CITY OF NEW HAMPTON

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

June 30, 2007

HAGEN & KALLEVANG, P.C.
Certified Public Accountants

CITY OF NEW HAMPTON

TABLE OF CONTENTS

		Page No.
OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT		2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS		4-10
BASIC FINANCIAL STATEMENTS	Exhibit	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	11
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Governmental Funds	B	12-13
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets – Governmental Funds	C	14
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Proprietary Funds	D	15
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets – Proprietary Funds	E	16
Notes to Financial Statements		17-24
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		25
Notes to Required Supplementary Information – Budgetary Reporting		26
OTHER SUPPLEMENTARY INFORMATION	Schedule	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	27
Schedule of Indebtedness	2	28
Bond and Note Maturities	3	29
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	4	30
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		31-32
SCHEDULE OF FINDINGS		33-36

CITY OF NEW HAMPTON

OFFICIALS

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

Hagen & Kallevang PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of New Hampton, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of New Hampton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above do not include the financial activity of all the component units identified in Note 1. Such financial activity should be reported in the governmental activities and the Special Revenue Funds of the City's primary government in order to be in conformity with U.S. generally accepted accounting principles. The amount of financial activity that should be reported is not known.

In our opinion, except for the effects of the omission of the financial activity of the component units for the year ended June 30, 2007 on the governmental activities, each major fund, and the aggregate remaining fund information, as described above, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities and the aggregate remaining fund information of the City of New Hampton at June 30, 2007, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

511 W. Water St. / Box 403 • Decorah, IA 52101 • 563-382-8471 • Fax 563-382-8473 • hagenkallevang2@netins.net

19 1st Ave. N.W. / Box 139 • Waukon, IA 52172 • 563-568-4567 • Fax 563-568-4569 • hagenkallevang@netins.net

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities, each major fund, and the discretely presented component unit of the City of New Hampton as of June 30, 2007 and the respective changes in cash basis financial position of the business type activities, each major fund, and the discretely presented component unit for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2008 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 25 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2006 (which are not presented herein) and expressed qualified opinions on those financial statements due to not including all component units which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hagen + Kallevang, P.C.

March 10, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of New Hampton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

Revenues and Transfers of the City's governmental activities decreased 25.5%, or approximately $1,057,000 from fiscal 2006 to fiscal 2007. The revenue sources with major changes from the prior year are as follows:

	Increase (Decrease)
Grants and contributions	$ (1,108,000)
Property tax	78,000
Local option sales tax	76,000
Investment earnings	48,000
Transfers	(187,000)
All others, net	36,000
	$ (1,057,000)

Disbursements decreased 31.3% or approximately $1,320,000 in fiscal 2006 from fiscal 2007. The disbursements with major changes from the prior year are as follows:

Public safety	$ (161,000)
Culture and recreation	101,000
Community and economic development	(1,263,000)
Debt service	(80,000)
Capital project	46,000
All others, net	37,000
	$ (1,320,000)

The City's total cash basis net assets increased 3.6% or approximately $97,000 from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities increased approximately $193,000 and the assets of the business type activities decreased by approximately $96,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds and the indebtedness of the City.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

The Statement of Activities and Net Assets is divided into three kinds of activities:

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise Funds and for the component unit. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from $2,080,787 to $2,273,663. The analysis that follows focuses on the changes in cash balances for governmental activities.

