

CITY OF NEW HAMPTON
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

June 30, 2008

CITY OF NEW HAMPTON

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CITY OF NEW HAMPTON

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
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

(After January 2008)

Darwin Sitting	Mayor	December 31, 2009
Robert Martin	Mayor Pro Tem	December 31, 2009
Robert Clites	Council Member	December 31, 2009
Nita Geerts	Council Member	December 31, 2009
William Hurd	Council Member	December 31, 2009
Stanley Perkins	Council Member	December 31, 2009
Donald Schueth	Council Member	December 31, 2009
Suellen Kolbet	Clerk/Treasurer	Indefinite
Kevin Kennedy	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, 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, 2008, 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, 2008 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, 2008, 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.

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, 2008 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, 2009 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 five years ended June 30, 2007 (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 & Kalbavang, P.C.

March 10, 2009

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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

Revenues and Transfers of the City's governmental activities increased 37%, or approximately \$1,126,800 from fiscal 2007 to fiscal 2008. The revenue sources with major changes from the prior year are as follows:

	Increase (Decrease)
Charges for service	\$ 221,800
Grants and contributions	(45,000)
Property tax	71,000
Bond proceeds	925,000
All others, net	(46,000)
	<u>\$ 1,126,800</u>

Disbursements increased 24% or approximately \$690,000 in fiscal 2008 from fiscal 2007. The disbursements with major changes from the prior year are as follows:

Public works	\$ 56,500
Culture and recreation	(108,800)
Community and economic development	117,500
General government	(74,000)
Capital project	700,500
All others, net	(1,700)
	<u>\$ 690,000</u>

The City's total cash basis net assets increased 25% or approximately \$693,000 from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased approximately \$656,000 and the assets of the business type activities increased by approximately \$37,000.

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 \$2,273,663 to \$2,929,410. The analysis that follows focuses on the changes in cash balances for governmental activities.

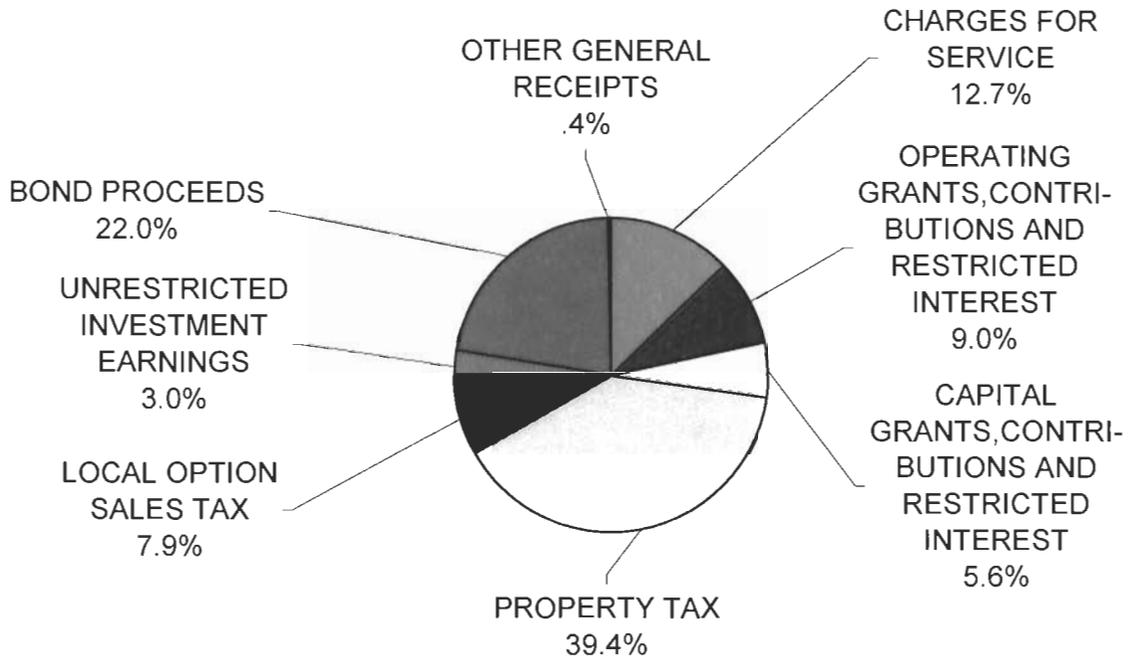
Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,					
	2008	2007	2006	2005	2004	2003
Receipts :						
Program receipts:						
Charges for service	\$ 533,254	\$ 311,485	\$ 289,108	\$ 403,065	\$ 402,889	\$ 309,451
Operating grants, contributions and restricted interest	377,004	576,823	1,407,648	578,096	504,575	718,751
Capital grants, contributions and restricted interest	237,236	82,432	360,081	354,439	102,287	471,398
General receipts:						
Property tax	1,661,707	1,590,511	1,512,787	1,322,485	1,349,932	1,440,994
Local option sales tax	331,058	336,022	260,061	239,685	231,446	345,431
Grants and contributions not restricted to specific purposes	-	-	-	-	-	-
Unrestricted investment earnings	128,738	128,124	79,514	44,909	75,649	106,404
Bond proceeds	925,000	-	-	620,000	-	-
Sale of assets	-	5,000	4,581	-	49,000	-
Other general receipts	17,384	54,168	40,000	19,017	12,898	22,678
Total receipts	<u>4,211,381</u>	<u>3,084,565</u>	<u>3,953,780</u>	<u>3,581,696</u>	<u>2,728,676</u>	<u>3,415,107</u>
Disbursements:						
Public safety	548,296	533,654	694,434	474,699	452,200	445,072
Public works	452,855	396,343	395,535	365,578	348,886	375,085
Health and social services	3,393	3,393	3,393	3,655	3,607	3,607
Culture and recreation	521,332	630,174	528,719	577,764	570,504	517,958
Community and economic development	613,842	496,359	1,759,025	1,257,134	339,580	940,540
General government	363,608	437,915	428,778	401,524	503,406	473,947
Debt service	305,668	321,734	401,824	357,563	377,582	230,840
Capital projects	746,640	46,113	-	188,935	660,911	232,850
Total disbursements	<u>3,555,634</u>	<u>2,865,685</u>	<u>4,211,708</u>	<u>3,626,852</u>	<u>3,256,676</u>	<u>3,219,899</u>
Change in cash basis net assets before transfers	655,747	218,880	(257,928)	(45,156)	(528,000)	195,208
Transfers, net	-	(26,004)	187,832	-	-	(19,528)
Change in cash basis net assets before transfers	655,747	192,876	(70,096)	(45,156)	(528,000)	175,680
Cash basis net assets beginning of year	2,273,663	2,080,787	2,150,883	2,196,039	2,724,039	2,448,359
Cash basis net assets end of year	<u>\$ 2,929,410</u>	<u>\$ 2,273,663</u>	<u>\$ 2,080,787</u>	<u>\$ 2,150,883</u>	<u>\$ 2,196,039</u>	<u>\$ 2,624,039</u>

