

CITY OF NEW HAMPTON

FINANCIAL REPORT

JUNE 30, 2015

TABLE OF CONTENTS

| | <u>Page</u> | |
|--|-----------------|-------|
| OFFICIALS | 1 | |
| INDEPENDENT AUDITOR’S REPORT ON THE FINANCIAL STATEMENTS | 2-3 | |
| MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) | 4-4d | |
| BASIC FINANCIAL STATEMENTS | <u>Exhibit</u> | |
| Government-wide Financial Statement | | |
| Cash Basis Statement of Activities and Net Position | A | 5 |
| Governmental Funds Financial Statements | | |
| Statement of Cash Receipts, Disbursements, and Changes in Cash Balances | B | 6 |
| Reconciliation of the Statement of Cash Receipts, Disbursements, and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position | C | 7 |
| Proprietary Funds Financial Statements | | |
| Statement of Cash Receipts, Disbursements, and Changes in Cash Balances | D | 8 |
| Reconciliation of the Statement of Cash Receipts, Disbursements, and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position | E | 9 |
| Notes to Financial Statements | | 10-21 |
| Other Information | | |
| Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds | | 22 |
| Notes to Other Information-Budgetary Reporting | | 23 |
| Schedule of the City’s Proportionate Share of the Net Pension Liability | | 24 |
| Schedule of City Contributions | | 25 |
| Notes to Other Information – Pension Liability | | 26 |
| SUPPLEMENTARY INFORMATION | <u>Schedule</u> | |
| Governmental Activities | | |
| Nonmajor Governmental Funds | | |
| Schedule of Cash Receipts, Disbursements, and Changes in Cash Balances | 1 | 27 |
| Schedule of Indebtedness | 2 | 28 |
| Bond and Note Maturities | 3 | 29 |
| Comparative Schedule of Receipts by Source and Disbursements by Function- All Governmental Funds | 4 | 30 |
| INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> | | 31-32 |
| MANAGEMENT LETTER | | 33-35 |

CITY OF NEW HAMPTON

OFFICIALS

| Title | Name | Term Expires |
|------------------------------|-----------------|----------------------|
| Mayor | Robert Martin | December 31, 2015 |
| Mayor Pro Tem | Stanley Perkins | September 22, 2014 |
| Council Member | Bruce Diiro | December 31, 2015* |
| Council Member | Aaron Flugum | April 7, 2015 |
| Council Member | Cory McDonald | December 31, 2015** |
| Council Member | William Hurd | December 31, 2015 |
| Council Member | Scott Perkins | December 31, 2015 |
| Council Member | Bonnie Henn | December 31, 2015 |
| Council Member/Mayor Pro Tem | Jill Eike | December 31, 2015*** |
| Clerk/Treasurer | Suellen Kolbet | Indefinite |
| Attorney | Kevin Kennedy | Indefinite |

*Appointed November 3, 2014 to replace Stanley Perkins

**Appointed May 4, 2015 to replace Aaron Flugum

***Appointed Mayor Pro Tem November 3, 2014

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

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

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the aggregate discretely presented component units of City of New Hampton, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic 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 the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 City'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 City'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 cash basis financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the aggregate discretely presented component units of City of New Hampton, as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, City of New Hampton adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of New Hampton's June 30, 2015 basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2014 (which are not presented herein) and expressed modified opinions on the primary government financial statements, which were prepared on the basis of cash receipts and disbursements, due to the omission of the financial transactions of component units which should be included. The 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.

The supplementary information shown on Schedules 1 through 4 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The financial statements of City of New Hampton for the years ended June 30, 2006 through 2008 were audited by other auditors who expressed modified opinions on the primary government financial statements, which were prepared on the basis of cash receipts and disbursements. Their reports on the information presented on page 30 related to 2006 through 2008 financial statements stated that, in their opinion, such information was fairly stated in all material respects in relation to the 2006 through 2008 financial statements taken as a whole.

The other information, the city's management's discussion and analysis, the budgetary comparison information, the schedule of the city's proportionate share of the net pension liability and the schedule of city contributions on pages 4 through 4d and pages 22 through 26, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015, on our consideration of City of New Hampton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 City of New Hampton's internal control over financial reporting and compliance.

Decorah, Iowa
December 16, 2015

Hacker, Nelson & Co., P.C.

CITY OF NEW HAMPTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of New Hampton's financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2015. Please read this in conjunction with the transmittal letter and the City's financial statements contained within this audit report.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased \$125,777 or 3.62% from FY 2014 to FY 2015. Property taxes for all purposes increased \$35,822.
- Program disbursements excluding debt service and capital projects increased \$119,638 or 4.65%.
- The City's total cash basis net position is \$2,390,634. Of this amount, the governmental activities claim cash basis net position of \$2,117,135.
- Net position (cash basis) in the business-type activities, which represents the City's sewer and water operations, decreased \$277,918.

USING THIS ANNUAL REPORT

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

- Management's discussion and analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The government-wide financial statement consists of a cash basis statement of activities and net position. This statement provides information about the activities of the City as a whole and provides an overall view of the City's finances.
- The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. The fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the funds.
- Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Other information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.
- The supplementary information provides detailed information about the nonmajor governmental funds and the City's indebtedness and bond and note maturities reflect the City's debt activity.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is: "Is the City, as a whole, better or worse off as a result of this year's activities?" The cash basis statement of activities and net position reports information, which helps answer this question.

The cash basis statement of activities and net position presents information showing how the City's net cash position changed during the most recent fiscal year. Over time, increases or decreases in the City's net cash position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The cash basis statement of activities and net position report three kinds of activities.

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects.
- Business-type activities include the City's utilities, which specifically are the water system (production, storage, transmission, distribution, treatment, and billing), and sewer system (collection, transmission, treatment and discharge). These services are primarily characterized by their reliance on user charges as opposed to property or other general tax proceeds.
- Component units of the City shown in the financial report are the New Hampton Municipal Light Plant, New Hampton Firefighters Association, and New Hampton Public Library Memorial Foundation. A component unit is a legally separate entity but one whose financial and accounting practices are closely linked to those of the City.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds as well as balances at year-end that are available for spending. The governmental funds include: 1) the general fund 2) the special revenue funds (i.e., tax increment financing funds, local option sales tax, and road use taxes) 3) the debt service fund and 4) capital projects funds. These funds are reported on the basis of cash receipts and disbursements. The governmental funds financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES (Continued)

Fund Financial Statements (Continued)

2. Proprietary (business-type) funds account for the City's enterprise funds that charge fees to customers for the services rendered. Enterprise funds are reported in the same way as the governmental funds financial statements.