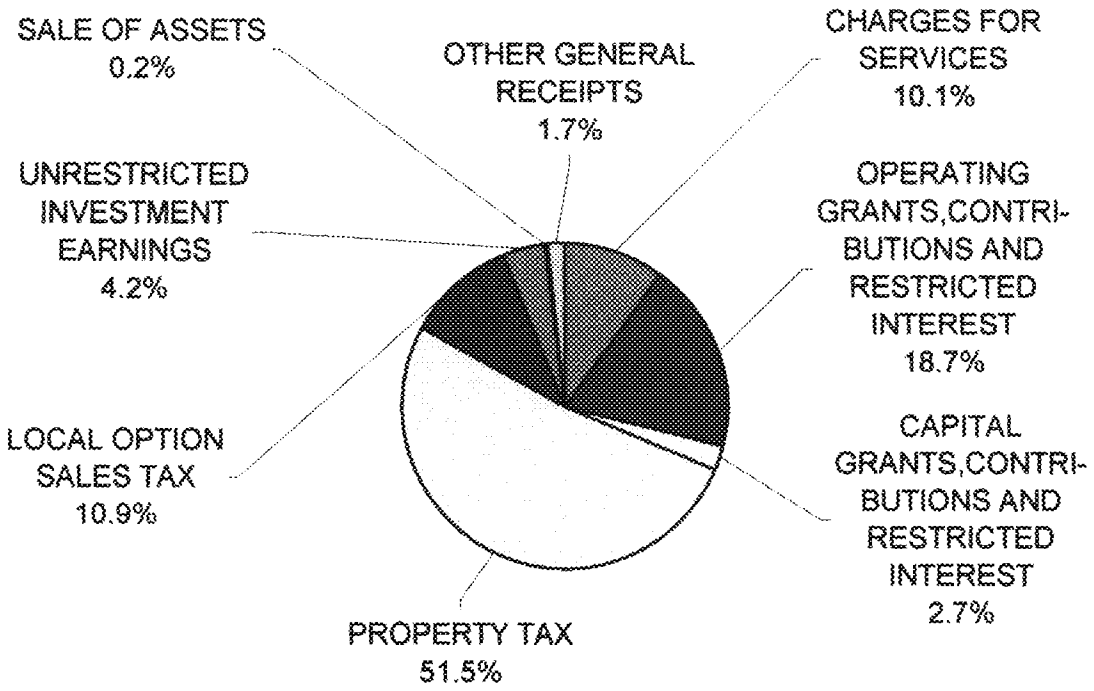
Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,				
	2007	2006	2005	2004	2003
Receipts and transfers:					
Program receipts:					
Charges for service	$ 311,485	$ 289,108	$ 403,065	$ 402,889	$ 309,451
Operating grants, contributions and restricted interest	576,823	1,407,648	578,096	504,575	718,751
Capital grants, contributions and restricted interest	82,432	360,081	354,439	102,287	471,398
General receipts:					
Property tax	1,590,511	1,512,787	1,322,485	1,349,932	1,440,994
Local option sales tax	336,022	260,061	239,685	231,446	345,431
Grants and contributions not restricted to specific purposes	-	-	-	-	-
Unrestricted investment earnings	128,124	79,514	44,909	75,649	106,404
Bond proceeds	-	-	620,000	-	-
Sale of assets	5,000	4,581	-	49,000	-
Other general receipts	54,168	40,000	19,017	12,898	22,678
Transfers, net	-	187,832	-	-	-
Total receipts and transfers	3,084,565	4,141,612	3,581,696	2,728,676	3,415,107
Disbursements and transfers:					
Public safety	533,654	694,434	474,699	452,200	445,072
Public works	396,343	395,535	365,578	348,886	375,085
Health and social services	3,393	3,393	3,655	3,607	3,607
Culture and recreation	630,174	528,719	577,764	570,504	517,958
Community and economic development	496,359	1,759,025	1,257,134	339,580	940,540
General government	437,915	428,778	401,524	503,406	473,947
Debt service	321,734	401,824	357,563	377,582	230,840
Capital projects	46,113	-	188,935	660,911	232,850
Transfers, net	26,004	-	-	-	19,528
Total disbursements and transfers	2,891,689	4,211,708	3,626,852	3,256,676	3,239,427
Increase (decrease) in cash basis net assets	192,876	(70,096)	(45,156)	(528,000)	175,680
Cash basis net assets beginning of year	2,080,787	2,150,883	2,196,039	2,724,039	2,548,359
Cash basis net assets end of year	$ 2,273,663	$ 2,080,787	$ 2,150,883	$ 2,196,039	$ 2,724,039

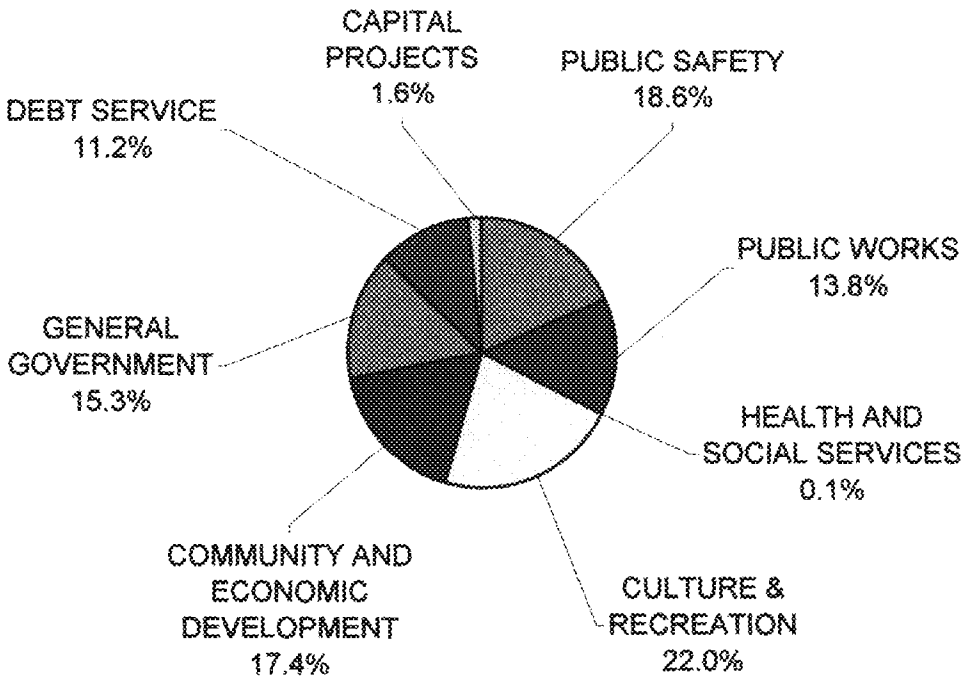
The City's total receipts for governmental activities decreased by 25.5% or approximately $1,057,000. The total cost of all programs and services decreased by approximately $1,320,000 or 31.3% with no new programs added this year. The decrease in receipts was due to the lack of grant funds received this year. The decrease in expenditures was largely due to the fact that no new economic development projects were done this year.

The cost of all governmental activities this year was $2,891,689 compared to $4,211,708 last year. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only $1,894,945 because some of the cost was paid by those directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants, contributions and charges for services.

