Nov 6, 1997	6.00	28,000	10,169	-	3,194	6,975	610	-	-
Total				$ 110,694	$ -	$ 90,219	$ 20,475	$ 7,220	$ -	$ -

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

See notes to financial statements.

CITY OF NEW HAMPTON

BOND AND NOTE MATURITIES

June 30, 2006

	General Obligation Bonds						
	Wastewater Treatment		Swim Pool Restoration		Debt Service		
Year	Issued Jan 1, 1999		Issued Jan 11, 2001		Issued Apr 1, 2005		
Ending	Interest		Interest		Interest		
June 30,	Rates	Amount	Rates	Amount	Rates	Amount	Total
2007	4.15%	$ 105,000	4.90%	$ 40,000	2.85%	$ 55,000	$ 200,000
2008	4.20	110,000	4.95	45,000	3.00	55,000	210,000
2009	4.25	115,000	5.00	45,000	3.20	60,000	220,000
2010	4.30	120,000	5.05	50,000	3.30	60,000	230,000
2011	4.35	125,000	5.10	50,000	3.40	65,000	240,000
2012	4.40	130,000		-	3.60	65,000	195,000
2013	4.45	135,000		-	3.70	65,000	200,000
2014	4.50	140,000		-	3.80	70,000	210,000
2015	4.55	145,000		-	3.90	75,000	220,000
2016	4.60	150,000		-		-	150,000
2017	4.65	160,000		-		-	160,000
2018	4.70	165,000		-		-	165,000
		$ 1,600,000		$ 230,000		$ 570,000	$ 2,400,000

	Tax Increment Financing (TIF) Bonds				
	Super 8 Motel		Gage		
Year	Issued Aug 3, 1995		Issued Nov 6, 1997		
Ending	Interest		Interest		
June 30,	Rates	Amount	Rates	Amount	Total
2007	6.50%	$ 13,500	6.00%	$ 3,386	$ 16,886
2008		-	6.00	3,589	3,589
		$ 13,500		$ 6,975	$ 20,475

See accompanying independent auditor's report.

CITY OF NEW HAMPTON

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

	Years ended June 30,			
	2006	2005	2004	2003
Receipts				
Property tax	$ 1,179,950	$ 960,948	$ 709,635	$ 1,001,779
Tax increment financing collections	303,879	334,234	369,535	409,305
Other city tax	289,019	266,988	27,684	375,341
Licenses and permits	15,049	13,224	14,471	11,424
Use of money and property	90,320	56,462	84,676	106,404
Intergovernmental	1,720,876	803,915	411,132	1,148,943
Charges for service	216,864	353,156	296,959	162,731
Special assessments	-	-	-	-
Miscellaneous	133,242	172,769	141,178	199,180
Total	$ 3,949,199	$ 2,961,696	$ 2,055,270	$ 3,415,107
Disbursements				
Operating				
Public safety	$ 694,434	$ 474,699	$ 405,249	$ 445,072
Public works	395,535	365,578	348,886	375,085
Health and social services	3,393	3,655	3,607	3,607
Culture and recreation	528,719	577,764	537,329	517,958
Community and economic development	1,759,025	1,257,134	189,757	940,540
General government	428,778	401,524	417,426	473,947
Debt service	401,824	357,563	132,214	230,840
Capital projects	-	188,935	656,937	202,850
Total	$ 4,211,708	$ 3,626,852	$ 2,691,405	$ 3,189,899

See accompanying independent auditor's report.

Hagen & Kallevang PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, the business type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of New Hampton, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 13, 2007. Our report expressed a qualified opinion on the government financial statements which were prepared in conformity with an other comprehensive basis of accounting, due to the omission of the financial transactions of component units which should be included. 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 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 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 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 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 II-A-05 is a material weakness.

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Compliance

As part of obtaining reasonable assurance about whether the 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 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 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 Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 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.

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 including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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 & Kallevang, P.C.

January 12, 2007

CITY OF NEW HAMPTON

SCHEDULE OF FINDINGS

Year ended June 30, 2006

Part I: Summary of the Independent Auditor's Results

(a) A qualified 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-06

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 - We will make changes and improvements whenever possible and economically feasible.

Conclusion - Response accepted.

CITY OF NEW HAMPTON

SCHEDULE OF FINDINGS

Year ended June 30, 2006

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

II-B-06

Cash Receipts - Cash receipts controls outside of the Clerk's office were lacking in the following areas:

a. Parking tickets are not pre-numbered.
b. The procedure of giving a receipt for a cash transaction was not always given.
c. Accounting records were not kept current and available for review by a supervisor.
d. Receipts not being deposited intact.

The department in behalf of third parties unrelated to the City was receiving cash to satisfy checks written with insufficient funds and then returning the funds to the third party.

Recommendation - We recommend reviewing policies and procedures related to the cash receipts process with departments outside of the Clerk's office. Areas to discuss could be doing things consistently such as:

- Always giving a receipt, forms being pre-numbered, and documentation dept current and with indication of which individuals were involved with the transaction.
- Only allow cashier's checks or money orders made out to the third party to make "good" the insufficient checks the third party originally received.
- Have receipts handled by the Clerk's office and the department have control of the original source documentation.

Response - The City has reviewed policies and procedures related to the cash receipts process with departments outside the Clerk's Office. Most of the auditor's suggestions have already been implemented, and pre-numbered parking tickets and snow removal tickets have been ordered.

Conclusion - Response accepted.

Part III: Other Findings Related to Statutory Reporting

III-A-06

Certified Budget - Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the health and social services function. 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-B-06

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.

CITY OF NEW HAMPTON

SCHEDULE OF FINDINGS

Year ended June 30, 2006

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

III-C-06

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

III-D-06

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

Name, Title, and Business Connection	Transaction Description	Amount
Nita Geerts, Council Member Husband is owner of Geerts Plumbing & Heating, Inc.	Services	$982

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.

III-E-06

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-F-06

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

IV-G-06

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.

III-H-06

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

III-I-06

Financial Condition - The City has five accounts with deficit balances at June 30, 2006.

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

Response - We will investigate alternatives to eliminate deficit balances.

Conclusion - Response accepted.