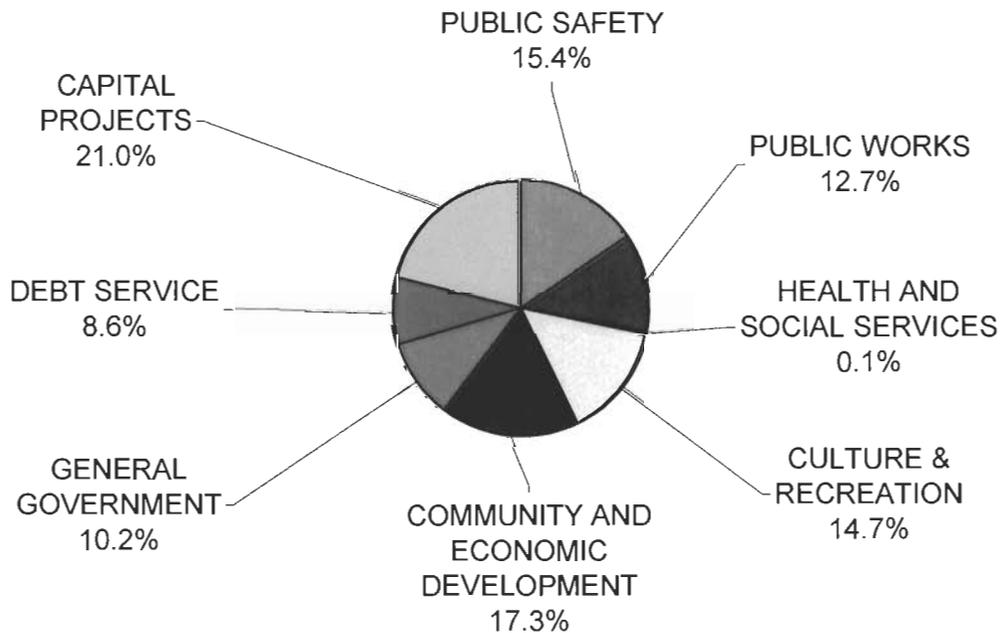
The City's total receipts for governmental activities increased by 37% or approximately \$1,127,000. The total cost of all programs and services increased by approximately \$690,000 or 25%. The increase in receipts was due to the Fire Station bond sale and private donations received. The increase in expenditures was largely due to the Fire Station Project.

