

**NEW HAMPTON MUNICIPAL  
LIGHT PLANT  
NEW HAMPTON, IOWA**

**FINANCIAL REPORT**

**JUNE 30, 2013**

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NEW HAMPTON MUNICIPAL LIGHT PLANT

OFFICIALS

Name	Title	Term Expires
Larry Thronson	Trustee	July 1, 2015
Janine Babcock	Trustee	July 1, 2016
Steve Dahl	Trustee	July 1, 2017
Jannette Hendricks	Trustee	July 1, 2013
Grant Anderson	Trustee	July 1, 2014
Suellen Kolbet	Secretary/Treasurer	Indefinite
Brian Quirk	Manager	Indefinite

**INDEPENDENT AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENTS**

To the Board of Trustees  
New Hampton Municipal Light Plant  
New Hampton, Iowa

**Report on the Financial Statements**

We have audited the accompanying statements of net position of the New Hampton Municipal Light Plant, a component unit of the City of New Hampton, as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, statements of cash flows, for the years then ended, and the related notes to the financial statements, which collectively comprise New Hampton Municipal Light Plant's financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of New Hampton Municipal Light Plant as of June 30, 2013 and 2012, and the respective changes in financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis and budgetary comparison information on pages 4 to 4c and pages 16 through 18 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the New Hampton Municipal Light Plant's financial statements. The schedule of operating expenses information is presented for purposes of additional analysis and is not a required part of the financial statements.

The schedule of operating expenses information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the schedule of operating expenses information are fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2014, on our consideration of New Hampton Municipal Light Plant'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New Hampton Municipal Light Plant's internal control over financial reporting and compliance.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
January 21, 2014

## NEW HAMPTON MUNICIPAL LIGHT PLANT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the New Hampton Municipal Light Plant's financial performance provides an overview of the Light Plant's financial activities for the fiscal year ending June 30, 2013. Please read this in conjunction with the transmittal letter and the Light Plant's financial statements contained within this audit report.

#### 2013 FINANCIAL HIGHLIGHTS

- The Light Plant's total operating revenues of \$4,182,751 for fiscal 2013 increased \$414,637, or 11.0% from fiscal year 2012.
- The Light Plant's total operating expenses of \$3,270,784 was an increase of \$122,600, or 3.9% more than in fiscal 2012.
- The Light Plant's total net position is \$17,624,759, an increase of \$773,061 or 4.6% from June 30, 2012.

#### 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 financial statements and provides an analytical overview of the Light Plant's financial activities.
- Financial statements consist of statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows. These provide information about the activities of the Light Plant as a whole and provide an overall view of the Light Plant's finances.
- Notes to the financial statements provide additional information essential to a full understanding of the data provided in the financial statements.
- The required supplementary information further explains and supports the financial statements with a comparison of the Light Plant's budget for the year. It also schedules the adjustments needed to arrive at the cash basis of accounting needed for budget purposes from the accrual basis of accounting which the financial statements are prepared on.

#### REPORTING THE LIGHT PLANT'S FINANCIAL ACTIVITIES

##### STATEMENTS OF NET POSITION

As noted earlier, net position may serve over time as a useful indicator of the Light Plant's financial position. The Light Plant's net position for fiscal year 2013 totaled \$17,624,759. This compares to \$16,851,698 for fiscal 2012. A summary of the Light Plant's net position for the last five years is presented below:

**REPORTING THE LIGHT PLANT'S FINANCIAL ACTIVITIES (Continued)**

**STATEMENTS OF NET POSITION (Continued)**

**Net Position  
(In Thousands)**

	2013	2012	2011	2010	2009
<b>Current and other assets</b>	\$ 4,298	\$ 3,551	\$ 3,432	\$ 2,869	\$ 2,214
<b>Noncurrent assets</b>					
Restricted investments	1,758	1,758	1,758	1,558	1,558
Other assets	777	747	718	786	663
Capital assets at cost, Less accumulated depreciation	13,674	14,103	13,717	13,811	14,240
<b>Total noncurrent assets</b>	16,209	16,608	16,193	16,155	16,461
<b>Total assets</b>	\$ 20,507	\$ 20,159	\$ 19,625	\$ 19,024	\$ 18,675
<b>Current liabilities</b>	\$ 467	\$ 707	\$ 451	\$ 534	\$ 378
<b>Noncurrent liabilities</b>	2,415	2,600	2,780	2,950	3,115
<b>Total liabilities</b>	2,882	3,307	3,231	3,484	3,493
<b>Net position</b>					
Invested in capital assets, net of related debt	11,097	11,528	10,702	10,633	10,905
Restricted	2,808	2,555	2,292	1,896	1,896
Unrestricted	3,720	2,769	3,400	3,011	2,381
<b>Total net position</b>	17,625	16,852	16,394	15,540	15,182
<b>Total liabilities and net position</b>	\$ 20,507	\$ 20,159	\$ 19,625	\$ 19,024	\$ 18,675

Net position of the utility increased from fiscal year 2012 by \$773,061 or 4.6%. The largest portion of the utilities' net position is invested in capital assets (e.g., land, infrastructure, buildings, and equipment). Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position-the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, is \$3,719,844 at June 30, 2013.