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

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

The following analysis shows the changes in net position for the years ending June 30, 2015 and 2014:

| Changes in Cash Basis Net Position of Governmental Activities | | | | | | | |
|---|-------------------------|-----------------|--------------------------|---------------|-----------------|-----------------|-----------------|
| (In Thousands) | | | | | | | |
| | Governmental Activities | | Business-type Activities | | Total | | Percent Change |
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | |
| Receipts: | | | | | | | |
| Program receipts | | | | | | | |
| Charges for service | \$ 341 | \$ 347 | \$ 741 | \$ 856 | \$ 1,082 | \$ 1,203 | -10.06% |
| Operating grants | 615 | 510 | | | 615 | 510 | 20.59% |
| Capital grants | 66 | 72 | | | 66 | 72 | -8.33% |
| General receipts | | | | | | | |
| Property taxes | 1,684 | 1,648 | | | 1,684 | 1,648 | 2.18% |
| Tax increment financing collections | 404 | 411 | | | 404 | 411 | -1.70% |
| Other city taxes | 61 | 62 | | | 61 | 62 | -1.61% |
| Local option sales tax | 398 | 330 | | | 398 | 330 | 20.61% |
| Unrestricted investment earnings | 8 | 9 | | 1 | 8 | 10 | -20.00% |
| Other revenue | 19 | 82 | 6 | 17 | 25 | 99 | -74.75% |
| Total receipts | <u>3,596</u> | <u>3,471</u> | <u>747</u> | <u>874</u> | <u>4,343</u> | <u>4,345</u> | <u>-0.05%</u> |
| Program disbursements: | | | | | | | |
| Public safety | 649 | 594 | | | 649 | 594 | 9.26% |
| Public works | 448 | 438 | | | 448 | 438 | 2.28% |
| Health and social services | 1 | 2 | | | 1 | 2 | -50.00% |
| Culture and recreation | 641 | 600 | | | 641 | 600 | 6.83% |
| Community and economic development | 571 | 550 | | | 571 | 550 | 3.82% |
| General government | 382 | 389 | | | 382 | 389 | -1.80% |
| Debt service | 470 | 547 | | | 470 | 547 | -14.08% |
| Capital projects | 705 | 310 | | | 705 | 310 | 127.42% |
| Other expenses | 76 | | 1,028 | 777 | 1,104 | 777 | 42.08% |
| Total disbursements | <u>3,943</u> | <u>3,430</u> | <u>1,028</u> | <u>777</u> | <u>4,971</u> | <u>4,207</u> | <u>18.16%</u> |
| Change in cash basis net position before transfers | (347) | 41 | (281) | 97 | (628) | 138 | -555.07% |
| Transfers | (3) | (36) | 3 | - | - | (36) | -100.00% |
| Change in cash basis net position | <u>(350)</u> | <u>5</u> | <u>(278)</u> | <u>97</u> | <u>(628)</u> | <u>102</u> | <u>-715.69%</u> |
| Cash basis net position beginning of year | <u>2,467</u> | <u>2,462</u> | <u>551</u> | <u>454</u> | <u>3,018</u> | <u>2,916</u> | <u>3.50%</u> |
| Cash basis net position end of year | <u>\$ 2,117</u> | <u>\$ 2,467</u> | <u>\$ 273</u> | <u>\$ 551</u> | <u>\$ 2,390</u> | <u>\$ 3,018</u> | <u>-20.81%</u> |

REPORTING THE CITY'S FINANCIAL ACTIVITIES (Continued)

Individual Major Fund Analysis

As the City completed the year, its governmental funds reported a combined cash balance of \$2,117,135, a \$349,716 decrease from the 2014 fiscal year end balance of \$2,466,851.

The general fund cash balance increased \$74,361 from the prior year of \$1,309,638. The increase was largely due to an increase in property taxes of \$103,361 and a decrease in capital projects disbursements of \$135,689. This combined with increases in public safety, public works, and culture and recreation disbursements and decrease in other city tax and miscellaneous receipts resulted in an increase in the cash balance. The cash balance at year-end was \$1,383,999.

The urban renewal tax increment fund cash balance decreased \$10,285 from the prior year of \$172,411 to \$162,126. The fund is used for urban renewal tax increment capital projects and debt payments. Tax increment receipts decreased about \$7,000 while disbursements increased approximately \$28,000.

The local option sales tax fund within the special revenue fund of the City is used to account for revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs, and services. This fund ended fiscal year 2015 with an \$115,374 cash balance compared to the prior year ending cash balance of \$42,933.

The road use tax fund is used to account for the road use tax allocation from the State to be used for road construction and maintenance. Receipts in this fund increased \$14,743 while expenses increased \$3,095 resulting in an ending cash balance of \$36,504. This was a \$21,768 increase from the prior year ending cash balance of \$14,736.

The 2014 street improvement projects fund within the capital projects funds of the City is used to account for receipts used for street improvements. The City transferred \$636,000 from the local option sales tax fund and \$43,405 from the 2012 street improvement projects fund into this fund during fiscal year 2014. Capital projects expenses were \$592,145 during fiscal year 2015. The fund ended fiscal year 2015 with a \$41,950 cash balance compared to the prior year ending cash balance of \$634,095.

The debt service fund ended fiscal year 2015 with a cash balance of \$31,861 balance compared to the prior year balance of \$5,045. Property tax revenue increased \$11,377 and intergovernmental revenue increased \$20,454. Bond principal and interest payments decreased \$848 in fiscal year 2015.

Proprietary Funds Highlights

The water fund, which accounts for the operation and maintenance of the City's water system, ended fiscal year 2015 with a cash basis net position balance of \$60,811. This reflects a decrease of \$136,138 from the end of fiscal year 2014 when the net position balance was \$196,949. The water fund had a net operating loss of \$11,679 for fiscal year 2015.

The sewer fund, which accounts for the operation and maintenance of the sewer system and the wastewater treatment facility, ended fiscal year 2015 with a net position balance of \$212,688. This reflects a decrease of \$141,780 from the end of fiscal year 2014 when the net position balance was \$354,468. The sewer fund had a net operating loss of \$88,149 for fiscal year 2015.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. These amendments increased budgeted disbursements by \$3,935,334 and budgeted receipts by \$1,707,799.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$2,370,000 in bonds and other long-term debt, compared to approximately \$2,840,000 last year, as shown below:

| | Outstanding Debt at Year-End | | | | |
|---|------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Year ended June 30, | | | | |
| | 2015 | 2014 | 2013 | 2012 | 2011 |
| General obligation bonds | \$ 2,370,000 | \$ 2,840,000 | \$ 3,300,000 | \$ 3,750,000 | \$ 2,470,000 |
| Revenue notes | | | | | |
| Urban renewal tax increment financing revenue bonds | | | | 3,589 | 3,589 |
| Total | \$ 2,370,000 | \$ 2,840,000 | \$ 3,300,000 | \$ 3,753,589 | \$ 2,473,589 |

