



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE February 28, 2007

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Auditor of State David A. Vaudt today released an audit report on the City of Hazleton, Iowa.

The City has implemented new reporting standards for the year ended June 30, 2006, with significant changes in content and structure of the financial statements. The new financial statements now include a Statement of Activities and Net Assets which provides information about the activities of the City as a whole. Also included is Management's Discussion and Analysis of the City's financial statements.

The City's receipts totaled \$728,479 for the year ended June 30, 2006. The receipts included \$260,406 from charges for service, \$188,296 from operating grants, contributions and restricted interest, \$106,471 from capital grants, contributions and restricted interest, \$100,499 in property tax, \$50,238 from local option sales tax, \$15,179 from unrestricted interest on investments and \$7,390 from other general receipts.

Disbursements for the year totaled \$705,313, and included \$124,197 for public works, \$88,922 for community and economic development and \$67,400 for general government. Also, disbursements for business type activities totaled \$372,897.

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

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CITY OF HAZLETON

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

JUNE 30, 2006

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City of Hazleton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Wayne Holliday	Mayor	Jan 2006
Robert Gilson	Mayor Pro tem	Jan 2006
Kenny Baych	Council Member	Jan 2006
Virginia Steil	Council Member	Jan 2006
Allison Davis	Council Member	(Resigned)
Lynn Vargason	Council Member	Jan 2008
Melissa Potts	Council Member	Jan 2008
(After January 2006)		
Wayne Holliday	Mayor	Jan 2008
Lynn Vargason	Mayor Pro tem	Jan 2008
Melissa Potts	Council Member	Jan 2008
Roger Carlson	Council Member	Jan 2010
Mike Foland	Council Member	Jan 2010
Liz Miller	Council Member	Jan 2010
Lynne Crandall	City Clerk	Indefinite
Patricia Arthaud	City Treasurer	Indefinite
Carter Stevens	City Attorney	Indefinite

City of Hazelton



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Hazleton, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Hazleton's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the preceding paragraph, 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 Hazleton as of June 30, 2006, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 10, during the year ended June 30, 2006, the City adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2007 on our consideration of the City of Hazleton's internal control over financial reporting and 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 compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hazleton's basic financial statements. Other supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2005, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 17, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Hazleton 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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, and since the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2006 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities increased by 91%, or approximately \$41,600, due primarily to a community development block grant totaling approximately \$102,000 received in fiscal 2006 for housing rehabilitation projects.
- The cash basis net assets of the City's business type activities decreased by 2%, or approximately \$18,500, due primarily to a water tower project started during fiscal 2006.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the 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 Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. 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 and 2) the Special Revenue Funds, such as Road Use Tax. 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 two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

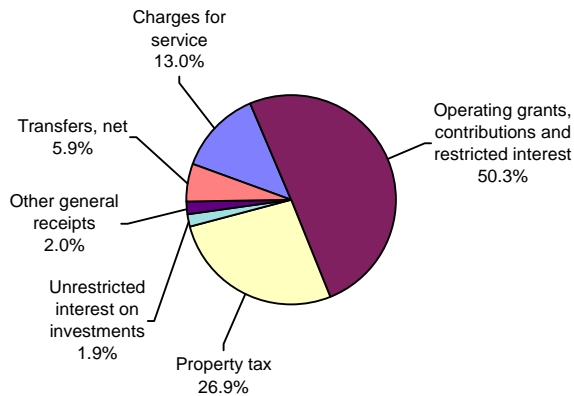
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

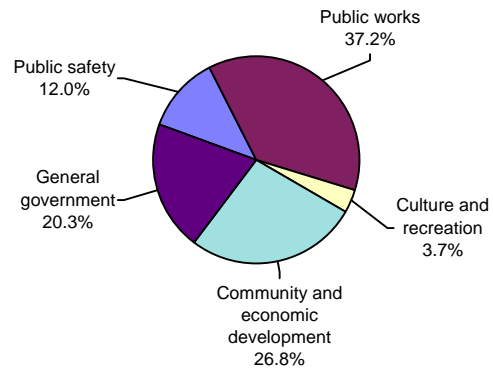
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$45,535 to \$87,170. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2006
Receipts and transfers:	
Program receipts:	
Charges for service	\$ 48,493
Operating grants, contributions and restricted interest	188,296
General receipts:	
Property tax	100,499
Unrestricted interest on investments	7,276
Other general receipts	7,390
Transfers, net	22,097
Total receipts	<u>374,051</u>
Disbursements:	
Public safety	39,751
Public works	124,197
Culture and recreation	12,146
Community and economic development	88,922
General government	67,400
Total disbursements	<u>332,416</u>
Increase in cash basis net assets	41,635
Cash basis net assets beginning of year	<u>45,535</u>
Cash basis net assets end of year	<u>\$ 87,170</u>

