

CITY OF HAMPTON
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2015

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Table of Contents

	<u>Page</u>
Officials	3
Independent Auditors' Report	4-5
Management's Discussion and Analysis	6-11
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 14-15
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 16
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 17
Notes to Financial Statements	19-27
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	28-29
Notes to Other Information – Budgetary Reporting	30
Schedule of the City's Proportionate Share of the Net Pension Liability	31
Schedule of City Contributions	32
Notes to Other Information – Pension Liability	33-34
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1 36-37
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2 39
Schedule of Indebtedness	3 40-41
Bond and Note Maturities	4 43
Schedule of Receipts by Source and Disbursements by Function- All Governmental Funds	5 44-45
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	46-47
Schedule of Findings	49-51

City of Hampton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brook Boehmler	Mayor	Jan 2016
Meghan Freie	Council Member	Jan 2016
James Davies	Council Member	Jan 2018
Dyanne Pralle	Council Member	Jan 2016
Jay Hickman	Council Member	Jan 2018
Steve Harms	Council Member	Jan 2016
Richard Lukensmeyer	Council Member	Jan 2018
Ron Dunt	City Manager	Indefinite
Megan Rosenberg	City Attorney	Jan. 2016

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Hampton, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements 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.

Auditors' 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 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 and the aggregate remaining fund information of the City of Hampton as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the 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, the City of Hampton adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No.68, Accounting and Financial Reporting for Pensions. 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 the City of Hampton's basic financial statements. The financial statements for the seven years ended June 30, 2012 (which are not presented herein) were audited by other auditors in accordance with the standards referred to in the third paragraph of this report and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2014 (which are not presented herein) and expressed unqualified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information 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, except for that portion marked "Unaudited" (Schedule 5) on which we express no opinion, is fairly stated in all material respects in relation to the basic 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 6 through 11 and 28 through 32 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 October 19, 2015 on our consideration of the City of Hampton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Hampton's internal control over financial reporting and compliance.



Dennis P. Donovan, P.C.

October 19, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Hampton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 75%, or approximately \$2,487,074, from fiscal year 2014 to fiscal year 2015. Grants, contributions and restricted interest increased approximately \$2,428,384. Tax Increment Financing receipts increased approximately \$29,524.
- Disbursements of the City's governmental activities increased 42%, or approximately \$1,613,162, in fiscal year 2015 from fiscal year 2014. Debt service disbursements decreased approximately \$503,022, while Capital Projects disbursements increased by \$2,270,684.
- The City's total cash basis net position increased 12%, or approximately \$643,486, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$491,581 and the cash basis net position of the business type activities increased approximately \$151,905.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

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.

Supplementary Information provides detailed information about the nonmajor governmental funds, the City's nonmajor proprietary funds and the City's indebtedness.

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, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The 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 the City's net position. Over time, increases or decreases in the City's net 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 is divided into two 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. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer and solid waste systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the Water, Water Reserve, Sewer, Solid Waste and Meter Deposits Funds.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from approximately \$2,736,549 to approximately \$3,228,130. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year Ended June 30,	
	2015	2014
Receipts and Transfers:		
Program Receipts:		
Charges for Service	\$ 215,679	428,309
Operating grants, contributions & restricted interest	3,074,526	480,435
Capital grants, contributions & restricted interest	3,769	169,476
General Receipts:		
Property tax	1,523,464	1,392,966
Tax increment financing	333,550	304,026
Local option sales tax	433,196	405,276
Unrestricted investment earnings	22,767	16,690
Other general receipts	202,996	125,695
Transfers	150,000	180,000
Total Receipts and Transfers	<u>5,959,947</u>	<u>3,502,873</u>
Disbursements:		
Public safety	837,278	899,627
Public works	489,040	556,783
Health and social services	2,432	2,860
Culture and recreation	590,258	565,735
Community and economic development	250,996	338,403
General government	318,374	279,470
Debt Service	478,552	981,574
Capital projects	2,501,436	230,752
Total Disbursements	<u>5,468,366</u>	<u>3,855,204</u>
Change in Cash Basis Net Position	491,581	(352,331)
Cash Basis Net Position Beginning of Year	<u>2,736,549</u>	<u>3,088,880</u>
Cash Basis Net Position End of Year	<u>\$ 3,228,130</u>	<u>2,736,549</u>

The City's total receipts for governmental activities increased 75%, or approximately \$2,487,074. The total cost of all programs and services increased approximately \$1,613,162, or 42%, with no new programs added this year. The increase in receipts was primarily the result of grant receipts for a capital project (Waste water Treatment Plant).

The cost of all governmental activities this year was approximately \$5,468,366 compared to approximately \$3,855,204 last year. However, as shown in the Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$2,174,392 because some of the cost was paid by those directly benefiting from the programs (\$215,679) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$3,078,295). The City paid for the remaining "public benefit" portion of governmental activities with \$1,523,464 in property tax (some of which could only be used for certain programs) and with other receipts, such as interest and local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately \$1,078,220 to approximately \$3,293,974.