The cost of all governmental activities this year was \$3,555,634 compared to \$2,891,689 last year. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$2,408,140 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,					
	2008	2007	2006	2005	2004	2003
Receipts :						
Program receipts:						
Charges for service						
Water	\$ 188,591	\$ 182,622	\$ 217,299	\$ 188,214	\$ 179,955	\$ 180,819
Sewer	466,116	459,178	465,530	498,061	460,072	489,291
General receipts:						
Unrestricted investment earnings	15,129	15,965	10,242	13,311	31,365	33,792
Other general receipts	47,680	52,238	4,415	2,560	-	-
Total receipts	<u>717,516</u>	<u>710,003</u>	<u>697,486</u>	<u>702,146</u>	<u>671,392</u>	<u>703,902</u>
Disbursements :						
Water	186,011	373,584	320,650	189,904	204,868	247,463
Sewer	494,079	458,439	424,042	1,147,256	571,543	572,859
Total disbursements	<u>680,090</u>	<u>832,023</u>	<u>744,692</u>	<u>1,337,160</u>	<u>776,411</u>	<u>820,322</u>
Change in cash basis net assets before transfers	37,426	(122,020)	(47,206)	(635,014)	(105,019)	(116,420)
Transfers, net	-	26,004	(187,832)	-	-	19,528
Change in cash basis net assets before transfers	37,426	(96,016)	(235,038)	(635,014)	(105,019)	(96,892)
Cash basis net assets beginning of year	492,052	588,068	823,106	1,458,120	1,563,139	1,660,031
Cash basis net assets end of year	<u>\$ 529,478</u>	<u>\$ 492,052</u>	<u>\$ 588,068</u>	<u>\$ 823,106</u>	<u>\$ 1,458,120</u>	<u>\$ 1,563,139</u>

Total business type activities receipts for the fiscal year were \$717,516 compared to \$710,003 last year. This increase was primarily due to an increase in utility revenues. The cash balance increased by approximately \$37,000. Total disbursements and transfers for the fiscal year decreased by 19% for a total of \$152,000.

The component unit (Light Plant) had total cash receipts of \$3,551,261 for 2008 compared to \$3,964,909 for 2007. Total cash disbursements for 2008 were \$4,096,218 compared to \$5,835,130 in 2007. The cash balance decreased \$554,957 to \$3,547,238.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of New Hampton completed the year, its governmental funds reported a combined fund balance of \$2,929,410, an increase of more than \$655,000 compared to last year's total of \$2,273,863. 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 \$100,000. This is due in part to a decrease in expenditures.
2. The Road Use Tax Fund cash balance decreased \$69,000 from the prior year to \$16,440 of which \$28,000 is due to the reserving of funds for future purchases of capital equipment, and several projects which were completed prior to the end of the fiscal year.
3. The Urban Renewal Tax Increment Fund cash balance increased by \$43,564 from the prior to a balance of \$25,788. These funds were used for various projects within the urban renewal area district.
4. The Local Option Tax Fund increased by \$154,000, 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 \$274 as the scheduled principal and interest payments were paid to the bondholders.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$47,130 to \$224,123.
- The Sewer Fund cash balance decreased by \$9,704 to \$305,355.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The amendments increased budgeted disbursements by \$2,976,403. The City had sufficient cash balances to absorb these additional costs. During the year ended June 30, 2008, disbursements exceeded the original budget prior to the budget amendment. The Final Budget was then not exceeded.

DEBT ADMINISTRATION

At June 30, 2008, the City had approximately \$2,919,000 in bonds and other long-term debt, compared to approximately \$2,204,000 last year, as shown below:

Outstanding Debt at Year-End

	Year ended June 30,					
	2008	2007	2006	2005	2004	2003
General obligation bonds	\$ 2,915,000	\$ 2,200,000	\$ 2,400,000	\$ 2,590,000	\$ 2,105,000	\$ 2,235,000
Revenue notes	-	-	-	-	640,000	74,500
Urban renewal tax increment financing revenue bonds	3,589	3,589	20,475	110,694	223,360	347,615
Total	\$ 2,918,589	\$ 2,203,589	\$ 2,420,475	\$ 2,700,694	\$ 2,968,360	\$ 2,657,115

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 \$2,915,000 is significantly below its constitutional debt limit of \$8,492,695.

