

**City of New London**

**Independent Auditor's Reports  
Financial Statements and Supplementary Information  
Auditor's Report on Compliance  
Comments and Recommendations**

**June 30, 2006**

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**City of New London  
City Officials**

| <u>Name</u>         | <u>Title</u>           | <u>Term Expires</u> |
|---------------------|------------------------|---------------------|
| Ron Sadler          | Mayor                  | December, 2007      |
| Frank Staley        | Council Member         | December, 2009      |
| Mike Westerbeck     | Council Member         | December, 2009      |
| Mark Hempen         | Council Member         | December, 2009      |
| Sam Wellington      | Council Member         | December, 2007      |
| Ed Pilch            | Council Member         | December, 2007      |
| Paula Turner-Coates | City Clerk/Treasurer   | Indefinite          |
| Patrick Brau        | Attorney               | Indefinite          |
| Scott Housman       | Utility Board Chairman | November, 2009      |
| Ron Miller          | Utility Trustee        | November, 2011      |
| Gary Blanck         | Utility Trustee        | November, 2007      |
| Jerry Wilhelm       | Utility Trustee        | November, 2007      |
| Daryl Gipple        | Utility Trustee        | November, 2009      |
| Jeri Lyles          | Deputy Clerk/Secretary | Indefinite          |



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## **Independent Auditor's Report**

Honorable Mayor and Members of City Council  
City of New London, Iowa

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 London, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of New London's management. Our responsibility is to express an opinion 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of New London as of and for the year ended June 30, 2006, and the respective changes in financial position - cash basis thereof 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 reports dated August 30, 2006 on our consideration of the City of New London's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis on pages 4 through 9 and budgetary comparison information on pages 22 through 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, consisting 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New London'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 four years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting.

The supplementary information, as listed in the table of contents, including the accompanying Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of 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 aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

CPA Associates PC

August 30, 2006

## **City of New London Management's Discussion and Analysis**

The City of New London 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 (not including transfers) decreased .34%, or approximately \$2,900, from fiscal 2005 to fiscal 2006. Property tax decreased approximately \$2,600 and intergovernmental receipts increased \$3,000.
- Disbursements decreased .29%, or approximately \$2,200 in fiscal 2006 from fiscal 2005. Capital Projects decreased approximately \$37,400. Public works increased \$33,000.
- The City's total cash basis net assets decreased 3.24%, or approximately \$58,500, from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities increased approximately \$89,400 and the assets of the business type activities decreased by approximately \$147,900.

### **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 to the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

## **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statements*

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, electrical distribution and refuse collection. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains Enterprise Funds to provide information for the electrical distribution, waterworks, refuse collection and sanitary sewer system, all considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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 increased from a year ago, from \$570,243 to \$659,594. The analysis that follows focuses on the changes in cash balance for governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities<br>(Expressed in Thousands) | Year Ended June 30, |               |
|---|---------------------|---------------|
|   | <u>2006</u>         | <u>2005</u>   |
| Receipts and transfers:   |                     |               |
| Property tax  | \$ 336              | \$ 339        |
| Tax increment financing collections   | 32                  | 31            |
| Local option sales tax  | 150                 | 145           |
| Road use funds  | 162                 | 161           |
| Grants and reimbursements   | 47                  | 45            |
| Use of money and property   | 69                  | 64            |
| Charges for services  | 28                  | 28            |
| Other receipts  | 17                  | 41            |
| Transfers, net  | <u>18</u>           | <u>22</u>     |
| Total receipts and transfers  | <u>859</u>          | <u>876</u>    |
| Disbursements:  |                     |               |
| Public safety   | 256                 | 230           |
| Public works  | 209                 | 176           |
| Culture and recreation  | 115                 | 106           |
| General government  | 117                 | 114           |
| Debt service  | 28                  | 65            |
| Capital projects  | <u>44</u>           | <u>81</u>     |
| Total disbursements   | <u>769</u>          | <u>772</u>    |
| Increase in cash basis net assets   | 90                  | 104           |
| Cash basis net assets beginning of year   | <u>570</u>          | <u>466</u>    |
| Cash basis net assets end of year   | <u>\$ 660</u>       | <u>\$ 570</u> |

The City's total receipts for governmental activities decreased by 2.00%, or \$17,000. The total cost of all programs and services decreased approximately \$3,000 with no new programs added this year. The significant decrease in disbursements was the reduction of debt service and capital projects payments during the year.

The cost of all governmental activities this year was \$769,000, compared to \$772,000 last year. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was only \$713,100 because some of the cost was paid by those directly benefited from the programs (\$11,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$45,200). The City paid for the remaining "public benefit" portion of governmental activities with approximately \$713,100 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

| Changes in Cash Basis Net Assets of Business Type Activities<br>(Expressed in Thousands) | Year Ended June 30, |                 |
|--|---------------------|-----------------|
|  | <u>2006</u>         | <u>2005</u>     |
| Program receipts   |                     |                 |
| Water charges  | \$ 178              | \$ 174          |
| Electric   | 1,371               | 1,287           |
| Sewer  | 203                 | 192             |
| Sanitation   | 118                 | 118             |
| Loan proceeds  | 1,398               | 38              |
| Other miscellaneous receipts   | <u>450</u>          | <u>185</u>      |
| Total receipts   | <u>3,718</u>        | <u>1,994</u>    |
| Disbursements and transfers:   |                     |                 |
| Water  | 164                 | 169             |
| Electric   | 2,557               | 1,371           |
| Sewer  | 1,021               | 231             |
| Sanitation   | 106                 | 103             |
| Transfers  | <u>18</u>           | <u>22</u>       |
| Total disbursements and transfers  | <u>3,866</u>        | <u>1,896</u>    |
| Increase (decrease) in cash balance  | (148)               | 98              |
| Cash basis net assets beginning of year  | <u>1,232</u>        | <u>1,134</u>    |
| Cash basis net assets end of year  | <u>\$ 1,084</u>     | <u>\$ 1,232</u> |

Total business type activities receipts for the fiscal year were \$3.72 million compared to \$1.99 million the prior year. This increase was primarily due to loan proceeds of \$1.39 million. The cash balance decreased by approximately \$147,800 from the prior year because of the refinancing of debt and the sewer replacement project.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

### Governmental Funds

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$345,600, a decrease of \$11,200 from the prior year.