Changes in Cash Basis Net Position of Business Type Activities		
	Year Ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 628,442	625,701
Sewer	691,712	658,903
Solid Waste	46,209	42,883
Meter deposits	12,150	11,025
Total Receipts	1,594,192	1,338,512
Disbursements:		
Water	641,604	621,277
Sewer	382,208	400,646
Solid Waste	40,740	48,942
Meter deposits	12,056	8,210
Total Disbursements	1,076,608	1,079,075
Transfers Out	(150,000)	(180,000)
Change in Cash Basis Net Position	151,905	79,437
Cash Basis Net Position Beginning of Year	2,687,836	2,608,399
Cash Basis Net Position End of Year	\$ 2,839,741	2,687,836

Total business type activities receipts for the fiscal year were \$1,594,192 compared to \$1,338,512 last year. Total disbursements for the fiscal year decreased less than 1% to approximately \$1,076,608.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Hampton completed the year, its governmental funds reported a combined fund balance of \$3,228,130, an increase of \$491,581 from last year's total of \$2,736,549. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$176,666 from the prior year to \$1,825,293. The largest increases in receipts were due to property tax and charges for service. Of the remaining fund balance, \$1,244,653 is restricted for the pool and \$55,392 represents library funds. The unrestricted General Fund cash balance was \$525,248.

- The Special Revenue, Road Use Tax Fund cash balance increased \$116,783 to \$568,196. Road Use Tax disbursements were lower in this fiscal year than last. The City will continue to use this money to upgrade the condition of all City roads.
- The Capital Project, Waste Water Treatment Plant cash balance increased from a deficit balance of (40,526) to a positive balance of \$39,237.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$13,162 to \$905,621, the increase in receipts had less effect than the increase in disbursements.
- The Enterprise, Sewer Fund cash balance increased \$159,504 to \$1,836,710, due primarily to the increase in sewer rates. These surplus funds will be used to construct the new Waste Water Treatment Plant, therefore reducing the amount of bonding.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 28, 2015 and resulted in a decrease in operating disbursements primarily related to the Capital Projects.

The City's receipts were \$341,861 more than budgeted. This was primarily due to the City receiving more intergovernmental assistance than the prior year.

With the budget amendment, total disbursements were \$5,962,983 less than the amended budget. However, actual disbursements for the capital project function were \$2,346,436, more than the amended budget. This was primarily due to the Waste Water Treatment Plant Project being categorized as an Enterprise Project rather than a Governmental Capital Project.

The City exceeded the amounts budgeted in Capital Project function for the year ended June 30, 2015.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$4,104,670 of bonds and other long-term debt outstanding, compared to \$4,439,670 last year, as shown below.

	Outstanding Debt at Year End	
	Year ended June 30,	
	2015	2014
General Obligation Notes and Bonds	\$ 3,775,000	4,110,000
Revenue Notes	329,670	329,670
Total	\$ 4,104,670	4,439,670

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 of \$3,775,000 is significantly below its constitutional debt limit of approximately \$8,387,090. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Hampton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. These factors include the economy, local impact on our citizens, level of service expected by the citizens, assessed valuations, capital projects, debt obligations, employee benefits obligations, increased operating costs, aging infrastructure, equipment needs, property tax rollback legislation, state and federal unfunded mandates, increasing DNR/EPA water quality standards and limited revenue resources. The City has been quite successful in obtaining grants to offset the costs of projects and will continue to do so. The City again made attempts to counter the ever increasing costs of providing employee benefits.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ron Dunt, City Manager, 122 1st Avenue, Hampton, Iowa.

Basic Financial Statements

City of Hampton

City of Hampton
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2015

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions & Restricted Interest	Capital Grants, Contributions & Restricted Interests
Functions/Programs:				
Governmental Activities:				
Public Safety	\$ 837,278	75,778	2	3,769
Public Works	489,040	-	463,866	-
Health and Social Services	2,432	-	-	-
Culture and Recreation	590,258	111,430	156,968	-
Community & Economic Development	250,996	-	32,276	-
General Government	318,374	28,471	-	-
Debt Service	478,552	-	-	-
Capital Projects	2,501,436	-	2,421,414	-
Total Governmental Activities	5,468,366	215,679	3,074,526	3,769
Business Type Activities:				
Water	641,604	628,442	-	-
Sewer Rental	382,208	691,712	-	-
Solid Waste	40,740	46,209	-	-
Meter Deposits	12,056	12,150	-	-
Total Business Type Activities	1,076,608	1,378,513	-	-
Total	\$ 6,544,974	1,594,192	3,074,526	3,769

General Receipts and Transfers:

Property and other city taxes levied for:

General Purpose

Debt Service

Tax Increment Financing

Local Option Sales Tax

Unrestricted Interest on Investments

Miscellaneous

Transfers

Total General Receipts and Transfers

Changes 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

Debt Service

Other Purposes

Unrestricted

Total Cash Basis Net Position

See Notes to Financial Statements.