Receipts by Source



Disbursements by Function



The cash basis net assets for the City's governmental funds increased approximately \$41,600, due primarily to a community development block grant totaling approximately \$102,000 received in fiscal 2006 for housing rehabilitation projects.

Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2006
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 110,897
Sewer	101,016
Capital grants, contributions and restricted interest	106,471
General receipts:	
Local option sales tax	50,238
Unrestricted interest on investments	7,903
Total receipts	<u>376,525</u>
Disbursements and transfers:	
Water	278,296
Sewer	94,601
Transfers	22,097
Total disbursements and transfers	<u>394,994</u>
Decrease in cash basis net assets	(18,469)
Cash basis net assets beginning of year	<u>750,715</u>
Cash basis net assets end of year	<u>\$ 732,246</u>

The cash basis net assets of the City's business type activities decreased approximately \$18,500, due primarily to costs associated with a water tower project started during fiscal 2006.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Hazleton completed the year, its governmental funds reported a combined fund balance of \$87,170, an increase of \$41,635 over last year's total of \$45,535. 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 \$54,089 over the prior year to \$77,161. The increase is, in part, due to a community development block grant totaling \$101,661 received in fiscal 2006 for housing rehabilitation projects.
- The Road Use Tax Fund cash balance decreased by \$14,425 to \$3,396 during the fiscal year. This decrease is due to a transfer of \$10,896 to the General Fund for health insurance cost reimbursement in fiscal 2006.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$44,292 to \$324,006, due primarily to costs associated with a water tower project started during fiscal 2006.
- The Sewer Fund cash balance increased by \$25,823 to \$408,240, due primarily to an increase in rates.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 17, 2006 and resulted in an increase in operating disbursements of \$218,178 related to the water tower project. The City had sufficient cash balances to absorb these additional costs and also received a community development block grant totaling \$106,471.

Total disbursements were \$75,258 less than the amended budget. Disbursements in the public safety, culture and recreation and business type activities functions were \$3,653, \$7,579 and \$65,911, respectively, less than the amended budget. This was primarily due to less progress on the water tower project than anticipated.

The City also exceeded the amount budgeted in the community and economic development function for the year ended June 30, 2006. This was due to an unexpected increase in community and economic development disbursements.

DEBT ADMINISTRATION

At June 30, 2006, the City had \$483,965 in sewer revenue bonds and a bank loan outstanding, compared to \$523,375 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2006	2005
Revenue bonds	\$ 447,000	474,000
Bank loan - vehicle	36,965	49,375
Total	\$ 483,965	523,375

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 \$36,965 is well below its constitutional debt limit of \$694,583.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Non-farm employment growth was 8.8% in Buchanan County, while the Buchanan County population growth (census bureau population estimates) was negative .3%. The City's employment growth has not mirrored its population growth during 2000-2005. Unemployment in the area, according to Iowa Workforce Development, stands at 4.4%. This compares with the State's unemployment rate of 3.4% and the national rate of 3.9%.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2% for fiscal year 2005 compared with the national rate of 3.4%. Inflation has been modest here due, in part, to the slowing of the residential housing market and increases in energy prices in 2006.

