CITY OF NEW HAMPTON

FINANCIAL REPORT

JUNE 30, 2009

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CITY OF NEW HAMPTON

OFFICIALS
(Before January 2009)

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

(After January 2009)

Title	Name	Term Expires
Mayor	Darwin Sitting	December 31, 2011
Mayor Pro Tem	Robert Martin	December 31, 2011
Council Member	Robert Clites	December 31, 2011
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Council Member	Donald Schueth	December 31, 2011
Clerk/Treasurer	Suellen Kolbet	Indefinite
Attorney	Kevin Kennedy	Indefinite

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INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

To the Honorable Mayor and Members of the City Council
City of New Hampton
New Hampton, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the discretely presented component unit of City of New Hampton, as of and for the year ended June 30, 2009, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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 the 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, City of New Hampton prepares its financial statements 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, 2009 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, the business-type activities, each major fund and the aggregate remaining fund information of the City of New Hampton as of June 30, 2009, 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 accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2010, on our consideration of City of New Hampton's internal control over financial reporting and on 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 the internal control over financial reporting or on 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.

The management's discussion and analysis and budgetary comparison information on page 4 and pages 17 through 18, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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. However, we did not audit the information and express no opinion on it.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 16, 2010

CITY OF NEW HAMPTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of New Hampton's financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2009. Please read this in conjunction with the transmittal letter and the City's financial statements contained within this audit report.

2009 FINANCIAL HIGHLIGHTS

- **Receipts of the City's governmental activities decreased $671,989 or approximately 15.96% from FY 2008 to FY 2009. Property taxes for all purposes increased $154,491.**
- **Program disbursements excluding debt service and capital projects decreased $265,039.**
- **The City's total cash basis net assets are $2,751,620. Of this amount, the governmental activities claim cash basis net assets of $2,543,214.**

USING THIS ANNUAL REPORT

This 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.**
- **Government-wide financial statements consist of a Statement of Activities and Net Assets-Cash Basis. This provides information about the activities of the City as a whole and provides an overall view of the City's finances.**
- **The fund financial statements reveal how governmental services were financed in the short term as well as what remains for future spending. The fund financial statements report the City's operations in greater detail than the government-wide statements by providing information about the funds.**
- **Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.**
- **The supplementary information provides detailed information about the nonmajor governmental funds. In addition, the budgetary comparison schedules support the financial statements with a comparison of the City's budget for the year. Also, the schedule of indebtedness and bond and note maturities reflect the City's debt activity.**

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

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

The Statement of Activities and Net Assets-Cash Basis presents information showing how the City's net assets changed during the most recent fiscal year. Over time, increases or decreases in the City's net cash 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-Cash Basis report three kinds of activities.

1. **Governmental Activities: These include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects.**

2. **Business-type Activities: These include the City's utilities which specifically are the water system (production, storage, transmission, distribution, treatment, and billing) and sewer system (collection, transmission, treatment and discharge). These services are primarily characterized by their reliance on user charges as opposed to property or other general tax proceeds.**

3. **Component Unit: The only component unit of the City shown in the financial report is that of the New Hampton Light Plant. 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 fund financial statements provide detailed information about the City's most significant funds and not the City as a whole. Some funds are required by State law while others are required by bond covenants or Council policy. The City's two kinds of funds – governmental and proprietary (business-type) – are different by definition and use somewhat different accounting approaches. These differences are summarized below.

<u>Governmental Funds</u>: These account for most of the City's basic services and focus on how money flows into and out of those funds as well as balances at year end that are available for spending. Governmental funds include: 1) the general fund 2) special revenue funds (i.e., tax increment financing funds, employee benefits tax proceeds, and road use taxes) 3) the debt service fund and 4) the capital projects fund. These funds are reported on the basis of cash receipts and disbursements. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental 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 balance sheet and a statement of Revenues, Expenditures, and Changes in Fund Balance.

<u>Proprietary (business-type) Funds</u>: These account for the City's enterprise funds which are those for which rate payers or other customers pay for the services rendered. Enterprise funds are reported in the same way as the government-wide financial statements.