Net (Disbursements)Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(757,729)	-	(757,729)
(25,174)	-	(25,174)
(2,432)	-	(2,432)
(321,860)	-	(321,860)
(218,720)	-	(218,720)
(289,903)	-	(289,903)
(478,552)	-	(478,552)
(80,022)	-	(80,022)
(2,147,392)	-	(2,147,392)
-	(13,162)	(13,162)
-	309,504	309,504
-	5,469	5,469
-	94	94
-	301,905	301,905
(2,174,392)	301,905	(1,872,487)
1,523,464	-	1,523,464
-	-	-
333,550	-	333,550
433,196	-	433,196
22,767	-	22,767
202,996	-	202,996
150,000	(150,000)	-
2,665,973	(150,000)	2,515,973
491,581	151,905	643,486
2,736,549	2,678,836	5,424,385
3,228,130	2,839,741	6,067,871
\$ 184,630	-	184,630
568,196	-	568,196
118,587	-	118,587
151,708	38,479	190,187
1,632,824	-	1,632,824
572,185	2,801,262	3,373,447
\$ 3,228,130	2,839,741	6,067,871

City of Hampton
Statement of Cash Basis Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2015

	General	Special Revenue		Non Major	Total
		Road Use Tax	WWTP		
Receipts:					
Property Tax	\$ 1,069,315	-	-	330,950	1,400,265
Tax Increment Financing	-	-	-	333,501	333,501
Other City Tax	98,143	-	-	445,824	543,967
Licenses and Permits	12,037	-	-	-	12,037
Use of Money and Property	59,314	-	-	1,599	60,913
Intergovernmental	157,198	463,866	2,421,414	32,276	3,074,754
Charges for Service	169,034	-	-	-	169,034
Special Assessments	-	-	-	12,477	12,477
Miscellaneous	46,685	597	-	155,717	202,999
Total Receipts	1,611,726	464,463	2,421,414	1,312,344	5,809,947
Disbursements:					
Operating:					
Public Safety	678,664	-	-	158,614	837,278
Public Works	68,574	346,880	-	73,586	489,040
Health and Social Services	2,432	-	-	-	2,432
Culture and Recreation	502,584	-	-	87,674	590,258
Community and Economic Development	125,582	-	-	125,414	250,996
General Government	307,919	-	-	10,455	318,374
Debt Service	-	-	-	478,552	478,552
Capital Projects	-	-	2,491,651	9,785	2,501,436
Total Disbursements	1,685,755	346,880	2,491,651	944,080	5,468,366
Excess (Deficiency) of Receipts over (Under) Disbursements	(74,029)	117,583	(70,237)	368,264	341,581
Other Financing sources(uses):					
Operating Transfers In	457,267	-	150,000	483,279	1,090,546
Operating Transfers Out	(206,572)	(800)	-	(733,174)	(940,546)
Total Other Financing Sources(Uses)	250,695	(800)	150,000	(249,895)	150,000
Change in Cash Balance	176,666	116,783	79,763	118,369	491,581
Cash balance beginning of year	1,648,627	451,413	(40,526)	677,035	2,736,549
Cash balance end of year	\$ 1,825,293	568,196	39,237	795,404	3,228,130
Cash Basis Fund Balances					
Nonspendable- Perpetual Care	\$ -	-	-	184,630	184,630
Restricted for:					
Streets	-	568,196	-	-	568,196
Urban Renewal Purposes	-	-	-	118,587	118,587
Debt Service	-	-	-	151,708	151,708
Other Purposes	1,244,653	-	39,237	348,934	1,632,824
Assigned	55,392	-	-	-	55,392
Unassigned	525,248	-	-	(8,455)	516,793
Total Cash basis fund balances	\$ 1,825,293	568,196	39,237	795,404	3,228,130

See Notes to Financial Statements.

City of Hampton
 Statement of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Proprietary Funds

As of and for the year ended June 30, 2015

	Enterprise			Total
	Water	Sewer	Non Major	
Operating Receipts:				
Charges for Service	\$ 628,442	691,712	58,359	1,378,513
Total Operating Receipts	628,442	691,712	58,359	1,378,513
Operating Disbursements:				
Business Type Activities	641,604	382,208	52,796	1,076,608
Total Operating Disbursements	641,604	382,208	52,796	1,076,608
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(13,162)	309,504	5,563	301,905
Operating Transfers Out	-	(150,000)	-	(150,000)
Net Change in Balances	(13,162)	159,504	5,563	151,905
Cash Balance Beginning of Year	918,783	1,677,206	91,847	2,687,836
Cash Balance End of Year	\$ 905,621	1,836,710	97,410	2,839,741
Cash Basis Fund Balances				
Restricted for Debt Service	\$ -	-	38,479	38,479
Unrestricted	905,621	1,836,710	58,931	2,801,262
Total Cash Balance	\$ 905,621	1,836,710	97,410	2,839,741

See Notes to Financial Statements.