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating revenues are received for the sale of electricity to customers within the New Hampton Municipal Light Plant's service territory. Operating expenses are expenses paid to operate the utility. Nonoperating revenues and expenses are for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses, and changes in net position is presented below:

	Statements of Revenues, Expenses and Changes in Net Position (In Thousands)				
	2013	2012	2011	2010	2009
<b>Operating revenues:</b>					
Charges for services					
Sale of electricity	\$ 4,142	\$ 3,724	\$ 3,818	\$ 3,246	\$ 3,118
Miscellaneous					
Rental	14	21	9	24	5
Other	26	23	42	41	37
<b>Total operating revenues</b>	<b>4,182</b>	<b>3,768</b>	<b>3,869</b>	<b>3,311</b>	<b>3,160</b>
<b>Operating expenses:</b>					
Plant operation	1,978	1,830	1,670	1,567	1,587
Distribution	231	306	247	248	214
Administration	443	382	414	447	484
Payment in lieu of taxes	50	50	15	15	33
Depreciation	562	568	534	538	542
Amortization	6	12	12	12	12
<b>Total operating expenses</b>	<b>3,270</b>	<b>3,148</b>	<b>2,892</b>	<b>2,827</b>	<b>2,872</b>
<b>Operating income</b>	<b>912</b>	<b>620</b>	<b>977</b>	<b>484</b>	<b>288</b>
<b>Nonoperating revenues (expenses)</b>					
Interest expense	(136)	(143)	(150)	(156)	(162)
Economic development	(4)	(5)		(7)	(100)
Patronage dividend					
Refunds				55	
Bad debt expense				(15)	
Gain on sale of equipment	40				
Interest income	16	26	30	47	88
<b>Total nonoperating revenues (expenses)</b>	<b>(84)</b>	<b>(122)</b>	<b>(120)</b>	<b>(76)</b>	<b>(174)</b>
<b>Income before transfers</b>	<b>828</b>	<b>498</b>	<b>857</b>	<b>408</b>	<b>114</b>
<b>Transfers City of New Hampton</b>	<b>(55)</b>	<b>(40)</b>	<b>(50)</b>	<b>(50)</b>	<b>(65)</b>
<b>Change in net position</b>	<b>773</b>	<b>458</b>	<b>807</b>	<b>358</b>	<b>49</b>
<b>Total net position, beginning of year</b>	<b>16,852</b>	<b>16,394</b>	<b>15,587</b>	<b>49</b>	<b>-</b>
<b>Total net position, end of year</b>	<b>\$ 17,625</b>	<b>\$ 16,852</b>	<b>\$ 16,394</b>	<b>\$ 407</b>	<b>\$ 49</b>

The statements of revenues, expenses, and changes in net position reflect a positive year with an increase in the net position at the end of the fiscal year.

For the year ended June 30, 2013, operating revenues increased \$414,637 or 11.0%. Operating expenses increased by \$122,600 or 3.9%.

## STATEMENTS OF CASH FLOWS

The statements of cash flows presents information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes sale of electricity and other operating revenue and reduced by payments to employees and to suppliers. Cash used from capital and related financing activities includes the purchase and disposal of capital assets. Cash used by investing activities includes purchase and redemption of certificates of deposits, interest income, and patronage dividends.

### CAPITAL ASSETS

At June 30, 2013, the Light Plant had \$13,674,397 invested of capital assets, net of accumulated depreciation of \$10,441,008. Depreciation charges totaled \$561,807 for June 30, 2013. More information about the Light Plant's capital assets is presented in Notes 1 and 4 to the financial statements.

### LONG-TERM DEBT

At June 30, 2013, the Light Plant had \$2,600,000 in outstanding debt. More information about the Light Plant's debt is presented in Note 5 to the financial statements.

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

New Hampton Municipal Light Plant continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Light Plant officials. Some of the realities that may potentially become challenges for the Light Plant to meet are:

- Facilities at the Light Plant require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- The Light Plant anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Light Plant's ability to react to unknown issues.
- The Light Plant anticipates that the main area of concern regarding capital improvements in the next fiscal year will be working towards compliance with RICE rules. The Light Plant has entered into a construction contract with Farabee Mechanical, Inc. in the amount of \$899,792 to complete the power plant upgrades to comply.

