

CITY OF HAMPTON

Hampton, Iowa

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2009

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CITY OF HAMPTON

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Diane Weldin	Mayor	January 2010
Bill Hodge.....	Council Member.....	January 2012
Chad Hanson.....	Council Member.....	2010
Karen Schmidt	Council Member.....	2012
Craig Eckhardt	Council Member.....	2010
Steve Harms	Council Member.....	2012
Patrick Palmer.....	Council Member.....	2010
Ron Dunt.....	City Manager	Indefinite
Michael Cross	City Attorney	Indefinite



Gardiner Thomsen
Certified Public Accountants

Independent Auditors' 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 and the aggregate remaining fund information of the City of Hampton, Iowa, as of and for the year ended June 30, 2009, 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 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.

In our opinion, 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 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 December 21, 2009, on our consideration of the City of Hampton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. 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 9 and 25 through 27 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 of Hampton'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 six years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements 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. Such information has been subjected to the auditing procedures applied in our audit 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.

December 21, 2009

Gardiner Thompson, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of 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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased approximately 5% or \$204,838 from fiscal 2008 to fiscal 2009. Property tax receipts decreased approximately \$141,789 and bond proceeds decreased \$296,400.
- Disbursements decreased 13% or approximately \$611,984 in fiscal 2009 from fiscal 2008. Prepayment of callable debts during the prior fiscal year contributed to this decrease.
- The City's total cash basis net assets increased by \$130,488. Of this amount, the assets of the governmental activities decreased approximately \$186,791 and the assets of the business type activities increased by approximately \$317,279.

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 nonmajor governmental funds.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial 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 two kinds of activities:

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

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Funds 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. Enterprise Funds are used to report business type activities. The City maintains eight Enterprise Funds to provide

separate information for the water, sewer and solid waste funds. Water and Sewer are 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.

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 is \$2,482,620. The analysis that follows focuses on the changes in cash balances for governmental activities.

Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2009	2008
Receipts and Transfers		
Program Receipts		
Charges for Service	\$351	\$211
Operating Grants, Contributions and Restricted Interest	553	538
Capital Grants, Contributions and Restricted Interest	169	178
General Receipts		
Property Tax	1,425	1,284
Local Option Sales Tax	312	288
Unrestricted Investment Earnings	116	162
Bond Proceeds	28	165
Other General Receipts	102	121
Transfers, Net	(156)	(143)
Total Receipts and Transfers	2,900	2,804
Disbursements		
Public Safety	922	783
Public Works	640	466
Health and Social Services	6	4
Culture and Recreation	602	469
Community and Economic Development	156	175
General Government	271	281
Debt Service	330	707
Capital projects	160	355
Total Disbursements	3,087	3,240
Decrease in Cash Basis Net Assets	(187)	(436)
Cash Basis Net Assets Beginning of Year	2,670	3,106
Cash Basis Net Assets End of Year	\$2,483	\$2,670

The City's total receipts for governmental activities were \$3,029,610. The total disbursements were \$3,087,830.

The City property tax rates for 2009 increased by \$1.24.

The cost of all governmental activities this year was \$3.087 million compared to \$3.270 million last year. However, as shown in the Statement of Activities and Net Assets on pages 10 and 11, the amount taxpayers ultimately financed for these activities was \$2.014 million because some of the cost was paid by those directly benefiting from the programs (\$351,366) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$553,206). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2009 from approximately \$927,650 to approximately \$1,073,493. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,425,016 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2009	2008
Receipts		
Program Receipts		
Charges for Service		
Water	\$690	\$687
Sewer	513	496
Solid Waste	29	45
Meter Deposits	9	6
General Receipts		
Proceeds from Debt	0	324
Transfers	156	143
	<u>1,397</u>	<u>1,701</u>
Disbursements and Transfers		
Water	575	521
Sewer	253	246
Solid Waste	31	50
Meter Deposits	5	5
Debt Service	216	688
Total Disbursements and Transfers	<u>1,080</u>	<u>1,510</u>
Increase in Cash Balance	317	191
Cash Basis Net Assets - Beginning of Year	<u>1,902</u>	<u>1,711</u>
Cash Basis Net Assets - End of Year	<u>\$2,219</u>	<u>\$1,902</u>

Total business type activities receipts for the fiscal year were \$1,241,257 compared to \$1,556,815 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Hampton completed the year, its governmental funds reported a combined fund balance of \$2,452,620, a decrease of \$186,791 from last year's total of \$2,639,411. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$200,225 from the prior year to \$1,042,462. However, \$311,421 is allocated to the Pool, \$1,269 is allocated to the Fire Truck Fund and \$56,543 represents Library funds. The unreserved General Fund cash balance is \$729,772.
- The Road Use Tax Fund cash balance decreased by \$121,650 to \$150,471 during the fiscal year. The City intends to use this money to upgrade the condition of all City roads.
- The Employee Benefits Fund cash balance decreased by \$31,531 to \$59,335 during the fiscal year. The City intends to use this money to pay for employee benefits.
- Tax Increment Fund ended the fiscal year with a cash balance of \$743,104 a decrease of \$184,990 from the previous year. The decrease was the result of payment of callable TIF Debts. The city intends to use the additional surplus funds to pay TIF Debt and to pay for TIF eligible expenditures.
- The Debt Service Fund cash balance decreased by \$238 to \$243,127 during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$114,885 to \$787,625, due primarily to no transfers were required in fiscal 2009.
- The Sewer Fund cash balance increased by \$260,127 to \$707,979. This is a result of sewer rate increase revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on May 26, 2009 and resulted in an increase in operating revenues relating to Intergovernmental Funds (FEMA), Enterprise Funds, miscellaneous revenues and proceeds of long term debt. An increase in operating disbursements was related to an overrun on public works funds, public safety, Intergovernmental Community/Economic Development.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$784,600 in bonds and other long-term debt, compared to approximately \$1,249,000 last year, as shown below. 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 \$784,600 is below its constitutional debt limit of \$7,726,840.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30,	
	2009	2008
General Obligation Notes	\$368	\$615
Urban renewal tax increment financing revenue bonds	150	165
Revenue Notes	267	469
Total	\$785	\$1,249