City of Hampton

City of Hampton

Notes to Financial Statements

June 30, 2015

(1) **Summary of Significant Accounting Policies**

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

A. Reporting Entity

For financial reporting purposes, the City of Hampton has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

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

B. Basis of Presentation

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

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or 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 often have constraints on cash balances 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.

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies 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:

The 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.

The Capital Project Fund – Waste Water Treatment Plant is utilized to account for grant and miscellaneous receipts and disbursements for construction.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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 is both restricted and unrestricted cash basis net position 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 non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund 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 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.

E. 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 Capital Projects function.

(2) Cash and Pooled 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 investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the City had the following investments (Perpetual Care):

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
Money Market	\$ 9,739	9,739	
Government Securities/Bonds	177,477	174,892	Various

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.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation notes and bonds and revenue notes are as follows:

Year Ending	General Obligation Notes		General Obligation Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
June 30, 2016	20,000	2,280	335,000	131,083	329,670	-	684,670	133,363
2017	20,000	1,540	345,000	121,788	-	-	365,000	123,328
2018	20,000	780	355,000	111,452	-	-	375,000	112,232
2019	-	-	370,000	99,952	-	-	370,000	99,952
2020	-	-	385,000	87,212	-	-	385,000	87,212
2021-2025	-	-	1,925,000	207,720	-	-	1,925,000	207,720
Total	\$ 60,000	4,600	3,715,000	759,207	329,670	-	4,104,670	763,807

In May, 2007, the City issued \$165,000 of General Obligation Capital Loan Notes, Series 2007. The notes were issued for the purpose of paying a portion of the costs of constructing street and related utility improvements, including those associated with the Oak Hill Drive Project. On May 29, 2008, the notes were refunded by issuing \$165,000 of General Obligation Capital Loan Notes, Series 2008 with interest rates ranging from 2.6% to 3.9%.

On July 6, 2009, the City issued \$2,760,000 of General Obligation Bonds, Series 2009 (Urban Renewal). The bonds were issued to pay the costs of construction, reconstruction and installation of roadway and related storm sewer, sanitary sewer and water system utility improvements associated with the Highway 65 Reconstruction Project. The bonds are general obligations of the City, however a portion of the debt will be serviced by tax increment financing revenue collected from the City's Urban Renewal Area. Interest rates range from 2.25% to 4.30% over the life of the bonds.

The City issued \$2,470,000 of General Obligation Local Option Sales Tax Bonds, Series 2010, dated July 22, 2010. The bonds were issued to pay the costs of acquisition, construction and equipping a new aquatic center. The bonds are general obligations of the City, however, the debt will be serviced primarily by Local Option Sales Tax revenue. Interest rates range from 1.00% to 3.60% over the life of the bonds.

On October 27, 2010, the City issued \$376,000 of Sewer Revenue Capital Loan Notes for the purpose of planning and designing a new waste water treatment plant. These notes are payable solely from sewer customer receipts, net of specified operating disbursements. Proceeds of the note are available to draw as needed. As of June 30, 2012, \$329,670 had been drawn, and no draws were made in the years ended June 30, 2013, 2014 or 2015. For the current year, no principal or interest payments were required.

The City was in compliance with the provisions of the note and bond resolutions.

(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.

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.)

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.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$117,104.

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 \$575,639. 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 0.0145147 percent, which was a decrease of 0.002349% 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 \$57,766, \$52,204 and \$331,687 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 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net of pension plan 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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. 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 percent, 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 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 1,329,654	\$ 575,639	\$ 60,581

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 retiree benefit plan which provides medical/prescription drug, dental and deductible benefits for employees, retirees and their spouses. There are 24 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees. The dental benefits are self-funded by the City and are paid through a third party administrator, Three Rivers Benefit Corporation. The City also partially funds deductibles which are paid through Three Rivers Benefit Corporation.

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 \$483 for single coverage and \$1,209 for family coverage. For the year ended June 30, 2015, the City contributed \$273,844 and plan members eligible for benefits contributed \$27,670 to the plan.