The Light Plant Board continues to explore other options for purchase of base load, and to that end, has instituted a customer meter charge of \$10 per month for residential customers, \$15 per month for commercial customers and \$25 per month for industrial customers. Revenue from this charge is placed in a separate fund as a reserve for future base load purchase.

### CONTACTING THE LIGHT PLANT'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 Light Plant's finances and operating activities. It is our hope that such information will assist in assessing the Light Plant'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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NEW HAMPTON MUNICIPAL LIGHT PLANT  
STATEMENTS OF NET POSITION  
June 30, 2013 and 2012

ASSETS

	2013	2012
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,461,938	\$ 1,718,738
Investments	1,000,000	1,003,413
Accounts receivable	457,151	443,119
Accrued interest receivable	448	540
Inventory	315,812	318,445
Prepaid expenses	53,898	58,542
Current portion of deferred expenses	8,378	7,628
	4,297,625	3,550,425
<b>NONCURRENT ASSETS</b>		
Restricted investments	1,757,820	1,757,820
Deferred expenses, net of current portion	42,638	54,490
Bond fees, net of amortization	33,000	36,000
Investment in Walter Scott Jr. Number 4		
Restricted cash - capital improvement and operations	22,004	
Investment in common transmission system		
Restricted cash - CTS capital improvement	606,133	580,416
Plant acquisition costs, net of accumulated amortization		2,606
Investment in cooperatives		
Membership	211	176
Deferred patronage dividend receivable		
Corn Belt Power Cooperative (Corn Belt)	73,094	73,094
	2,534,900	2,504,602
<b>Capital assets</b>		
Capital assets, not being depreciated	67,728	67,728
Property, plant and equipment	24,047,677	24,058,292
Less accumulated depreciation	(10,441,008)	(10,022,738)
	13,674,397	14,103,282
<b>Total capital assets</b>	<b>13,674,397</b>	<b>14,103,282</b>
<b>Total assets</b>	<b>\$ 20,506,922</b>	<b>\$ 20,158,309</b>

See Notes to Financial Statements.

## LIABILITIES AND NET POSITION

	<u>2013</u>	<u>2012</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 181,035	\$ 408,391
Accrued wages	12,400	13,190
Sales tax payable	8,017	9,835
Accrued property taxes	27,377	30,022
Compensated absences payable	22,556	46,530
Accrued interest payable	10,764	11,409
Other payables	20,014	7,234
Current portion of bonds payable	<u>185,000</u>	<u>180,000</u>
Total current liabilities	<u>467,163</u>	<u>706,611</u>
<b>NONCURRENT LIABILITIES</b>		
Bonds payable	2,600,000	2,780,000
Less current portion	<u>(185,000)</u>	<u>(180,000)</u>
Total noncurrent liabilities	<u>2,415,000</u>	<u>2,600,000</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	11,096,633	11,527,873
Restricted, debt service	1,892,778	1,895,416
Restricted, base load	915,504	659,323
Unrestricted	<u>3,719,844</u>	<u>2,769,086</u>
Total net position	<u>17,624,759</u>	<u>16,851,698</u>
Total liabilities and net position	<u>\$ 20,506,922</u>	<u>\$ 20,158,309</u>

NEW HAMPTON MUNICIPAL LIGHT PLANT  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 Years Ended June 30, 2013 and 2012

	2013	2012
<b>OPERATING REVENUES</b>		
Charges for services		
Sale of electricity	\$ 4,141,843	\$ 3,724,354
Miscellaneous		
Rental	14,284	21,161
Other	26,624	22,599
<b>Total operating revenues</b>	<b>4,182,751</b>	<b>3,768,114</b>
<b>OPERATING EXPENSES</b>		
Plant operation	1,978,532	1,830,531
Distribution	231,368	306,597
Administration	443,471	381,639
Payment in lieu of taxes	50,000	50,000
Depreciation	561,807	567,729
Amortization	5,606	11,689
<b>Total operating expenses</b>	<b>3,270,784</b>	<b>3,148,185</b>
<b>Operating income</b>	<b>911,967</b>	<b>619,929</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest expense	(136,260)	(143,450)
Economic development grants	(4,300)	(5,000)
Gain on sale of capital asset	40,000	
Interest income	16,654	26,360
<b>Total nonoperating revenues (expenses)</b>	<b>(83,906)</b>	<b>(122,090)</b>
<b>Income before transfers</b>	<b>828,061</b>	<b>497,839</b>
<b>TRANSFERS</b>		
Transfers City of New Hampton	(55,000)	(40,000)
<b>Change in net position</b>	<b>773,061</b>	<b>457,839</b>
<b>TOTAL NET POSITION, beginning of year</b>	<b>16,851,698</b>	<b>16,393,859</b>
<b>TOTAL NET POSITION, end of year</b>	<b>\$ 17,624,759</b>	<b>\$ 16,851,698</b>

See Notes to Financial Statements.