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

City elected and appointed officials considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for various City activities. These factors include the economy, assessed valuations, increased operating costs to the city, aging infrastructure and equipment, capital projects and limited revenue sources. The City also has been quite successful recently in obtaining grants to offset the cost of projects and will continue to do so.

These factors were taken into account when adopting the budget for fiscal year 2010. Budgeted disbursements are expected to remain relatively constant however, the Highway Project budget will be a noticeable 2010 budget expenditure.

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 Ron Dunt, City Manager, 122 1st Ave NW, Hampton, Iowa.

Basic Financial Statements

CITY OF HAMPTON

STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS

As of and for the Year Ended June 30, 2009

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Functions/Programs:				
Governmental Activities:				
Public Safety	\$921,632	\$100,450	\$199,825	\$1,269
Public Works	640,344	25,509	349,967	0
Health & Social Services	5,605	0	0	0
Culture & Recreation	602,299	189,452	1,914	0
Community & Economic Development	156,472	0	0	59,619
General Government	271,409	35,955	1,500	0
Debt Service	329,696	0	0	0
Capital Projects	160,373	0	0	108,033
Total Governmental Activities	<u>3,087,830</u>	<u>351,366</u>	<u>553,206</u>	<u>168,921</u>
Business Type Activities:				
Water	574,613	689,498	0	0
Water Revenue Note Sinking	216,577	0	0	0
Sewer Rental	252,857	512,984	0	0
Solid Waste	31,243	29,300	0	0
Meter Deposits	4,859	9,475	0	0
Total Business Type Activities	<u>1,080,149</u>	<u>1,241,257</u>	<u>0</u>	<u>0</u>
Total	<u>\$4,167,979</u>	<u>\$1,592,623</u>	<u>\$553,206</u>	<u>\$168,921</u>

General Receipts:

Property and Other County Tax Levied For:
 General Purposes
 Debt Service
 Local Option Sales Tax
 Unrestricted Interest on Investments
 Bond Proceeds
 Miscellaneous
 Transfers

Total General Receipts & 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
 Debt Service
 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

<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>
\$(620,088)	\$0	\$(620,088)
(264,868)	0	(264,868)
(5,605)	0	(5,605)
(410,933)	0	(410,933)
(96,853)	0	(96,853)
(233,954)	0	(233,954)
(329,696)	0	(329,696)
(52,340)	0	(52,340)
<u>(2,014,337)</u>	<u>0</u>	<u>(2,014,337)</u>
0	114,885	114,885
0	(216,577)	(216,577)
0	260,127	260,127
0	(1,943)	(1,943)
0	4,616	4,616
<u>0</u>	<u>161,108</u>	<u>161,108</u>
<u>\$(2,014,337)</u>	<u>\$161,108</u>	<u>\$(1,853,229)</u>
\$1,237,759	\$0	\$1,237,759
187,257	0	187,257
312,342	0	312,342
115,907	0	115,907
27,600	0	27,600
102,852	0	102,852
(156,171)	156,171	0
<u>1,827,546</u>	<u>156,171</u>	<u>1,983,717</u>
(186,791)	317,279	130,488
<u>2,669,411</u>	<u>1,902,001</u>	<u>4,571,412</u>
<u>\$2,482,620</u>	<u>\$2,219,280</u>	<u>\$4,701,900</u>
\$150,471	\$0	\$150,471
773,104	0	773,104
229,409	634,898	864,307
561,604	0	561,604
768,032	1,584,382	2,352,414
<u>\$2,482,620</u>	<u>\$2,219,280</u>	<u>\$4,701,900</u>