6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory 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:

Type of Benefit	Amount
Vacation	\$ 69,650
Comp Time	99,697
Total	<u>\$ 169,347</u>

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

(7) **Interfund Transfers**

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

Transfer To	Transfer From	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 433,196
	Make a Splash	24,071
		<u>457,267</u>
Special Revenue Road Use Tax	Capital Projects Highway 65	800
Debt Service General Obligation	General Special Revenue Tax Increment Financing	204,262 255,970
	Debt Service Special Assessment	<u>18,320</u> 478,552
Capital Projects Wastewater Treatment Project	Enterprise Fund Sewer	150,000
Library Improvement Project	Special Revenue Library Trust	1,617
Permanent Cemetery Perpetual Care	General	2,310
Total		<u><u>\$1,090,546</u></u>

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

(8) **Related Party Transactions**

The City had business transactions between the City and City officials totaling \$6,874 during the year ended June 30, 2015.

(9) **Landfill of North Iowa**

The City, in conjunction with 17 other municipalities, has created the Landfill of North Iowa. The Landfill was established for the primary purpose of providing for the collection of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Landfill will be prorated among the municipalities. The Landfill is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

The Landfill is not accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debt, therefore the City of Hampton has an ongoing financial responsibility. The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2015, the City remitted \$6,022 for its share of the costs.

(10) Risk Management

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

(11) Deficit Balance

The Special Revenue, Economic Development account had a deficit balance of \$8,455 at June 30, 2015. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of project financing.

(12) Excess Fund Balance

We noted the fund balances of the Special Revenue Funds, Forfeiture, Band Shell, Cemetery Trust, the Capital Projects Funds, FAA Grant, Park Improvements and Library Improvements, and the Enterprise Funds, Sewer, Water Reserve and Meter Deposits, were in excess of the disbursements for the current year.

(13) Subsequent Events

The date through which events occurring after June 30, 2015 have been evaluated for possible adjustment to the financial statements or disclosure is October 19, 2015 which is the date of this report.

City of Hampton
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property Tax	\$ 1,400,265	-	1,400,265
Tax Increment Financing	333,501	-	333,501
Other City Tax	543,967	-	543,967
License and Permits	12,037	-	12,037
Use of Money and Property	60,913	-	60,913
Intergovernmental	3,074,754	-	3,074,754
Charges for Services	169,034	1,378,513	1,547,547
Special Assessments	12,477	-	12,477
Miscellaneous	202,999	-	202,999
Total Receipts	<u>5,809,947</u>	<u>1,378,513</u>	<u>7,188,460</u>
Disbursements:			
Public Safety	837,278	-	837,279
Public Works	489,040	-	489,040
Health and Social Services	2,432	-	2,432
Culture and Recreation	590,258	-	590,258
Community and Economic Development	250,996	-	250,996
General Government	318,374	-	318,374
Debt Service	478,552	-	478,552
Capital Projects	2,501,436	-	2,501,436
Business Type Activities	-	1,076,608	1,076,608
Total Disbursements	<u>5,486,366</u>	<u>1,076,608</u>	<u>6,544,974</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	341,581	301,905	643,486
Other Financing Sources, Net	<u>150,000</u>	<u>(150,000)</u>	<u>-</u>
Excess of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	491,581	151,905	643,486
Balances Beginning of Year	2,736,549	2,687,836	5,424,385
Balances End of Year	<u>\$ 3,228,130</u>	<u>2,839,741</u>	<u>6,067,871</u>

See Accompanying Independent Auditors' Report.

Budgeted Amounts		Final to Total Variance
Original	Final	
1,305,978	1,305,978	94,287
322,470	322,470	11,031
525,810	575,810	(31,843)
20,050	20,050	(8,013)
75,140	75,140	(14,227)
2,862,551	2,707,551	367,203
1,472,000	1,476,000	71,547
20,000	20,000	(7,523)
343,600	343,600	(140,601)
6,947,599	6,846,599	341,861
984,850	984,850	(147,572)
583,210	583,210	(94,170)
3,200	3,200	(768)
811,215	839,215	(248,957)
300,264	300,264	(49,268)
305,440	342,940	(24,566)
479,453	479,453	(901)
355,000	155,000	2,346,436
8,793,825	8,819,825	(7,743,217)
12,616,457	12,507,957	(5,962,983)
(5,668,858)	(5,661,358)	6,304,844
5,500,000	5,500,000	(5,500,000)
(168,858)	(161,358)	804,844
12,886,713	12,886,713	(7,462,328)
12,717,855	12,725,355	6,657,484

City of 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. 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 Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$108,500. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the Capital Projects function.

City of Hampton
Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

	2015
City's proportion of the net pension liability	0.0145147%
City's proportionate share of the net pension liability	\$ 575
City's covered-employee payroll	\$ 1,265
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	45.53%
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.

See accompanying independent auditors' report.

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.

City of Hampton
Schedule of City Contributions

Iowa Public Employees' Retirement System
Last Fiscal Year
(In Thousands)

Other Information

	<u>2015</u>
Statutorily required contribution	\$ 117
Contributions in relation to the statutorily required contribution	(117)
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$ 1,265
Contribution as a percentage of covered-employee payroll	9.25%

See accompanying independent auditors' report.

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.