NEW HAMPTON MUNICIPAL LIGHT PLANT  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 4,125,993	\$ 3,724,219
Payments to suppliers	(2,412,197)	(1,712,829)
Payments to employees	(464,780)	(536,970)
Payments in lieu of taxes	(50,000)	(50,000)
Receipts from other operating revenues	40,908	38,093
Net cash provided by operating activities	<u>1,239,924</u>	<u>1,462,513</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Payments for economic development	(4,300)	(5,000)
Payments to City of New Hampton	(55,000)	(40,000)
Net cash (used in) noncapital financing activities	<u>(59,300)</u>	<u>(45,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(132,922)	(990,271)
Proceeds from sale of capital assets	40,000	
Principal payments of long-term debt	(180,000)	(170,000)
Interest payments on long-term debt prior to amounts capitalized	(136,905)	(144,045)
Net cash (used in) capital and related financing activities	<u>(409,827)</u>	<u>(1,304,316)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(2,805,541)	(2,757,820)
Proceeds from disposal of investments	2,761,233	2,757,820
Investment in coop	(35)	(21)
Interest on investments	16,746	20,779
Net cash (used in) provided by investing activities	<u>(27,597)</u>	<u>20,758</u>
Net increase in cash and cash equivalents	743,200	133,955
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,718,738</u>	<u>1,584,783</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,461,938</u>	<u>\$ 1,718,738</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income	\$ 911,967	\$ 619,929
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	561,807	567,729
Amortization	5,606	11,689
Expiration of deferred expenses	11,102	8,037
(Increase) decrease in receivables	(14,032)	1,902
Decrease in inventory	2,633	17,423
Decrease (increase) in prepaid expenses	4,644	(4,386)
Increase in deferred patronage receivable		(5,667)
(Decrease) increase in accounts payable	(227,356)	255,440
Decrease in accrued wages	(790)	(1,709)
Decrease in sales tax payable	(1,818)	(2,037)
(Decrease) increase in accrued property taxes	(2,645)	1,483
Decrease in compensated absences	(23,974)	(3,156)
Increase (decrease) in other deductions payable	12,780	(4,164)
Net cash provided by operating activities	<u>\$ 1,239,924</u>	<u>\$ 1,462,513</u>

See Notes to Financial Statements.

# NEW HAMPTON MUNICIPAL LIGHT PLANT

## NOTES TO FINANCIAL STATEMENTS

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### 1. Nature of Operations and Significant Accounting Policies

#### a. Nature of Operations

The New Hampton Municipal Light Plant (Light Plant), located in Chickasaw County, Iowa was organized in 1963. The Light Plant, operating through a Board of Trustees, provides electrical power to commercial, governmental, industrial and residential customers in the City of New Hampton area.

#### b. Significant Accounting Policies

##### *Scope of Reporting Entity*

For financial reporting purposes, New Hampton Municipal Light Plant has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The Light Plant 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 Light Plant are such that exclusion would cause the Light Plant'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 Light Plant 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 Light Plant. The New Hampton Municipal Light Plant has no component units which meet the Governmental Accounting Standards Board criteria.

Based on the above criteria the Light Plant is then considered a component unit of the City of New Hampton. Therefore the cash, investments, receipts, and disbursements are also included in the City's annual financial statements filed under a separate report.

#### c. Fund Accounting

The accounts of the Light Plant are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net position, receipts and disbursements.

#### d. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus. They are also prepared on the accrual basis in accordance with U.S. generally accepted accounting principles after making memorandum adjusting entries at year end to the financial records which are maintained on the cash basis. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Light Plant applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

d. Measurement Focus and Basis of Accounting (Continued)

The Light Plant distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Light Plant's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

e. Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Light Plant Trustees annually adopt a budget on the cash basis following required public notice and hearing for all funds. The budget is then submitted for inclusion in the City of New Hampton's total budget for filing purposes. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

The budgetary comparison and related disclosures are reported in the required supplementary information section.

f. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

g. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Light Plant considers all highly liquid investments (including restricted assets when applicable) with a maturity of three months or less when purchased to be cash equivalents.

h. Investments

All of the investments carried in the financial statement, which consist of certificate of deposits, are stated at cost which approximates market.

i. Accounts Receivable

Accounts receivable represents the balance of unpaid services billed and management's estimate of services used between the periodic scheduled billing dates and the year end.