Receipts by Source



Disbursements by Function



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

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30,				
	2007	2006	2005	2004	2003
Receipts and transfers:					
Program receipts:					
Charges for service					
Water	$ 182,622	$ 217,299	$ 188,214	$ 183,775	$ 180,819
Sewer	459,178	465,530	498,061	487,617	489,291
General receipts:					
Unrestricted investment earnings	15,965	10,242	13,311		33,792
Other general receipts	52,238	4,415	2,560	-	-
Transfers	26,004	-	-	-	19,528
Total receipts and transfers	736,007	697,486	702,146	671,392	723,430
Disbursements and transfers:					
Water	373,584	320,650	189,904	204,868	247,463
Sewer	458,439	424,042	1,147,256	571,543	572,859
Transfers	-	187,832	-	-	-
Total disbursements and transfers	832,023	932,524	1,337,160	776,411	820,322
Increase (decrease) in cash balance	(96,016)	(235,038)	(635,014)	(105,019)	(96,892)
Cash basis net assets beginning of year	588,068	823,106	1,458,120	1,563,139	1,660,031
Cash basis net assets end of year	$ 492,052	$ 588,068	$ 823,106	$ 1,458,120	$ 1,563,139

Total business type activities receipts for the fiscal year were $736,007 compared to $697,486 last year. This increase was primarily due to an increase in utility revenues and miscellaneous revenue. The cash balance decreased by approximately $96,000 because an extensive water tower renovation project was completed. Total disbursements and transfers for the fiscal year decreased by 11% for a total of $100,501.

The component unit (Light Plant) had total cash receipts of $3,964,909 for 2007 compared to $4,098,000 for 2006. Total cash disbursements for 2007 were $5,835,130 compared to $4,569,997 in 2006. The cash balance decreased $1,870,221 to $4,092,195.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of New Hampton completed the year, its governmental funds reported a combined fund balance of $2,273,863, an increase of more than $193,000 compared to last year's total of $2,080,787. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

1. The General Fund cash balance increased by approximately $120,000. This is due in part to an increase in tax revenue, interest rates, and operating transfers in.

2. The Road Use Tax Fund cash balance decreased $33,554 from the prior year to $85,870 of which $28,000 is due to the reserving of funds for future purchases of capital equipment.

3. The Urban Renewal Tax Increment Fund cash balance decreased by $10,612 from the prior to a deficit balance of $17,776. These funds were used for various projects within the urban renewal area district.

4. The Local Option Tax Fund increased by $150,000, due to a large increase in the amount received from the State. There were also no new projects funded from this tax.

5. The Debt Service Fund cash balance decreased by $425 as the scheduled principal and interest payments were paid to the bondholders.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by $118,042 to $176,993.
- The Sewer Fund cash balance increased by $22,026 to $315,059.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. This amendment increased budgeted disbursements by $577,741. The City had sufficient cash balances to absorb these additional costs. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the Business Type Activity in the amount of $101,670.

DEBT ADMINISTRATION

At June 30, 2007, the City had approximately $2,203,475 in bonds and other long-term debt, compared to approximately $2,420,475 last year, as shown below:

Outstanding Debt at Year-End

	Year ended June 30,				
	2007	2006	2005	2004	2003
General obligation bonds	$ 2,200,000	$ 2,400,000	$ 2,590,000	$ 2,105,000	$ 2,235,000
Revenue notes	-	-	-	640,000	745,000
Urban renewal tax increment financing revenue bonds	3,589	20,475	110,694	223,360	347,615
Total	$ 2,203,589	$ 2,420,475	$ 2,700,694	$ 2,968,360	$ 3,327,615

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $2,200,000 is significantly below its constitutional debt limit of $8,218,068.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of New Hampton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 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 4.6%, versus 4.8% a year ago. This compares with the State's unemployment rate of 3.6% and the national rate of 4.9%.

Inflation in the Midwest continues to be somewhat higher than the national Consumer Price Index increase. The Midwest's CPI increase was 5.1 percent for fiscal year 2007 compared with the national rate of 4.6 percent.

These indicators were taken into account when adopting the budget for fiscal year 2008. Amounts available for appropriation in the operating budget are $7.5 million, which is comparable to the final 2007 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Suellen Kolbet, City Clerk at 641-394-5906.

BASIC FINANCIAL STATEMENTS

CITY OF NEW HAMPTON

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

As of and for the year ended June 30, 2007

		Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
					Primary Government			Component Unit
Functions/Programs	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	Total	Light Plant
Primary government								
Governmental activities								
Public safety	$ (533,654)	$ 10,910	$ 18,434	$ -	$ (504,310)	$ -	$ (504,310)	$ -
Public works	(396,343)	121,443	307,709	-	32,809	-	32,809	-
Health and social services	(3,393)	-	-	-	(3,393)	-	(3,393)	-
Culture and recreation	(630,174)	121,532	69,991	71,034	(367,617)	-	(367,617)	-
Community and economic development	(496,359)	22,066	180,689	-	(293,604)	-	(293,604)	-
General government	(437,915)	35,534	-	-	(402,381)	-	(402,381)	-
Debt service	(321,734)	-	-	-	(321,734)	-	(321,734)	-
Capital projects	(46,113)	-	-	11,398	(34,715)	-	(34,715)	-
Total governmental activities	(2,865,685)	311,485	576,823	82,432	(1,894,945)	-	(1,894,945)	-
Business type activities								
Water	(373,584)	182,622	-	-	-	(190,962)	(190,962)	-
Sewer	(458,439)	459,178	-	-	-	739	739	-
Total business type activities	(832,023)	641,800	-	-	-	(190,223)	(190,223)	-
Total primary government	$ (3,697,708)	$ 953,285	$ 576,823	$ 82,432	(1,894,945)	(190,223)	(2,085,168)	-
Component unit								
Business type activities								
Light plant	$ (5,835,130)	$ 3,554,491	$ -	$ -	-	-	-	(2,280,639)
General Receipts								
Property and other city tax levied for:								
General purposes					1,119,982	-	1,119,982	-
Tax increment financing					343,984	-	343,984	-
Debt service					126,545	-	126,545	-
Local option sales tax					336,022	-	336,022	-
Unrestricted interest on investments					128,124	15,965	144,089	277,955
Miscellaneous					54,168	52,238	106,406	125,463
Sale of assets					5,000	-	5,000	7,000
Transfers					(26,004)	26,004	-	-
Total general receipts and transfers					2,087,821	94,207	2,182,028	410,418
Change in cash basis net assets					192,876	(96,016)	96,860	(1,870,221)
Cash basis net assets beginning of year					2,080,787	588,068	2,668,855	5,962,416
					-		-	
Cash basis net assets end of year					$ 2,273,663	$ 492,052	$ 2,765,715	$ 4,092,195
Cash Basis Net Assets								
Restricted								
Streets					$ 85,870	$ -	$ 85,870	$ -
Urban renewal purposes					(17,776)	-	(17,776)	-
Debt service					(1,319)	-	(1,319)	1,876,929
Other purposes					851,272	-	851,272	-
Unrestricted					1,355,616	492,052	1,847,668	2,215,266
Total cash basis net assets					$ 2,273,663	$ 492,052	$ 2,765,715	$ 4,092,195