Details of the debt issued by the City's specific issues can be found in Note 3 under the notes to the financial statements.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,370,000 is significantly below its constitutional debt limit of \$10,104,761.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of New Hampton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. Unemployment in the County now stands at 3.8%, versus 4.5% a year ago. This compares with the State's unemployment rate of 3.8% and the national rate of 5.0%.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are \$10.7 million, compared to the 2014 final budget of \$9.6 million.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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CITY OF NEW HAMPTON
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
 For the Year Ended June 30, 2015

| Functions and Programs | Disbursements | Program Receipts | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental activities | | | | |
| Public safety | \$ 649,622 | \$ 9,817 | \$ 2,127 | |
| Public works | 447,648 | 146,543 | 461,321 | |
| Health and social services | 1,165 | | | |
| Culture and recreation | 640,777 | 117,924 | 81,588 | |
| Community and economic development | 571,251 | 42,161 | 23,886 | |
| General government | 381,613 | 22,367 | 21,756 | |
| Debt service | 470,000 | | 24,826 | |
| Capital projects | 705,011 | 2,870 | | \$ 65,656 |
| Interest on long-term debt | 76,205 | | | |
| Total governmental activities | <u>3,943,292</u> | <u>341,682</u> | <u>615,504</u> | <u>65,656</u> |
| Business-type activities | | | | |
| Water utilities | 455,019 | 259,828 | | |
| Sewer utilities | 572,940 | 480,707 | | |
| Total business-type activities | <u>1,027,959</u> | <u>740,535</u> | - | - |
| Total primary government | <u>\$ 4,971,251</u> | <u>\$ 1,082,217</u> | <u>\$ 615,504</u> | <u>\$ 65,656</u> |
| Component units | | | | |
| Nonmajor | | | | |
| Business-type activities | | | | |
| Light plant | 7,186,896 | \$ 4,750,847 | | |
| Total component units | <u>\$ 7,206,679</u> | <u>\$ 4,750,847</u> | | <u>\$ 45,318</u> |
| General Receipts | | | | |
| Property and other City taxes levied for: | | | | |
| General purposes | | | | |
| Debt service | | | | |
| Hotel/motel tax | | | | |
| Tax increment financing | | | | |
| Local option sales tax | | | | |
| Investment earnings | | | | |
| Miscellaneous items | | | | |
| Transfers | | | | |
| Total general receipts and transfers | | | | |
| Change in cash basis net position | | | | |
| Cash basis net position, beginning of year | | | | |
| Cash basis net position, end of year | | | | |
| Cash Basis Net Position | | | | |
| Restricted | | | | |
| Nonexpendable | | | | |
| Cemetery perpetual care | | | | |
| Expendable | | | | |
| Streets | | | | |
| Urban renewal purposes | | | | |
| Other purposes | | | | |
| Unrestricted | | | | |
| Total cash basis net position | | | | |

See Notes to Financial Statements.

EXHIBIT A

| Net (Disbursements) Receipts and Changes in Cash Basis Net Position | | | | |
|---|--------------------------|---------------------|---------------------|-------------------|
| Primary Government | | | Component Units | |
| Governmental Activities | Business-type Activities | Total | Light Plant | Nonmajor |
| \$ (637,678) | | \$ (637,678) | | |
| 160,216 | | 160,216 | | |
| (1,165) | | (1,165) | | |
| (441,265) | | (441,265) | | |
| (505,204) | | (505,204) | | |
| (337,490) | | (337,490) | | |
| (445,174) | | (445,174) | | |
| (636,485) | | (636,485) | | |
| (76,205) | | (76,205) | | |
| <u>(2,920,450)</u> | <u>\$ -</u> | <u>(2,920,450)</u> | | |
| | (195,191) | (195,191) | | |
| | (92,233) | (92,233) | | |
| <u>-</u> | <u>(287,424)</u> | <u>(287,424)</u> | | |
| <u>(2,920,450)</u> | <u>(287,424)</u> | <u>(3,207,874)</u> | | |
| | | | | \$ 25,535 |
| | | | \$ (2,436,049) | - |
| | | | <u>(2,436,049)</u> | <u>25,535</u> |
| 1,460,819 | | 1,460,819 | | |
| 222,460 | | 222,460 | | |
| 61,171 | | 61,171 | | |
| 404,225 | | 404,225 | | |
| 398,176 | | 398,176 | | |
| 8,076 | 535 | 8,611 | 13,711 | 1,042 |
| 18,703 | 6,075 | 24,778 | 82,451 | |
| (2,896) | 2,896 | - | | |
| <u>2,570,734</u> | <u>9,506</u> | <u>2,580,240</u> | <u>96,162</u> | <u>1,042</u> |
| (349,716) | (277,918) | (627,634) | (2,339,887) | 26,577 |
| <u>2,466,851</u> | <u>551,417</u> | <u>3,018,268</u> | <u>6,746,886</u> | <u>374,303</u> |
| <u>\$ 2,117,135</u> | <u>\$ 273,499</u> | <u>\$ 2,390,634</u> | <u>\$ 4,406,999</u> | <u>\$ 400,880</u> |
| \$ 79,482 | | \$ 79,482 | | |
| 36,504 | | 36,504 | | |
| 162,126 | | 162,126 | | |
| 238,348 | | 238,348 | | |
| <u>1,600,675</u> | <u>\$ 273,499</u> | <u>1,874,174</u> | <u>\$ 4,406,999</u> | <u>\$ 400,880</u> |
| <u>\$ 2,117,135</u> | <u>\$ 273,499</u> | <u>\$ 2,390,634</u> | <u>\$ 4,406,999</u> | <u>\$ 400,880</u> |

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CITY OF NEW HAMPTON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

| | General | Special Revenue | |
|---|---------------------|----------------------------|------------------|
| | | Urban Renewal Increment | Road Use Tax |
| Receipts | | | |
| Property taxes | \$ 1,101,164 | | |
| Tax increment financing | | \$ 404,225 | |
| Other City tax | 58,366 | | |
| Licenses and permits | 15,095 | | |
| Use of money and property | 39,210 | | |
| Intergovernmental | 148,594 | | \$ 371,321 |
| Charges for services | 279,491 | | |
| Miscellaneous | 170,431 | | |
| Total receipts | 1,812,351 | 404,225 | 371,321 |
| Disbursements | | | |
| Operating | | | |
| Public safety | 569,362 | | |
| Public works | 98,095 | | 349,553 |
| Health and social services | 1,165 | | |
| Culture and recreation | 592,078 | | |
| Community and economic development | 114,145 | 404,713 | |
| General government | 304,709 | | |
| Debt service | | | |
| Principal | | | |
| Interest and fees | | | |
| Capital projects | 112,866 | | |
| Total disbursements | 1,792,420 | 404,713 | 349,553 |
| Excess (deficiency) of receipts over (under) disbursements | 19,931 | (488) | 21,768 |
| Other financing sources (uses) | | | |
| Transfers in | 74,217 | | |
| Transfers out | (19,787) | (9,797) | |
| Net other financing sources (uses) | 54,430 | (9,797) | - |
| Net change in cash balances | 74,361 | (10,285) | 21,768 |
| Cash balances, beginning of year | 1,309,638 | 172,411 | 14,736 |
| Cash balances, end of year | \$ 1,383,999 | \$ 162,126 | \$ 36,504 |
| Cash Basis Balances | | | |
| Nonspendable | | | |
| Cemetery perpetual care | | | |
| Restricted | | | |
| Urban renewal purposes | | \$ 162,126 | |
| Debt service | | | |
| Streets | | | \$ 36,504 |
| Capital improvements and equipment | | | |
| Other purposes | | | |
| Assigned | \$ 896,398 | | |
| Unassigned | 487,601 | | |
| Total cash basis balances | \$ 1,383,999 | \$ 162,126 | \$ 36,504 |

See Notes to Financial Statements.