Management uses the allowance for doubtful accounts method in determining the write off of bad accounts. Management estimates that all receivables are fully collectible. Therefore, no allowance for doubtful accounts was provided. If amounts become uncollectible, they will be charged to operations when that determination is made.

j. Inventory

Inventory is valued at cost, on a first-in, first-out basis. Inventories consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

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

k. Deferred Expenses

Deferred expenses are the cost of acquiring rights related to the emission of environmental gases from its joint interest in a facility. The rights are available for the period July 1, 2007 through the year 2014. Management has estimated \$8,378 to be used in the next year and has classified that amount as a current asset.

l. Capital Assets and Depreciation

Capital assets are valued at cost or estimated cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Major renewals and betterments are capitalized. Maintenance and repairs are expensed as incurred. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Light Plant as assets with initial, individual costs in excess of a \$500 threshold and estimated useful lives in excess of two years.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The useful lives are as follows:

Buildings and systems	10-40
Machinery and equipment	5-10
Corn Belt – Common Transmission System	23
Walter Scott 4	36-55
Vehicle and office equipment	5-10

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest expense was capitalized in 2013.

m. Amortization

Fees related to issued bonds are being amortized over the life of the bond. The straight-line basis over 20 years is being used which approximates the effective interest method. Plant acquisition costs of the Corn Belt – Common Transmission System are being amortized on the straight-line basis over 23.3 years.

n. Compensated Absences

Employees' vacation accumulates for use in the year earned. Upon termination, retirement, or death, payment is made for the amount earned to the date in that year. Light Plant employee's sick leave hours may accumulate for subsequent payment at one-sixth of their accumulated hours. The liability is computed based on rates of pay in effect at June 30, 2013.

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

o. Net Position

The statements of net position present the Light Plant's assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

- Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position consists of net position with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position represents the difference between assets and liabilities that are not restricted and can be used for future obligations of the Light Plant.

p. Revenue Recognition

Revenues are recognized based upon services rendered to customers during the year. This includes services which are not yet formally billed at year's end due to the timing of billing cycles to the customers.

q. Sales and Similar Taxes

Taxable sales are stated net of any taxes required of taxing authorities. The Light Plant collects sales tax from customers and remits the entire amount to the State of Iowa.

r. Income Taxes

The Light Plant is not liable for income taxes; therefore no liability or provision for taxes is included in the financial statements.

s. Subsequent Event

Management has evaluated subsequent events through January 21, 2014, the date on which the financial statements were available to be issued.

2. Deposits and Investments

The Light Plant's deposits in banks at June 30, 2013 and 2012 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 Light Plant 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 Board of Trustees; 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 and improvement certificates of a drainage district.

The Light Plant had no long-term investments at June 30, 2013 except for an investment in the Iowa Public Agency Investment Trust which is valued at an amortized cost of \$3,413 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

2. Deposits and Investments (Continued)

*Interest Rate Risk*

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

3. Noncurrent Assets

Restricted investments represent funds the Light Plant has set aside early to be compliant with various covenants related to the bonds issued July 14, 2004.

The Light Plant is party to a joint ownership agreement with 14 other government and non-government owned utilities. The agreement states the Light Plant has a .56 of one percent undivided interest in the construction and operation of an electric generation station known as Walter Scott, Jr. Energy Center Unit (WS4). The station was placed in service in 2008. See Note 4 for total cost and related accumulated depreciation the Light Plant has invested. Operation costs and depreciation associated with this station are reflected in the statements of revenues, expenses, and changes in net position.

The Light Plant is a member of the North Iowa Municipal Electric Cooperative Association (NIMECA), a cooperative consisting of 13 municipalities located in Iowa. NIMECA was formed to consolidate the electric resources of its members and to serve as a joint power supply. NIMECA is also a member of Corn Belt Power Cooperative (Corn Belt). Through these two cooperatives the Light Plant purchases its power and sells any surplus.

a. Common Transmission System (CTS)

On January 1, 1989, NIMECA, acting as agent for its members, entered into a CTS agreement to combine the transmission capacity of Corn Belt and the members of NIMECA. The agreement provides for an 18.6% undivided ownership interest in the transmission line capacity of Corn Belt of which the Light Plant has a 21.7% interest.

The Light Plant's original acquisition consisted of the following:

Property, plant, and equipment	\$ 1,353,333
Less accumulated depreciation	(484,338)
	868,995
Plant acquisition costs	202,445
	\$ 1,071,440

See Note 4 for total cost and related accumulated depreciation to date the Light Plant has invested in the system.

The agreement also requires the Light Plant to fund its share of capital improvements through monthly assessments if needed. As of June 30, 2013 and 2012 the balance in the CTS capital improvement account is \$606,133 and \$580,416, respectively, and monthly assessments are not currently being required.