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 2009 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 4.0%, versus 4.6% a year ago. This compares with the State's unemployment rate of 4.3% and the national rate of 5.7%.

Inflation in the Midwest is slightly lower than the national Consumer Price Index increase. The Midwest's CPI was 4.9 percent for fiscal year 2008 compared with the national rate of 5.0 percent.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$7.4 million, which is comparable to the final 2008 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, 2008

Functions/Programs	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets						Component Unit
	Program Receipts			Primary Government			
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business Type Activities	
Primary government							
Governmental activities							
Public safety	\$ (548,296)	\$ 46,545	\$ -	\$ -	\$ (501,751)	\$ -	\$ (501,751)
Public works	(452,855)	131,051	316,304	-	(5,500)	-	(5,500)
Health and social services	(3,393)	-	-	-	(3,393)	-	(3,393)
Culture and recreation	(521,332)	183,020	-	-	(338,312)	-	(338,312)
Community and economic development	(613,842)	138,073	60,700	-	(415,069)	-	(415,069)
General government	(363,608)	34,555	-	-	(329,043)	-	(329,043)
Debt service	(305,668)	-	-	400	(305,268)	-	(305,268)
Capital projects	(746,640)	-	-	236,836	(509,804)	-	(509,804)
Total governmental activities	(3,555,634)	533,254	377,004	237,236	(2,408,140)	-	(2,408,140)
Business type activities							
Water	(186,011)	188,591	-	-	-	2,580	2,580
Sewer	(494,079)	466,116	-	-	-	(27,963)	(27,963)
Total business type activities	(680,090)	654,707	-	-	-	(25,383)	(25,383)
Total primary government	\$ (4,235,724)	\$ 1,187,961	\$ 377,004	\$ 237,236	(2,408,140)	(25,383)	(2,433,523)
Component unit							
Business type activities							
Light plant	\$ (4,096,218)	\$ 3,348,994	\$ -	\$ -	\$ -	\$ -	(747,224)
General Receipts							
Property and other city tax levied for:							
General purposes				1,144,041			1,144,041
Tax increment financing				390,551			390,551
Debt service				127,115			127,115
Local option sales tax				331,058			331,058
Unrestricted interest on investments				128,738	15,129		143,867
Miscellaneous				17,384	47,680		65,064
Bond proceeds				925,000			925,000
Transfers							
Total general receipts and transfers				3,063,887	62,809		3,126,696
Change in cash basis net assets				655,747	37,426		693,173
Cash basis net assets beginning of year				2,273,663	492,052		2,765,715
Cash basis net assets end of year				\$ 2,929,410	\$ 529,478		\$ 3,458,888
Cash Basis Net Assets							
Restricted							
Streets				\$ 16,440	\$ -		\$ 16,440
Urban renewal purposes				25,788	-		25,788
Debt service				(1,593)	-		(1,593)
Other purposes				1,009,834	-		1,009,834
Unrestricted				1,878,941	529,478		2,408,419
Total cash basis net assets				\$ 2,929,410	\$ 529,478		\$ 3,458,888

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, 2008

	General	Special Revenue			Debt Service	Capital Projects		Other Nonmajor Governmental Funds	Total
		Road Use Tax	Urban Renewal Increment	Local Option Sales Tax		Fire Station			
Receipts									
Property tax	\$ 776,247	\$ -	\$ -	\$ -	\$ 127,115	\$ -	\$ 332,111	\$ 1,235,473	
Tax increment financing	-	-	-	-	-	-	6,856	390,551	
Other city tax	33,236	-	-	331,058	654	-	1,793	366,741	
Licenses and permits	16,857	-	-	-	-	-	-	16,857	
Use of money and property	139,019	-	-	-	400	-	6,415	145,834	
Intergovernmental	172,519	316,304	-	-	-	-	60,700	549,523	
Charges for service	225,588	-	-	-	-	-	1,740	227,328	
Miscellaneous	115,978	-	-	-	-	236,836	1,260	354,074	
Total receipts	1,479,444	316,304	383,695	331,058	128,169	236,836	410,875	3,286,381	
Disbursements									
Operating									
Public safety	485,539	-	-	-	-	-	62,757	548,296	
Public works	96,121	356,734	-	-	-	-	-	452,855	
Health and social services	3,393	-	-	-	-	-	-	3,393	
Culture and recreation	504,722	-	-	-	-	-	16,610	521,332	
Community and economic development	197,897	-	331,262	-	-	-	84,683	613,842	
General government	290,042	-	-	-	-	-	73,566	363,608	
Debt service	-	-	-	-	305,668	-	-	305,668	
Capital projects	-	-	-	-	-	738,683	7,957	746,640	
Total disbursements	1,577,714	356,734	331,262	-	305,668	738,683	245,573	3,555,634	
Excess of receipts over (under) disbursements	(98,270)	(40,430)	52,433	331,058	(177,499)	(501,847)	165,302	(269,253)	