EXHIBIT B

| Special Revenue Local Option Sales Tax | Capital Projects 2014 Street Improvement | Debt Service | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|--|-----------------|--|--------------------------------|
| | | \$ 222,460 | \$ 301,289 | \$ 1,624,913 |
| \$ 398,176 | | | 61,171 | 404,225 |
| | | | 413 | 517,713 |
| | | 24,826 | | 15,095 |
| | | | 240 | 39,623 |
| | | | | 544,741 |
| | | | | 279,731 |
| | | | | 170,431 |
| 398,176 | \$ - | 247,286 | 363,113 | 3,596,472 |
| | | | 80,260 | 649,622 |
| | | | | 447,648 |
| | | | | 1,165 |
| | | | 48,699 | 640,777 |
| | | | 52,393 | 571,251 |
| | | | 76,904 | 381,613 |
| | | 470,000 | | 470,000 |
| | | 76,205 | | 76,205 |
| | 592,145 | | | 705,011 |
| - | 592,145 | 546,205 | 258,256 | 3,943,292 |
| 398,176 | (592,145) | (298,919) | 104,857 | (346,820) |
| | | 325,735 | 26,688 | 426,640 |
| (325,735) | | | (74,217) | (429,536) |
| (325,735) | - | 325,735 | (47,529) | (2,896) |
| 72,441 | (592,145) | 26,816 | 57,328 | (349,716) |
| 42,933 | 634,095 | 5,045 | 287,993 | 2,466,851 |
| \$ 115,374 | \$ 41,950 | \$ 31,861 | \$ 345,321 | \$ 2,117,135 |
| | | | \$ 79,482 | \$ 79,482 |
| | | | | 162,126 |
| | | \$ 31,861 | | 31,861 |
| | \$ 41,950 | | | 36,504 |
| \$ 115,374 | | | 27,491 | 69,441 |
| | | | 261,491 | 376,865 |
| | | | | 896,398 |
| | | | (23,143) | 464,458 |
| \$ 115,374 | \$ 41,950 | \$ 31,861 | \$ 345,321 | \$ 2,117,135 |

CITY OF NEW HAMPTON
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES
 TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
 GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2015

| | |
|--|--------------|
| Total governmental funds cash balances | \$ 2,117,135 |
| Amounts reported for governmental activities in the cash basis statement of activities and net position are different because: | |
| Not applicable | - |
| Cash basis net position of governmental activities | \$ 2,117,135 |
| Net change in cash balances | \$ (349,716) |
| Amounts reported for governmental activities in the cash basis statement of activities and net position are different because: | |
| Not applicable | - |
| Change in cash balance of governmental activities | \$ (349,716) |

CITY OF NEW HAMPTON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

| | Enterprise Funds | | | Component Unit Light Plant |
|---|--------------------|-------------------|-------------------|-------------------------------------|
| | Primary Government | | | |
| | Water | Sewer | Total | |
| Operating Receipts | | | | |
| Charges for services | \$ 259,828 | \$ 480,707 | \$ 740,535 | \$ 4,750,847 |
| Total operating receipts | <u>259,828</u> | <u>480,707</u> | <u>740,535</u> | <u>4,750,847</u> |
| Operating Disbursements | | | | |
| Business-type activities | 271,507 | 568,856 | 840,363 | 4,527,784 |
| Total operating disbursements | <u>271,507</u> | <u>568,856</u> | <u>840,363</u> | <u>4,527,784</u> |
| (Deficiency) excess of operating receipts (under) over operating disbursements | <u>(11,679)</u> | <u>(88,149)</u> | <u>(99,828)</u> | <u>223,063</u> |
| Nonoperating Receipts (Disbursements) | | | | |
| Interest on investments | 85 | 450 | 535 | 13,711 |
| Miscellaneous | 6,075 | | 6,075 | 82,451 |
| Capital projects | (183,512) | (4,084) | (187,596) | |
| Debt service | | | | (2,659,112) |
| Net nonoperating disbursements | <u>(177,352)</u> | <u>(3,634)</u> | <u>(180,986)</u> | <u>(2,562,950)</u> |
| Deficiency of receipts under disbursements | <u>(189,031)</u> | <u>(91,783)</u> | <u>(280,814)</u> | <u>(2,339,887)</u> |
| Transfers | | | | |
| Operating transfers in | 52,893 | | 52,893 | |
| Operating transfers out | | (49,997) | (49,997) | |
| Net transfers in (out) | <u>52,893</u> | <u>(49,997)</u> | <u>2,896</u> | <u>-</u> |
| Net change in cash balances | <u>(136,138)</u> | <u>(141,780)</u> | <u>(277,918)</u> | <u>(2,339,887)</u> |
| Cash balances, beginning of year | <u>196,949</u> | <u>354,468</u> | <u>551,417</u> | <u>6,746,886</u> |
| Cash balances, end of year | <u>\$ 60,811</u> | <u>\$ 212,688</u> | <u>\$ 273,499</u> | <u>\$ 4,406,999</u> |
| Cash Basis Balances | | | | |
| Restricted for debt service | | | | \$ 1,793,792 |
| Unreserved | \$ 60,811 | \$ 212,688 | \$ 273,499 | 2,613,207 |
| Total cash basis balances | <u>\$ 60,811</u> | <u>\$ 212,688</u> | <u>\$ 273,499</u> | <u>\$ 4,406,999</u> |

See Notes to Financial Statements.

CITY OF NEW HAMPTON
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES
 TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2015

| | |
|---|--------------|
| Total enterprise funds cash balances | \$ 273,499 |
| Amounts reported for business-type activities in the cash basis statement of activities and net position are different because: | |
| Not applicable | - |
| Cash basis net position of business-type activities | \$ 273,499 |
| Net change in cash balances | \$ (277,918) |
| Amounts reported for business-type activities in the cash basis statement of activities and net position are different because: | |
| Not applicable | - |
| Change in cash balance of business-type activities | \$ (277,918) |

CITY OF NEW HAMPTON

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

Reporting Entity

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

These financial statements present the City of New Hampton (the primary government) and the discretely presented component units, New Hampton Municipal Light Plant (Light Plant), New Hampton Firefighters Association and New Hampton Public Library Memorial Foundation. The component units discussed below are included in the City's reporting entity because of the significance of the operational or financial relationships with the City. The Light Plant is considered a major component unit and the New Hampton Firefighters Association and New Hampton Public Library Memorial Foundation are combined into one nonmajor component unit on the face of the government-wide cash basis statement of activities and net position.

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

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

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

b. Significant Accounting Policies (Continued)

Reporting Entity (Continued)

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

Jointly Governed Organizations

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

Government-wide Financial Statement

The cash basis statement of activities and net position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are normally supported by property tax and intergovernmental revenues, or other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The cash basis statement of activities and net position presents the City's nonfiduciary net position. Net position is reported in three categories:

- *Nonexpendable restricted net position* is subject to externally imposed stipulations, which require the cash balance to be maintained permanently by the City.
- *Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management, which can be removed or modified.

The cash basis statement of activities and net position 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.

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements

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

The City reports the following major governmental funds:

Governmental

General Fund

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

Special Revenue

- *Urban renewal tax increment fund* is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.
- *Road use tax fund* is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.
- *Local option sales tax fund* is used to account for revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

Debt Service

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

Capital Projects

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

- *2014 Street Improvement fund* accounts for financial resources to be used to make necessary street improvements.

The City reports the following major proprietary funds:

- *Water fund* accounts for the operation and maintenance of the City's water system.
- *Sewer fund* accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

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

b. Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

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

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

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

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

Governmental Cash Basis Fund Balances

In the governmental funds financial statements, cash basis fund balances are classified as follows:

- *Nonspendable* - amounts, which cannot be spent because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.
- *Assigned* - amounts the City Council intends to use for specific purposes.
- *Unassigned* - all amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as other information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the business-type activities function.