NOTES TO FINANCIAL STATEMENTS

3. Noncurrent Assets (Continued)

b. Deferred Patronage Dividend Receivable

The Board of Directors of Corn Belt and NIMECA has allocated earnings to their members in the form of patronage dividends. The dividends are payable in the future at the discretion of both Boards. During 2013 the Light Plant received no allocation from current operations. The Board this year elected not to pay out any past declared dividends.

4. Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<b>Capital assets, not being depreciated</b>				
Land	\$ 67,728			\$ 67,728
Construction in progress	None			None
	67,728			67,728
<b>Capital assets being depreciated</b>				
Buildings and system	12,023,190	\$ 2,247		12,025,437
Machinery and equipment	506,189	14,479	\$ 106,866	413,802
Common Transmission System (CTS)	3,167,104	103,153	26,698	3,243,559
Generation and Transmission System (WS4)	7,325,174			7,325,174
Stolz park substation	810,273	3,070		813,343
Vehicles and office equipment	226,362			226,362
<b>Total capital assets being depreciated</b>	<b>24,058,292</b>	<b>122,949</b>	<b>133,564</b>	<b>24,047,677</b>
<b>Less accumulated depreciation</b>				
Buildings and system	7,500,593	230,265		7,730,858
Machinery and equipment	191,009	39,043	106,866	123,186
Common Transmission System (CTS)	1,263,591	65,807	36,671	1,292,727
Generation and Transmission System (WS4)	815,269	194,088		1,009,357
Stolz park substation	52,809	20,640		73,449
Vehicles and office equipment	199,467	11,964		211,431
<b>Total accumulated depreciation</b>	<b>10,022,738</b>	<b>561,807</b>	<b>143,537</b>	<b>10,441,008</b>
<b>Total capital assets being depreciated, net</b>	<b>14,035,554</b>	<b>(438,858)</b>	<b>(9,973)</b>	<b>13,606,669</b>
<b>Capital assets, net</b>	<b>\$ 14,103,282</b>	<b>\$ (438,858)</b>	<b>\$ (9,973)</b>	<b>\$ 13,674,397</b>

NOTES TO FINANCIAL STATEMENTS

5. **Bonds Payable**

The Light Plant sold \$4,000,000 in Electric Revenue Bonds on July 14, 2004 to partially fund the Walter Scott Jr. 4 generation station and transmission project. As part of the sale the Light Plant had loan discount fees of \$60,000 which is being amortized at \$3,000 per year. At June 30, 2013 the unamortized balance was \$33,000.

A summary of the changes in debt, by type, for the year ended June 30, 2013 is as follows:

	Balance June 30, 2012	Borrowed	Paid	Balance June 30, 2013	Amounts Due Within One Year
Electric Revenues Bonds					
Series 2004	\$ 2,780,000	\$ None	\$ 180,000	\$ 2,600,000	\$ 185,000

An annual debt service requirement to maturity of the bond is as follows:

Year ending June 30,	Principal	Interest	Interest Rate
2014	\$ 185,000	\$ 129,165	4.40%
2015	195,000	121,025	4.50
2016	205,000	112,250	4.60
2017	215,000	102,820	4.75
2018	220,000	92,608	4.85
2019-2023	1,285,000	225,520	5.0-5.30
2024	295,000	15,930	5.40
	\$ 2,600,000	\$ 799,318	

The resolutions providing for the issuance of the revenue notes include the following provisions.

- a. The notes will only be redeemed from the future earnings of the Light Plant activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c. Additional monthly transfers shall be made until specific minimum balances have been accumulated and kept at that level. The sole purpose of this account is to pay the principal and interest when insufficient funds are in the sinking account.
- d. All funds remaining in the Light Plant account after the payment of all maintenance and operating expenses and required transfers shall be placed in an improvement account until a minimum of \$1,500,000 is accumulated. This account is restricted for the purpose of paying for any improvements, extensions or repair to the system, or for note and interest payments which the other accounts might be unable to make.

6. **Major Suppliers**

The Light Plant, being a member of the coop NIMECA, purchases all its power from it.

7. **Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 5.78%, 5.38%, and 4.50% of their annual covered salary and the Light Plant is required to contribute 8.67%, 8.07%, and 6.95% of annual covered payroll for the years ended June 30, 2013, 2012, and 2011 respectively. Contribution requirements are established by state statute. The Light Plant's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$34,352, \$37,005, and \$31,146, respectively, equal to the required contributions for each year.