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, 2008

	General	Special Revenue			Debt Service	Capital Projects		Other Nonmajor Governmental Funds	Total
		Road Use Tax	Urban Renewal Increment	Local Option Sales Tax		Fire Station			
Other financing sources (uses)									
Bond proceeds	-	-	-	-	-	925,000	-	-	925,000
Operating transfers in	222,482	-	-	177,225	-	-	8,869	-	408,576
Operating transfers out	(24,040)	(29,000)	(8,869)	(177,225)	-	-	(169,442)	-	(408,576)
Total other financing sources (uses)	198,442	(29,000)	(8,869)	177,225	-	925,000	(160,573)	-	925,000
Net change in cash balances	100,172	(69,430)	43,564	(274)	423,153	4,729	4,729	-	655,747
Cash balances beginning of year	1,355,616	85,870	(17,776)	(1,319)	-	-	338,072	-	2,273,663
Cash balances end of year	\$ 1,455,788	\$ 16,440	\$ 25,788	\$ (1,593)	\$ 423,153	\$ 342,801	\$ 342,801	\$ -	\$ 2,929,410
Cash Basis Fund Balances Reserved	\$ -	\$ -	\$ -	\$ (1,593)	\$ -	\$ -	\$ -	\$ -	\$ (1,593)
Unreserved	1,455,788	-	-	-	-	-	-	-	1,455,788
General fund	-	16,440	25,788	-	-	-	106,241	-	815,502
Special revenue funds	-	-	-	-	-	423,153	161,918	-	585,071
Capital projects fund	-	-	-	-	-	-	74,642	-	74,642
Permanent fund	-	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 1,455,788	\$ 16,440	\$ 25,788	\$ (1,593)	\$ 423,153	\$ 342,801	\$ 342,801	\$ -	\$ 2,929,410

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, 2008

Total governmental funds cash balances (page 13)	\$ 2,929,410
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
Not applicable	<u> -</u>
Cash basis net assets of governmental activities (page 11)	<u><u> \$ 2,929,410</u></u>
Net change in cash balances (page 13)	\$ 655,747
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
Not applicable	<u> -</u>
Change in cash balance of governmental activities (page 11)	<u><u> \$ 655,747</u></u>

See notes to financial statements.

CITY OF NEW HAMPTON

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

As of and for the year ended June 30, 2008

	Enterprise Funds			Component Unit Light Plant
	Primary Government			
	Water	Sewer	Total	
Operating receipts:				
Charges for service	\$ 188,591	\$ 466,116	\$ 654,707	\$ 3,348,994
Total operating receipts	188,591	466,116	654,707	3,348,994
Operating disbursements:				
Business type activities	186,011	494,079	680,090	3,779,273
Total operating disbursements	186,011	494,079	680,090	3,779,273
Excess of operating receipts over (under) operating disbursements	2,580	(27,963)	(25,383)	(430,279)
Non-operating receipts (disbursements):				
Interest on investments	7,902	7,227	15,129	152,132
Miscellaneous	36,648	11,032	47,680	50,135
Debt service	-	-	-	(316,945)
Total non-operating receipts (disbursements)	44,550	18,259	62,809	(114,678)
Excess of receipts over (under) disbursements	47,130	(9,704)	37,426	(544,957)
Transfers				
Operating transfers in	55,800	10,000	65,800	-
Operating transfers out	(55,800)	(10,000)	(65,800)	-
Total other financing sources (uses)	-	-	-	-
Net change in cash balances	47,130	(9,704)	37,426	(544,957)
Cash balances beginning of year	176,993	315,059	492,052	4,092,195
Cash balances end of year	\$ 224,123	\$ 305,355	\$ 529,478	\$ 3,547,238
Cash Basis Fund Balances				
Reserved for debt service	\$ -	\$ -	\$ -	\$ 1,892,943
Unreserved	224,123	305,355	529,478	1,654,295
Total cash basis fund balances	\$ 224,123	\$ 305,355	\$ 529,478	\$ 3,547,238

See notes to financial statements.