NOTES TO FINANCIAL STATEMENTS

2. **Deposits and Investments**

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The Light Plant has an investment through the Iowa Public Agency Investment Trust, which is valued at an amortized cost of \$3,415 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk

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

Credit Risk

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

3. **Bonds and Notes Payable**

A summary of the changes in debt, by type, for the year ended June 30, 2015 is as follows:

| | Balance June 30, 2014 | Borrowed | Paid | Balance June 30, 2015 | Amounts Due Within One Year |
|---------------------------|-----------------------------|----------------|---------------------|-----------------------------|-----------------------------------|
| General Obligation | | | | | |
| Corporate Purpose | | | | | |
| 2009A Bond | \$ 250,000 | | \$ (40,000) | \$ 210,000 | \$ 40,000 |
| 2009B Bond | 610,000 | | (145,000) | 465,000 | 150,000 |
| 2012 | 1,270,000 | | (150,000) | 1,120,000 | 150,000 |
| Debt service | 75,000 | | (75,000) | None | None |
| Fire station | 635,000 | | (60,000) | 575,000 | 60,000 |
| Total bonded debt | \$ 2,840,000 | \$ None | \$ (470,000) | \$ 2,370,000 | \$ 400,000 |

NOTES TO FINANCIAL STATEMENTS

3. **Bonds and Notes Payable (Continued)**

a. **General Obligation Bonds Payable at June 30, 2015**

| | |
|--|--------------|
| \$400,000 General Obligation Bond, due semi-annually in varying installments from December 2015 through June 2020 plus interest at 2.5 to 3.8% | \$ 210,000 |
| \$1,295,000 General Obligation Bond, due semi-annually in varying installments from December 2015 through June 2018 plus interest at 1.0 to 3.7% | 465,000 |
| \$925,000 General Obligation Bond, due semi-annually in varying installments from December 2015 through June 2023 plus interest at 3.5 to 4.25% | 575,000 |
| \$1,570,000 General Obligation Capital Loan Note, Series 2012, due semi-annually in varying installments from December 2015 through June 2022, plus interest at 1.0 to 1.85% | 1,120,000 |
| | \$ 2,370,000 |

b. **Debt Payment Schedule**

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

| Year Ending June 30 | General Obligation Bonds | |
|------------------------|--------------------------|------------|
| | Principal | Interest |
| 2016 | \$ 400,000 | \$ 61,610 |
| 2017 | 415,000 | 51,850 |
| 2018 | 420,000 | 41,200 |
| 2019 | 275,000 | 29,487 |
| 2020 | 285,000 | 22,978 |
| 2021-2023 | 575,000 | 29,565 |
| | \$ 2,370,000 | \$ 236,690 |

The Code of Iowa requires principal and interest on general obligation bonds to be paid from the debt service fund.

4. **Pension Plan**

Plan Description

IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

4. Pension Plan (Continued)*Pension Benefits*

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

4. **Pension Plan (Continued)**
Contributions (Continued)

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%. Protective occupation members contributed 6.76% of pay and the City contributed 10.14% for a total of 16.90%.

The City’s contributions, including the New Hampton Municipal Light Plant, to IPERS for the year ended June 30, 2015 were \$141,088.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City’s liability for its proportionate share of the collective net pension liability totaled \$641,671. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the collective net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City’s proportion was 0.0161797%, which was a decrease of 0.0022763 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$52,419, \$180,187 and \$376,047 respectively.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|---|
| Rate of inflation (effective June 30, 2014) | 3.00% per annum |
| Rates of salary increase (effective June 30, 2010) | 4.00% to 17.00%, average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 1996) | 7.50%, compounded annually, net of investment expense, including inflation. |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS

4. **Pension Plan (Continued)**
Actuarial Assumptions (Continued)

| Asset Class | Asset Allocation | Long-term Expected Real Rate of Return |
|------------------------|------------------|---|
| US Equity | 23% | 6.31% |
| Non US Equity | 15 | 6.76 |
| Private Equity | 13 | 11.34 |
| Real Estate | 8 | 3.52 |
| Core Plus Fixed Income | 28 | 2.06 |
| Credit Opportunities | 5 | 3.67 |
| TIPS | 5 | 1.92 |
| Other Real Assets | 2 | 6.27 |
| Cash | 1 | (0.69) |
| Total | 100% | |

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

| | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|------------------------|--------------------------|------------------------|
| City's proportionate share of the net pension liability | \$ 1,416,145 | \$ 641,671 | \$ (11,857) |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

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

Plan Description

The City operates a single-employer health benefit plan, which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 25 active and no retired members in the plan. Retired 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 City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$515 for single coverage and \$1,220 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$282,219 and plan members eligible for benefits contributed \$24,541 to the plan.

6. **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2015, primarily relating to the general fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u> |
|------------------------|------------------|
| Vacation | \$ 46,147 |
| Sick leave | <u>39,395</u> |
| | <u>\$ 85,542</u> |

This liability has been computed based on rates of pay in effect at June 30, 2015.

7. **Economic Development**

The City, to encourage economic development, provides rebates to businesses and developers. The rebates are paid only from incremental property taxes therefore do not constitute a general obligation of the City. Terms of rebates vary according to the agreement. The City as of June 30, 2015 had a total of \$675,099 to pay in rebates through the year 2025.

8. **Risk Management**

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

NOTES TO FINANCIAL STATEMENTS

9. **Transfers**

The detail of interfund and intrafund transfers for the year ended June 30, 2015 is as follows:

| Transfers to | | Transfers from | |
|------------------------------|------------|-----------------------------|------------|
| General | | General | |
| General | \$ 60,847 | General | \$ 16,891 |
| Equipment replacement | 13,370 | Equipment replacement | 2,896 |
| | \$ 74,217 | | \$ 19,787 |
| Debt Service | | Special Revenue | |
| General obligation bond | \$ 325,735 | Trust | \$ 365 |
| Special Revenue | | Special Revenue | |
| Housing rehabilitation grant | \$ 9,797 | Employee benefits | \$ 57,482 |
| Capital Projects | | Local option sales tax | 325,735 |
| Community Center | \$ 16,891 | Hotel/motel tax | 16,370 |
| Proprietary | | Urban renewal tax increment | 9,797 |
| Water | \$ 52,893 | | \$ 409,384 |
| | | Proprietary | |
| | | Sewer | \$ 49,997 |

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

10. **Deficit Fund Balance**

The City had the following deficit cash fund balances at June 30, 2015:

| | |
|---------------------|-----------|
| Special Revenue | |
| Grants | \$ 9,743 |
| Capital Projects | |
| Library improvement | \$ 13,400 |

The deficits will be eliminated by a transfer of funds from the general fund and receipt of grant proceeds.

11. **Self-Funding**

The City has established a partially self-funded group medical plan, which is on a calendar year basis. The plan allows the City lower monthly premiums for coverage in exchange for the potential of claims actually filed. If all the covered individuals submitted the maximum claim to be paid by the City, the total would be \$187,050. As of June 30, 2015, \$134,197 in claims had been paid. As of June 30, 2015, the City had a balance of \$90,366 in their self-fund cash account maintained by Group Services to pay for claims.

12. **General Fund Balance**

The City has assigned \$896,398 of the \$1,383,999 general fund balance to be available for equipment replacement and special projects.