8. **Other Postemployment Benefits (OPEB)**

*Plan Description*

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 7 active and no retired members in the plan. Participants must be age 55 or older at retirement. The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

*Funding Policy*

The contribution requirements of plan members are established and may be amended by the Light Plant. The Light Plant currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Light Plant and plan members are \$396 for single coverage and \$1,017 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the Light Plant contributed \$17,997 and plan members eligible for benefits contributed \$4,499 to the plan.

9. **Self Funding**

The Light Plant has a partially self-funded group medical plan. The plan allows the Light Plant 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 Light Plant, the total would be estimated at \$144,000. The Light Plant paid claims of \$21,241 during 2013.

10. **Risk Management**

The Light Plant is exposed to various risks of loss related to torts; theft of, 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 Light Plant 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.

11. **Economic Development and Other Commitments**

The trustees, at their discretion, make one time and long-term commitments in the form of grants to various parties for economic development. During 2013 and 2012 the Light Plant's payments totaled \$4,300 and \$5,000, respectively.

The Trustees, also at their discretion, commit annually funds to the City of New Hampton, to assist with their economic development efforts. During 2013 and 2012 the Light Plant has transferred to the City \$55,000 and \$40,000, respectively.

**Required Supplementary Information**

NEW HAMPTON MUNICIPAL LIGHT PLANT  
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,  
 DISBURSMENTS, AND CHANGES IN NET POSITION  
 BUDGET AND ACTUAL (CASH BASIS)  
 REQUIRED SUPPLEMENTARY INFORMATION  
 Year Ended June 30, 2013

	Actual	Budgeted Amounts		Final to Total Variance
		Original	Final	
<b>Receipts</b>				
Use of money and property	\$ 16,746	\$ 20,000	\$ 20,000	\$ (3,254)
Charges for services	4,125,993	3,744,650	3,744,650	381,343
Miscellaneous	40,908			40,908
<b>Total receipts</b>	<b>4,183,647</b>	<b>3,764,650</b>	<b>3,764,650</b>	<b>418,997</b>
<b>Disbursements</b>				
Business-type activities	3,395,422	3,453,000	3,453,000	57,578
<b>Excess of receipts over disbursements</b>	<b>788,225</b>	<b>311,650</b>	<b>311,650</b>	<b>476,575</b>
<b>Other financing sources, net</b>	<b>25,000</b>			<b>25,000</b>
<b>Excess of receipts and other financing sources over disbursements and other financing uses</b>	<b>813,225</b>	<b>311,650</b>	<b>311,650</b>	<b>501,575</b>
<b>Balances, beginning of year</b>	<b>5,060,387</b>	<b>1,362,976</b>	<b>1,362,976</b>	<b>3,697,411</b>
<b>Balances, end of year</b>	<b>\$ 5,873,612</b>	<b>\$ 1,674,626</b>	<b>\$ 1,674,626</b>	<b>\$ 4,198,986</b>

See Notes to Required Supplementary Information.

NEW HAMPTON MUNICIPAL LIGHT PLANT  
 BUDGET TO GAAP RECONCILIATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 Year Ended June 30, 2013

	Cash Basis (Budget)	Accrual Adjustments	Accrual Basis (GAAP)
<b>Receipts</b>			
Use of money and property	\$ 16,746	\$ (92)	\$ 16,654
Charges for services	4,125,993	15,850	4,141,843
Miscellaneous	40,908		40,908
<b>Total receipts</b>	<b>4,183,647</b>	<b>15,758</b>	<b>4,199,405</b>
<b>Disbursements</b>			
Business-type activities	3,410,422	55,922	3,466,344
Excess of receipts over (under) disbursements	773,225	(40,164)	733,061
Other financing sources, net	40,000		40,000
Excess of receipts and other financing sources over (under) disbursements and other financing uses	813,225	(40,164)	773,061
Balances, beginning of year	5,060,387	11,791,311	16,851,698
Balances, end of year	\$ 5,873,612	\$ 11,751,147	\$ 17,624,759

See Notes to Required Supplementary Information.

NEW HAMPTON MUNICIPAL LIGHT PLANT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2013

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The New Hampton Municipal Light Plant as a component unit prepares a budget on the cash basis of accounting and submits it to the City Council for inclusion in the City wide budget. 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 classes of disbursements, known as functions, not by fund or fund type. The Light Plant's disbursements are budgeted in the business-type activities function.

The budgeted amounts represent only those of the Light Plant as submitted to the City although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. There was one budget amendment made by the City of New Hampton which did not affect budgeted expenditures for the Light Plant for the year ended June 30, 2013. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements did not exceed the amount budgeted.

See Independent Auditor's Report.