CITY OF NEW HAMPTON

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

As of and for the year ended June 30, 2008

Total enterprise funds cash balances (page 15)	\$ 529,478
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)	\$ 529,478
Net change in cash balances (page 15)	\$ 37,426
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)	\$ 37,426

See notes to financial statements.

CITY OF NEW HAMPTON
NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2008

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.

CITY OF NEW HAMPTON
NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2008

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.

CITY OF NEW HAMPTON
NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2008

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 Capital Projects Fund – Fire Station is used to account for the financing and construction costs to build a new fire station.

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.

CITY OF NEW HAMPTON
NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus and Basis of Accounting (continued)

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.

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, 2008, disbursements did not exceed the amounts budgeted.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The Light Plant has an investment through the Iowa Public Agency Investment Trust which is valued at an amortized cost of \$3,365 pursuant to Rule 29-7 under the Investment Company Act of 1940.

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.

Credit Risk - The Light Plant's investment in the Iowa Public Agency Investment Trust is unrated.

CITY OF NEW HAMPTON
NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2008

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	\$ -	\$ -	\$ 3,589	\$ 107	\$ 3,589	\$ 107
2009	250,000	133,793	-	-	250,000	133,793
2010	280,000	111,731	-	-	280,000	111,731
2011	290,000	100,315	-	-	290,000	100,315
2012	245,000	88,318	-	-	245,000	88,318
2013	255,000	78,432	-	-	255,000	78,432
2014 - 2018	1,210,000	232,309	-	-	1,210,000	232,309
2019 - 2023	385,000	49,367	-	-	385,000	49,367
	<u>\$ 2,915,000</u>	<u>\$ 794,265</u>	<u>\$ 3,589</u>	<u>\$ 107</u>	<u>\$ 2,918,589</u>	<u>\$ 794,372</u>

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 various construction and refurbishing projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. 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. Total principal and interest remaining on the bonds is \$3,696, payable through June 2009. For the current year, interest paid and total TIF receipts were \$108 and \$383,695.

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 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008, 2007, and 2006 were \$65,805, \$62,783, and \$60,359, respectively, equal to the required contributions for each year.

CITY OF NEW HAMPTON
NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2008

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, 2008, primarily relating to the General Fund, is as follows:

Vacation	\$ 35,286
Sick leave	<u>37,692</u>
Total	<u>\$ 72,978</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

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, 2008 had a total of \$1,500,455 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 \$3,616 during the year ended June 30, 2008.

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.

CITY OF NEW HAMPTON
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2008

NOTE 9 - TRANSFERS

The detail of interfund and intrafund transfers for the year ended June 30, 2008 are as follows:

Transfers to		Transfers from	
General		Permanent	
General	\$ 6,460	Cemetery Perpetual Care	<u>\$ 6,460</u>
Equipment replacement	24,040	General	
General	137,855	General	<u>\$ 24,040</u>
Equipment replacement	29,000	Special Revenue	
General	25,127	Employee Benefits	<u>\$ 137,855</u>
	<u>\$ 222,482</u>	Special Revenue	
		Road Use Tax	<u>\$ 29,000</u>
		Special Revenue	
		Emergency	<u>\$ 25,127</u>
Debt Service		Special Revenue	
General Obligation Bond	<u>\$ 177,225</u>	Local Option Sales Tax	<u>\$ 177,225</u>
Capital Projects		Urban Renewal Tax Increment	<u>\$ 8,869</u>
TIF project	<u>\$ 8,869</u>		
Water		Water	
Equipment replacement - water	<u>\$ 55,800</u>	Water	<u>\$ 55,800</u>
Sewer		Sewer	
Equipment replacement - sewer	<u>\$ 10,000</u>	Sewer	<u>\$ 10,000</u>

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

CITY OF NEW HAMPTON
NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2008

NOTE 10 - DEFICIT FUND BALANCE

The City had the following deficit fund balances at June 30, 2008:

Special Revenue	
Grants	\$ 8,858
Library Improvement	13,400
Debt Service	1,593
Capital Projects	
Community Center	24,832

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 \$380,000. As of June 30, 2008, \$90,420 in claims had been paid.

NOTE 12 - GENERAL FUND BALANCE

The City has designated \$1,002,843 of the \$1,455,788 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 \$90,000 to date and will fulfill the commitment next year.

NOTE 14 - SUBSEQUENT EVENTS

During the year, the City entered into a construction contracts totaling \$1,691,178 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. As of the year end \$529,342 of donations needed to be collected of which \$500,000 is to be received from one party. Costs of \$952,495 are expected to complete the project by June 30, 2009.