13. New Governmental Accounting Standard Board (GASB) Standards

The Governmental Accounting Standards Board (GASB) has issued one statement not yet implemented by the City. The statement which might impact the City is as follows:

GASB Statement 77, *Tax Abatement Disclosures*, issued August 2015, will be effective for the fiscal year ended June 30, 2017. The primary objective of this statement is to provide users with information about the nature and magnitude of tax abatements to make them more transparent. Users will be better equipped to understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations and the impact abatements have on a government's financial position and economic condition.

The City's management has not yet determined the effect this statement will have on the City's financial statements.

14. Commitments

The total outstanding construction and purchase commitments of the City at June 30, 2015 amount to \$189,756. These commitments are related to seal coating of streets and water main work.

15. Subsequent Events

Management has evaluated subsequent events through December 16, 2015, the date on which the financial statements were available to be issued.

Other Information

CITY OF NEW HAMPTON
OTHER INFORMATION
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS)
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
For the Year Ended June 30, 2015

| | Primary Government | | Component Unit |
|---|--------------------|------------------|-------------------|
| | Governmental | Proprietary | |
| | Funds Actual | Funds Actual | |
| Receipts | | | |
| Property tax | \$ 1,624,913 | | |
| Tax increment financing | 404,225 | | |
| Other City taxes | 517,713 | | |
| Licenses and permits | 15,095 | | |
| Use of money and property | 39,623 | \$ 535 | \$ 13,711 |
| Intergovernmental | 544,741 | | |
| Charges for services | 279,731 | 740,535 | 4,750,847 |
| Miscellaneous | 170,431 | 6,075 | 82,451 |
| Total receipts | 3,596,472 | 747,145 | 4,847,009 |
| Disbursements | | | |
| Public safety | 649,622 | | |
| Public works | 447,648 | | |
| Health and social services | 1,165 | | |
| Culture and recreation | 640,777 | | |
| Community and economic development | 571,251 | | |
| General government | 381,613 | | |
| Debt service | 546,205 | | |
| Capital projects | 705,011 | | |
| Business-type activities | | 1,027,959 | 7,186,896 |
| Total disbursements | 3,943,292 | 1,027,959 | 7,186,896 |
| (Deficiency) excess of receipts (under) over disbursements | (346,820) | (280,814) | (2,339,887) |
| Other financing sources, net | (2,896) | 2,896 | - |
| (Deficiency) excess of receipts and other financing sources (under) over disbursements and other financing uses | (349,716) | (277,918) | (2,339,887) |
| Balances, beginning of year | 2,466,851 | 551,417 | 6,746,886 |
| Balances, end of year | \$ 2,117,135 | \$ 273,499 | \$ 4,406,999 |

See Notes to Budgetary Reporting Information and Independent Auditor's Report.

| Less Funds Not Required to be Budgeted | Total Actual | Budgeted Amounts | | Final to Total Variance |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | | Original | Final | |
| | \$ 1,624,913 | \$ 1,567,425 | \$ 1,567,425 | \$ 57,488 |
| | 404,225 | 411,695 | 411,695 | (7,470) |
| | 517,713 | 399,611 | 399,611 | 118,102 |
| | 15,095 | 11,075 | 11,075 | 4,020 |
| | 53,869 | 50,525 | 51,725 | 2,144 |
| \$ 50,000 | 494,741 | 425,454 | 429,126 | 65,615 |
| 53,748 | 5,717,365 | 5,477,295 | 6,009,795 | (292,430) |
| 46,075 | 212,882 | 52,000 | 92,427 | 120,455 |
| <u>149,823</u> | <u>9,040,803</u> | <u>8,395,080</u> | <u>8,972,879</u> | <u>67,924</u> |
| | 649,622 | 642,752 | 675,566 | 25,944 |
| | 447,648 | 448,192 | 457,356 | 9,708 |
| | 1,165 | 1,750 | 1,750 | 585 |
| | 640,777 | 631,494 | 654,749 | 13,972 |
| | 571,251 | 572,463 | 586,357 | 15,106 |
| | 381,613 | 394,087 | 401,294 | 19,681 |
| | 546,205 | 546,205 | 546,205 | - |
| | 705,011 | 266,000 | 904,000 | 198,989 |
| <u>149,823</u> | <u>8,065,032</u> | <u>4,830,493</u> | <u>8,041,493</u> | <u>(23,539)</u> |
| <u>149,823</u> | <u>12,008,324</u> | <u>8,333,436</u> | <u>12,268,770</u> | <u>260,446</u> |
| - | (2,967,521) | 61,644 | (3,295,891) | 328,370 |
| | - | | 1,130,000 | (1,130,000) |
| - | (2,967,521) | 61,644 | (2,165,891) | (801,630) |
| - | 9,765,154 | 6,571,435 | 6,571,435 | 3,193,719 |
| <u>\$ -</u> | <u>\$ 6,797,633</u> | <u>\$ 6,633,079</u> | <u>\$ 4,405,544</u> | <u>\$ 2,392,089</u> |

CITY OF NEW HAMPTON

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

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

Formal and legal budgetary control is based upon 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, the special revenue funds, the debt service fund, the capital projects funds, and the proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted expenditures by \$3,935,334. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the business-type activities functions.

See Independent Auditor's Report.

CITY OF NEW HAMPTON
 OTHER INFORMATION
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 Last Fiscal Year*
 (In Thousands)

| | 2015 |
|--|------------|
| City's proportion of the net pension liability | 0.0161797% |
| City's proportionate share of the net pension liability | \$ 642 |
| City's covered-employee payroll | \$ 1,456 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 44.09% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.61% |

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See Notes to Pension Liability Information and Independent Auditor's Report.

CITY OF NEW HAMPTON
OTHER INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last 10 Fiscal Years
(In Thousands)

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Statutorily required contribution | \$ 141 | \$ 134 | \$ 133 | \$ 128 | \$ 114 | \$ 106 | \$ 93 | \$ 88 | \$ 86 | \$ 82 |
| Contributions in relation to the statutorily required contribution | (141) | (134) | (133) | (128) | (114) | (106) | (93) | (88) | (86) | (82) |
| Contribution deficiency (excess) | <u>\$ -</u> |
| City's covered-employee payroll | \$ 1,533 | \$ 1,456 | \$ 1,476 | \$ 1,523 | \$ 1,517 | \$ 1,483 | \$ 1,387 | \$ 1,114 | \$ 1,088 | \$ 1,041 |
| Contributions as a percentage of covered-employee payroll | 9.20% | 9.20% | 9.01% | 8.40% | 7.51% | 7.15% | 6.71% | 7.90% | 7.90% | 7.88% |

See Notes to Pension Liability Information and Independent Auditor's Report.

CITY OF NEW HAMPTON

NOTES TO OTHER INFORMATION – PENSION LIABILITY
Year Ended June 30, 2015

Changes of Benefit Terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of Assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

See Independent Auditor's Report.