CITY OF HAMPTON

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

As of and for the Year Ended June 30, 2009

	General	Special Revenue	
		Road Use Tax	Employee Benefits
Receipts:			
Property Tax	\$842,617	\$0	\$280,793
Other City Tax	77,028	0	12,142
Licenses & Permits	26,211	0	0
Use of Money & Property	124,394	0	0
Intergovernmental	223,014	349,967	0
Charges for Service	335,997	0	0
Special Assessments	15,487	0	0
Miscellaneous	35,229	940	0
Total Receipts	1,679,977	350,907	292,935
Disbursements:			
Operating:			
Public Safety	727,325	0	192,204
Public Works	106,086	472,557	61,701
Health & Social Services	5,605	0	0
Culture & Recreation	534,061	0	61,455
Community & Economic Development	24,532	0	0
General Government	262,303	0	9,106
Debt Service	0	0	0
Capital Projects	0	0	0
Total Disbursements	1,659,912	472,557	324,466
Excess (Deficiency) of Receipts Over (Under) Disbursements	20,065	(121,650)	(31,531)
Other Financing Sources (Uses):			
Note Proceeds	0	0	0
Operating Transfers In	181,350	0	0
Operating Transfers Out	(1,190)	0	0
Total Other Financing Sources (Uses)	180,160	0	0
Net Change in Cash Balances	200,225	(121,650)	(31,531)
Cash Balances Beginning of Year	842,237	272,121	90,866
Cash Balances End of Year	\$1,042,462	\$150,471	\$59,335
Cash Basis Fund Balances			
Reserved:			
Debt Service	\$0	\$0	\$0
Cemetery Perpetual Care	0	0	0
Pool	311,421	0	0
Fire Truck	1,269	0	0
Unreserved:			
General Fund	729,772	0	0
Special Revenue Funds	0	150,471	59,335
Capital Projects Funds	0	0	0
Total Cash Basis Fund Balances	\$1,042,462	\$150,471	\$59,335

See Notes to Financial Statements

Exhibit B

Special Revenue		Debt Service	Other Nonmajor Governmental Funds	Total
Local Option Sales Tax	Tax Increment Financing			
\$0	\$0	\$179,678	\$24,143	\$1,327,231
312,342	0	7,579	1,036	410,127
0	0	0	0	26,211
0	0	0	8,362	132,756
0	0	0	167,547	740,528
0	0	0	0	335,997
0	0	0	0	15,487
0	0	0	5,104	41,273
312,342	0	187,257	206,192	3,029,610
0	0	0	2,103	921,632
0	0	0	0	640,344
0	0	0	0	5,605
0	0	0	6,783	602,299
0	63,815	0	68,125	156,472
0	0	0	0	271,409
0	121,175	187,495	21,026	329,696
0	0	0	160,373	160,373
0	184,990	187,495	258,410	3,087,830
312,342	(184,990)	(238)	(52,218)	(58,220)
0	0	0	27,600	27,600
0	0	0	1,190	182,540
(312,342)	0	0	(25,179)	(338,711)
(312,342)	0	0	3,611	(128,571)
0	(184,990)	(238)	(48,607)	(186,791)
0	958,094	243,365	262,728	2,669,411
\$0	\$773,104	\$243,127	\$214,121	\$2,482,620
\$0	\$0	\$243,127	\$(13,718)	\$229,409
0	0	0	178,031	178,031
0	0	0	0	311,421
0	0	0	0	1,269
0	0	0	0	729,772
0	773,104	0	84,953	1,067,863
0	0	0	(35,145)	(35,145)
\$0	\$773,104	\$243,127	\$214,121	\$2,482,620

CITY OF HAMPTON

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BALANCES – PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2009**

	Water	Water Revenue Note Sinking	Water Improvement
Operating Receipts:			
Charges for Service	\$621,452	\$0	\$0
Miscellaneous	68,046	0	0
Total Operating Receipts	<u>689,498</u>	<u>0</u>	<u>0</u>
Operating Disbursements:			
Business Type Activities			
Total Operating Disbursements	<u>574,613</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	<u>114,885</u>	<u>0</u>	<u>0</u>
Non-Operating Disbursements			
Debt Service	<u>0</u>	<u>(216,577)</u>	<u>0</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	<u>114,885</u>	<u>(216,577)</u>	<u>0</u>
Operating Transfers In	<u>0</u>	<u>156,171</u>	<u>0</u>
Net Change in Cash Balances	<u>114,885</u>	<u>(60,406)</u>	<u>0</u>
Cash Balances Beginning of Year	<u>672,740</u>	<u>278,333</u>	<u>100,000</u>
Cash Balances End of Year	<u>\$787,625</u>	<u>\$217,927</u>	<u>\$100,000</u>
Cash Basis Fund Balances			
Reserved for Debt Service	\$0	\$217,927	\$100,000
Unreserved	787,625	0	0
Total Cash Basis Fund Balances	<u>\$787,625</u>	<u>\$217,927</u>	<u>\$100,000</u>

See Notes to Financial Statements

Exhibit C

Water Reserve	Water Construction	Sewer Rental	Solid Waste	Meter Deposits	Total
\$0	\$0	\$508,530	\$29,300	\$0	\$1,159,282
0	0	4,454	0	9,475	81,975
0	0	512,984	29,300	9,475	1,241,257
0	0	252,857	31,243	4,859	863,572
0	0	260,127	(1,943)	4,616	377,685
0	0	0	0	0	(216,577)
0	0	260,127	(1,943)	4,616	161,108
0	0	0	0	0	156,171
0	0	260,127	(1,943)	4,616	317,279
62,568	254,403	447,852	63,808	22,297	1,902,001
\$62,568	\$254,403	\$707,979	\$61,865	\$26,913	\$2,219,280
\$62,568	\$254,403	\$0	\$0	\$0	\$634,898
0	0	707,979	61,865	26,913	1,584,382
\$62,568	\$254,403	\$707,979	\$61,865	\$26,913	\$2,219,280

City of Hampton

Notes to Financial Statements

June 30, 2009

Note 1: Summary of Significant Accounting Policies

The City of Hampton is a political subdivision of the State of Iowa located in Franklin County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of 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. The City of Hampton has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: North Iowa Task Force, the Landfill of North Iowa, and the Franklin County Emergency Management Commission, the Franklin County E911 Service Board and the Franklin County Conference Board.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

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

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

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

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

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

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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 this 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 Employee Benefits Fund is used to account for employee benefits financed by property tax collections.