The following analysis shows the change in net assets for the year ending June 30, 2009:

Changes in Cash Basis Net Assets of Governmental Activities
(In Thousands)

	Governmental Activities		Business-type Activities		Total		Percent
	2008	2009	2008	2009	2008	2009	Change
Receipts:							
Program revenue							
Charges for service	$ 533	$ 300	$ 655	$ 680	$ 1,188	$ 980	-17.51%
Operating grants	377	453	-	-	377	453	20.16%
Capital grants	237	524	-	-	237	524	121.10%
General revenue							
Property taxes	1,271	1,419	-	-	1,271	1,419	11.64%
Tax increment financing collections	391	415	-	-	391	415	6.14%
Local option sales tax	331	345	-	-	331	345	4.23%
Unrestricted investment earnings	129	72	15	8	144	80	-44.44%
Bond proceeds	925				925	-	-100.00%
Other revenue	17	11	47	17	64	28	-56.25%
Total receipts	4,211	3,539	717	705	4,928	4,244	-13.88%
Program disbursements:							
Public safety	548	508	-	-	548	508	-7.30%
Public works	453	388	-	-	453	388	-14.35%
Health & social services	3	3	-	-	3	3	0.00%
Culture & recreation	521	507	-	-	521	507	-2.69%
Community & economic development	614	462	-	-	614	462	-24.76%
General government	364	370	-	-	364	370	1.65%
Debt service	306	385			306	385	25.82%
Capital projects	747	1,244			747	1,244	66.53%
Other expenses	-	-	680	1,084	680	1,084	59.41%
Total disbursements	3,556	3,867	680	1,084	4,236	4,951	16.88%
Increase (decrease) in cash basis net assets before transfers	655	(328)	37	(379)	692	(707)	-202.17%
Transfers	-	(58)	-	58	-	-	
Increase (decrease) in cash basis net assets	655	(386)	37	(321)	692	(707)	-202.17%
Cash basis net assets beginning of year	2,274	2,929	492	529	2,766	3,458	25.02%
Cash basis net assets end of year	$ 2,929	$ 2,543	$ 529	$ 208	$ 3,458	$ 2,751	-20.45%

Individual Major Fund Analysis

As the City completed the year, its governmental funds reported a combined cash fund balance of $2,543,214, a $386,201 decrease from the 2008 fiscal year end balance of $2,929,415. In 2008, the City received bond proceeds for capital projects and the expenses for the capital projects were incurred in 2009.

Proprietary Fund Highlights

The water fund, which accounts for the operation and maintenance of the City's water system, ended fiscal year 2009 with a cash basis net asset balance of $238,360. This reflects an increase of $14,237 from the end of fiscal year 2008 when the net asset balance was $224,123.

The sewer fund, which accounts for the operation and maintenance of the sewer system and the wastewater treatment facility, ended fiscal year 2009 with a net asset balance of $(29,954). This reflects a decrease of $335,309 from the end of fiscal year 2008 when the net asset balance was $305,355.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. These amendments increased budgeted disbursements by $2,897,123. The City had sufficient cash balances to absorb these additional costs. During the year ended June 30, 2009, disbursements exceeded the original budget in the capital projects area.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately $2,665,000 in bonds and other long-term debt, compared to approximately $2,915,000 last year, as shown below:

Outstanding Debt at Year-End

	Year ended June 30,				
	2009	2008	2007	2006	2005
General obligation bonds	$ 2,665,000	$ 2,915,000	$ 2,200,000	$ 2,400,000	$ 2,590,000
Revenue notes	-	-	-	-	-
Urban renewal tax increment financing revenue bonds	-	-	3,589	20,475	110,694
Total	$ 2,665,000	$ 2,915,000	$ 2,203,589	$ 2,420,475	$ 2,700,694

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 $2,665,000 is significantly below its constitutional debt limit of $8,982,725.

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 2010 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 8.5%, versus 4.3% a year ago. This compares with the State's unemployment rate of 6.2% and the national rate of 9.5%.

Inflation in the Midwest is slightly lower than the national Consumer Price Index increase. The Midwest's CPI was -.6 percent for calendar year 2009 compared with the national rate of -.4 percent.

These indicators were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget are $7.5 million, compared to the 2009 final budget of $8.5 million.

Below is a summary of the tax levy rates per $1,000 of taxable valuation for FY08-09:

Purpose	2008/2009	2009/2010
General Levy	$8.10000	$8.10000
Emergency Levy	$0.26737	
Support Public Library	$0.26992	$0.27000
Liability, property insurance	$0.27240	$0.13751
FICA and IPERS	$1.17777	$1.21789
Employee Benefits	$1.98643	$1.97579
Debt Service	$1.88111	$1.89879
Total Levy	$13.95500	$13.59998

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Management's Discussion and Analysis letter along with the financial report have been designed to present our current and prospective citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. It is our hope that such information will assist in assessing the City's achievements and challenges. If you have any questions or desire any additional information about this report, please contact Suellen Kolbet, City Clerk, at (641) 394-5906 or visit the City Hall Offices at 112 East Spring Street in New Hampton.