The City is to receive \$12,285 from an industry which had received funds based on projected employment growth. The industry did not meet the goal within the allocated period therefore must return funds based on the shortage of jobs created.

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, 2008

	Primary Government		Component Unit	Less Funds Not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
	Governmental Funds Actual	Proprietary Funds Actual				Original	Final	
Receipts								
Property tax	\$ 1,235,473	\$ -	\$ -	\$ -	\$ 1,235,473	\$ 1,236,831	\$ 1,236,831	\$ (1,358)
Tax increment financing collections	390,551	-	-	-	390,551	399,500	399,500	(8,949)
Other city tax	366,741	-	-	-	366,741	306,994	306,994	59,747
Licenses and permits	16,857	-	-	-	16,857	14,475	14,475	2,382
Use of money and property	145,834	15,129	152,132	-	313,095	218,060	218,060	95,035
Intergovernmental	549,523	-	-	115,000	434,523	353,265	444,939	(10,416)
Charges for service	227,328	654,707	3,348,994	45,571	4,185,458	4,193,339	4,196,839	(11,381)
Miscellaneous	354,074	47,680	50,135	-	451,889	148,300	355,434	96,455
Total receipts	3,286,381	717,516	3,551,261	160,571	7,394,587	6,870,764	7,173,072	221,515
Disbursements								
Public safety	548,296	-	-	-	548,296	538,948	550,460	(2,164)
Public works	452,855	-	-	-	452,855	493,639	493,639	(40,784)
Health and social services	3,393	-	-	-	3,393	3,443	3,443	(50)
Culture and recreation	521,332	-	-	-	521,332	540,275	551,912	(30,580)
Community and economic development	613,842	-	-	-	613,842	554,656	626,156	(12,314)
General government	363,608	-	-	-	363,608	396,119	402,873	(39,265)
Debt service	305,668	-	-	-	305,668	305,668	305,668	-
Capital projects	746,640	-	-	-	746,640	-	1,025,000	(278,360)
Business type activities	-	680,090	4,096,218	160,571	4,615,737	4,942,533	6,792,533	(2,176,796)
Total disbursements	3,555,634	680,090	4,096,218	160,571	8,171,371	7,775,281	10,751,684	(2,580,313)
Excess of receipts over (under) disbursements	(269,253)	37,426	(544,957)	-	(776,784)	(904,517)	(3,578,612)	2,801,828
Other financing sources, net	925,000	-	-	-	925,000	-	911,375	13,625
Excess of receipts and other financing sources over (under) disbursements and other financing uses	655,747	37,426	(544,957)	-	148,216	(904,517)	(2,667,237)	2,815,453
Balances beginning of year	2,273,663	492,052	4,092,195	-	6,857,910	6,100,241	6,348,266	509,644
Balances end of year	\$ 2,929,410	\$ 529,478	\$ 3,547,238	\$ -	\$ 7,006,126	\$ 5,195,724	\$ 3,681,029	\$ 3,325,097

See accompanying independent auditor's report.

CITY OF NEW HAMPTON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING

June 30, 2008

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 \$2,976,403. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the original budget amount in the capital projects function. However, at year end, the final budget was not exceeded.

OTHER SUPPLEMENTARY INFORMATION

CITY OF NEW HAMPTON

SCHEDULE OF INDEBTEDNESS

Year ended June 30, 2008

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	\$ 1,495,000	\$ -	\$ 110,000	\$ 1,385,000	\$ 66,825	\$ -	\$ -
Swimming pool restoration	Jan 11, 2001	4.75 - 5.10	395,000	190,000	-	45,000	145,000	9,553	-	-
Debt Service Loan Agreement	Apr 1, 2005	2.60 - 3.90	620,000	515,000	-	55,000	460,000	18,090	-	-
Fire Station	Feb 5, 2008	3.50 - 4.25	925,000	-	925,000	-	925,000	-	-	-
Total			\$ 2,200,000	\$ 2,200,000	\$ 925,000	\$ 210,000	\$ 2,915,000	\$ 94,468	\$ -	\$ -
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds										
Gage	Nov 6, 1997	6.00	28,000	3,589	\$ -	\$ -	3,589	\$ 108	\$ 107	\$ 3,589

See notes to financial statements.