- The Road Use Tax Fund cash balance increased by \$38,500 to \$115,200 during the fiscal year. This increase was attributable to decreased spending requirements and additional revenue from the State of Iowa, Department of Transportation, for tax jurisdiction payments and investing \$72,000 for future street projects.
- The Local Option Sales Tax was established in previous years to provide additional general fund revenues to reduce the City's reliance on property tax revenues and provide a reliable funding source for 100% of capital projects.

Proprietary Funds

The cash balance of the Enterprise Funds decreased by approximately \$147,800 to \$1,084,400. This decrease was due to loan proceeds and raising the rates to pay the State Revolving Loan Fund for the sanitary sewer project and to keep up with operating cost increases.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget. The amendment was approved on June 27, 2006 and resulted in an increase in operating disbursements related to a cost overrun of approximately \$2,480,500 on various projects. Even with these budget amendments, the City exceeded the budget for the Debt Service function for the year ended June 30, 2006. None of the amendments made during the 2006 fiscal year should have any impact on the 2007 fiscal year budget.

**DEBT ADMINISTRATION**

At June 30, 2006, the City had approximately \$1,640,800 in bonds and other long-term debt, compared to approximately \$1,555,100 last year, as shown below.

|                                       | Outstanding Debt at Year-End<br>(Expressed in Thousands) |                 |
|---------------------------------------|--|-----------------|
|                                       | June 30,   |                 |
|                                       | <u>2006</u>  | <u>2005</u>     |
| General obligation bonds              | \$ 90  | \$ 105          |
| Revenue bonds                         | 1,443  | 1,325           |
| Capital loan notes                    | 103  | 115             |
| Urban renewal tax increment financing | <u>5</u>   | <u>10</u>       |
| Total                                 | <u>\$ 1,641</u>  | <u>\$ 1,555</u> |

Debt increased as a result of enterprise revenues being applied to the debt in accordance with the debt provisions.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding combined general obligation debt and urban renewal tax increment financing revenue bonds of \$229,800 is below its constitutional debt limit of approximately \$1.4 million.

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

The City's elected and appointed officials and citizens considered many factors when setting the 2007 fiscal year 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 4.4 percent, versus 4.9 percent a year ago. This compares with the State's unemployment rate of 3.4 percent. These indicators were taken into account when adopting the budget for fiscal year 2007.

## **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. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the City Clerk, City of New London, 112 West Main Street, New London, Iowa 52645.

Respectfully submitted,

Paula Turner-Coates  
City Clerk/Treasurer

**City of New London**  
**Statement of Activities and Net Assets - Cash Basis**  
**Year Ended June 30, 2006**

|   | Program Receipts    |                        |   |   | Net (Disbursements) Receipts and<br>Changes in Cash Basis Net Assets |                                 |                     |
|---|---------------------|------------------------|---|---|--|---------------------------------|---------------------|
|   | Disbursements       | Charges for<br>Service | Operating<br>Grants<br>Contributions,<br>and Restricted<br>Interest | Capital Grants<br>Contributions<br>and Restricted<br>Interest | Governmental<br>Activities   | Business-<br>Type<br>Activities | Total               |
| <b>Functions / Programs:</b>            |                     |                        |   |   |  |                                 |                     |
| Governmental activities:                |                     |                        |   |   |  |                                 |                     |
| Public safety                           | \$ 256,482          | \$ 8,106               | \$ 28,094   | \$ -  | \$ (220,282)   | \$ -                            | \$ (220,282)        |
| Public works                            | 208,992             | 551                    | -   | -   | (208,441)  | -                               | (208,441)           |
| Culture and recreation                  | 115,307             | -                      | 17,130  | -   | (98,177)   | -                               | (98,177)            |
| General government                      | 117,137             | 2,367                  | -   | -   | (114,770)  | -                               | (114,770)           |
| Debt service                            | 27,645              | -                      | -   | -   | (27,645)   | -                               | (27,645)            |
| Capital projects                        | <u>43,767</u>       | <u>-</u>               | <u>-</u>  | <u>-</u>  | <u>(43,767)</u>  | <u>-</u>                        | <u>(43,767)</u>     |
| Total government activities             | 769,330             | 11,024                 | 45,224  | -   | (713,082)  | -                               | (713,082)           |
| Business type activities                |                     |                        |   |   |  |                                 |                     |
| Water                                   | 164,037             | 178,241                | -   | -   | -  | 14,204                          | 14,204              |
| Electric                                | 2,556,568           | 1,371,469              | -   | 307,504   | -  | (877,595)                       | (877,595)           |
| Sewer                                   | 1,020,793           | 202,605                | -   | -   | -  | (818,188)                       | (818,188)           |
| Sanitation                              | <u>105,684</u>      | <u>118,156</u>         | <u>-</u>  | <u>-</u>  | <u>-</u>   | <u>12,472</u>                   | <u>12,472</u>       |
| Total business type activities          | <u>3,847,082</u>    | <u>1,870,471</u>       | <u>-</u>  | <u>307,504</u>  | <u>-</u>   | <u>(1,669,107)</u>              | <u>(1,669,107)</u>  |
| Total                                   | <u>\$ 4,616,412</u> | <u>\$ 1,881,495</u>    | <u>\$ 45,224</u>  | <u>\$ 307,504</u>   | <u>(713,082)</u>   | <u>(1,669,107)</u>              | <u>(2,382,189)</u>  |
| <b>General Receipts:</b>                |                     |                        |   |   |  |                                 |                     |
| Property tax levied for:                |                     |                        |   |   |  |                                 |                     |
| General purposes                        |                     |                        |   |   | 336,364  | -                               | 336,364             |
| Tax increment financing                 |                     |                        |   |   | 31,645   | -                               | 31,645              |
| Local option sales tax                  |                     |                        |   |   | 150,312  | -                               | 150,312             |
| Road use tax                            |                     |                        |   |   | 162,176  | -                               | 162,176             |
| Unrestricted investment earnings        |                     |                        |   |   | 14,642   | 34,930                          | 49,572              |
| Loan proceeds                           |                     |                        |   |   | -  | 1,398,065                       | 1,398,065           |
| Transfers                               |                     |                        |   |   | 17,694   | (17,694)                        | -                   |
| Miscellaneous                           |                     |                        |   |   | <u>89,600</u>  | <u>105,980</u>                  | <u>195,580</u>      |
| Total general receipts and transfers    |                     |                        |   |   | <u>802,433</u>   | <u>1,521,281</u>                | <u>2,323,714</u>    |
| Change in cash basis net assets         |                     |                        |   |   | 89,351   | (147,826)                       | (58,475)            |
| Cash basis net assets beginning of year |                     |                        |   |   | <u>570,243</u>   | <u>1,232,184</u>                | <u>1,802,427</u>    |
| Cash basis net assets end of year       |                     |                        |   |   | <u>\$ 659,594</u>  | <u>\$ 1,084,358</u>             | <u>\$ 1,743,952</u> |
| <b>Cash Basis Net Assets</b>            |                     |                        |   |   |  |                                 |                     |
| Restricted:                             |                     |                        |   |   |  |                                 |                     |
| Streets                                 |                     |                        |   |   | \$ 115,244   | \$ -                            | \$ 115,244          |
| Capital projects                        |                     |                        |   |   | 189,184  | -                               | 189,184             |
| Other purposes                          |                     |                        |   |   | 9,547  | 359,611                         | 369,158             |
| Unrestricted                            |                     |                        |   |   | <u>345,619</u>   | <u>724,747</u>                  | <u>1,070,366</u>    |
| <b>Total cash basis net assets</b>      |                     |                        |   |   | <u>\$ 659,594</u>  | <u>\$ 1,084,358</u>             | <u>\$ 1,743,952</u> |