See notes to financial statements.

CITY OF NEW HAMPTON

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

As of and for the year ended June 30, 2007

		Special Revenue				Other Nonmajor	
	General	Road Use Tax	Urban Renewal Increment	Local Option Sales Tax	Debt Service	Governmental Funds	Total
Receipts							
Property tax	$ 779,739	$ -	$ -	$ -	$ 126,545	$ 306,928	$ 1,213,212
Tax increment financing	-	-	343,984	-	-	-	343,984
Other city tax	31,321	-	-	336,022	-	1,994	369,337
Licenses and permits	16,103	-	-	-	-	-	16,103
Use of money and property	134,105	-	-	-	-	7,221	141,326
Intergovernmental	286,613	307,709	-	-	-	13,140	609,462
Charges for service	231,045	-	-	-	-	720	231,765
Miscellaneous	150,211	-	693	-	-	3,472	154,376
Total receipts	1,631,137	307,709	344,677	336,022	126,545	333,475	3,079,565
Disbursements							
Operating							
Public safety	473,646	-	-	-	-	60,008	533,654
Public works	83,080	313,263	-	-	-	-	396,343
Health and social services	3,393	-	-	-	-	-	3,393
Culture and recreation	612,585	-	-	-	-	17,589	630,174
Community and economic development	141,488	-	327,088	-	-	27,783	496,359
General government	367,194	-	-	-	-	70,721	437,915
Debt service	-	-	18,181	-	303,553	-	321,734
Capital projects	-	-	-	-	-	46,113	46,113
Total disbursements	1,681,386	313,263	345,269	-	303,553	222,214	2,865,685
Excess of receipts over (under) disbursements	(50,249)	(5,554)	(592)	336,022	(177,008)	111,261	213,880

CITY OF NEW HAMPTON

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

As of and for the year ended June 30, 2007

		Special Revenue				Other Nonmajor	
	General	Road Use Tax	Urban Renewal Increment	Local Option Sales Tax	Debt Service	Governmental Funds	Total
Other financing sources (uses)							
Sale of capital assets	5,000	-	-	-	-	-	5,000
Operating transfers in	182,905	-	-	-	176,583	10,020	369,508
Operating transfers out	(13,456)	(28,000)	(10,020)	(176,583)	-	(167,453)	(395,512)
Total other financing sources (uses)	174,449	(28,000)	(10,020)	(176,583)	176,583	(157,433)	(21,004)
Net change in cash balances	124,200	(33,554)	(10,612)	159,439	(425)	(46,172)	192,876
Cash balances beginning of year	1,231,416	119,424	(7,164)	353,761	(894)	384,244	2,080,787
Cash balances end of year	$ 1,355,616	$ 85,870	$ (17,776)	$ 513,200	$ (1,319)	$ 338,072	$ 2,273,663
Cash Basis Fund Balances							
Reserved							
Debt service	$ -	$ -	$ -	$ -	$ (1,319)	$ -	$ (1,319)
Unreserved							
General fund	1,355,616	-	-	-	-	-	1,355,616
Special revenue funds	-	85,870	(17,776)	513,200	-	104,164	685,458
Capital projects fund	-	-	-	-	-	161,006	161,006
Permanent fund	-	-	-	-	-	72,902	72,902
Total cash basis fund balances	$ 1,355,616	$ 85,870	$ (17,776)	$ 513,200	$ (1,319)	$ 338,072	$ 2,273,663

See notes to financial statements.

CITY OF NEW HAMPTON

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

As of and for the year ended June 30, 2007

Total governmental funds cash balances (page 13)	$ 2,273,663
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
Not applicable	-
Cash basis net assets of governmental activities (page 11)	$ 2,273,663
Net change in cash balances (page 13)	$ 192,876
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
Not applicable	-
Change in cash balance of governmental activities (page 11)	$ 192,876

See notes to financial statements.