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CITY OF NEW HAMPTON
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
For the Year Ended June 30, 2009

Functions and Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Program Receipts: Capital Grants and Contributions
Primary Government				
Governmental activities				
Public safety	$ 507,824	$ 12,313	$ 10,549	
Public works	388,494	130,615	371,324	
Health and social services	3,393			
Culture and recreation	506,677	93,624	21,135	
Community and economic development	462,040	43,745	23,547	
General government	369,859	19,667	26,580	
Debt service	250,000			$ -
Capital projects	1,243,903			523,580
Interest on long-term debt	135,393			
Total governmental activities	3,867,583	299,964	453,135	523,580
Business-type activities				
Water utilities	263,628	210,659		
Sewer utilities	820,186	469,472		
Total business-type activities	1,083,814	680,131	-	-
Total primary government	$ 4,951,397	$ 980,095	$ 453,135	$ 523,580
Component unit				
Business-type activities				
Light plant	$ 3,215,292	$ 3,115,102		
General Receipts				
Property and other City taxes levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Investment earnings				
Miscellaneous items				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted				
Streets				
Urban renewal purposes				
Other purposes				
Unrestricted				
Total cash basis net assets				

See Notes to Financial Statements.

EXHIBIT A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Light Plant
$ (484,962)		$ (484,962)	
113,445		113,445	
(3,393)		(3,393)	
(391,918)		(391,918)	
(394,748)		(394,748)	
(323,612)		(323,612)	
(250,000)		(250,000)	
(720,323)		(720,323)	
(135,393)		(135,393)	
(2,590,904)		(2,590,904)	$ -
	$ (52,969)	(52,969)	
	(350,714)	(350,714)	
-	(403,683)	(403,683)	-
(2,590,904)	(403,683)	(2,994,587)	-
			(100,190)
1,210,623		1,210,623	
208,155		208,155	
415,229		415,229	
345,216		345,216	
71,878	7,661	79,539	79,981
11,612	16,940	28,552	48,435
(58,010)	58,010	-	
2,204,703	82,611	2,287,314	128,416
(386,201)	(321,072)	(707,273)	28,226
2,929,415	529,478	3,458,893	3,547,238
$ 2,543,214	$ 208,406	$ 2,751,620	$ 3,575,464
$ 614		$ 614	
98,060		98,060	
997,176		997,176	
1,447,364	$ 208,406	1,655,770	$ 3,575,464
$ 2,543,214	$ 208,406	$ 2,751,620	$ 3,575,464

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CITY OF NEW HAMPTON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

		Special Revenue		
	General	Road Use Tax	Urban Renewal Increment	Local Option Sales Tax
Receipts				
Property taxes	$ 846,954			
Tax increment financing			$ 407,474	
Other City tax	28,814			$ 345,216
Licenses and permits	15,364			
Use of money and property	82,881			
Intergovernmental	91,593	$ 306,324		
Charges for services	268,165			
Miscellaneous	80,146			
Total receipts	1,413,917	306,324	407,474	345,216
Disbursements				
Operating				
Public safety	440,156			
Public works	80,844	307,650		
Health and social services	3,393			
Culture and recreation	483,206			
Community and economic development	101,899		326,723	
General government	298,445			
Debt service				
Principal				
Interest				
Capital projects	94,510			
Total disbursements	1,502,453	307,650	326,723	-
Excess (deficiency) of receipts over disbursements	(88,536)	(1,326)	80,751	345,216
Other financing sources (uses)				
Transfers in	181,649			
Transfers (out)	(81,510)	(14,500)	(8,479)	(177,605)
Total other financing sources (uses)	100,139	(14,500)	(8,479)	(177,605)
Net change in cash balances	11,603	(15,826)	72,272	167,611
Cash balances beginning of year	1,455,793	16,440	25,788	667,033
Cash balances end of year	$ 1,467,396	$ 614	$ 98,060	$ 834,644
Cash Basis Fund Balances				
Unreserved				
General fund	$ 1,467,396			
Special revenue funds		$ 614	$ 98,060	$ 834,644
Capital projects fund				
Debt service				
Permanent fund				
Total cash basis fund balances	$ 1,467,396	$ 614	$ 98,060	$ 834,644

See Notes to Financial Statements.