Supplementary Information

CITY OF NEW HAMPTON
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

| | Special Revenue | | | |
|---|----------------------|------------------------------------|--------------------|--------------------------------|
| | Employee Benefits | Housing Rehabilitation Grant | Hotel/Motel Tax | Hotel/Motel Capital Reserve |
| RECEIPTS | | | | |
| Property taxes | \$ 301,289 | | | |
| Other City tax | | | \$ 45,879 | \$ 15,292 |
| Use of money and property | | | | |
| Charges for services | | | | |
| Total receipts | 301,289 | \$ - | 45,879 | 15,292 |
| DISBURSEMENTS | | | | |
| Operating | | | | |
| Public safety | 80,260 | | | |
| Culture and recreation | 48,699 | | | |
| Community and economic development | 21,098 | 5,250 | 26,045 | |
| General government | 71,650 | | | |
| Total disbursements | 221,707 | 5,250 | 26,045 | - |
| Excess (deficiency) of receipts over (under) disbursements | 79,582 | (5,250) | 19,834 | 15,292 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | | 9,797 | | |
| Transfers out | (57,482) | | (16,370) | |
| Net other financing sources (uses) | (57,482) | 9,797 | (16,370) | - |
| Net change in cash fund balances | 22,100 | 4,547 | 3,464 | 15,292 |
| Cash fund balances, beginning | 4,659 | 75,354 | 24,871 | 17,882 |
| Cash fund balances, ending | \$ 26,759 | \$ 79,901 | \$ 28,335 | \$ 33,174 |
| Cash Basis Balances | | | | |
| Nonspendable | | | | |
| Cemetery perpetual care | | | | |
| Restricted | | | | |
| Capital improvements and equipment | | | | |
| Other purposes | \$ 26,759 | \$ 79,901 | \$ 28,335 | \$ 33,174 |
| Unassigned | | | | |
| Total cash basis balances | \$ 26,759 | \$ 79,901 | \$ 28,335 | \$ 33,174 |

See Independent Auditor's Report.

| Special Revenue | | Capital Projects | | | | Permanent Cemetery Perpetual Care | Total |
|-----------------|-----------|---------------------|-----------------|------------------|---------------------|-----------------------------------|------------|
| Grants | Trust | Library Improvement | Industrial Park | Community Center | Wastewater Facility | | |
| | | | | | | | \$ 301,289 |
| | | | | | | | 61,171 |
| | \$ 413 | | | | | | 413 |
| | | | | | | \$ 240 | 240 |
| \$ - | 413 | \$ - | \$ - | \$ - | \$ - | 240 | 363,113 |
| | | | | | | | 80,260 |
| | | | | | | | 48,699 |
| | | | | | | | 52,393 |
| | | | | 5,254 | | | 76,904 |
| - | - | - | - | 5,254 | - | - | 258,256 |
| - | 413 | - | - | (5,254) | - | 240 | 104,857 |
| | | | | 16,891 | | | 26,688 |
| | (365) | | | | | | (74,217) |
| - | (365) | - | - | 16,891 | - | - | (47,529) |
| - | 48 | - | - | 11,637 | - | 240 | 57,328 |
| (9,743) | 93,274 | (13,400) | 1,716 | 3,005 | 11,133 | 79,242 | 287,993 |
| \$ (9,743) | \$ 93,322 | \$ (13,400) | \$ 1,716 | \$ 14,642 | \$ 11,133 | \$ 79,482 | \$ 345,321 |
| | | | | | | \$ 79,482 | \$ 79,482 |
| | | | \$ 1,716 | \$ 14,642 | \$ 11,133 | | 27,491 |
| | \$ 93,322 | | | | | | 261,491 |
| \$ (9,743) | | \$ (13,400) | | | | | (23,143) |
| \$ (9,743) | \$ 93,322 | \$ (13,400) | \$ 1,716 | \$ 14,642 | \$ 11,133 | \$ 79,482 | \$ 345,321 |

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CITY OF NEW HAMPTON
 SCHEDULE OF INDEBTEDNESS
 For the Year Ended June 30, 2015

| Bonded Indebtedness | Interest Rates | Issue Date | Amount Originally Issued | Outstanding July 1, 2014 |
|---------------------------|----------------|------------|--------------------------|----------------------------|
| GENERAL OBLIGATION | | | | |
| 2009A Bond | 2.5 to 3.8% | 12/22/09 | \$ 400,000 | \$ 250,000 |
| 2009B Bond | 1.0 to 3.7% | 12/22/09 | 1,295,000 | 610,000 |
| 2012 | 1.0 to 1.85% | 4/1/12 | 1,570,000 | 1,270,000 |
| Debt service | 2.60 to 3.90% | 4/1/05 | 620,000 | 75,000 |
| Fire station | 3.50 to 4.25% | 2/1/08 | 925,000 | 635,000 |
| Total | | | | <u>\$ 2,840,000</u> |

See Independent Auditor's Report.

SCHEDULE 2

| Issued During Year | Redeemed During Year | Paid During Year | Outstanding June 30, 2015 | Interest Paid | Interest Due and Unpaid |
|-----------------------|-------------------------|---------------------|------------------------------|------------------|-------------------------------|
| | | \$ 40,000 | \$ 210,000 | \$ 9,020 | |
| | | 145,000 | 465,000 | 19,900 | |
| | | 150,000 | 1,120,000 | 16,515 | |
| | | 75,000 | - | 2,925 | |
| | | 60,000 | 575,000 | 25,345 | |
| \$ - | \$ - | \$ 470,000 | \$ 2,370,000 | \$ 73,705 | \$ - |

CITY OF NEW HAMPTON
BOND AND NOTE MATURITIES
For the Year Ended June 30, 2015

General Obligation Bonds

| Year Ending June 30, | 2009A Bond | | 2009B Bond | | 2012 | | Fire Station | | Total |
|----------------------------|--------------------------|-------------------|--------------------------|-------------------|----------------------|---------------------|-------------------------|-------------------|---------------------|
| | Issued December 22, 2009 | | Issued December 22, 2009 | | Issued April 1, 2012 | | Issued February 1, 2008 | | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | |
| 2016 | 3.40% | \$ 40,000 | 3.10% | \$ 150,000 | 1.00% | \$ 150,000 | 3.75% | \$ 60,000 | \$ 400,000 |
| 2017 | 3.40% | 40,000 | 3.40% | 155,000 | 1.00% | 155,000 | 3.80% | 65,000 | 415,000 |
| 2018 | 3.80% | 40,000 | 3.70% | 160,000 | 1.10% | 155,000 | 3.95% | 65,000 | 420,000 |
| 2019 | 3.80% | 45,000 | | | 1.25% | 160,000 | 4.00% | 70,000 | 275,000 |
| 2020 | 3.80% | 45,000 | | | 1.45% | 165,000 | 4.00% | 75,000 | 285,000 |
| 2021 | | | | | 1.65% | 165,000 | 4.10% | 75,000 | 240,000 |
| 2022 | | | | | 1.85% | 170,000 | 4.15% | 80,000 | 250,000 |
| 2023 | | | | | | | 4.25% | 85,000 | 85,000 |
| 2024 | | | | | | | | | - |
| | Total | \$ 210,000 | Total | \$ 465,000 | Total | \$ 1,120,000 | Total | \$ 575,000 | \$ 2,370,000 |

See Independent Auditor's Report.