CITY OF NEW HAMPTON

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES - PROPRIETARY FUNDS

As of and for the year ended June 30, 2007

	Enterprise Funds			
	Primary Government			Component Unit
	Water	Sewer	Total	Light Plant
Operating receipts:				
Charges for service	$ 182,622	$ 459,178	$ 641,800	$ 3,554,491
Total operating receipts	182,622	459,178	641,800	3,554,491
Operating disbursements:				
Business type activities	373,584	458,439	832,023	5,521,048
Total operating disbursements	373,584	458,439	832,023	5,521,048
Excess of operating receipts over (under) operating disbursements	(190,962)	739	(190,223)	(1,966,557)
Non-operating receipts (disbursements):				
Interest on investments	8,781	7,184	15,965	277,955
Miscellaneous	38,135	14,103	52,238	132,463
Debt service	-	-	-	(314,082)
Total non-operating receipts (disbursements)	46,916	21,287	68,203	96,336
Excess of receipts over (under) disbursements	(144,046)	22,026	(122,020)	(1,870,221)
Transfers				
Operating transfers in	85,804	10,000	95,804	-
Operating transfers out	(59,800)	(10,000)	(69,800)	-
Total other financing sources (uses)	26,004	-	26,004	-
Net change in cash balances	(118,042)	22,026	(96,016)	(1,870,221)
Cash balances beginning of year	295,035	293,033	588,068	5,962,416
Cash balances end of year	$ 176,993	$ 315,059	$ 492,052	$ 4,092,195
Cash Basis Fund Balances				
Reserved for debt service	$ -	$ -	$ -	$ 1,876,929
Unreserved	176,993	315,059	492,052	2,215,266
Total cash basis fund balances	$ 176,993	$ 315,059	$ 492,052	$ 4,092,195

See notes to financial statements.

Exhibit E

CITY OF NEW HAMPTON

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

As of and for the year ended June 30, 2007

Total enterprise funds cash balances (page 15)	$ 492,052
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
Not applicable	-
Cash basis net assets of business type activities (page 11)	$ 492,052
Net change in cash balances (page 15)	$ (96,016)
Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:	
Not applicable	-
Change in cash balance of business type activities (page 11)	$ (96,016)

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of New Hampton is a political subdivision of the State of Iowa located in Chickasaw County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government. The City also provides water and sewer utilities for its citizens as well as electrical power through the component unit noted below.

A. Reporting Entity

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

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

The New Hampton Municipal Light Plant is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Light Plant is governed by a five-member board appointed by the City Council and the operating budget is subject to the approval of the City Council. The Light Plant has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

The following component units are not included in the City's reporting entity because the financial transactions were not available.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

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

Jointly Governed Organizations - The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Chickasaw County Emergency Management, Chickasaw County Joint Communication System, Iowa Northland Region Council of Governments, Floyd-Mitchell-Chickasaw Solid Waste Agency, Economic Development Advisory Board, and Chickasaw County Assessor's Conference Board.

B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation – (continued)

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Local Option Sales Tax is used to account for the receipt of the tax with a later transfer to and disbursement by the fund allowed by the vote of the citizens.

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the business type activities function.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

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

NOTE 3 - BONDS AND NOTES PAYABLE

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

Year Ending June 30,	General Obligation Bonds		Tax Increment Financing (TIF) Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	$ 210,000	$ 94,468	$ 3,589	$ 215	$ 213,589	$ 94,683
2009	220,000	85,970	-	-	220,000	85,970
2010	230,000	76,913	-	-	230,000	76,913
2011	240,000	67,248	-	-	240,000	67,248
2012	195,000	57,050	-	-	195,000	57,050
2013 - 2017	940,000	158,476	-	-	940,000	158,476
2018 - 2022	165,000	7,755	-	-	165,000	7,755
	$ 2,200,000	$ 547,880	$ 3,589	$ 215	$ 2,203,589	$ 548,095

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

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

NOTE 4 - PENSION AND RETIREMENT BENEFITS

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were $62,783, $60,359, and $60,627, respectively, equal to the required contributions for each year.

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Vacation	$ 37,863
Sick leave	35,983
Total	$ 73,846

This liability has been computed based on rates of pay in effect at June 30, 2007.

NOTE 6 - ECONOMIC DEVELOPMENT

The City, to encourage economic development, provides rebates to businesses and developers. The rebates are paid only from incremental property taxes therefore do not constitute a general obligation of the City. Terms of the rebates vary according to the agreement. The City as of June 30, 2007 had a total of $1,903,936 to pay in rebates through the year 2018.

NOTE 7 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling $6,421 during the year ended June 30, 2007.

NOTE 8 - RISK MANAGEMENT

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

NOTE 9 - TRANSFERS

The detail of interfund and intrafund transfers for the year ended June 30, 2007 are as follows:

Transfers to		Transfers from	
General		Permanent	
General	$ 5,759	Cemetery Perpetual Care	$ 5,759
		General	
Equipment replacement	13,456	General	$ 13,456
		Special Revenue	
General	111,191	Employee Benefits	$ 111,191
		Special Revenue	
Equipment replacement	28,000	Road Use Tax	$ 28,000
		Special Revenue	
General	24,499	Emergency	$ 24,499
	$ 182,905		
Debt Service		Special Revenue	
General Obligation Bond	$ 176,583	Local Option Sales Tax	$ 176,583
Special Revenue		Special Revenue	
Housing rehabilitation	$ 4,520	Urban Renewal Tax Increment	$ 4,520
Capital Projects			
TIF project	$ 5,500	Urban Renewal Tax Increment	$ 5,500
Water		Capital Projects	
Water	$ 26,004	Industrial park	$ 26,004
		Water	
Equipment replacement - water	$ 59,800	Water	$ 59,800
Sewer		Sewer	
Equipment replacement - sewer	$ 10,000	Sewer	$ 10,000

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

NOTE 10 - DEFICIT FUND BALANCE

The City had the following deficit fund balances at June 30, 2007:

Special Revenue	
Grants	$ 8,999
Urban Renewal Increment	17,776
Library Improvement	13,400
Debt Service	1,319
Capital Projects	
Community Center	24,832
TIF	1,007

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

NOTE 11 - SELF FUNDING

The City has established a partially self-funded group medical plan which is on a calendar year basis. The plan allows the City lower monthly premiums for coverage in exchange for the potential of claims actually filed. If all the covered individuals submitted the maximum claim to be paid by the City, the total would be $370,000. As of June 30, 2007, $64,726 in claims had been paid.