Several factors were considered when formulating the FY 2007 budget:

- The FY2007 budget contains receipts totaling \$1,129,909 and disbursements totaling \$1,172,776.
- The City received a community development block grant and will use local funding as well to finance the costs associated with the construction of a water tower.
- The City can no longer depend on state revenues, as evidenced by the discontinuation of bank franchise and property tax replacement revenues.
- The FY 2007 levy is \$12.24302 per \$1,000 of taxable valuation, a decrease of \$.29203 per \$1,000 of taxable valuation from fiscal 2006. Since the City is at its maximum General Fund levy of \$8.10 per \$1,000 of taxable valuation, this levy is not supporting the City's general operating expenses. The City has found it necessary to levy a tax for liability, property and self insurance totaling \$1.58911 per \$1,000 of taxable valuation and a tax for employee benefits totaling \$2.28391 per \$1,000 of taxable valuation.
- The construction of a 150,000 gallon elevated water storage facility is well underway. This project commenced Spring 2006 and will be completed in Spring 2007.

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 Lynne Crandall, City Clerk, P.O. Box 500, Hazleton, Iowa 50641.

Basic Financial Statements

City of Hazleton

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2006

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 39,751	260	7,096	-
Public works	124,197	41,766	79,539	-
Culture and recreation	12,146	5,122	-	-
Community and economic development	88,922	-	101,661	-
General government	67,400	1,345	-	-
Total governmental activities	332,416	48,493	188,296	-
Business type activities:				
Water	278,296	110,897	-	106,471
Sewer	94,601	101,016	-	-
Total business type activities	372,897	211,913	-	106,471
Total	\$ 705,313	260,406	188,296	106,471

General Receipts:

Property and other city tax levied for general purposes
 Local option sales tax
 Cable franchise fees
 Unrestricted interest on investments
 Sale of capital assets
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Streets
 Water tower project
 Debt service
 Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(32,395)	-	(32,395)
(2,892)	-	(2,892)
(7,024)	-	(7,024)
12,739	-	12,739
(66,055)	-	(66,055)
(95,627)	-	(95,627)
-	(60,928)	(60,928)
-	6,415	6,415
-	(54,513)	(54,513)
(95,627)	(54,513)	(150,140)
100,499	-	100,499
-	50,238	50,238
2,443	-	2,443
7,276	7,903	15,179
2,100	-	2,100
2,847	-	2,847
22,097	(22,097)	-
137,262	36,044	173,306
41,635	(18,469)	23,166
45,535	750,715	796,250
\$ 87,170	732,246	819,416
\$ 3,396	-	3,396
-	77,409	77,409
-	46,919	46,919
6,613	-	6,613
77,161	607,918	685,079
\$ 87,170	732,246	819,416

Exhibit B

City of Hazleton

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2006

	Special Revenue			Total
	General	Road Use Tax	Nonmajor Volunteer Fire Department	
Receipts:				
Property tax	\$ 98,293	-	-	98,293
Other city tax	2,206	-	-	2,206
Licenses and permits	1,345	-	-	1,345
Use of money and property	12,078	-	38	12,116
Intergovernmental	101,661	79,539	-	181,200
Charges for service	42,308	-	-	42,308
Miscellaneous	5,290	-	7,096	12,386
Total receipts	<u>263,181</u>	<u>79,539</u>	<u>7,134</u>	<u>349,854</u>
Disbursements:				
Operating:				
Public safety	34,588	-	5,163	39,751
Public works	41,296	82,901	-	124,197
Culture and recreation	12,146	-	-	12,146
Community and economic development	88,922	-	-	88,922
General government	67,233	167	-	67,400
Total disbursements	<u>244,185</u>	<u>83,068</u>	<u>5,163</u>	<u>332,416</u>
Excess (deficiency) of receipts over (under) disbursements	18,996	(3,529)	1,971	17,438
Other financing sources (uses):				
Sale of capital assets	2,100	-	-	2,100
Operating transfers in	32,993	-	-	32,993
Operating transfers out	-	(10,896)	-	(10,896)
Total other financing sources (uses)	<u>35,093</u>	<u>(10,896)</u>	<u>-</u>	<u>24,197</u>
Net change in cash balances	54,089	(14,425)	1,971	41,635
Cash balances beginning of year	23,072	17,821	4,642	45,535
Cash balances end of year	<u>\$ 77,161</u>	<u>3,396</u>	<u>6,613</u>	<u>87,170</u>
Cash Basis Fund Balances				
Unreserved:				
General fund	\$ 77,161	-	-	77,161
Special revenue funds	-	3,396	6,613	10,009
Total cash basis fund balances	<u>\$ 77,161</u>	<u>3,396</u>	<u>6,613</u>	<u>87,170</u>

See notes to financial statements.