The Local Option Sales Tax Fund is used to account for the collection of local option sales tax.

The Tax Increment Financing Fund is a discretionary major fund used to account for urban renewal projects financed by tax increment financing.

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

The City reports the following major proprietary funds:

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

The Water Revenue Note Sinking Fund is used to account for the payment of interest and principal on the City's water related debt. This fund is required by the City's debt agreements.

The Water Improvement Fund is a discretionary major fund used to account for funds held by the City for future water improvement projects. This fund is required by the City's debt agreements.

The Water Reserve Fund is a discretionary major fund used to account for the funds held by the City as a reserve as required by the City's debt agreements.

The Water Construction Fund is a discretionary major fund utilized to account for funds held by the City for future water construction projects, also required by the City's debt agreements.

Notes to Financial Statements (Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

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

The Solid Waste Fund is a discretionary major fund used to account for receipts and disbursements related to solid waste collection and disposal.

The Meter Deposit Fund is a discretionary major fund used to account for the receipts and disbursements related to providing utility services.

C. Measurement Focus and Basis of Accounting

The City of 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 financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the Public Safety, Health and Social Services, Culture and Recreation and Debt Service functions.

Note 2: Cash and Pooled 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.

Notes to Financial Statements (Continued)

Note 2: Cash and Pooled Investments (Continued)

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 City's investments at June 30, 2009 are as follows:

Type	Carrying Amount	Fair Value	Maturity
Fixed Income	\$158,358	\$158,904	Various

Note 3: Bonds and Notes Payable

Annual debt service requirements to maturity for General Obligation Notes and Bonds, Revenue Bonds are as follows:

Year Ending June 30,	General Obligation Notes and Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$180,000	\$23,740	\$63,000	\$9,991	\$243,000	\$33,731
2011	217,600	14,410	66,000	7,723	283,600	22,133
2012	15,000	4,320	68,000	5,314	83,000	9,634
2013	15,000	3,840	70,000	2,730	85,000	6,570
2014	15,000	3,338	0	0	15,000	3,338
2015-2018	75,000	7,420	0	0	75,000	7,420
Total	\$517,600	\$57,068	\$267,000	\$25,758	\$784,600	\$82,826

On August 1, 2002, the City issued \$780,000 of Water Revenue Refunding Capital Loan Notes. The notes are not general obligations of the City and are payable solely and only out of the future net revenues of the municipal water utility, a sufficient portion of which has been ordered set aside and pledged for that purpose. The notes are not payable in any manner by taxation and under no circumstances shall the City be in any manner liable by reason of failure of said revenue to be sufficient for the payment of the Notes and the interest thereon.

The Note resolution requires Sinking, Reserve, Improvement and Construction Funds be established for debt service and extraordinary maintenance expenses. Interest payments are semiannual commencing on March 1, 2003. Principal payments are semiannual commencing on September 1, 2003, continuing through September 1, 2008. The Notes were retired during fiscal year 2009.

Notes to Financial Statements (Continued)

Note 3: Bonds and Notes Payable (Continued)

On February 25, 2008, the City refunded the 1998 Local Option Sales and Service Tax Revenue Bond by issuing \$324,000 of Local Option Sales and Service Tax Revenue Refunding Bonds, Series 2008. Interest is due semiannually commencing August 1, 2008 and principle is due annually commencing February 1, 2009, until February 1, 2013. Interest rates range from 3.5% to 3.9%. The bonds are not general obligations of the City and are payable solely and only by certain Local Option Tax Revenues.

In May of 2007, the City issued \$165,000 of General Obligation Capital Loan Notes, Series 2007. The notes were issued for the purpose of paying a portion of the costs of constructing street and related utility improvements, including those costs associated with the Oakhill Drive Project. Interest is due on December 1, 2007 and June 1, 2008. The entire principal was due on June 1, 2008. On May 29, 2008, the Notes were refunded by issuing \$165,000 of General Obligation Capital Loan Notes, Series 2008. Interest is due semiannually commencing on December 1, 2008. Principal is due annually commencing on June 1, 2009, to be paid in full on June 1, 2018. Interest rates range from 2.6% to 3.9%.

The City is in compliance with the provisions of the Note Resolutions.

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, PO Box 9117, Des Moines, IA 50306-9117.

Most regular 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. Certain employees in special risk occupations and the City contributes an actuarially determined contribution rate. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$84,522, \$73,015 and \$66,026, respectively, equal to the required contribution for each year.

Note 5: Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and overtime 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 termination payments payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

Notes to Financial Statements (Continued)

Note 5: Compensated Absences (Continued)

Type of Benefit	Amount
Vacation	\$55,778
Overtime	93,327
	<u>\$149,105</u>

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

Note 6: Interfund Transfers

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

Transfer To	Transfer From	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$156,171
	Emergency	25,179
		<u>181,350</u>
Enterprise	Special Revenue:	
Water Sinking	Local Option Sales Tax	<u>156,171</u>
Permanent		
Cemetery Perpetual Care	General	1,190
		<u>\$338,711</u>

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

Note 7: Related Party Transactions

The City had business transactions between the City and City officials totaling \$1,356 during the year ended June 30, 2009.