NOTE 12 - GENERAL FUND BALANCE

The City has designated $980,663 of the $1,355,616 General Fund balance to be available for equipment replacement and special projects.

NOTE 13 - COMMITMENTS

The City at one time belonged to a 28E with the County and local School to construct and operate a wellness center. The City had agreed to contribute $100,000 towards the project. The City has given $80,000 to date and will pay $10,000 per year for the next two to complete its obligation.

NOTE 14 - SUBSEQUENT EVENTS

In October 2007, the City entered into a construction contract for $1,486,830 for the construction of a new fire station. Bonds in the amount of $925,000 were sold and the rest of the project will be financed by private donations that have already been collected.

Required Supplementary Information

CITY OF NEW HAMPTON

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

REQUIRED SUPPLEMENTARY INFORMATION

As of and for the year ended June 30, 2007

	Primary Government					Budgeted Amounts		
	Governmental Funds Actual	Proprietary Funds Actual	Component Unit	Less Funds Not Required to be Budgeted	Total	Original	Final	Final to Total Variance
Receipts								
Property tax	$ 1,213,212	$ -	$ -	$ -	$ 1,213,212	$ 1,219,115	$ 1,219,115	$ (5,903)
Tax increment financing collections	343,984	-	-	-	343,984	354,232	361,732	(17,748)
Other city tax	369,337	-	-	-	369,337	262,193	262,193	107,144
Licenses and permits	16,103	-	-	-	16,103	14,025	14,025	2,078
Use of money and property	141,326	15,965	277,955	-	435,246	164,207	164,207	271,039
Intergovernmental	609,462	-	-	115,000	494,462	342,047	451,078	43,384
Charges for service	231,765	641,800	3,554,491	54,212	4,373,844	4,288,050	4,414,267	(40,423)
Miscellaneous	154,376	52,236	125,463	85,652	246,425	47,650	53,653	192,772
Total receipts	3,079,565	710,003	3,957,909	254,864	7,492,613	6,691,519	6,940,270	552,343
Disbursements								
Public safety	533,654	-	-	-	533,654	517,449	533,857	(203)
Public works	396,343	-	-	-	396,343	489,396	491,896	(95,553)
Health and social services	3,393	-	-	-	3,393	3,393	3,393	-
Culture and recreation	630,174	-	-	-	630,174	542,383	664,486	(34,312)
Community and economic development	496,359	-	-	-	496,359	489,846	502,346	(5,987)
General government	437,915	-	-	85,652	352,263	367,418	375,648	(23,385)
Debt service	321,734	-	-	-	321,734	321,736	321,736	(2)
Capital projects	46,113	-	-	-	46,113	10,000	76,000	(29,887)
Business type activities	-	832,023	5,835,130	169,212	6,497,941	6,046,271	6,396,271	101,670
Total disbursements	2,865,685	832,023	5,835,130	254,864	9,277,974	8,787,892	9,365,633	(87,659)
Excess of receipts over (under) disbursements	213,880	(122,020)	(1,877,221)	-	(1,785,361)	(2,096,373)	(2,425,363)	640,002
Other financing sources, net	(21,004)	26,004	7,000	-	12,000	-	-	12,000
Excess of receipts and other financing sources over (under) disbursements and other financing uses	192,876	(96,016)	(1,870,221)	-	(1,773,361)	(2,096,373)	(2,425,363)	652,002
Balances beginning of year	2,080,787	588,068	5,962,416	-	8,631,271	7,815,225	7,815,225	816,046
Balances end of year	$ 2,273,663	$ 492,052	$ 4,092,195	$ -	$ 6,857,910	$ 5,718,852	$ 5,389,862	$ 1,468,048

See accompanying independent auditor's report.

CITY OF NEW HAMPTON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING

June 30, 2007

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was amended once to increase budgeted disbursements by $577,741. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the business type activities function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF NEW HAMPTON