## Other Information

NEW HAMPTON MUNICIPAL LIGHT PLANT  
SCHEDULE OF OPERATING EXPENSES  
Years Ended June 30, 2013 and 2012

	2013			
	Total	Plant Operation	Distribution	Administration
Purchased power	\$ 1,660,529	\$ 1,660,529		
Trustees' fees	3,000			\$ 3,000
Salaries	388,967	149,413	\$ 158,566	80,988
FICA	29,477	11,123	12,437	5,917
IPERS	34,352	13,070	14,250	7,032
Group insurance	82,328	23,026	22,497	36,805
Insurance	82,282			82,282
Natural gas	12,217	12,217		
Utilities	59,535	59,535		
Telephone	2,869			2,869
Supplies and repairs	42,420	12,805	15,873	13,742
Contracted services and materials				
Taxes	40,220	11,317		28,903
Laundry	2,441	2,441		
Vehicle expense	7,745		7,745	
Engineering fees	5,386	5,386		
Professional fees	57,683			57,683
Accounting services	57,496			57,496
Advertising, promotion, and publications	2,326			2,326
Dues and assessments	12,648			12,648
Travel expense	4,321			4,321
Office expense	6,111			6,111
Miscellaneous	59,018	17,670		41,348
	2,653,371	\$ 1,978,532	\$ 231,368	\$ 443,471
Payment in lieu of taxes	50,000			
Depreciation	561,807			
Amortization	5,606			
	<u>\$ 3,270,784</u>			

See Independent Auditor's Report.

SCHEDULE 1

2012				
Total	Plant Operation	Distribution	Administration	
\$ 1,500,510	\$ 1,500,510			
3,000			\$ 3,000	
456,087	177,902	\$ 171,787	106,398	
34,849	13,186	12,990	8,673	
37,005	14,043	13,837	9,125	
101,819	31,700	31,700	38,419	
78,384			78,384	
25,537	25,537			
57,438	57,438			
2,953			2,953	
53,438	4,677	47,137	1,624	
144			144	
27,013			27,013	
1,109	1,109			
13,099		13,099		
3,501	3,501			
17,360		2,049	15,311	
59,816			59,816	
1,477			1,477	
14,077			14,077	
7,402			7,402	
5,827			5,827	
16,922	928	13,998	1,996	
2,518,767	\$ 1,830,531	\$ 306,597	\$ 381,639	
50,000				
567,729				
11,689				
\$ 3,148,185				

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 Board of Trustees  
New Hampton Municipal Light Plant  
New Hampton, Iowa

We have audited, in accordance with the 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, the financial statements of New Hampton Municipal Light Plant which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses, and change in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 21, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered New Hampton Municipal Light Plant's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Hampton Municipal Light Plant's internal control. Accordingly, we do not express an opinion on the effectiveness of New Hampton Municipal Light Plant's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, discussed below that we consider to be a significant deficiency.

### Overlapping Duties

The Light Plant'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. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

### Recommendation

While we do recognize that the Light Plant is not large enough to permit a segregation of duties for effective internal controls, we believe it is important the Board be aware that this condition does exist and continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

### Response

We will make changes and improvements whenever possible and economically feasible.

### Conclusion

Response accepted.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Hampton Municipal Light Plant's financial statements are free from 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*.

### New Hampton Municipal Light Plant's Response to Finding

New Hampton Municipal Light Plant's response to the finding identified in our audit is described above. New Hampton Municipal Light Plant's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
January 21, 2014

## MANAGEMENT LETTER

To the Board of Trustees  
New Hampton Municipal Light Plant  
New Hampton, Iowa

In planning and performing our audit of the financial statements of New Hampton Municipal Light Plant for the year ended June 30, 2013, we considered the Light Plant'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.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the Light Plant's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 7 below are compliance comments required by the Iowa Auditor of State. A separate report dated January 21, 2014, contains our report on the Light Plant's internal control over financial reporting. This letter does not affect our report dated January 21, 2014, on the financial statements of the New Hampton Municipal Light Plant. All prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions.

1. **Certified Budget**  
The Light Plant's expenditures during the year ended June 30, 2013 did not exceed the amounts in the amended budget.
2. **Questionable Expenditures**  
We noted no expenditures that did 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 Light Plant's money for travel expenses of spouses of Light Plant officials and/or employees were noted.
4. **Business Transactions**  
We noted no business transactions between the Light Plant and Light Plant officials and/or employees for the year ended June 30, 2013.
5. **Board Minutes**  
No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes were published as required by Chapter 349.18 of the Code of Iowa and Attorney General's Opinions dated December 10, 1985, December 31, 1986 and May 2, 1989.

6. Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Light Plant's investment policy.

7. Revenue Bonds/Notes

The Light Plant has complied with the revenue bond resolutions.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of the Light Plant during the course of our examination.

Should you have any questions concerning these or other matters, we shall be pleased to discuss them with you at your convenience.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
January 21, 2014