Note 8: Landfill of North Iowa

The City, in conjunction with seventeen other municipalities, has created the Landfill of North Iowa. The Landfill was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Landfill will be prorated among the municipalities. The Landfill is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

Notes to Financial Statements (Continued)

Note 8: Landfill of North Iowa(Continued)

The Landfill is not accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debt, therefore, the City of Hampton has an ongoing financial responsibility. The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2009, the City of Hampton paid \$5,694 for its share of the costs. Completed financial statements for the Landfill can be obtained from the Landfill of North Iowa.

Note 9: Risk Management

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

Note 10: Budget Over Expenditure

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2009, disbursements in the Public Safety, Health and Social Services, Culture and Recreation and Debt Service function exceeded the amounts budgeted.

Note 11: Excess Fund Balances

We noted the fund balances of several funds were in excess of disbursements for the current year.

Note 12: Financial Condition

We noted the fund balances of the Debt Service Special Assessment Fund and the Capital Projects funds were in deficit at the end of the year.

Note 13: Construction Commitment

On May 8, 2009, the City entered into a contract with Voltmer Inc. in the amount of \$170,033 for lighting improvements at the Hampton Municipal Airport.

On May 26, 2009, the City entered into a contract with Peterson Contractors Inc. in the amount of \$4,302,756 for the reconstruction of Highway 65.

Notes to Financial Statements (Continued)

Note 14: Subsequent Events

The City issued \$2,760,000 General Obligation Bonds, Series 2009 (Urban Renewal) dated July 6, 2009. The bonds were issued to pay the costs of construction, reconstruction and installation of roadway and related storm sewer, sanitary sewer and water system utility improvements including costs associated with the Highway 65 Reconstruction Project. The bonds are general obligations of the City, however a portion of the debt will be serviced by tax increment revenues collected from the City's Urban Renewal area. The City did receive \$27,600 as a good faith deposit in June of 2009, that amount is shown as outstanding debt at June 30, 2009.

Note 15: Restatement of Beginning Fund Balance

The City voided a check written in fiscal 2008 during fiscal 2009 resulting in an understatement of \$30,000 in the Tax Increment Financing Fund, at the beginning of the year. The beginning fund balance has been adjusted to reflect this amount.

Required Supplementary Information

CITY OF HAMPTON

BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS & CHANGES IN BALANCES – BUDGET AND
ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND
PROPRIETARY FUNDS – REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property Tax	\$1,327,231	\$0	\$1,327,231
Other City Tax	410,127	0	410,127
Licenses & Permits	26,211	0	26,211
Use of Money & Property	132,756	0	132,756
Intergovernmental	740,528	0	740,528
Charges for Service	335,997	1,159,282	1,495,279
Special Assessments	15,487	0	15,487
Miscellaneous	41,273	81,975	123,248
Total Receipts	3,029,610	1,241,257	4,270,867
Disbursements:			
Public Safety	921,632	0	921,632
Public Works	640,344	0	640,344
Health & Social Services	5,605	0	5,605
Culture & Recreation	602,299	0	602,299
Community & Economic Development	156,472	0	156,472
General Government	271,409	0	271,409
Debt Service	329,696	0	329,696
Capital Projects	160,373	0	160,373
Business Type Activities	0	1,080,149	1,080,149
Total Disbursements	3,087,830	1,080,149	4,167,979
Excess (Deficiency) of Receipts Over (Under) Disbursements	(58,220)	161,108	102,888
Other Financing Sources (Uses), Net	(128,571)	156,171	27,600
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	(186,791)	317,279	130,488
Balances Beginning of Year	2,669,411	1,902,001	4,571,412
Balances End of Year	\$2,482,620	\$2,219,280	\$4,701,900

See Accompanying Independent Auditors' Report

Budgeted Amounts		Final to Total
Original	Final	Variance
\$1,330,691	\$1,330,691	\$(3,460)
372,170	372,170	37,957
14,550	14,550	11,661
175,000	175,000	(42,244)
862,500	1,022,500	(281,972)
1,209,400	1,309,400	185,879
16,000	16,000	(513)
27,500	167,500	(44,252)
4,007,811	4,407,811	(136,944)
877,600	889,100	(32,532)
560,225	700,225	59,881
5,500	6,000	395
424,489	501,489	(100,810)
126,000	314,000	157,528
300,325	317,325	45,916
324,085	324,085	(5,611)
1,035,000	1,035,000	874,627
1,128,248	1,253,248	173,099
4,781,472	5,340,472	1,172,493
(773,661)	(932,661)	1,035,549
820,000	2,820,000	(2,792,400)
46,339	1,887,339	(1,756,851)
4,633,341	4,633,341	(61,929)
\$4,679,680	\$6,520,680	\$(1,818,780)

City of Hampton

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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, the Permanent Fund and Enterprise 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, a budget amendment increased budgeted disbursements by \$559,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the Public Safety, Health and Social Services, Culture and Recreation and Debt Service functions.