City of 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 percent per year measured from the member's first unreduced retirement age to a 6 percent 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 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent 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 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

City of Hampton
Statement of Cash Basis Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue					
	Employee Benefits	Make A Splash	Forfeiture	Band Shell	Economic Development	Local Option Sales Tax
Receipts:						
Property Tax	\$ 330,950	-	-	-	-	-
Tax Increment Financing	-	-	-	-	-	-
Other City Tax	12,579	-	-	-	-	433,196
Use of Money and Property	-	18	2	32	-	-
Intergovernmental	-	-	-	-	32,276	-
Special Assessments	-	-	-	-	-	-
Miscellaneous	1,500	9,112	-	-	4,497	-
Total Receipts	345,029	9,130	2	32	36,773	433,196
Disbursements:						
Operating:						
Public Safety	158,614	-	-	-	-	-
Public Works	73,586	-	-	-	-	-
Cultural and Recreation	81,195	-	-	-	-	-
Community and Economic Development	-	-	-	-	55,414	-
General Government	10,455	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Total Disbursements	323,850	-	-	-	55,414	-
Excess (Deficiency) of Receipts (Under) Over Disbursements	21,179	9,130	2	32	(18,641)	433,196
Other Financing Sources (Uses):						
Operating Transfers In	-	-	-	-	-	-
Operating Transfers Out	-	(24,071)	-	-	-	(433,196)
Total Other Financing Sources (Uses)	-	(24,071)	-	-	-	(433,196)
Net Change in Cash Balance	21,179	(14,941)	2	32	(18,641)	-
Cash Balance Beginning of Year	72,515	14,941	4,158	32,573	10,186	-
Cash Balance End of Year	\$ 93,694	-	4,160	32,605	(8,455)	-
Cash Basis Fund Balances						
Nonspendable- Perpetual Care	\$ -	-	-	-	-	-
Restricted for:						
Debt Service	-	-	-	-	-	-
Urban Renewal Purposes	-	-	-	-	-	-
Other Purposes	93,694	-	4,160	32,605	-	-
Unassigned	-	-	-	-	(8,455)	-
Total Cash Basis Fund Balance	\$ 93,694	-	4,160	32,605	(8,455)	-

See Accompanying Independent Auditors' Report.

Schedule 1

Tax Increment Financing	Special Revenue		Debt Service			Capital Projects			Permanent		Total
	Library Trust	Cemetery Trust	General Obligation	Special Assessment	FAA Grant	Highway 65	Park Improvements	Library Improvements	Perpetual Care		
-	-	-	-	-	-	-	-	-	-	-	330,950
333,501	-	-	-	-	-	-	-	-	-	-	333,501
49	-	-	-	-	-	-	-	-	-	-	445,824
-	-	3,507	-	-	-	-	-	-	(1,960)	-	1,599
-	-	-	-	-	-	-	-	-	-	-	32,276
-	-	-	-	12,477	-	-	-	-	-	-	12,477
-	-	-	-	-	-	-	76,934	63,674	-	-	155,717
333,550	-	3,507	-	12,477	-	-	76,934	63,674	(1,960)	-	1,312,344
-	-	-	-	-	-	-	-	-	-	-	158,614
-	-	-	-	-	-	-	-	-	-	-	73,586
-	-	6,479	-	-	-	-	-	-	-	-	87,674
70,000	-	-	-	-	-	-	-	-	-	-	125,414
-	-	-	-	-	-	-	-	-	-	-	10,455
-	-	-	478,552	-	-	-	-	-	-	-	478,552
-	-	-	-	-	9,785	-	-	-	-	-	9,785
70,000	-	6,479	478,552	-	9,785	-	-	-	-	-	944,080
263,550	-	(2,972)	(478,552)	12,477	(9,785)	-	76,934	63,674	(1,960)	-	368,264
-	-	-	478,552	-	-	800	-	1,617	2,310	-	483,279
(255,970)	(1,617)	-	-	(18,320)	-	-	-	-	-	-	(733,174)
(255,970)	(1,617)	-	478,552	(18,320)	-	800	-	1,617	2,310	-	(249,895)
7,580	(1,617)	(2,972)	-	(5,843)	(9,785)	800	76,934	65,291	350	-	118,369
111,007	1,617	50,567	135,270	22,281	30,700	(800)	-	7,740	184,280	-	677,035
118,587	-	47,595	135,270	16,438	20,915	-	76,934	73,031	184,630	-	795,404
-	-	-	-	-	-	-	-	-	184,630	-	184,630
-	-	-	135,270	16,438	-	-	-	-	-	-	151,708
118,587	-	-	-	-	-	-	-	-	-	-	118,587
-	-	47,595	-	-	20,915	-	76,934	73,031	-	-	348,934
-	-	-	-	-	-	-	-	-	-	-	(8,455)
118,587	-	47,595	135,270	16,438	20,915	-	76,934	73,031	184,630	-	795,404