See notes to financial statements.

**City of New London**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**Year Ended June 30, 2006**

|  | Special Revenue   |                   |                          |                   | Other<br>Nonmajor<br>Governmental | Total             |
|--|-------------------|-------------------|--------------------------|-------------------|-----------------------------------|-------------------|
|  | General           | Road Use          | Capital<br>Projects Fund | Debt Service      |                                   |                   |
| <b>Receipts:</b>                                   |                   |                   |                          |                   |                                   |                   |
| Property tax                                       | \$ 230,950        | \$ -              | \$ -                     | \$ 366            | \$ 105,048                        | \$ 336,364        |
| Tax increment financing collections                | -                 | -                 | -                        | 31,645            | -                                 | 31,645            |
| Other taxes  | -                 | -                 | 150,312                  | -                 | -                                 | 150,312           |
| Use of money and property                          | 66,239            | -                 | 2,930                    | -                 | -                                 | 69,169            |
| Licenses and permits                               | 1,480             | -                 | -                        | -                 | -                                 | 1,480             |
| Intergovernmental                                  | 46,629            | 162,176           | -                        | -                 | -                                 | 208,805           |
| Charges for services                               | 28,185            | -                 | -                        | -                 | -                                 | 28,185            |
| Miscellaneous                                      | <u>18,030</u>     | <u>4,913</u>      | <u>-</u>                 | <u>-</u>          | <u>-</u>                          | <u>22,943</u>     |
| Total receipts                                     | <u>391,513</u>    | <u>167,089</u>    | <u>153,242</u>           | <u>32,011</u>     | <u>105,048</u>                    | <u>848,903</u>    |
| <b>Disbursements:</b>                              |                   |                   |                          |                   |                                   |                   |
| Operating:   |                   |                   |                          |                   |                                   |                   |
| Public safety                                      | 229,772           | -                 | 2,962                    | -                 | 23,748                            | 256,482           |
| Public works                                       | 23,607            | 88,091            | 90,218                   | -                 | 7,076                             | 208,992           |
| Culture and recreation                             | 104,039           | -                 | -                        | -                 | 11,268                            | 115,307           |
| General government                                 | 63,682            | -                 | -                        | -                 | 53,455                            | 117,137           |
| Debt service                                       | -                 | -                 | 5,615                    | 22,030            | -                                 | 27,645            |
| Capital projects                                   | <u>-</u>          | <u>40,517</u>     | <u>3,250</u>             | <u>-</u>          | <u>-</u>                          | <u>43,767</u>     |
| Total disbursements                                | <u>421,100</u>    | <u>128,608</u>    | <u>102,045</u>           | <u>22,030</u>     | <u>95,547</u>                     | <u>769,330</u>    |
| Excess (deficiency) of receipts over disbursements | (29,587)          | 38,481            | 51,197                   | 9,981             | 9,501                             | 79,573            |
| <b>Other financing sources (uses):</b>             |                   |                   |                          |                   |                                   |                   |
| Operating transfers in (out)                       | <u>18,371</u>     | <u>-</u>          | <u>(677)</u>             | <u>9,501</u>      | <u>(9,501)</u>                    | <u>17,694</u>     |
| Net change in cash balances                        | (11,216)          | 38,481            | 50,520                   | 19,482            | -                                 | 97,267            |
| Cash balances beginning of year                    | <u>356,835</u>    | <u>76,763</u>     | <u>138,664</u>           | <u>(26,160)</u>   | <u>-</u>                          | <u>546,102</u>    |
| Cash balances end of year                          | <u>\$ 345,619</u> | <u>\$ 115,244</u> | <u>\$ 189,184</u>        | <u>\$ (6,678)</u> | <u>\$ -</u>                       | <u>\$ 643,369</u> |
| <b>Cash Basis Fund Balances</b>                    |                   |                   |                          |                   |                                   |                   |
| Reserved:  |                   |                   |                          |                   |                                   |                   |
| Debt service                                       | \$ -              | \$ -              | \$ -                     | \$ (6,678)        | \$ -                              | \$ (6,678)        |
| Unreserved:  |                   |                   |                          |                   |                                   |                   |
| General fund                                       | 345,619           | -                 | -                        | -                 | -                                 | 345,619           |
| Special revenue fund                               | -                 | 115,244           | -                        | -                 | -                                 | 115,244           |
| Capital projects fund                              | <u>-</u>          | <u>-</u>          | <u>189,184</u>           | <u>-</u>          | <u>-</u>                          | <u>189,184</u>    |
| <b>Total cash basis fund balances</b>              | <u>\$ 345,619</u> | <u>\$ 115,244</u> | <u>\$ 189,184</u>        | <u>\$ (6,678)</u> | <u>\$ -</u>                       | <u>\$ 643,369</u> |

See notes to financial statements.