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

As of and for the year ended June 30, 2007

	Special Revenue							Capital Projects							Permanent	
	Employee Benefits	Emergency	Housing Rehabilitation Grant	Grants	Trust	Library Improvement	Park & Rec. Special	Industrial Park	Community Center	Swimming Pool	Police Renovation	TIF Project	Wastewater Facility	Street Program	Cemetery Perpetual Care	Total
Receipts																
Property tax	$ 282,587	$ 24,341	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 306,928
Other city tax	1,836	158	-	-	-	-	-	-	-	-	-	-	-	-	-	1,994
Use of money and property	-	-	-	-	7,221	-	-	-	-	-	-	-	-	-	-	7,221
Intergovernmental	-	-	-	1,742	-	-	-	11,398	-	-	-	-	-	-	-	13,140
Charges for service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	720	720
Miscellaneous	2,212	-	1,260	-	-	-	-	-	-	-	-	-	-	-	-	3,472
Total receipts	286,635	24,499	1,260	1,742	7,221	-	-	11,398	-	-	-	-	-	-	720	333,475
Disbursements																
Operating																
Public safety	60,008	-	-	-	-	-	-	-	-	-		-	-	-	-	60,008
Public works	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Culture and recreation	17,589	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,589
Community and economic development	23,404	-	-	4,379	-	-	-	-	-	-	-	-	-	-	-	27,783
General government	70,721	-	-	-		-	-	-	-	-	-	-	-	-	-	70,721
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	24,832	-	15,796	5,485	-	-	-	46,113
Total disbursements	171,722	-	-	4,379	-	-	-	-	24,832	-	15,796	5,485	-	-	-	222,214
Excess of receipts over (under) disbursements	114,913	24,499	1,260	(2,637)	7,221	-	-	11,398	(24,832)	-	(15,796)	(5,485)	-	-	720	111,261
Other financing sources (uses)																
Operating transfers in	-	-	4,520	-	-	-	-	-	-	-	-	5,500	-	-	-	10,020
Operating transfers out	(111,191)	(24,499)	-	-	(5,759)	-	-	(26,004)	-	-	-	-	-	-	-	(167,453)
Total other financing sources (uses)	(111,191)	(24,499)	4,520	-	(5,759)	-	-	(26,004)	-	-	-	5,500	-	-	-	(157,433)
Net change in cash balances	3,722	-	5,780	(2,637)	1,462	-	-	(14,606)	(24,832)	-	(15,796)	15	-	-	720	(46,172)
Cash balances beginning of year	3,846	-	11,404	(6,362)	98,010	(13,400)	2,339	16,322	-	8	187,316	(1,022)	11,133	2,468	72,182	384,244
Cash balances end of year	$ 7,568	$ -	$ 17,184	$ (8,999)	$ 99,472	$ (13,400)	$ 2,339	$ 1,716	$ (24,832)	$ 8	$ 171,520	$ (1,007)	$ 11,133	$ 2,468	$ 72,902	$ 338,072
Cash Basis Fund Balances																
Unreserved																
Special revenue funds	$ 7,568	$ -	$ 17,184	$ (8,999)	$ 99,472	$ (13,400)	$ 2,339	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 104,164
Capital projects fund	-	-	-	-	-	-	-	1,716	(24,832)	8	171,520	(1,007)	11,133	2,468	-	161,006
Permanent fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72,902	72,902
Total cash basis fund balances	$ 7,568	$ -	$ 17,184	$ (8,999)	$ 99,472	$ (13,400)	$ 2,339	$ 1,716	$ (24,832)	$ 8	$ 171,520	$ (1,007)	$ 11,133	$ 2,468	$ 72,902	$ 338,072

See accompanying independent auditor's report.

CITY OF NEW HAMPTON

SCHEDULE OF INDEBTEDNESS

Year ended June 30, 2007

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid	Bond Due and Unpaid
General Obligation Bonds										
Wastewater treatment plant	Jan 1, 1999	3.85 - 4.70%	$ 2,200,000	$ 1,600,000	$ -	$ 105,000	$ 1,495,000	$ 71,183	$ -	$ -
Swimming pool restoration	Jan 11, 2001	4.75 - 5.10	395,000	230,000	-	40,000	190,000	11,512	-	-
Debt Service Loan Agreement	Apr 1, 2005	2.60 - 3.90	620,000	570,000	-	55,000	515,000	19,658	-	-
Total				$ 2,400,000	$ -	$ 200,000	$ 2,200,000	$ 102,353	$ -	$ -
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds										
Super 8 Motel	Aug 3, 1995	6.50%	$ 117,500	$ 13,500	$ -	$ 13,500	$ -	$ 877	$ -	$ -
Gage	Nov 6, 1997	6.00	28,000	6,975	-	3,386	3,589	418	-	-
Total				$ 20,475	$ -	$ 16,886	$ 3,589	$ 1,295	$ -	$ -

See notes to financial statements.

CITY OF NEW HAMPTON

BOND AND NOTE MATURITIES

June 30, 2007

	General Obligation Bonds						
	Wastewater Treatment		Swim Pool Restoration		Debt Service		
Year	Issued Jan 1, 1999		Issued Jan 11, 2001		Issued Apr 1, 2005		
Ending	Interest		Interest		Interest		
June 30,	Rates	Amount	Rates	Amount	Rates	Amount	Total
2008	4.20	110,000	4.95	45,000	3.00	55,000	210,000
2009	4.25	115,000	5.00	45,000	3.20	60,000	220,000
2010	4.30	120,000	5.05	50,000	3.30	60,000	230,000
2011	4.35	125,000	5.10	50,000	3.40	65,000	240,000
2012	4.40	130,000		-	3.60	65,000	195,000
2013	4.45	135,000		-	3.70	65,000	200,000
2014	4.50	140,000		-	3.80	70,000	210,000
2015	4.55	145,000		-	3.90	75,000	220,000
2016	4.60	150,000		-		-	150,000
2017	4.65	160,000		-		-	160,000
2018	4.70	165,000		-		-	165,000
		$ 1,495,000		$ 190,000		$ 515,000	$ 2,200,000

	Tax Increment Financing (TIF) Bonds	
	Gage	
Year	Issued Nov 6, 1997	
Ending	Interest	
June 30,	Rates	Amount
2008	6.00	$ 3,589

See accompanying independent auditor's report.