City of Hampton

City of Hampton
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

Schedule 2

As of and for the year ended June 30, 2015

	Enterprise			Total
	Water Reserve	Solid Waste	Meter Deposit	
Operating Receipts:				
Charges for Service	\$ -	46,209	12,150	58,359
Total Operating Receipts	-	46,209	12,150	58,359
Operating Disbursements:				
Business Type Activities	-	40,740	12,056	52,796
Total Operating Disbursements	-	40,740	12,056	52,796
Excess Operating Receipts Over Operating Disbursements	-	5,459	94	5,563
Cash Balance Beginning of Year	38,479	16,523	36,845	91,847
Cash Balance End of Year	\$ 38,479	21,992	36,939	97,410
Cash Basis Fund Balance				
Restricted for Debt Service	\$ 38,479	-	-	38,479
Unrestricted	-	21,992	36,939	58,931
Total Cash Balance	\$ 38,479	21,992	36,939	97,410

See Accompanying Independent Auditors' Report.

City of Hampton
Schedule of Indebtedness
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Notes/Bonds:			
Oak Hill Drive Project	May 29, 2008	2.60-3.90%	\$ 165,000
Urban Renewal (Highway 65)	July 6, 2009	2.25-4.30%	2,760,000
Local Option Sales Tax (Aquatic Park)	July 22, 2010	1.00-3.60%	2,470,000
Total			
Revenue Notes:			
Sewer Revenue Capital Loan Notes	October 27, 2010	0%	\$ 376,000

See Accompanying Independent Auditors' Report

Schedule 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
75,000	-	15,000	60,000	2,820	-
2,100,000	-	175,000	1,925,000	80,470	-
1,935,000	-	145,000	1,790,000	58,762	-
<u>\$ 4,110,000</u>	<u>-</u>	<u>335,000</u>	<u>3,775,000</u>	<u>142,052</u>	<u>-</u>
<u>\$ 329,670</u>	<u>-</u>	<u>-</u>	<u>329,670</u>	<u>-</u>	<u>-</u>

City of Hampton

City of Hampton

Schedule 4

Bond and Note Maturities

June 30, 2015

Year Ending June 30,	General Obligation Notes		General Obligation Bonds				Total
	Oak Hill Drive		Highway 65 Project		Aquatic Center		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2016	3.70%	20,000	3.20%	\$ 185,000	2.25%	\$ 150,000	355,000
2017	3.80	20,000	3.40	190,000	2.50	155,000	365,000
2018	3.90	20,000	3.60	195,000	2.80	160,000	375,000
2019	-	-	3.80	205,000	3.00	165,000	370,000
2020	-	-	4.00	210,000	3.15	175,000	385,000
2021	-	-	4.10	220,000	3.20	180,000	400,000
2022	-	-	4.20	230,000	3.35	190,000	420,000
2023	-	-	4.25	240,000	3.40	195,000	435,000
2024	-	-	4.30	250,000	3.50	205,000	455,000
2025	-	-	-	-	3.60	215,000	215,000
Total		<u>\$ 60,000</u>		<u>\$ 1,925,000</u>		<u>\$1,790,000</u>	<u>3,775,000</u>

Year Ending June 30,	Sewer Revenue Capital Loan Notes Anticipation Notes Issued Oct 27, 2010	
	Interest Rates	Amount
2016	0%	<u>\$329,670</u>

See Accompanying Independent Auditors' Report

City of Hampton
Schedule of Receipt By Source and Disbursements By Function-
All Government Funds
For the Last Ten Years

	2015	2014	2013	Unaudited 2012
Receipts:				
Property Tax	\$ 1,400,265	1,270,342	1,313,070	1,320,184
Tax Increment Financing	333,501	304,026	309,751	314,793
Other City Tax	543,967	513,804	588,506	507,907
License and Permits	12,037	11,390	20,575	14,243
Use of Money and Property	60,913	60,002	59,551	65,785
Intergovernmental	3,074,754	603,126	1,286,340	873,929
Charges for Service	169,034	429,908	436,557	394,005
Special Assessments	12,477	14,096	15,476	29,698
Miscellaneous	202,999	116,179	165,640	111,001
Total	<u>\$ 5,809,947</u>	<u>3,322,873</u>	<u>4,195,466</u>	<u>3,631,545</u>
Disbursements:				
Operating:				
Public Safety	\$ 837,278	899,627	908,678	862,068
Public Works	489,040	556,783	565,631	526,617
Health and Social Services	2,432	2,860	4,276	830
Culture and Recreation	590,258	565,735	562,259	835,944
Community and Economic Development	250,996	338,403	212,736	130,852
General Government	318,374	279,470	263,209	306,272
Debt Service	478,552	981,574	482,282	278,218
Capital Projects	2,501,436	230,752	759,527	1,200,339
Total	<u>\$ 5,468,366</u>	<u>3,855,204</u>	<u>3,758,598</u>	<u>4,141,140</u>

See Accompanying Independent Auditors' Report.