**City of New London**  
**Reconciliation of the Statement of Cash**  
**Receipts, Disbursements and Changes in Cash Balances**  
**to the Statement of Activities and Net Assets -**  
**Governmental Funds**  
**Year Ended June 30, 2006**

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**Total governmental funds cash balances (page 11)** \$ 643,369

*Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

16,225

**Cash basis net assets of governmental activities (page 10)** \$ 659,594

**Net change in cash balances (page 11)** \$ 97,267

*Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with governmental activities.

(7,916)

**Change in cash balance of governmental activities (page 10)** \$ 89,351

See notes to financial statements.

**City of New London**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**Year Ended June 30, 2006**

|  | Enterprise Funds  |                     |                   |                       |                     | Total               | Internal                           |
|--|-------------------|---------------------|-------------------|-----------------------|---------------------|---------------------|------------------------------------|
|  | Water<br>Revenue  | Electric<br>Revenue | Sewer<br>Revenue  | Sanitation<br>Revenue | Utility<br>Deposits |                     | Service Fund<br>Employee<br>Health |
| <b>Receipts:</b>                       |                   |                     |                   |                       |                     |                     |                                    |
| Use of money and property:             |                   |                     |                   |                       |                     |                     |                                    |
| Charges for services                   | \$ 178,241        | \$ 1,371,469        | \$ 202,605        | \$ 118,156            | \$ -                | \$ 1,870,471        | \$ -                               |
| Interest                               | 4,688             | 15,419              | 8,292             | 737                   | -                   | 29,136              | 1,888                              |
| Intergovernmental                      | -                 | -                   | 307,504           | -                     | -                   | 307,504             | -                                  |
| Miscellaneous                          | 1,163             | 99,134              | 3,190             | 275                   | 12,100              | 115,862             | 13,895                             |
|  | <u>184,092</u>    | <u>1,486,022</u>    | <u>521,591</u>    | <u>119,168</u>        | <u>12,100</u>       | <u>2,322,973</u>    | <u>15,783</u>                      |
| <b>Disbursements:</b>                  |                   |                     |                   |                       |                     |                     |                                    |
| Business type activities               |                   |                     |                   |                       |                     |                     |                                    |
| Operations                             | 148,828           | 1,176,730           | 119,890           | 105,684               | 10,291              | 1,561,423           | 17,496                             |
| Capital outlay                         | 15,209            | 31,813              | 863,475           | -                     | -                   | 910,497             | -                                  |
| Debt service                           | -                 | 1,348,025           | 37,428            | -                     | -                   | 1,385,453           | -                                  |
|  | <u>164,037</u>    | <u>2,556,568</u>    | <u>1,020,793</u>  | <u>105,684</u>        | <u>10,291</u>       | <u>3,857,373</u>    | <u>17,496</u>                      |
| Excess of receipts over disbursements  | <u>20,055</u>     | <u>(1,070,546)</u>  | <u>(499,202)</u>  | <u>13,484</u>         | <u>1,809</u>        | <u>(1,534,400)</u>  | <u>(1,713)</u>                     |
| <b>Other financing sources (uses):</b> |                   |                     |                   |                       |                     |                     |                                    |
| Loan proceeds                          | -                 | 835,000             | 563,065           | -                     | -                   | 1,398,065           | -                                  |
| Operating transfers in                 | 141               | 312,000             | 4,165             | -                     | -                   | 316,306             | -                                  |
| Operating transfers out                | -                 | (312,000)           | (11,000)          | (11,000)              | -                   | (334,000)           | -                                  |
|  | <u>141</u>        | <u>-</u>            | <u>(6,835)</u>    | <u>(11,000)</u>       | <u>-</u>            | <u>(17,694)</u>     | <u>-</u>                           |
| Net change in cash balances            | 20,196            | (235,546)           | 57,028            | 2,484                 | 1,809               | (154,029)           | (1,713)                            |
| Cash balances, beginning of year       | <u>262,252</u>    | <u>584,770</u>      | <u>305,070</u>    | <u>38,980</u>         | <u>19,801</u>       | <u>1,210,873</u>    | <u>45,451</u>                      |
| Cash balances, end of year             | <u>\$ 282,448</u> | <u>\$ 349,224</u>   | <u>\$ 362,098</u> | <u>\$ 41,464</u>      | <u>\$ 21,610</u>    | <u>\$ 1,056,844</u> | <u>\$ 43,738</u>                   |
| <b>Cash Basis Fund Balances</b>        |                   |                     |                   |                       |                     |                     |                                    |
| Reserved for equipment replacement     | \$ -              | \$ 102,050          | \$ 232,061        | \$ 25,500             | \$ -                | \$ 359,611          | \$ -                               |
| Unreserved                             | <u>282,448</u>    | <u>247,174</u>      | <u>130,037</u>    | <u>15,964</u>         | <u>21,610</u>       | <u>697,233</u>      | <u>43,738</u>                      |
| Total cash basis fund balances         | <u>\$ 282,448</u> | <u>\$ 349,224</u>   | <u>\$ 362,098</u> | <u>\$ 41,464</u>      | <u>\$ 21,610</u>    | <u>\$ 1,056,844</u> | <u>\$ 43,738</u>                   |

See notes to financial statements.

**City of New London**  
**Reconciliation of the Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**to the Statement of Activities and Net Assets -**  
**Proprietary Funds**  
**Year Ended June 30, 2006**

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**Total enterprise funds cash balances (page 13)** \$ 1,056,844

*Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

27,514

**Cash basis net assets of business type activities (page 10)** \$ 1,084,358

**Net change in cash balances (page 13)** \$ (154,029)

*Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change on net assets of the Internal Service Fund is reported with business type activities.

6,203

**Change in cash balance of business type activities (page 10)** \$ (147,826)

See notes to financial statements.

**City of New London**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

The City of New London is a political subdivision of the State of Iowa located in Henry County. It was first incorporated in 1861 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, community and economic development and general government services. The City also provides electric, water, refuse collection and sewer utilities for its citizens.

Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Des Moines County Solid Waste Commission; Henry County Assessor's Conference Board; Henry County Emergency Management Commission, and Henry County Joint E911 Service Board.

Basis of Presentation

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

**City of New London**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies** (continued)

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.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities. Local option sales tax is recorded in this fund.

**City of New London**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies** (continued)

The City reports the following major proprietary funds:

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

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

The Electric Fund accounts for the operation and maintenance of the City owned electric utility system.