EXHIBIT B

Debt Service	Capital Projects Fire Station	Other Nonmajor Governmental Funds	Total Governmental Funds
$ 208,155		$ 334,855	$ 1,389,964
		7,755	415,229
		-	374,030
		-	15,364
29		3,515	86,425
		3,053	400,970
		1,960	270,125
	$ 501,100	6,039	587,285
208,184	501,100	357,177	3,539,392
		67,668	507,824
		-	388,494
		-	3,393
		23,471	506,677
		33,418	462,040
		71,414	369,859
250,000			250,000
135,393			135,393
	943,088	206,305	1,243,903
385,393	943,088	402,276	3,867,583
(177,209)	(441,988)	(45,099)	(328,191)
177,605		8,479	367,733
		(143,649)	(425,743)
177,605	-	(135,170)	(58,010)
396	(441,988)	(180,269)	(386,201)
(1,593)	423,153	342,801	2,929,415
$ (1,197)	$ (18,835)	$ 162,532	$ 2,543,214
			$ 1,467,396
		$ 125,538	1,058,856
	$ (18,835)	(38,348)	(57,183)
$ (1,197)			(1,197)
		75,342	75,342
$ (1,197)	$ (18,835)	$ 162,532	$ 2,543,214

EXHIBIT C

CITY OF NEW HAMPTON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Enterprise Funds			
	Primary Government			Component Unit
	Water	Sewer	Total	Light Plant
Operating Receipts				
Charges for services	$ 210,659	$ 469,472	$ 680,131	$ 3,115,102
Total operating receipts	210,659	469,472	680,131	3,115,102
Operating Disbursements				
Business-type activities	193,939	462,802	656,741	2,898,222
Total operating disbursements	193,939	462,802	656,741	2,898,222
Excess of operating receipts over operating disbursements	16,720	6,670	23,390	216,880
Nonoperating Receipts (Disbursements)				
Interest on investments	3,445	4,216	7,661	79,981
Miscellaneous	10,978	5,962	16,940	48,435
Capital projects	(69,689)	(357,384)	(427,073)	
Debt service			-	(317,070)
Total nonoperating receipts	(55,266)	(347,206)	(402,472)	(188,654)
Excess of receipts over disbursements	(38,546)	(340,536)	(379,082)	28,226
Transfers				
Operating transfers in	108,283	20,227	128,510	-
Operating transfers out	(55,500)	(15,000)	(70,500)	-
Total other financing sources (uses)	52,783	5,227	58,010	-
Net change in cash balances	14,237	(335,309)	(321,072)	28,226
Cash balances beginning of year	224,123	305,355	529,478	3,547,238
Cash balances end of year	$ 238,360	$ (29,954)	$ 208,406	$ 3,575,464
Cash Basis Fund Balances				
Reserved for debt service				$ 1,895,806
Unreserved	$ 238,360	$ (29,954)	$ 208,406	1,679,658
Total cash basis fund balances	$ 238,360	$ (29,954)	$ 208,406	$ 3,575,464

See Notes to Financial Statements.

EXHIBIT D

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
For the Year Ended June 30, 2009

Total enterprise funds cash balances	$	208,406
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	$	208,406
Net change in cash balances	$	(321,072)
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	$	(321,072)

See Notes to Financial Statements.

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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 a Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreations, community and economic development and general government services. The City also provides water and sewer utilities for its citizens as well as electrical power through the component unit noted below.

b. Significant Accounting Policies

Reporting Entity

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; or the organization is fiscally dependent on the primary government.

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 relationships 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 are 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.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

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.

Government-wide Financial Statements

The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are normally supported by property tax and intergovernmental revenues, or other non-exchange transactions, 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 that are 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 revenues are reported instead as general receipts.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Fund Financial Statements

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

The City reports the following major governmental funds:

Governmental

General Fund

The general fund is the general operating fund of the City. All general tax revenues and other revenues 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 expenditures, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue

The special revenue funds are used to account for revenues derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Road Use

To account for state revenues allocated to the City to be used to maintain and improve the City's streets.

Urban Renewal Tax Increment

This fund is used to account for urban renewal projects financed by tax increment financing.

Local Option Sales Tax

This fund 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.

Debt Service

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

Capital Projects

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

The City reports the following major proprietary funds:

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

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

Measurement Focus and Basis of Accounting
The City of New Hampton 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 cash basis financial statements do not present the financial position, results of its operations, or the cash flows of its proprietary fund types in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by 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 nonoperating 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 nonoperating receipts and disbursements.

Budgets and Budgetary Accounting
The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

2. Deposits and Investments

The City's deposits in banks at June 30, 2009 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 investments trust; and warrants or improvement certificates of a drainage district.

2. Deposits and Investments (Continued)

The Light Plant has an investment through the Iowa Public Agency Investment Trust which is valued at an amortized cost of $3,406 pursuant to Rule 2a-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) to 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.