Schedule 5

Unaudited					
2011	2010	2009	2008	2007	2006
1,423,117	1,357,727	1,327,231	1,198,746	1,271,143	1,200,086
503,883	-	-	1,903	637,728	700,657
448,103	459,108	410,127	369,711	436,195	362,539
12,200	14,616	26,211	10,970	14,107	25,962
76,287	116,141	133,678	180,305	169,065	101,527
766,804	1,013,796	740,528	609,780	604,861	466,141
385,500	303,853	335,997	328,877	198,941	196,399
23,132	71,900	15,487	14,841	22,976	20,609
255,885	187,606	40,351	66,357	48,244	137,686
<u>3,894,911</u>	<u>3,524,747</u>	<u>3,029,610</u>	<u>2,781,490</u>	<u>3,394,260</u>	<u>3,211,606</u>
949,883	1,075,886	921,632	782,560	807,758	753,825
506,036	461,021	640,344	466,381	426,900	389,270
5,006	5,347	5,605	4,561	3,154	4,792
703,886	542,457	602,299	469,363	457,181	416,746
103,114	260,655	156,472	205,235	102,761	202,027
260,866	315,659	271,409	280,606	218,948	175,041
462,258	316,896	329,969	706,596	542,176	812,783
5,697,915	1,484,203	160,373	355,102	112,569	-
<u>8,688,964</u>	<u>4,462,124</u>	<u>3,087,830</u>	<u>3,270,404</u>	<u>2,671,447</u>	<u>2,754,484</u>

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Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the 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 and the aggregate remaining fund information of the City of Hampton, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 19, 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 the City of Hampton's internal control over financial reporting to determine the audit procedures 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 the City of Hampton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hampton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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 a material misstatement of the City of Hampton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item A to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hampton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

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

The City of Hampton's Responses to Findings

The City of Hampton's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Hampton's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Hampton during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Dennis P. Donovan, P.C.

October 19, 2015

City of Hampton

City of Hampton
Hampton, Iowa

Schedule of Findings

Year Ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- A. Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

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

Response – We have reviewed procedures as suggested. We are in the process of further cross training employees to further segregate duties.

Conclusion – Response accepted.

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

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Hampton
Hampton, Iowa

Schedule of Findings (Continued)

Year Ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

1. Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the Capital Projects function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response accepted.

2. Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
3. Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
4. Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Carrie Blau, City Employee	Husband does Lawn Mowing	\$ 55
Andy Sheeler, City Employee	Lawn Mowing	950
Joel McWilliams, City Employee	Lawn Mowing	2,269
Kim Manning, Librarian	Daughter is Library Janitor	3,600

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Carrie Blau and Andy Sheeler do not appear to represent conflicts of interest since total transactions with the individual were less than \$1,500 during the fiscal year. The transactions with Joel McWilliams do not appear to represent conflicts of interest since those transactions were entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa. The transactions with the librarian do not appear to represent conflicts of interest since the duties of employment do not directly involve the procurement of the services in accordance with Chapter 362.5 of the Code of Iowa.

City of Hampton
Hampton, Iowa

Schedule of Findings (Continued)

Year Ended June 30, 2015

5. Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
 6. City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
 7. Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
 8. Financial Condition – The Special Revenue Fund, Economic Development had a deficit balance of \$8,455, at June 30, 2015.
Recommendation – The City should investigate alternatives to eliminate these deficits in order to return this fund to a sound financial position.
Response – The deficits were due to project costs incurred prior to receipt of project financing.
Conclusion – Response accepted.
 9. Excess Fund Balance – The ending fund balances of the Special Revenue, Forfeiture, Band Shell, Cemetery Trust, the Capital Project Funds, FAA Grant, Park Improvements and Library Improvements, and the Enterprise Funds, Sewer, Water Reserve and Meter Deposits funds were in excess of disbursements for the current year.
Recommendation – The City should investigate alternatives to eliminate the excesses.
Response – The excess balances in the Special Revenue Funds will be eliminated as the projects progress. The Water Reserve excess will be eliminated with future debt redemptions. The Sewer Funds excess will be eliminated by transfers to the Waste Water Treatment Project and payment for Sewer debt.
Conclusion – Response accepted.
 10. Separately Maintained Accounts – The Police Department maintains the DARE account within the Department. The receipts and disbursements of the accounts were not reflected in the City's accounting system and were not included in the City's annual budget, claims process or financial report.
Recommendation – In accordance with the Code of Iowa, a special revenue fund should be established for this account, all collections should be remitted to the City and all disbursements should be approved by the City Council and be reflected in the City's accounting system, annual budget and financial reports and claims should be approved by the Council.
Response – We will consider establishing a DARE fund.
Conclusion – Response accepted.
-