The Sanitation Fund accounts for the operation and maintenance of the City's solid waste collection system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

Measurement Focus and Basis of Accounting

The City of New London 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.

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 Public Works, Culture/Recreation and Debt Service functions.

**City of New London**  
**Notes to Financial Statements**

**Note 2. Cash and Pooled Investments**

The City's deposits 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 and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

The City's investments at June 30, 2006 were entirely in certificates of deposit.

**Note 3. Bonds and Notes Payable**

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

| Year<br>Ended<br>June 30, | General Obligation Bonds |                  | Urban Renewal<br>Tax Increment Financing |               | Electric Revenue Bonds |                  | Other Debt        |                  |
|---------------------------|--------------------------|------------------|--|---------------|------------------------|------------------|-------------------|------------------|
|                           | Principal                | Interest         | Principal                                | Interest      | Principal              | Interest         | Principal         | Interest         |
|                           | 2007                     | \$ 15,000        | \$ 5,330                                 | \$ 5,000      | \$ 310                 | \$ 260,000       | \$ 33,742         | \$ 12,500        |
| 2008                      | 20,000                   | 4,425            | -  | -             | 275,000                | 22,028           | 12,859            | 2,822            |
| 2009                      | 20,000                   | 3,245            | -  | -             | 285,000                | 11,715           | 13,222            | 2,459            |
| 2010                      | 35,000                   | 2,870            | -  | -             | 15,000                 | 600              | 13,609            | 2,072            |
| 2011                      | -                        | -                | -  | -             | -                      | -                | 14,000            | 1,681            |
| 2012-2014                 | -                        | -                | -  | -             | -                      | -                | 36,282            | 2,583            |
|                           | <u>\$ 90,000</u>         | <u>\$ 15,870</u> | <u>\$ 5,000</u>                          | <u>\$ 310</u> | <u>\$ 835,000</u>      | <u>\$ 68,085</u> | <u>\$ 102,472</u> | <u>\$ 14,798</u> |

The urban renewal tax increment revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The notes and bonds are payable solely from the income and proceeds of the 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 bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not general obligations of the City, however, the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the electric revenue bonds 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.

**City of New London**  
**Notes to Financial Statements**

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**Note 3. Bonds and Notes Payable** (continued)

- (b) Sufficient monthly transfers shall be made to separate electric revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.
- (c) Monthly transfers equal to a sum of one-twelfth of the principal of the Revenue Bonds maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the Sinking Fund for the purpose of making bond interest and principal payments when due. At June 30, 2006, this restricted fund had a balance of approximately \$52,050 and is included as part of the Electric Revenue Fund balance.
- (d) A minimum of \$1,000 per month shall be transferred to the Repair and Replacement Fund until a fund balance of \$50,000 is attained. These funds are to be used solely to pay the cost of extraordinary maintenance expense or repairs and capital improvements to the system. At June 30, 2006, this restricted fund had a balance of \$50,000 and is included as part of the Electric Revenue Fund balance.

**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 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. Contributions are established by state statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004, were \$39,300, \$37,400 and \$38,000, respectively, equal to the required contributions for each year.

**Note 5. Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation 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 other termination payments payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u>    |
|------------------------|------------------|
| Vacation               | \$ 17,900        |
| Personal and holiday   | <u>3,600</u>     |
|                        | <u>\$ 21,500</u> |

The liability has been computed based on rates of pay as of June 30, 2006.

**City of New London**  
**Notes to Financial Statements**

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**Note 6. Self-Insured Health Benefits**

The City of New London has agreed with its employees to provide certain health benefits.

The City pays 100 percent of the premium for health insurance. The City also pays 80 percent of the deductible up to the point where Wellmark Blue Cross Blue Shield of Iowa begins coverage. The City's liability for self-insured health benefits was approximately \$60,000 at June 30, 2006.

**Note 7. Related Party Transactions**

No transactions were noted during the course of the audit between the City and City officials.

**Note 8. Major Supplier**

The Utilities' power is currently purchased through the Resale Power Group of Iowa. The total amount purchased was \$629,340 which represents 100% of the total kilowatt hours generated and purchased.

**Note 9. Joint Venture**

The City is a participant in the Des Moines County Regional Solid Waste Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the fifteen-member Board. Financial statements of the Waste Commission are available at the Commission's office, 1818 West Burlington Avenue, West Burlington, Iowa, 52655.

**Note 10. Commitments**

The City has begun a sewer replacement project. The completed cost of the project is expected to be \$1,127,000. \$400,000 of the cost will be funded with a CDBG grant, and the balance to be paid with a loan through the State Revolving Loan fund. At June 30, 2006, \$608,335 has been drawn down on the loan fund. Approximately \$863,500 has been disbursed on the project.

**Note 11. Franchise Fees**

The City receives franchise fees from Mediacom Communications Corporation at 5% of their gross subscriber revenue. The agreement is for 5 years ending November 2011.

**City of New London**  
**Notes to Financial Statements**

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**Note 12. Risk Management**

The City of New London 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 13. Deficit Fund Balances**

The following Fund had a deficit balance at year end:

|                   |          |
|-------------------|----------|
| Debt Service Fund | \$ 6,678 |
|-------------------|----------|

The deficit balances were a result of costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of urban renewal TIF collections and local option taxes.

**Note 14. Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2006, disbursements in the Culture and Recreation, Public Works, and Debt Service functions exceeded the amounts budgeted.

**Note 15. Interfund Transfers**

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

|                    |                  |
|--------------------|------------------|
| Transfer to:       |                  |
| General fund       | \$ 18,371        |
| Debt service       | 9,501            |
| Water revenue      | <u>141</u>       |
|                    | <u>\$ 28,013</u> |
| Transfer from:     |                  |
| Sewer revenue      | \$ 6,835         |
| Sanitation revenue | 11,000           |
| Employee benefits  | 9,501            |
| Capital projects   | <u>677</u>       |
|                    | <u>\$ 28,013</u> |