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CITY OF NEW HAMPTON
 COMPARATIVE SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 Years Ended June 30,

| | 2015 | 2014 | 2013 | 2012 |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Receipts | | | | |
| Property tax | \$ 1,624,913 | \$ 1,563,937 | \$ 1,557,501 | \$ 1,532,880 |
| Tax increment financing collections | 404,225 | 411,198 | 386,406 | 383,923 |
| Other City tax | 517,713 | 475,534 | 424,914 | 374,347 |
| Licenses and permits | 15,095 | 15,077 | 13,419 | 10,853 |
| Use of money and property | 39,623 | 45,917 | 36,779 | 56,405 |
| Intergovernmental | 544,741 | 465,635 | 467,527 | 460,792 |
| Charges for services | 279,731 | 256,528 | 303,017 | 249,135 |
| Miscellaneous | 170,431 | 196,869 | 166,606 | 154,288 |
| Total | \$ 3,596,472 | \$ 3,430,695 | \$ 3,356,169 | \$ 3,222,623 |
| Disbursements | | | | |
| Operating | | | | |
| Public safety | \$ 649,622 | \$ 594,284 | \$ 625,262 | \$ 619,112 |
| Public works | 447,648 | 437,656 | 422,842 | 397,813 |
| Health and social services | 1,165 | 1,660 | 1,655 | 1,600 |
| Culture and recreation | 640,777 | 600,222 | 566,602 | 548,126 |
| Community and economic development | 571,251 | 549,984 | 485,105 | 492,972 |
| General government | 381,613 | 388,632 | 388,292 | 404,429 |
| Debt service | 546,205 | 547,053 | 550,425 | 375,428 |
| Capital projects | 705,011 | 310,009 | 1,369,752 | 595,860 |
| Total | \$ 3,943,292 | \$ 3,429,500 | \$ 4,409,935 | \$ 3,435,340 |

See Independent Auditor's Report.

SCHEDULE 4

| | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|----|-----------|--------------|--------------|--------------|--------------|--------------|
| \$ | 1,509,487 | \$ 1,399,341 | \$ 1,389,964 | \$ 1,235,473 | \$ 1,213,212 | \$ 1,179,950 |
| | 417,178 | 386,696 | 415,229 | 390,551 | 343,984 | 303,879 |
| | 362,298 | 370,891 | 374,030 | 366,741 | 369,337 | 289,019 |
| | 12,527 | 11,254 | 15,364 | 16,857 | 16,103 | 15,049 |
| | 49,223 | 48,475 | 86,425 | 145,834 | 141,326 | 90,320 |
| | 504,077 | 651,196 | 400,970 | 549,523 | 609,462 | 1,720,876 |
| | 254,405 | 255,787 | 270,125 | 227,328 | 231,765 | 216,864 |
| | 104,281 | 287,605 | 587,285 | 354,074 | 154,376 | 133,242 |
| \$ | 3,213,476 | \$ 3,411,245 | \$ 3,539,392 | \$ 3,286,381 | \$ 3,079,565 | \$ 3,949,199 |
| \$ | 614,817 | \$ 608,400 | \$ 507,824 | \$ 548,296 | \$ 533,654 | \$ 694,434 |
| | 405,633 | 398,702 | 388,494 | 452,855 | 396,343 | 395,535 |
| | 3,365 | 3,393 | 3,393 | 3,393 | 3,393 | 3,393 |
| | 513,769 | 524,162 | 506,677 | 521,332 | 630,174 | 528,719 |
| | 529,103 | 498,473 | 462,040 | 613,842 | 496,359 | 1,759,025 |
| | 398,113 | 383,840 | 369,859 | 363,608 | 437,915 | 428,778 |
| | 429,818 | 1,667,264 | 385,393 | 305,668 | 321,734 | 401,824 |
| | 407,103 | 1,057,159 | 1,243,903 | 746,640 | 46,113 | |
| \$ | 3,301,721 | \$ 5,141,393 | \$ 3,867,583 | \$ 3,555,634 | \$ 2,865,685 | \$ 4,211,708 |

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

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

We have audited, 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 the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the aggregate discretely presented component units of City of New Hampton, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of New Hampton's basic financial statements, and have issued our report thereon dated December 16, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of New Hampton'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 City of New Hampton's internal control. Accordingly, we do not express an opinion on the effectiveness of City of New Hampton'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. We did identify a certain deficiency in internal control discussed below that we consider to be a significant deficiency.

Overlapping Duties

During our review of internal controls, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. The City has implemented various procedures to enhance their internal control however; the City's offices are not large enough to permit an adequate segregation of duties for effective internal controls. The concentration of closely related duties and responsibilities such as the receipt and posting functions, disbursement preparation and posting functions, and reconciliation function from receipt and disbursement functions 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.

Criteria

A properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Recommendation

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

Response and Corrective Action Planned

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

Conclusion

Response accepted.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of New Hampton'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*.

City of New Hampton's Response to Finding

City of New Hampton's response to the finding identified in our audit is described above. City of New Hampton'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
December 16, 2015

MANAGEMENT LETTER

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

In planning and performing our audit of the basic financial statements of the City of New Hampton for the year ended June 30, 2015, we considered the City's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the City's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 through 8 below are compliance comments required by the Iowa Auditor of State. A separate report dated December 16, 2015, contains our report on the City's internal control over financial reporting. This letter does not affect our report dated December 16, 2015, on the basic financial statements of City of New Hampton. Comment numbers 9 and 10 are repeat comments from the prior year. All other prior year comments have been resolved. These comments are not intended to and do not constitute legal opinions. We did not audit the City's responses and, accordingly, we express no opinion on them.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 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.

1. Certified Budget

The City's disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the business-type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation." During our testing, it was also noted that the second budget amendment did not include the prior budget amendment numbers in the "Total budget as certified or last amended" column. Also, the state report did not include the other financing sources amount from the first budget amendment.

Recommendation

The City should ensure that budget amendments include all prior amendments in the "Total budget as certified or last amended" column and all budget amendment totals are accurately reflected on the state report.

1. Certified Budget (Continued)

Response and Corrective Action Planned

Management will work to insure that correct budget figures from amendments are used in the State report. In regards to exceeding the budget, management does not include expenses related to the CTS capital improvement and the investment in Walter Scott Jr. Number 4 in the budget as these amounts can vary significantly from year to year and are difficult to estimate.

Conclusion

Response accepted.

2. Questionable Disbursements

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

3. Travel Expense

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

4. Business Transactions

No business transactions between the City and City officials or employees were noted.

5. Bond Coverage

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

6. Council Minutes

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

7. Deposits and Investments

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

8. Urban Renewal Annual Report

The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1. The urban renewal report had an inaccurate balance for one debt amount.

Recommendation

The City should ensure the urban renewal report accurately reflects all debt amounts.

Response and Corrective Action Planned

The City has already made the change on the 2015 urban renewal report.

Conclusion

Response accepted.

9. Financial Condition

The City has two accounts with deficit balances at June 30, 2015 totaling \$23,143. The special revenue grants fund has a deficit of \$9,743 and the capital projects library improvement fund has a deficit of \$13,400.

Recommendation

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

Response and Corrective Action Planned

The City will investigate alternatives to eliminate deficit balances.

Conclusion

Response accepted.

10. Bank Account Authorized Signatures

We noted per returned bank confirmations that authorized signers for one bank account contained an individual who was not an authorized signer by the City.

Recommendation

We recommend the City update the authorized signers to include only those that are currently approved as authorized signers by the City Council.

Response and Corrective Action Planned

Signature cards have been updated.

Conclusion

Response accepted.

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

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

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
December 16, 2015