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	General Obligation Bonds		Tax Increment Financing (TIF) Bonds		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 280,000	$ 111,730	$ 3,589	$ 107	$ 283,589	$ 111,837
2011	290,000	100,315	-	-	290,000	100,315
2012	245,000	88,318	-	-	245,000	88,318
2013	255,000	78,433	-	-	255,000	78,433
2014	265,000	67,985	-	-	265,000	67,985
2015-2019	1,015,000	180,130	-	-	1,015,000	180,130
2020-2023	315,000	33,560	-	-	315,000	33,560
	$ 2,665,000	$ 660,471	$ 3,589	$ 107	$ 2,668,589	$ 660,578

The Code of Iowa requires principal and interest on general obligation bonds to 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 10 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 the 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 2010. For the current year, interest paid and total TIF receipts were $108 and $407,474, respectively.

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.

IPERS' plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008, and 2007 were $72,965, $65,805, and $62,783 respectively, equal to the required contributions for each year.

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 payable to employees at June 30, 2009, primarily relating to the general fund, is as follows:

Type of Benefit	Amount
Vacation	$ 38,191
Sick leave	38,222
	$ 76,413

This liability has been computed based on rates of pay in effect at June 30, 2009.

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 rebates vary according to the agreement. The City as of June 30, 2009 had a total of $1,394,723 to pay in rebates through the year 2019.

7. Related Party Transactions

The City had business transactions between the City and City officials totaling $2,855 during the year ended June 30, 2009.

8. Risk Management

The City of New Hampton 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.

9. Transfers

The detail of interfund and intrafund transfers for the year ended June 30, 2009 is as follows:

Transfers to		Transfers from	
General		Special Revenue	
General	$ 3,515	Trust	$ 3,515
Equipment replacement	23,500	General	
General	114,043	General	$ 23,500
Equipment replacement	14,500	Special Revenue	
General	26,091	Employee benefits	$ 114,043
	$ 181,649		26,091
			$ 140,134
Debt Service		Special Revenue	
General Obligation Bond	$ 177,605	Road use tax	$ 14,500
		Local option sales tax	$ 177,605
Capital Projects		Urban renewal tax increment	$ 8,479
TIF project	$ 8,479		
		Water	
Water		Water	$ 55,500
Equipment replacement	$ 108,283	General	
		Equipment replacement	$ 52,783
Sewer		Sewer	
Equipment replacement	$ 20,227	Sewer	$ 15,000
		General	
		Equipment replacement	$ 5,227

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

10. Deficit Fund Balance

The City had the following deficit fund balances at June 30, 2009:

Special Revenue	
Grants	$ 9,691
Library improvement	13,400
Debt Service	1,197
Capital Projects	
Fire Station	18,835
Community Center	24,832
Main Street	175,329
Enterprise funds	
Sewer	29,954

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.

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 $162,000. As of June 30, 2009, $45,799 in claims had been paid.

12. General Fund Balance

The City has designated $974,145 of the $1,467,396 general fund balance to be available for equipment replacement and special projects.

13. Commitments

The total outstanding construction and purchase commitments of the City at June 30, 2009 amount to $1,440,932. These are related to the wastewater facility and streetscope design projects.

14. Subsequent Event

The City issued a $400,000 general obligation bond and a $1,295,000 general obligation bond on November 16, 2009 for the purpose of refunding the 1999 general obligation bond as well as to finance the purchase of a new fire truck and other capital projects.

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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
For the Year Ended June 30, 2009

	Primary Government		
	Governmental Funds Actual	Proprietary Funds Actual	Component Unit
Receipts			
Property tax	$ 1,389,964		
Tax increment financing	415,229		
Other City taxes	374,030		
Licenses and permits	15,364		
Use of money and property	86,425	$ 7,661	$ 79,981
Intergovernmental	400,970		
Charges for services	270,125	680,131	3,115,102
Miscellaneous	587,285	16,940	48,435
Total receipts	3,539,392	704,732	3,243,518
Disbursements			
Public safety	507,824		
Public works	388,494		
Health and social services	3,393		
Culture and recreation	506,677		
Community and economic development	462,040		
General government	369,859		
Debt service	385,393		
Capital projects	1,243,903		
Business-type activities		1,083,814	3,215,292
Total disbursements	3,867,583	1,083,814	3,215,292
Excess of receipts over (under) disbursements	(328,191)	(379,082)	28,226
Other financing sources, net	(58,010)	58,010	-
Excess of receipts and other financing sources over (under) disbursements and other financing uses	(386,201)	(321,072)	28,226
Balances beginning of year	2,929,410	529,478	3,547,238
Balances end of year	$ 2,543,209	$ 208,406	$ 3,575,464

See Notes to Required Supplementary Information.