**City of New London**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements, and Changes in Balances -**  
**Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year Ended June 30, 2006**

|  | Governmental<br>Funds<br><u>Actual</u> | Proprietary<br>Fund Type<br><u>Actual</u> | Less<br>Funds not<br>Required to<br>be Budgeted | Net                 | <u>Budgeted Amounts</u> |                     | Final to<br>Net<br>Variance |
|--|--|---|---|---------------------|-------------------------|---------------------|-----------------------------|
|  |  |   |   |                     | <u>Original</u>         | <u>Final</u>        |                             |
| <b>Receipts:</b>                                   |  |   |   |                     |                         |                     |                             |
| Property tax                                       | \$ 336,364                             | \$ -                                      | \$ -  | \$ 336,364          | \$ 327,513              | \$ 327,513          | \$ 8,851                    |
| Tax increment financing collections                | 31,645                                 | -   | -   | 31,645              | 27,020                  | 27,020              | 4,625                       |
| Other city taxes                                   | 150,312                                | -   | -   | 150,312             | 129,800                 | 129,800             | 20,512                      |
| Use of money and property                          | 69,169                                 | 29,136                                    | 1,888   | 96,417              | 100,618                 | 100,618             | (4,201)                     |
| Licenses and permits                               | 1,480                                  | -   | -   | 1,480               | 1,235                   | 1,235               | 245                         |
| Intergovernmental                                  | 208,805                                | 307,504                                   | -   | 516,309             | 206,571                 | 206,571             | 309,738                     |
| Charges for service                                | 28,185                                 | 1,870,471                                 | 13,895  | 1,884,761           | 2,314,815               | 2,314,815           | (430,054)                   |
| Miscellaneous                                      | 22,943                                 | 115,862                                   | -   | 138,805             | 64,600                  | 64,600              | 74,205                      |
| Total receipts                                     | <u>848,903</u>                         | <u>2,322,973</u>                          | <u>15,783</u>                                   | <u>3,156,093</u>    | <u>3,172,172</u>        | <u>3,172,172</u>    | <u>(16,079)</u>             |
| <b>Disbursements:</b>                              |  |   |   |                     |                         |                     |                             |
| Public safety                                      | 256,482                                | -   | -   | 256,482             | 268,983                 | 268,983             | 12,501                      |
| Public works                                       | 208,992                                | -   | -   | 208,992             | 198,695                 | 198,695             | (10,297)                    |
| Culture and recreation                             | 115,307                                | -   | -   | 115,307             | 106,255                 | 113,255             | (2,052)                     |
| General government                                 | 117,137                                | -   | -   | 117,137             | 130,945                 | 130,945             | 13,808                      |
| Debt service                                       | 27,645                                 | 1,385,453                                 | -   | 1,413,098           | 22,020                  | 22,020              | (1,391,078)                 |
| Capital projects                                   | 43,767                                 | 910,497                                   | -   | 954,264             | 201,068                 | 2,674,568           | 1,720,304                   |
| Business type activities                           | -                                      | 1,561,423                                 | 17,496  | 1,543,927           | 2,339,665               | 2,339,665           | 795,738                     |
| Total disbursements                                | <u>769,330</u>                         | <u>3,857,373</u>                          | <u>17,496</u>                                   | <u>4,609,207</u>    | <u>3,267,631</u>        | <u>5,748,131</u>    | <u>1,138,924</u>            |
| Excess (deficiency) of receipts over disbursements | 79,573                                 | (1,534,400)                               | (1,713)   | (1,453,114)         | (95,459)                | (2,575,959)         |                             |
| Other financing sources                            | <u>17,694</u>                          | <u>1,380,371</u>                          | <u>-</u>  | <u>1,398,065</u>    | <u>-</u>                | <u>1,935,000</u>    |                             |
| Net change in cash balances                        | 97,267                                 | (154,029)                                 | (1,713)   | (55,049)            | (95,459)                | (640,959)           |                             |
| Balances beginning of year                         | <u>546,102</u>                         | <u>1,210,873</u>                          | <u>45,451</u>                                   | <u>1,711,524</u>    | <u>1,768,755</u>        | <u>1,768,755</u>    |                             |
| Balances end of year                               | <u>\$ 643,369</u>                      | <u>\$ 1,056,844</u>                       | <u>\$ 43,738</u>                                | <u>\$ 1,656,475</u> | <u>\$ 1,673,296</u>     | <u>\$ 1,127,796</u> |                             |

See accompanying independent auditor's report.

**City of New London**  
**Notes to Required Supplementary Information - Budgetary Reporting**

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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 being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units, Internal Service Funds, and Fiduciary Funds (when they exist). 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, budget amendments increased budgeted disbursements by \$2,480,500. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the Culture and Recreation, Public Works, and Debt Service function.

**City of New London**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2006**

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|   | <u>Employee<br/>Benefit</u> |
|---|-----------------------------|
| Receipts:   |                             |
| Property taxes  | \$ 105,048                  |
| CTAA  | -                           |
| Miscellaneous   | -                           |
| Total receipts  | <u>105,048</u>              |
| Disbursements:  |                             |
| Public safety   | 23,748                      |
| Public works  | 7,076                       |
| Culture and recreation                                | 11,268                      |
| General government                                    | <u>53,455</u>               |
| Total disbursements                                   | <u>95,547</u>               |
| Excess (deficiency) of<br>receipts over disbursements | 9,501                       |
| Other financing sources (uses):                       |                             |
| Operating transfers in                                | -                           |
| Operating transfers (out)                             | <u>(9,501)</u>              |
|   | <u>(9,501)</u>              |
| Net change in cash balances                           | -                           |
| Cash balances, beginning of year                      | <u>-</u>                    |
| Cash balances, end of year                            | <u>\$ -</u>                 |

See accompanying independent auditor's report.