Other Supplementary Information

CITY OF HAMPTON

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES
IN CASH BALANCES – NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	Special Revenue			
	Forfeiture	Emergency Tax	Economic Development	Library Trust
Receipts:				
Property Tax	\$0	\$24,143	\$0	\$0
Other City Tax	0	1,036	0	0
Use of Money & Property	535	0	0	13
Intergovernmental	0	0	59,514	0
Miscellaneous	1,011	0	105	0
Total Receipts	1,546	25,179	59,619	13
Disbursements:				
Operating:				
Public Safety	2,103	0	0	0
Culture & Recreation	0	0	0	0
Community & Economic Development	0	0	68,125	0
Debt Service	0	0	0	0
Capital Projects	0	0	0	0
Total Disbursements	2,103	0	68,125	0
Excess (Deficiency) of Receipts Over (Under) Disbursements	(557)	25,179	(8,506)	13
Other Financing Sources (Uses):				
Note Proceeds	0	0	0	0
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	(25,179)	0	0
	0	(25,179)	0	0
Net Change in Cash Balances	(557)	0	(8,506)	13
Cash Balances Beginning of Year	3,264	0	19,869	2,575
Cash Balances End of Year	\$2,707	\$0	\$11,363	\$2,588
Cash Basis Fund Balances				
Reserved for:				
Debt Service	\$0	\$0	\$0	\$0
Cemetery Perpetual Care	0	0	0	0
Unreserved:				
Special Revenue Funds	2,707	0	11,363	2,588
Capital Project Funds	0	0	0	0
Total Cash Basis Fund Balances	\$2,707	\$0	\$11,363	\$2,588

See Accompanying Independent Auditors' Report.

Schedule 1

Special Revenue	Debt Service	Capital Projects			Permanent	
Cemetery Trust	Special Assessments	Airport Project	Oak-Hill Project	Hwy 65 Project	Cemetery Perpetual Care	Total
\$0	\$0	\$0	\$0	\$0	\$0	\$24,143
0	0	0	0	0	0	1,036
7,725	0	0	0	0	89	8,362
0	0	108,033	0	0	0	167,547
0	0	0	3,988	0	0	5,104
7,725	0	108,033	3,988	0	89	206,192
0	0	0	0	0	0	2,103
6,783	0	0	0	0	0	6,783
0	0	0	0	0	0	68,125
0	21,026	0	0	0	0	21,026
0	0	124,803	0	35,570	0	160,373
6,783	21,026	124,803	0	35,570	0	258,410
942	(21,026)	(16,770)	3,988	(35,570)	89	(52,218)
0	0	0	0	27,600	0	27,600
0	0	0	0	0	1,190	1,190
0	0	0	0	0	0	(25,179)
0	0	0	0	27,600	1,190	3,611
942	(21,026)	(16,770)	3,988	(7,970)	1,279	(48,607)
67,353	7,308	9,726	(10,551)	(13,568)	176,752	262,728
\$68,295	\$(13,718)	\$(7,044)	\$(6,563)	\$(21,538)	\$178,031	\$214,121
\$0	\$(13,718)	\$0	\$0	\$0	\$0	\$(13,718)
0	0	0	0	0	178,031	178,031
68,295	0	0	0	0	0	84,953
0	0	(7,044)	(6,563)	(21,538)	0	(35,145)
\$68,295	\$(13,718)	\$(7,044)	\$(6,563)	\$(21,538)	\$178,031	\$214,121

CITY OF HAMPTON
 SCHEDULE OF INDEBTEDNESS
 Year Ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes/Bonds:			
Fire Truck/Street Improvement/Industrial Park	Sept. 1, 2000	4.90 – 5.50%	\$1,300,000
Franklin Prairie	Apr. 1, 2001	4.25 – 5.10%	250,000
Oakhill Drive Project	May 29, 2008	2.60 – 3.90%	165,000
Urban Renewal	July 6, 2009	2.25 – 4.30%	2,760,000
Revenue Notes			
Refunding Note – Water Plant	Aug. 1, 2002	2.75 – 4.40%	780,000
Local Option Tax Revenue Bond			
Water Tower	Feb. 25, 2008	3.50 – 3.90%	324,000

See Accompanying Independent Auditors' Report.

Schedule 2

Balance Beginning Of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$500,000	\$0	\$160,000	\$340,000	\$27,095	\$0
115,000	0	115,000	0	5,775	0
165,000	0	15,000	150,000	5,626	0
0	27,600	0	27,600	0	0
<u>\$780,000</u>	<u>\$27,600</u>	<u>\$290,000</u>	<u>\$517,600</u>	<u>\$38,496</u>	<u>\$0</u>
<u>\$145,000</u>	<u>\$0</u>	<u>\$145,000</u>	<u>\$0</u>	<u>\$3,190</u>	<u>\$0</u>
<u>\$324,000</u>	<u>\$0</u>	<u>\$57,000</u>	<u>\$267,000</u>	<u>\$11,187</u>	<u>\$0</u>

CITY OF HAMPTON

**Bond and Note Maturities
June 30, 2009**

General Obligation Notes

Oak Hill Project Note Issued May 29, 2009			Fire Truck, Street Industrial Park Issued September 1, 2000		
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Total
2010	2.80%	\$15,000	5.40%	\$165,000	\$180,000
2011	3.10%	15,000	5.50%	175,000	190,000
2012	3.20%	15,000	0.00%	0	15,000
2013	3.35%	15,000	0.00%	0	15,000
2014	3.45%	15,000	0.00%	0	15,000
2015	3.60%	15,000	0.00%	0	15,000
2016	3.70%	20,000	0.00%	0	20,000
2017	3.80%	20,000	0.00%	0	20,000
2018	3.90%	20,000	0.00%	0	20,000
		<u>\$150,000</u>		<u>\$340,000</u>	<u>\$490,000</u>

Revenue Bond

Local Option Sales and Service Tax
Revenue Refunding Bonds Issued
February 25, 2008

Year Ending June 30,	Interest Rates	Amount
2010	3.60%	\$63,000
2011	3.65%	66,000
2012	3.80%	68,000
2013	3.90%	70,000
		<u>\$267,000</u>

See Accompanying Independent Auditors' Report.