Less Funds Not Required to be Budgeted	Total Actual	Budgeted Amounts Original	Budgeted Amounts Final	Final to Total Variance
	$ 1,389,964	$ 1,375,843	$ 1,375,843	$ 14,121
	415,229	390,000	390,000	25,229
	374,030	368,397	368,397	5,633
	15,364	13,625	13,625	1,739
	174,067	189,850	189,850	(15,783)
$ 15,000	385,970	343,558	648,072	(262,102)
48,176	4,017,182	4,346,250	4,346,250	(329,068)
50,000	602,660	47,910	47,910	554,750
113,176	7,374,466	7,075,433	7,379,947	(5,481)
	507,824	549,488	1,525,339	1,017,515
	388,494	414,348	414,348	25,854
	3,393	3,468	3,468	75
	506,677	507,662	528,333	21,656
	462,040	483,530	485,266	23,226
	369,859	382,445	391,310	21,451
	385,393	385,393	385,993	600
	1,243,903	290,000	920,000	(323,903)
113,176	4,185,930	4,395,700	5,655,700	1,469,770
113,176	8,053,513	7,412,034	10,309,757	2,256,244
	(679,047)	(336,601)	(2,929,810)	2,250,763
	-	-	-	-
-	(679,047)	(336,601)	(2,929,810)	2,250,763
	7,006,126	4,797,453	6,592,160	413,966
$ -	$ 6,327,079	$ 4,460,852	$ 3,662,350	$ 2,664,729

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
June 30, 2009

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 from 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, two budget amendments increased budgeted expenditures by $2,897,723. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, expenditures exceeded the amounts budgeted in the capital projects function.

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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Honorable Mayor and Members of the City Council
City of New Hampton
New Hampton, Iowa

Our report on our audit of the basic financial statements of City of New Hampton as of and for the year ended June 30, 2009 appears on pages 2-3. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and other supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements and other supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, such information is fairly stated in all material respects in relation to the basic financial statements prepared on the cash basis as explained in the third paragraph of our report on page 2 taken as a whole.

The basic financial statements of City of New Hampton for the years ended June 30, 2008, 2007, 2006, 2005, 2004, and 2003, none of which are presented herein, were audited by other auditors whose report dated March 10, 2009, expressed a qualified opinion 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. Their report, as of the same date, on the information set forth in the required supplementary information for each of the six years in the period ended June 30, 2009, appearing on page 23 states that, in their opinion was fairly stated in all material respects in relation to the basic financial statements from which it has been derived.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 16, 2010

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CITY OF NEW HAMPTON
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	Special Revenue					
	Employee Benefits	Housing Rehabilitation Grant	Grants	Trust	Library Improvement	Park & Rec Special
RECEIPTS						
Property taxes	$ 334,855					
Tax increment financing		$ 7,755				
Other City tax						
Use of money and property				$ 3,515		
Intergovernmental		3,053				
Charges for services		1,260				
Miscellaneous						
Total receipts	334,855	12,068	$ -	3,515	$ -	$ -
DISBURSEMENTS						
Operating						
Public safety	67,668					
Culture and recreation	23,471					
Community and economic development	23,998	108	833			
General government	71,414					
Capital projects						
Total disbursements	186,551	108	833	-	-	-
Excess (deficiency) of receipts over disbursements	148,304	11,960	(833)	3,515	-	-
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out	(140,134)			(3,515)		
Total other financing sources (uses)	(140,134)	-	-	(3,515)	-	-
Net change in cash fund balances	8,170	11,960	(833)			
Cash fund balances - beginning	1,441	25,292	(8,858)	99,427	(13,400)	2,339
Cash fund balances - ending	$ 9,611	$ 37,252	$ (9,691)	$ 99,427	$ (13,400)	$ 2,339

See Independent Auditor's Report on the Supplementary Information.

Capital Projects							Permanent	
Industrial Park	Community Center	Swimming Pool	Police Renovation	Wastewater Facility	Assessments	Main Street	Cemetery Perpetual Care	Total
								$ 334,855
								7,755
								-
								3,515
								3,053
							$ 700	1,960
						$ 6,039		6,039
$ -	$ -	$ -	$ -	$ -	$ -	6,039	700	357,177
								67,668
								23,471
				8,479				33,418
								71,414
			24,937			181,368		206,305
-	-	-	24,937	8,479	-	181,368	-	402,276
-	-	-	(24,937)	(8,479)	-	(175,329)	700	(45,099)
				8,479				8,479
								(143,649)
-	-	-	-	8,479	-	-	-	(135,170)
			(24,937)			(175,329)	700	(180,269)
1,716	(24,832)	8	171,425	11,133	2,468		74,642	342,801
$ 1,716	$ (24,832)	$ 8	$ 146,488	$ 11,133	$ 2,468	$ (175,329)	$ 75,342	$ 162,532