**City of New London  
Statement of Indebtedness  
Year Ended June 30, 2006**

| <u>Obligation</u>                             | <u>Date of Issuance</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> | <u>Balance Beginning of Year</u> | <u>Issued During Year</u> | <u>Redeemed During Year</u> | <u>Balance End of Year</u> | <u>Interest Paid</u> |
|---|-------------------------|-----------------------|---------------------------------|----------------------------------|---------------------------|-----------------------------|----------------------------|----------------------|
| <b>General obligation bonds:</b>              |                         |                       |                                 |                                  |                           |                             |                            |                      |
| Capital loan note                             | 09/01/99                | 4.50-5.50%            | \$ 110,000                      | \$ 80,000                        | \$ -                      | \$ 10,000                   | \$ 70,000                  | \$ 4,235             |
| Capital loan note                             | 09/01/99                | 6.75-8.20%            | 55,000                          | <u>25,000</u>                    | <u>-</u>                  | <u>5,000</u>                | <u>20,000</u>              | <u>1,985</u>         |
|   |                         |                       |                                 | <u>105,000</u>                   | <u>-</u>                  | <u>15,000</u>               | <u>90,000</u>              | <u>6,220</u>         |
| <b>Urban renewal tax increment financing:</b> |                         |                       |                                 |                                  |                           |                             |                            |                      |
| Sanitary sewer                                | 08/01/94                | 5.05-6.20%            | 55,000                          | <u>10,000</u>                    | <u>-</u>                  | <u>5,000</u>                | <u>5,000</u>               | <u>615</u>           |
| <b>Revenue Bond:</b>                          |                         |                       |                                 |                                  |                           |                             |                            |                      |
| Electric revenue bond                         | 05/10/00                | 5.25-5.40%            | 2,270,000                       | 1,280,000                        | -                         | 1,280,000                   | -                          | 68,025               |
| Electric revenue refunding notes              | 04/04/06                | 3.60-4.0%             | 835,000                         | -                                | 835,000                   | -                           | 835,000                    | -                    |
| Sewer revenue capital loan notes (1)          | 04/07/05                | 3.00%                 | 727,000                         | <u>45,270</u>                    | <u>563,065</u>            | <u>-</u>                    | <u>608,335</u>             | <u>37,428</u>        |
|   |                         |                       |                                 | <u>1,325,270</u>                 | <u>1,398,065</u>          | <u>1,280,000</u>            | <u>1,443,335</u>           | <u>105,453</u>       |
| <b>Other debt:</b>                            |                         |                       |                                 |                                  |                           |                             |                            |                      |
| Danville Bank-fire truck                      | 11/20/03                | 2.875%                | 135,809                         | <u>114,820</u>                   | <u>-</u>                  | <u>12,348</u>               | <u>102,472</u>             | <u>3,414</u>         |
| Total   |                         |                       |                                 | <u>\$ 1,555,090</u>              | <u>\$ 1,398,065</u>       | <u>\$ 1,312,348</u>         | <u>\$ 1,640,807</u>        | <u>\$ 115,702</u>    |

(1) Drawdowns are not complete, repayment schedule not available at this time.

See accompanying independent auditor's report.

**City of New London  
Bond and Note Maturities  
June 30, 2006**

| Year Ending<br><u>June 30,</u> | ----- <b>Urban Renewal</b> -----          |                 | ----- <b>General Obligation Bonds</b> ----- |                  |                          |                  |                       | ----- <b>Electric Revenue Bond</b> ----- |                   |
|--------------------------------|---|-----------------|---|------------------|--------------------------|------------------|-----------------------|--|-------------------|
|                                | Tax Increment Financing<br>Sanitary Sewer |                 | Capital Loan Note                           |                  | Capital Loan Note        |                  | General<br>Obligation | Issued April 4, 2006                     |                   |
|                                | Issued August 1, 1994                     |                 | Issued September 1, 1999                    |                  | Issued September 1, 1999 |                  | Bonds                 | Totals                                   |                   |
|                                | Interest                                  | Interest        | Interest                                    | Interest         | Interest                 | Interest         | Totals                | Interest                                 | Interest          |
| <u>Rate</u>                    | <u>Amount</u>                             | <u>Rate</u>     | <u>Amount</u>                               | <u>Rate</u>      | <u>Amount</u>            | <u>Rate</u>      | <u>Amount</u>         | <u>Rate</u>                              | <u>Amount</u>     |
| 2007                           | 6.20%                                     | \$ 5,000        | 7.80%                                       | \$ 5,000         | 5.15%                    | \$ 10,000        | \$ 15,000             | 3.60%                                    | \$ 260,000        |
| 2008                           | --  | -               | 8.00%                                       | 5,000            | 5.20%                    | 15,000           | 20,000                | 3.75%                                    | 275,000           |
| 2009                           | --  | -               | 8.10%                                       | 5,000            | 5.30%                    | 15,000           | 20,000                | 3.90%                                    | 285,000           |
| 2010                           | --  | -               | 8.20%                                       | 5,000            | 5.40%                    | 15,000           | 20,000                | 4.00%                                    | 15,000            |
| 2011                           | --  | -               | --  | -                | 5.50%                    | 15,000           | 15,000                | --                                       | -                 |
|                                |   | <u>\$ 5,000</u> |   | <u>\$ 20,000</u> |                          | <u>\$ 70,000</u> | <u>\$ 90,000</u>      |  | <u>\$ 835,000</u> |

| Year Ending<br><u>June 30,</u> | ----- <b>Other Debt</b> ----- |                   |
|--------------------------------|-------------------------------|-------------------|
|                                | Fire Truck                    |                   |
|                                | Danville State Bank           |                   |
|                                | Issued November 20, 2003      |                   |
| Interest                       | Interest                      | Amount            |
| <u>Rate</u>                    | <u>Rate</u>                   | <u>Amount</u>     |
| 2007                           | 2.875%                        | \$ 12,500         |
| 2008                           | 2.875%                        | 12,859            |
| 2009                           | 2.875%                        | 13,222            |
| 2010                           | 2.875%                        | 13,609            |
| 2011                           | 2.875%                        | 14,000            |
| 2012                           | 2.875%                        | 14,403            |
| 2013                           | 2.875%                        | 14,815            |
| 2014                           | 2.875%                        | <u>7,064</u>      |
|                                |                               | <u>\$ 102,472</u> |

See accompanying independent auditor's report.