CITY OF NEW HAMPTON

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

	Years ended June 30,				
	2007	2006	2005	2004	2003
Receipts					
Property tax	$ 1,213,212	$ 1,179,950	$ 960,948	$ 709,635	$ 1,001,779
Tax increment financing collections	343,984	303,879	334,234	369,535	409,305
Other city tax	369,337	289,019	266,988	27,684	375,341
Licenses and permits	16,103	15,049	13,224	14,471	11,424
Use of money and property	141,326	90,320	56,462	84,676	106,404
Intergovernmental	609,462	1,720,876	803,915	411,132	1,148,943
Charges for service	231,765	216,864	353,156	296,959	162,731
Miscellaneous	154,376	133,242	172,769	141,178	199,180
Total	$ 3,079,565	$ 3,949,199	$ 2,961,696	$ 2,055,270	$ 3,415,107
Disbursements					
Operating					
Public safety	$ 533,654	$ 694,434	$ 474,699	$ 405,249	$ 445,072
Public works	396,343	395,535	365,578	348,886	375,085
Health and social services	3,393	3,393	3,655	3,607	3,607
Culture and recreation	630,174	528,719	577,764	537,329	517,958
Community and economic development	496,359	1,759,025	1,257,134	189,757	940,540
General government	437,915	428,778	401,524	417,426	473,947
Debt service	321,734	401,824	357,563	132,214	230,840
Capital projects	46,113	-	188,935	656,937	202,850
Total	$ 2,865,685	$ 4,211,708	$ 3,626,852	$ 2,691,405	$ 3,189,899

See accompanying independent auditor's report.

Hagen & Kallevang PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information, and the discretely presented component unit of the City of New Hampton, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 10,2008. Our report expressed a qualified opinion on the government financial statements which were prepared in conformity with an other comprehensive basis of accounting, due to the omission of the financial transactions of component units which should be included. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of New Hampton's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of New Hampton's control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of New Hampton's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

511 W. Water St. / Box 403 • Decorah, IA 52101 • 563-382-8471 • Fax 563-382-8473 • hagenkallevang2@netins.net

19 1st Ave. N.W. / Box 139 • Waukon, IA 52172 • 563-568-4567 • Fax 563-568-4569 • hagenkallevang@netins.net

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07and II-B-07 are material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 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.

City of New Hampton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of New Hampton, and other parties to whom the City of New Hampton may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Hagen + Kallemeyn, P.C.

March 10, 2008

CITY OF NEW HAMPTON

SCHEDULE OF FINDINGS

Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

(a) A qualified opinion was issued on the primary government financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

(b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

(d) A Single Audit was not necessary since Federal funds expended during the year were less than $500,000.

Part II: Findings Related to the Financial Statements

Significant Deficiencies

II-A-07

Segregation of Duties - The City is not large enough to permit an adequate segregation of duties for an effective system of internal control. The concentration of closely related duties and responsibilities such as the handling of cash receipts and disbursements, recording of the cash transactions and preparing various reports by a small staff makes it impossible to establish an adequate system of automatic checks for good internal control. Also as a result, there is a higher risk that errors or irregularities could occur and not be detected within a timely period.

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

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

Conclusion - Response accepted

II-B-07

Preparation of Financial Statements – The Mayor, Council members and management share the ultimate responsibility for the City's financial statements including the footnote disclosures and supplementary information even though Hagen and Kallevang, P.C. is engaged to assist with the preparation of them. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. Also, Hagen and Kallevang, P.C. as the independent auditor cannot be considered part of the City's internal control system. The City has implemented procedures to prepare the financial statements and disclosures but has not initialized review aids, such as a disclosure checklist, and may not have monitored recent accounting developments to the extent necessary to provide a high level of assurance that financial statement omissions or other errors would be identified and corrected.

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

Recommendation -- We recommend that sufficient financial statement and disclosure review procedures be performed by an individual processing a thorough understanding of the accounting principals applicable to the City's financial reporting. Also it's activities and operations. The individual can become knowledgeable through reading relevant accounting literature and attending professional education courses.

Response - The City Clerk will attempt to prepare whatever Financial Statements are required by the Auditor.

Conclusion - Response accepted

II-C-07

Financial Reporting - During the audit, we noted the receipts related to the Special Revenue - Emergency tax levy were misposted. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation - The City should implement procedures to ensure the allocation is properly recorded during the year.

Response - The emergency levy will be allocated to a special revenue fund and transferred to the General Fund, as required.

Conclusion - Response accepted

Instances of Non-Compliance

No matters were noted.

Part III: Other Findings Related to Statutory Reporting

III-A-07

Certified Budget - Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the business type activities function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The Business Activities Function was exceeded due to expenditures from the Common Transmission Fund held and controlled by NIMECA and the City Clerk was not aware of it. In the future, we will ask for the amount of those expenditures so it can be included in the budget amendment, if necessary.

Conclusion - Response accepted

CITY OF NEW HAMPTON

SCHEDULE OF FINDINGS

Year ended June 30, 2007

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

III-B-07

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

III-C-07

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

III-D-07

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

Name, Title, and Business Connection	Transaction Description	Amount
Nita Geerts, Council Member Husband is owner of Geerts Plumbing & Heating, Inc.	Services, by bid	$5,144
	Services, non-bid	$1,277

In accordance with Chapter 362.5(10) of the Code of Iowa the above total transactions do not appear to represent a conflict of interest since the non-bid services total is less than the allowable $1,500 during the fiscal year.

III-E-07

Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-07

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

IV-G-07

Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

CITY OF NEW HAMPTON

SCHEDULE OF FINDINGS

Year ended June 30, 2007

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

III-H-07

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

III-I-07

Financial Condition - The City has six accounts with deficit balances at June 30, 2007.

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

Response - We will do what is necessary to eliminate deficit balances.

Conclusion - Response accepted