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CITY OF NEW HAMPTON
SCHEDULE OF INDEBTEDNESS
For the Year Ended June 30, 2009

Bonded Indebtedness	Interest Rate	Issue Date	Amount Originally Issued	Outstanding July 1, 2008
GENERAL OBLIGATION				
Wastewater treatment plant	3.85 - 4.70%	1/1/99	$ 2,200,000	$ 1,385,000
Swimming pool restoration	4.75 - 5.10%	1/11/01	395,000	145,000
Debt service loan agreement	2.60 - 3.90%	4/1/05	620,000	460,000
Fire station	3.50 - 4.25%	2/5/08	925,000	925,000
Total				$ 2,915,000
URBAN RENEWAL TAX INCREMENT				
Financing (TIF) Revenue Bonds				
Gage	6.00%	11/6/97	28,000	$ 3,589

See Independent Auditor's Report on the Supplementary Information.

Issued During Year	Paid During Year	Outstanding June 30, 2009	Interest Paid	Interest Due and Unpaid
	$ 115,000	$ 1,270,000	$ 62,205	$ -
	45,000	100,000	7,325	
	60,000	400,000	16,440	
	30,000	895,000	47,823	
$ -	$ 250,000	$ 2,665,000	$ 133,793	$ -
$ -	$ -	$ 3,589	$ 108	$ 107

CITY OF NEW HAMPTON
BOND AND NOTE MATURITIES
For the Year Ended June 30, 2009

General Obligation Bonds

Year Ending June 30,	Wastewater Treatment Issued January 1, 1999 Interest Rates	Amount	Swim Pool Restoration Issued January 11, 2001 Interest Rates	Amount	Debt Service Issued April 1, 2005 Interest Rates	Amount	Fire Station Issued February 5, 2008 Interest Rates	Amount	Total
2010	4.30%	$ 120,000	5.05%	$ 50,000	3.30%	$ 60,000	3.50%	$ 50,000	$ 280,000
2011	4.35%	125,000	5.10%	50,000	3.40%	65,000	3.60%	50,000	290,000
2012	4.40%	130,000			3.60%	65,000	3.65%	50,000	245,000
2013	4.45%	135,000			3.70%	65,000	3.70%	55,000	255,000
2014	4.50%	140,000			3.80%	70,000	3.75%	55,000	265,000
2015	4.55%	145,000			3.90%	75,000	3.75%	60,000	280,000
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
	Total	$ 1,270,000	Total	$ 100,000	Total	$ 400,000	Total	$ 895,000	$ 2,665,000

Year Ending June 30,	Tax Increment Financing (TIF) Bonds Gage Issued November 6, 1997 Interest Rates	Amount
2010	6.00%	$ 3,589

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 4

CITY OF NEW HAMPTON
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENT BY FUNCTION
ALL GOVERNMENTAL FUNDS

	2009	2008	2007	2006	2005	2004	2003
Receipts							
Property tax	$ 1,389,964	$ 1,235,473	$ 1,213,212	$ 1,179,950	$ 960,948	$ 951,305	$ 1,001,779
Tax increment financing collections	415,229	390,551	343,984	303,879	334,234	369,535	409,305
Other City tax	374,030	366,741	369,337	289,019	266,988	260,538	375,341
Licenses and permits	15,364	16,857	16,103	15,049	13,224	14,471	11,424
Use of money and property	86,425	145,834	141,326	90,320	56,462	88,315	106,404
Intergovernmental	400,970	549,523	609,462	1,720,876	803,915	556,215	1,148,943
Charges for services	270,125	227,328	231,765	216,864	353,156	296,959	162,731
Miscellaneous	587,285	354,074	154,376	133,242	172,769	142,338	199,180
Total	$ 3,539,392	$ 3,286,381	$ 3,079,565	$ 3,949,199	$ 2,961,696	$ 2,679,676	$ 3,415,107
Disbursements							
Operating							
Public safety	$ 507,824	$ 548,296	$ 533,654	$ 694,434	$ 474,699	$ 452,200	$ 445,072
Public works	388,494	452,855	396,343	395,535	365,578	348,886	375,085
Health and social services	3,393	3,393	3,393	3,393	3,655	3,607	3,607
Culture and recreation	506,677	521,332	630,174	528,719	577,764	570,504	517,958
Community and economic development	462,040	613,842	496,359	1,759,025	1,257,134	339,580	940,540
General government	369,859	363,608	437,915	428,778	401,524	503,406	473,947
Debt service	385,393	305,668	321,734	401,824	357,563	377,582	230,840
Capital projects	1,243,903	746,640	46,113	-	188,935	660,911	232,850
Total	$ 3,867,583	$ 3,555,634	$ 2,865,685	$ 4,211,708	$ 3,626,852	$ 3,256,676	$ 3,219,899

See Independent Auditor's Report on the Supplementary Information.