CITY OF HAMPTON

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS
BY FUNCTION – ALL GOVERNMENTAL FUNDS
For the Last Six Years**

	2009	2008	2007
Receipts:			
Property Tax	\$1,327,231	\$1,198,746	\$1,271,143
Tax Increment Financing Collections	0	1,903	637,728
Other City Tax	410,127	369,711	436,195
Licenses & Permits	26,211	10,970	14,107
Use of Money & Property	133,678	180,305	169,065
Intergovernmental	740,528	609,780	604,861
Charges for Service	335,997	328,877	189,941
Special Assessments	15,487	14,841	22,976
Miscellaneous	40,351	66,357	48,244
Total	\$3,029,610	\$2,781,490	\$3,394,260
Disbursements:			
Operating:			
Public Safety	\$921,632	\$782,560	\$807,758
Public Works	640,344	466,381	426,900
Health & Social Services	5,605	4,561	3,154
Culture & Recreation	602,299	469,363	457,181
Community and Economic Development	156,472	205,235	102,761
General Government	271,409	280,606	218,948
Debt Service	329,696	706,596	542,176
Capital Projects	160,373	355,102	112,569
Total	\$3,087,830	\$3,270,404	\$2,671,447

See Accompanying Independent Auditors' Report.

Schedule 4

2006	2005	2004
\$1,200,086	\$1,098,479	\$1,219,295
700,657	1,037,593	859,211
362,539	341,315	342,954
25,962	17,912	11,441
101,527	58,941	46,261
466,141	807,345	559,730
196,399	191,931	244,227
20,609	27,145	41,078
137,686	118,548	96,558
<u>\$3,211,606</u>	<u>\$3,699,209</u>	<u>\$3,420,755</u>
\$753,825	\$771,515	\$770,806
389,270	356,646	423,711
4,792	3,840	10,364
416,746	413,960	370,225
202,027	232,831	249,308
175,041	118,705	146,120
812,783	624,400	887,549
0	215,123	0
<u>\$2,754,484</u>	<u>\$2,737,020</u>	<u>\$2,858,083</u>



Gardiner Thomsen
Certified Public Accountants

**Independent Auditors' 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 and the aggregate remaining fund information of the City of Hampton, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 21, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of 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 City of Hampton's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of 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, including deficiencies we consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings to be material weaknesses, items A, B and C.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies, specifically, item D.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hampton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 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 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 City of Hampton'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 Hampton and other parties to whom the City of Hampton may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of 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.

December 21, 2009

Garretts Thompson, P.C.

City of Hampton
Hampton, Iowa

Schedule of Findings

Year Ended June 30, 2009

Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES/MATERIAL WEAKNESSES:

- A. Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

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

Response – We will review the procedures as suggested. We are in the process of cross training employees to further segregate duties. We have added a part time clerk to further segregate duties.

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

- B. Preparation of Full Disclosure Financial Statements – Internal controls over financial reporting include the actual preparation and review of financial statements, including footnote disclosure, for external reporting, as required by another comprehensive basis of accounting. The City of Hampton does not have the internal resources to prepare the full-disclosure financial statements required by an other comprehensive basis of accounting for external reporting. While this circumstance is not uncommon for most governmental entities, it is the responsibility of management and those charged with governance, to prepare reliable financial data, or accept the risk associated with this condition because of cost or other considerations.

Recommendation – We recognize that with a limited number of office employees, gaining sufficient knowledge and expertise to properly select and apply accounting principles and prepare full disclosure financial statements for external reporting purposes is difficult. However, we recommend that City officials continue to review operating procedures and obtain the internal expertise needed to handle all the aspects of external financial reporting, rather than rely on external assistance.

Response – We recognize our limitations, however it is not fiscally responsible to add additional staff at this time.

Conclusion – Response acknowledged.

City of Hampton
Hampton, Iowa

Schedule of Findings (Continued)

Year Ended June 30, 2009

Findings Related to the Financial Statements (Continued)

- C. Period End Financial Reporting Process – The City does not always follow established procedures for period end financial reporting process. These include procedures used to reconcile items in the general ledger from subsidiary ledgers, and ensuring that all recurring and nonrecurring adjustments to the financial statements have been made, including transfers.

Recommendation – Reconciling the subsidiary ledgers to the general ledger should be performed monthly and recurring journal entries should be made monthly, including transfers. A review should be performed to ensure that all transactions and journal entries have been recorded.

Response – We will review the procedures suggested.

Conclusion – Response accepted.

- D. Financial Reporting – During the audit, we identified material amounts of Library receipts and disbursements that were not posted to the general ledger. Also, a FAA Grant receipt was posted twice to the general ledger. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure all receipts and disbursements are correctly recorded in the City's financial statements.