City of Hazleton

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

As of and for the year ended June 30, 2006

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 110,897	101,016	211,913
Operating disbursements:			
Business type activities	87,656	47,740	135,396
Excess of operating receipts over operating disbursements	23,241	53,276	76,517
Non-operating receipts (disbursements):			
Local option sales tax	25,119	25,119	50,238
Use of money and property	2,414	5,489	7,903
Intergovernmental	106,471	-	106,471
Capital projects	(190,640)	-	(190,640)
Debt service	-	(46,861)	(46,861)
Net non-operating receipts (disbursements)	(56,636)	(16,253)	(72,889)
Excess (deficiency) of receipts over (under) disbursements	(33,395)	37,023	3,628
Other financing uses:			
Operating transfers out	(10,897)	(11,200)	(22,097)
Net change in cash balances	(44,292)	25,823	(18,469)
Cash balances beginning of year	368,298	382,417	750,715
Cash balances end of year	\$ 324,006	408,240	732,246
Cash Basis Fund Balances			
Reserved for:			
Debt service	\$ -	46,919	46,919
Water tower project	77,409	-	77,409
Unreserved	246,597	361,321	607,918
Total cash basis fund balances	\$ 324,006	408,240	732,246

See notes to financial statements.

City of Hazleton

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

The City of Hazleton is a political subdivision of the State of Iowa located in Buchanan County. It was first incorporated in 1864 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 and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Hazleton 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.

These financial statements present the City of Hazleton (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Hazleton Volunteer Fire Department has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the extinguishing of fires and performing such other duties as set forth by the Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Hazleton Volunteer Fire Department meets the definition of a component unit which should be blended. The financial activity for the account held by the component unit has been blended as a Special Revenue Fund of the City.

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: Buchanan County Assessor's Conference Board, Buchanan County Emergency Management Commission and Buchanan County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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

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

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

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

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

The City reports the following major governmental funds:

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

The Special Revenue, Road Use Tax Fund is used to account for road construction and maintenance.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

The City of Hazleton 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 are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the community and economic development function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Long Term Debt

Annual debt service requirements to maturity for the sewer revenue bonds are as follows:

Year Ending June 30,	Sewer Revenue Bonds				Total	
	Series 1998A		Series 1998B		Principal	Interest
	Principal	Interest	Principal	Interest		
2007	\$ 10,000	5,866	18,000	12,863	28,000	18,729
2008	10,000	5,447	19,000	12,109	29,000	17,556
2009	10,000	5,028	20,000	11,313	30,000	16,341
2010	10,000	4,609	21,000	10,475	31,000	15,084
2011	10,000	4,190	22,000	9,595	32,000	13,785
2012-2016	51,000	14,665	120,000	33,730	171,000	48,395
2017-2019	39,000	3,352	87,000	7,374	126,000	10,726
Total	\$ 140,000	43,157	307,000	97,459	447,000	140,616

Sewer Revenue Bonds

On October 19, 1998, the City entered into agreements with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$618,000 of sewer revenue bonds with 4.19% per annum interest. The bonds were issued December 1, 1998 pursuant to the provisions of Sections 384.24A and 384.83 of the Code of Iowa to construct improvements and extensions to a municipal sanitary sewer system.

The resolution providing for the issuance of the revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

Bank Loan

On October 14, 2003, the City entered into an agreement to borrow \$62,420 to purchase a dump truck. The loan will be repaid by the City in five equal annual installments of \$13,842, including interest at 3.75% per annum, beginning August 14, 2004. The balance at June 30, 2006 is \$36,965.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2006 was \$4,503, equal to the required contribution for the year.

(5) 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 compensatory payments payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 800
Compensatory time	<u>3,900</u>
Total	<u>\$ 4,700</u>

This liability has been computed based on rates of pay in effect at June 30, 2006.

(6) Risk Management

The City is exposed to various risks related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage for the year ended June 30, 2006.