**City of New London**  
**Schedule of Receipts By Source and Disbursements By Function -**  
**All Governmental Funds**

|                                     | Years Ended June 30, |                   |                   |                   |
|-------------------------------------|----------------------|-------------------|-------------------|-------------------|
|                                     | <u>2006</u>          | <u>2005</u>       | <u>2004</u>       | <u>2003</u>       |
| <b>Receipts:</b>                    |                      |                   |                   |                   |
| Property tax                        | \$ 336,364           | \$ 338,933        | \$ 335,928        | 324,636           |
| Tax increment financing collections | 31,645               | 30,930            | 27,147            | 26,431            |
| Other city taxes                    | 150,312              | 145,255           | 135,775           | 102,167           |
| Use of money and property           | 69,169               | 64,074            | 63,820            | 67,960            |
| Licenses and permits                | 1,480                | 2,232             | 1,745             | 1,543             |
| Intergovernmental                   | 208,805              | 205,790           | 243,872           | 258,095           |
| Charges for services                | 28,185               | 28,418            | 36,718            | 9,313             |
| Miscellaneous                       | <u>22,943</u>        | <u>36,157</u>     | <u>35,203</u>     | <u>31,352</u>     |
| Total                               | <u>\$ 848,903</u>    | <u>\$ 851,789</u> | <u>\$ 880,208</u> | <u>\$ 821,497</u> |
| <b>Disbursements:</b>               |                      |                   |                   |                   |
| <b>Operating:</b>                   |                      |                   |                   |                   |
| Public safety                       | \$ 256,482           | \$ 229,864        | \$ 228,702        | \$ 276,349        |
| Public works                        | 208,992              | 176,035           | 187,660           | 172,797           |
| Culture and recreation              | 115,307              | 105,579           | 89,922            | 110,880           |
| Community and economic development  | -                    | -                 | 200               | -                 |
| General government                  | 117,137              | 114,271           | 124,696           | 120,708           |
| Debt service                        | 27,645               | 64,666            | 48,874            | 37,011            |
| Capital projects                    | <u>43,767</u>        | <u>81,130</u>     | <u>212,581</u>    | <u>175,915</u>    |
| Total                               | <u>\$ 769,330</u>    | <u>\$ 771,545</u> | <u>\$ 892,635</u> | <u>\$ 893,660</u> |

See accompanying independent auditor's report.

**City of New London**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2006**

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| <u>Federal Agency/Pass Through Agency Program - Grant Title</u>  | <u>CFDA<br/>Number</u> | <u>Grantor Program Number</u> | <u>Program<br/>Disbursements</u> |
|--|------------------------|-------------------------------|----------------------------------|
| Indirect:  |                        |                               |                                  |
| Environmental Protection Agency<br>State of Iowa, Department of Natural Resources<br>State Revolving Loan Fund                   | 66.458                 | CS19226001                    | \$ 396,217                       |
| U.S. Department of Housing and Urban Development<br>Iowa Department of Economic Development<br>Community Development Block Grant | 14.228                 | 03-HSG-095                    | <u>346,899</u>                   |
|  |                        |                               | <u>\$ 743,116</u>                |

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of New London and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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

Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of City of New London, 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 August 30, 2006. Our report expressed an unqualified opinion on the 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 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 London's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of New London'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 and Questioned Costs.

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. None of the reportable conditions described above is a material weakness.

## Compliance and Other Matters

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

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. 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 London and other parties to whom the City of New London 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 the City of New London 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.

*CPA Associates PC*

August 30, 2006



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**Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and Internal Control Over Compliance  
in Accordance with OMB Circular A-133**

Honorable Mayor and  
Members of the City Council:

Compliance

We have audited the compliance of the City of New London with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2006. The City of New London's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the City of New London's management. Our responsibility is to express an opinion on their compliance based on our audit.

We conducted our audit of compliance 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 and OMB Circular A-133, Audits of States, Local Government and Non-Profit Organizations. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of New London's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of New London's compliance with those requirements.

In our opinion the City of New London complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of New London is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of New London's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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 non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program 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 compliance 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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 London and other parties to whom the City of New London 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.

CPA Associates PC

August 30, 2006

**City of New London  
Schedule of Findings  
Year Ended June 30, 2006**

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

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) Major programs were as follows:
  - CFDA Number 66.458 - Environmental Protection Agency - State Revolving Loan Fund
  - CFDA Number 14.228 - Iowa Department of Economic Development - Community Development Block Grant
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) City of New London did not qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements**

Instances of Non-Compliance:

No matters were reported.

**Reportable Conditions:**

II-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

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

Response - We will consider this.

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

**City of New London  
Schedule of Findings  
Year Ended June 30, 2006**

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**Part III: Findings and Questioned Costs for Federal Awards**

Instance of Non-Compliance:

No matters were reported.

**Part IV: Other Findings Related to Required Statutory Reporting**

IV-A-06 Official Depositories - A resolution naming official depositories has been adopted by the Council. The maximum deposit amounts stated in the resolution were exceeded during the year ended June 30, 2006.

Recommendation - The resolution naming official depositories should be reviewed and adjusted to cover anticipated balances at all approved depositories.

Response - The resolution naming official depositories will be reviewed.

Conclusion - Response accepted.

IV-B-06 Certified Budget - Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the culture and recreation, public works, and debt service 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 in the future, if applicable.

Conclusion - Response accepted.

IV-C-06 Questionable Disbursements - We noted no disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-D-06 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-E-06 Business Transactions - We noted no evidence of business transactions between the City and City officials or employees which we believed to be in violation of statutory provisions.

IV-F-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-G-06 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-H-06 Bonds and Revenue Notes - The City has complied with the revenue bond and note resolutions.

**City of New London  
Schedule of Findings  
Year Ended June 30, 2006**

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IV-I-06 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

IV-J-06 Financial Condition - The Debt Service Fund has a deficit balance at June 30, 2006 of \$6,678.

Recommendation - We understand that project costs incurred prior to receipt of TIF collections and property tax collections created the deficit in this account. However, the City should monitor the progress of the TIF receipts and property tax collections and review the control procedures throughout the collection period.

Response - We will consider this.

Conclusion - Response accepted.

IV-K-06 Payment of General Obligation Bonds - Certain general obligation bonds were paid from the General Fund and the Road Use Fund. Chapter 384.4 of the Code of Iowa states in part that "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund.

Recommendation - The City should transfer from the General Fund and Road Use Fund to the Debt Service Fund account for future funding contributions. Payments of the debt should then be disbursed from the Debt Service Fund.

Response - We will transfer in the future as recommended.

Conclusion - Response accepted.

IV-L-06 Notice of Public Hearing for Public Improvement - The City did not publish a notice of public hearing and bid letting on asphaltting of streets as required by Chapters 384.102 and 362.3 of the Code of Iowa.

Recommendation - Before entering into any contract for public improvements where the cost is \$25,000 or more, the Council should set a date for a public hearing and give notice at least four but not more than twenty days prior to the hearing as provided in Chapter 362.3 of the Code of Iowa.

Response - We will publish the appropriate notices in the future as required.

Conclusion - Response accepted.

**FINANCIAL STATEMENTS**

**REQUIRED SUPPLEMENTARY INFORMATION**

**OTHER SUPPLEMENTARY INFORMATION**