CITY OF NEW HAMPTON
BOND AND NOTE MATURITIES

June 30, 2008

Year Ending June 30,	General Obligation Bonds								
	Wastewater Treatment		Swim Pool Restoration		Debt Service		Fire Station		Total
	Issued Jan 1, 1999		Issued Jan 11, 2001		Issued Apr 1, 2005		Issued Feb 5, 2008		
	Interest		Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount		
2009	4.25	\$ 115,000	5.00	\$ 45,000	3.20	\$ 60,000	3.50	\$ 30,000	\$ 190,000
2010	4.30	120,000	5.05	50,000	3.30	60,000	3.50	50,000	220,000
2011	4.35	125,000	5.10	50,000	3.40	65,000	3.60	50,000	225,000
2012	4.40	130,000	-	-	3.60	65,000	3.65	50,000	180,000
2013	4.45	135,000	-	-	3.70	65,000	3.70	55,000	190,000
2014	4.50	140,000	-	-	3.80	70,000	3.75	55,000	195,000
2015	4.55	145,000	-	-	3.90	75,000	3.75	60,000	205,000
2016	4.60	150,000	-	-	-	-	3.75	60,000	210,000
2017	4.65	160,000	-	-	-	-	3.80	65,000	225,000
2018	4.70	165,000	-	-	-	-	3.95	65,000	230,000
2019	-	-	-	-	-	-	4.00	70,000	70,000
2020	-	-	-	-	-	-	4.00	75,000	75,000
2021	-	-	-	-	-	-	4.10	75,000	75,000
2022	-	-	-	-	-	-	4.15	80,000	80,000
2023	-	-	-	-	-	-	4.25	85,000	85,000
		<u>\$ 1,385,000</u>		<u>\$ 145,000</u>		<u>\$ 460,000</u>		<u>\$ 925,000</u>	<u>\$ 2,455,000</u>

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

CITY OF NEW HAMPTON

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

	Years ended June 30,					
	2008	2007	2006	2005	2004	2003
Receipts						
Property tax	\$ 1,235,473	\$ 1,213,212	\$ 1,179,950	\$ 960,948	\$ 951,305	\$ 1,001,779
Tax increment financing collections	390,551	343,984	303,879	334,234	369,535	409,305
Other city tax	366,741	369,337	289,019	266,988	260,538	375,341
Licenses and permits	16,857	16,103	15,049	13,224	14,471	11,424
Use of money and property	145,834	141,326	90,320	56,462	88,315	106,404
Intergovernmental	549,523	609,462	1,720,876	803,915	556,215	1,148,943
Charges for service	227,328	231,765	216,864	353,156	296,959	162,731
Miscellaneous	354,074	154,376	133,242	172,769	142,338	199,180
Total	\$ 3,286,381	\$ 3,079,565	\$ 3,949,199	\$ 2,961,696	\$ 2,679,676	\$ 3,415,107
Disbursements						
Operating						
Public safety	\$ 548,296	\$ 533,654	\$ 694,434	\$ 474,699	\$ 452,200	\$ 445,072
Public works	452,855	396,343	395,535	365,578	348,886	375,085
Health and social services	3,393	3,393	3,393	3,655	3,607	3,607
Culture and recreation	521,332	630,174	528,719	577,764	570,504	517,958
Community and economic development	613,842	496,359	1,759,025	1,257,134	339,580	940,540
General government	363,608	437,915	428,778	401,524	503,406	473,947
Debt service	305,668	321,734	401,824	357,563	377,582	230,840
Capital projects	746,640	46,113	-	188,935	660,911	232,850
Total	\$ 3,555,634	\$ 2,865,685	\$ 4,211,708	\$ 3,626,852	\$ 3,256,676	\$ 3,219,899

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

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, 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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 10, 2009. 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, including 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.

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-08 and II-B-08 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, 2008 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 & Kallewary, P.C.

March 10, 2009

CITY OF NEW HAMPTON

SCHEDULE OF FINDINGS

Year ended June 30, 2008

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-08

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-08

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.

CITY OF NEW HAMPTON
SCHEDULE OF FINDINGS
Year ended June 30, 2008

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 possessing 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

Part III: Other Findings Related to Statutory Reporting

III-A-08

Certified Budget - Disbursements in the capital projects function exceeded the original budget amount prior to the budget amendment. The final budget then was not exceeded. 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

III-B-08

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-08

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

CITY OF NEW HAMPTON

SCHEDULE OF FINDINGS

Year ended June 30, 2008

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

III-D-08

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

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Nita Geerts, Council Member Husband is owner of Geerts Plumbing & Heating, Inc.	Services, by bid	\$2,353
	Services, non-bid	\$1,263

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-08

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.

III-F-08

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

III-G-08

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

III-H-08

Financial Condition - The City has four accounts with deficit balances at June 30, 2008 totalling \$48,683.

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