(7) Construction Contract

On October 10, 2005, the City entered into a construction contract totaling \$416,800 for a water tower, with a change order of \$10,210 approved June 21, 2006. At June 30, 2006, \$164,329 had been paid for work completed. At June 30, 2006 the unpaid contract balance totaled \$262,681 and will be paid as work on the project progresses.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 are as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 10,896
	Enterprise:	
	Water	10,897
	Sewer	<u>11,200</u>
Total		<u>\$ 32,993</u>

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

(9) Subsequent Events

The City entered into a bank loan agreement on August 3, 2006 for \$215,000, with interest at 3.95% per annum, to pay a portion of the costs of the water tower project. Six annual payments of \$40,870 are to be made beginning on July 17, 2007, with the last payment due July 17, 2012.

(10) Accounting Change

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures, and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2006. The statements create new basic financial statements for reporting the City’s financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Implementation of these standards had no effect on the beginning balances of the City.

City of Hazleton

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 98,293	-	-
Local option sales tax	-	50,238	-
Other city tax	2,206	-	-
Licenses and permits	1,345	-	-
Use of money and property	12,116	7,903	38
Intergovernmental	181,200	106,471	-
Charges for service	42,308	211,913	-
Miscellaneous	12,386	-	7,096
Total receipts	349,854	376,525	7,134
Disbursements:			
Public safety	39,751	-	5,163
Public works	124,197	-	-
Culture and recreation	12,146	-	-
Community and economic development	88,922	-	-
General government	67,400	-	-
Business type activities	-	372,897	-
Total disbursements	332,416	372,897	5,163
Excess (deficiency) of receipts over (under) disbursements	17,438	3,628	1,971
Other financing sources, net	24,197	(22,097)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	41,635	(18,469)	1,971
Balances beginning of year	45,535	750,715	4,642
Balances end of year	\$ 87,170	732,246	6,613

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
98,293	94,509	94,509	3,784
50,238	70,000	70,000	(19,762)
2,206	5,410	5,410	(3,204)
1,345	500	500	845
19,981	14,000	14,000	5,981
287,671	159,625	266,096	21,575
254,221	216,056	216,056	38,165
5,290	1,000	1,000	4,290
719,245	561,100	667,571	51,674
34,588	38,241	38,241	3,653
124,197	126,219	126,219	2,022
12,146	19,725	19,725	7,579
88,922	84,833	84,833	(4,089)
67,400	67,582	67,582	182
372,897	220,630	438,808	65,911
700,150	557,230	775,408	75,258
19,095	3,870	(107,837)	126,932
2,100	-	-	2,100
21,195	3,870	(107,837)	129,032
791,608	704,369	704,369	87,239
812,803	708,239	596,532	216,271

City of Hazleton

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue 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, one budget amendment increased budgeted disbursements by \$218,178. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amount budgeted in the community and economic development function.

Other Supplementary Information

City of Hazleton
Statement of Indebtedness
Year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Sewer revenue bonds:			
Series 1998A	Dec 1, 1998	4.19%	\$ 190,000
Series 1998B	Dec 1, 1998	4.19	428,000
Total			
Bank loan:			
Dump truck	Oct 14, 2003	3.75%	\$ 62,420

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
149,000	-	9,000	140,000	6,243
325,000	-	18,000	307,000	13,618
<u>\$ 474,000</u>	<u>-</u>	<u>27,000</u>	<u>447,000</u>	<u>19,861</u>
<u>49,375</u>	<u>-</u>	<u>12,410</u>	<u>36,965</u>	<u>1,432</u>

Schedule 2

City of Hazleton

Bond Maturities

June 30, 2006

Year Ending June 30,	Sewer Revenue Bonds					
	Series A			Series B		
	Issued Dec 1, 1998		Amount	Issued Dec 1, 1998		Total
Interest Rates		Interest Rates		Amount		
2007	4.19%	\$ 10,000	4.19%	\$ 18,000	28,000	
2008	4.19	10,000	4.19	19,000	29,000	
2009	4.19	10,000	4.19	20,000	30,000	
2010	4.19	10,000	4.19	21,000	31,000	
2011	4.19	10,000	4.19	22,000	32,000	
2012	4.19	10,000	4.19	22,000	32,000	
2013	4.19	10,000	4.19	23,000	33,000	
2014	4.19	10,000	4.19	24,000	34,000	
2015	4.19	10,000	4.19	25,000	35,000	
2016	4.19	11,000	4.19	26,000	37,000	
2017	4.19	12,000	4.19	28,000	40,000	
2018	4.19	13,000	4.19	29,000	42,000	
2019	4.19	14,000	4.19	30,000	44,000	
Total		<u>\$ 140,000</u>		<u>\$ 307,000</u>	<u>447,000</u>	