Response – We will include procedures in our monthly reconciliation process to ensure all amounts are included.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Other Findings Related to Required Statutory Reporting:

1. Certified Budget – Disbursements during the year ended June 30, 2009, exceeded the amounts budgeted in the Public Safety, Health and Social Services, Culture and Recreation and Debt Service functions. Chapter 384.20 of the Code of Iowa states in part, that "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

**City of Hampton
Hampton, Iowa**

Schedule of Findings (Continued)

Year Ended June 30, 2009

Other Findings Related to Required Statutory Reporting: (Continued)

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

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

2. Questionable Disbursements – Certain expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These expenditures are detailed as follows:

Paid to	Purpose	Amount
Ady’s Floral Design	Roger Palmer Funeral Blooming Plant	\$22
Cathy’s Country Cook’n	Cake for Recognition Reception	50
Christensen Jewelry	Glass Engraving for Recognition Reception	372
Hampton Police Employees Association	Lemonade and Ice Cream for Retirement Party	40
Korner Bakery	Cake for Retirement Party	115
City of Hampton Petty Cash	Recognition Reception	21

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

**City of Hampton
Hampton, Iowa**

Schedule of Findings (Continued)

Year Ended June 30, 2009

Other Findings Related to Required Statutory Reporting: (Continued)

Recommendation – The Council should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including requirements for proper documentation.

Response – We are working on drafting new policies for retirement parties and recognition of employees.

Conclusion – Response acknowledged.

3. Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

4. Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title & Business Connection	Transaction Description	Amount
Trev Murphy, Waste Water Employee		
Parents own Murphy's Htg and Plumbing	Building and Equipment Repairs and Maintenance	\$1,036
Pat Palmer, City Councilperson		
Owner, Palmer & Palmer	Office Supply	280
Wilma Mason, Communications Supervisor (Police Dept.)		
Wilma Mason	Sewing and Pant Repair	40

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with Trev Murphy, Pat Palmer, and Wilma Mason do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

Recommendation –The City should refrain from conducting business with related parties.

Response – We will refrain from conducting business with related parties when possible.

Conclusion – Response accepted.

**City of Hampton
Hampton, Iowa**

Schedule of Findings (Continued)

Year Ended June 30, 2009

Other Findings Related to Required Statutory Reporting: (Continued)

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 ensure 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 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.
8. Excess Fund Balances – We noted the fund balances in the Special Revenue Funds: Tax Increment Financing, Forfeiture, Library Trust, Cemetery Trust, Cemetery Perpetual Care, Debt Service and Enterprise Funds: Water, Water Revenue Note Sinking, Water Improvement, Water Reserve, Water Construction, Sewer, Solid Waste and Meter Deposits were in excess of disbursements for the current year.

Recommendation – The City should investigate alternatives to eliminate the excesses.

Response – The City will investigate alternatives. The water related fund balances are required by the Water Revenue Note resolution. The remaining fund balances are earmarked for infrastructure improvements in the future.

Conclusion – Response accepted.

9. Revenue Bonds and Notes – The City has complied with the revenue bond and note resolutions.
10. Separately Maintained Accounts – The Police Department maintains the DARE account within the department. The receipts & disbursements of the accounts were not reflected in the City’s accounting system and were not included in the City’s annual budget, claims process or financial report.

Recommendation – In accordance with the Code of Iowa, a Special Revenue fund should be established for this account, all collections should be remitted to the City and all disbursements should be approved by the City Council and be reflected in the City’s accounting system, annual budget and financial report, claims should be approved by Council.

**City of Hampton
Hampton, Iowa**

Schedule of Findings (Continued)

Year Ended June 30, 2009

Other Findings Related to Required Statutory Reporting: (Continued)

Response – We will consider establishing a DARE fund.

Conclusion – Response acknowledged.

11. Financial Position – We noted that the Debt Service: Special Assessments and the Capital Projects Funds: Airport Project, Oak Hill Project and Highway 65 Project had deficit fund balances of \$13,718, \$7,044, \$6,563 and \$21,538 respectively at June 30, 2009.

Recommendation - The City should investigate alternatives to eliminate these deficits.

Response – The Debt Service – Special Assessments deficit will be eliminated by special assessments collected in the future. The Highway 65 Project deficit will be eliminated when the City issues bonds for the construction. The Airport Project deficit will be eliminated by FAA grant receipts upon completion of the project. The Capital Projects Oak Hill Project deficit will be eliminated through a transfer from General Fund when the project is complete.

Conclusion – Response accepted.

NEWS RELEASE

Gardiner Thomsen, Certified Public Accountants, today released an audit report on the City of Hampton.

The City's receipts totaled \$4,298,467 for the year ended June 30, 2009, a 5% decrease from 2008. The receipts included \$1,425,016 in property tax, \$1,592,623 from charges for service, \$553,206 from operating grants, contributions and restricted interest, \$168,921 from capital grants, contributions and restricted interest, \$312,342 from local option sales tax, \$115,907 from unrestricted investment earnings and \$130,452 from other general receipts.

Disbursements for the year totaled \$4,167,979 a 13% decrease from the prior year, and included \$921,632 for Public Safety, \$640,344 for Public Works, and \$602,299 for Culture and Recreation. Also, disbursements for business type activities totaled \$1,080,149.

The significant decrease in receipts and disbursements respectively is due primarily to a decrease in debt proceeds and decreased disbursements for Community and Economic Development, Debt Service payments and Capital Projects.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's website at <http://auditor.iowa.gov/reports/reports.htm>.