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

To the Honorable Mayor and Members of the City Council
City of New Hampton
New Hampton, Iowa

We have audited the 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 City of New Hampton as of and for the year ended June 30, 2009, which collectively comprise the City of New Hampton's basic financial statements and have issued our report thereon dated February 16, 2010. Our report expressed a qualified opinion on the government financial statements which were prepared in conformity with another 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 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 an opinion on the effectiveness of City of New Hampton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of New Hampton's internal 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.

A control deficiency exists when the design or operation of a 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with another comprehensive basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control described below to be significant deficiencies in internal control over financial reporting.

1. Financial Report Preparation

Reporting financial data reliably in accordance with generally accepted accounting principles requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Obtaining additional generally accepted accounting principles knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in their ability to prepare and take responsibility for reliable generally accepted accounting principles financial statements.

Response

The City Clerk will obtain additional generally accepted accounting principles knowledge in any way possible that is economically feasible, in order to improve the ability to prepare and take responsibility for reliable generally accepted accounting principles financial statements.

Conclusion

Response accepted.

2. Overlapping Duties

The City's offices are not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the recording and processing of cash receipts, preparing grant expenditure reports, preparing financial information for posting and analyzing financial information by a small staff makes it impossible to establish an adequate system of automatic internal checks on the accuracy and reliability of the accounting records. While we do recognize that the City is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Council be aware that this condition does exist.

Response

The City staff will make changes whenever possible and economically feasible.

Conclusion

Response accepted.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that 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, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of New Hampton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of City of New Hampton in a separate letter dated February 16, 2010.

City of New Hampton's responses to the findings identified in our audit are described above. We did not audit City of New Hampton's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 16, 2010

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MANAGEMENT LETTER

To the Honorable Mayor and Members of the City Council
City of New Hampton
New Hampton, Iowa

In planning and performing our audit of the basic financial statements of the City of New Hampton for the year ended June 30, 2009, we considered the City's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the City's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 8 below are compliance comments required by the Iowa Auditor of State. A separate report dated February 16, 2010 contains our report on significant deficiencies in the City's internal control. This letter does not affect our report dated February 16, 2010 on the basic financial statements of City of New Hampton. Comment number 8 is a repeat comment from the prior year. All other prior year comments have been resolved. We did not audit the City's responses and, accordingly, we express no opinion on them.

1. <u>Certified Budget</u>

Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the capital projects function. Chapter 384.20 of the Code of Iowa states, in part, "public monies may not be expended or encumbered except under an annual or continuing appropriation."

<u>Recommendation</u>

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

<u>Response</u>

The City Clerk budgeted for the Fire Station Construction project within the Public Safety Program. It is the opinion of the auditors that it is best show in the financial report as capital projects. The City Clerk will budget for large construction projects in the capital projects area in the future.

<u>Conclusion</u>

Response accepted.

2. <u>Questionable Disbursements</u>

We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

3. **Travel Expense**

No expenditures of City money for travel expenses of spouses of City official and/or employees were noted.

4. **Business Transactions**

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

Name, Title, and Business Connection	Description	Amount
Nita Geerts, Council Member		
Husband is owner of Geerts	Services, by bid	$ 1,475
	Services, non-bid	$ 1,380

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.

5. **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.

6. **Council Minutes**

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

7. **Deposits and Investments**

No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

8. **Financial Condition**

The City has seven accounts with deficit balances at June 30, 2009 totaling $273,238.

Recommendation

The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response

The City is in the process of completing several projects and when transfers from other funds are made those funds will no longer have deficit balances.

Conclusion

Response accepted.

9. Self Funding

The City's provision for incurred but not reported claims is negative and in violation of Iowa Code 191-35.20(2)(b).

Recommendation

The City should consider adjusting rates or transfer funds to eliminate this actuarial deficit.

Response

The rates were increased on October 1, 2009. The fund no longer has an actuarial deficit.

Conclusion

Response accepted.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and 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 the personnel of the City of New Hampton during the course of our examination.

If you have any questions concerning these or other matters, we would be happy to discuss them with you at your convenience.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
February 16, 2010