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Honorable Mayor and
Members of the City Council:

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 Hazleton, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated January 17, 2007. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2005.

Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hazleton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Hazleton's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item (A) is a material weakness.

Schedule 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hazleton'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 that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 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.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Hazleton and other parties to whom the City of Hazleton may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 17, 2007

City of Hazleton

Schedule of Findings

Year ended June 30, 2006

Findings Related to the Financial Statements:

REPORTABLE CONDITIONS:

(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. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas:

- (1) Cash – initiating cash receipts and disbursement transactions and handling and recording cash.
- (2) Receipts – collecting, depositing, journalizing and posting.
- (3) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (4) Disbursements – purchasing, check signing, recording and reconciling.
- (5) Payroll – preparing and distributing.
- (6) Transfers – recording and reconciling.
- (7) Financial reporting – preparing, reconciling and distributing.
- (8) Accounting system – performing all general accounting functions and having custody of City assets.
- (9) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.

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 personnel. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review.

Response – We will utilize resources available to obtain the maximum internal control, including initials of reviewer.

Conclusion – Response accepted.

(B) Imprest Cash - Petty cash and change funds on hand at City Hall were not maintained on an imprest basis. Certain sales and donations were used to make petty cash purchases. Receipts were not retained for all purchases and petty cash receipts were not submitted when petty cash was replenished.

City of Hazleton

Schedule of Findings

Year ended June 30, 2006

Recommendation - The cash funds should be maintained on an imprest basis to provide additional control over the funds. Sales and donations should be recorded and deposited and the cash on hand should be included in the appropriate fund balance. Imprest systems improve the accountability for cash and enhance reconciliation of receipts and deposits. Petty cash should be replenished periodically to the established amount with petty cash receipts attached to a claim which should be charged against the annual budget.

Response – Petty cash and change funds will be maintained on an imprest basis as recommended.

Conclusion – Response accepted.

- (C) Information System – The following weaknesses in the City’s computer-based system were noted:

The City does not have written policies for:

- Requiring password changes every 60 to 90 days or to maintain password privacy and confidentially.
- The storage of backup tapes/disks off site.
- Alternative power sources.
- Use of the internet.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over its information system.

Response – City will continue to update policies as Council feels necessary.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Hazleton

Schedule of Findings

Year ended June 30, 2006

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amount budgeted in the community and economic development 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 sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Will continue to be in compliance as best we can.

Conclusion – Response acknowledged. The City should comply with Chapter 384.18 of the Code of Iowa.

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Iowa Telecom	Out of town and out of state long distance phone calls	\$ 48

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

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

Response – Documentation will be kept and policy and procedures developed.

Conclusion – Response accepted.

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

City of Hazleton

Schedule of Findings

Year ended June 30, 2006

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

Name, Title, and Business Connection	Transaction Description	Amount
Virginia Steil, Council Member, Husband owns Steil Welding	Welding and repair	\$ 1,348

In accordance with Chapter 362.5(11) of the Code of Iowa, these transactions do not appear to represent a conflict of interest since the total transactions were less than \$2,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the Council minutes but were not.

Although the City published minutes as required by Chapter 372.13(6) of the Code of Iowa, the disbursement publications did not include the purpose of the disbursement as required by Chapter 372.13(6) and an Attorney's General opinion dated April 12, 1978.

Gross hourly wages and salaries were not always approved or documented in the Council minutes.

Recommendation – The City should publish minutes as required by Chapter 372.13 of the Code of Iowa. Gross hourly wages and salaries should be approved by the Council and documented in the minutes record for all employees.

Response – Publication of purpose of disbursements began July 1, 2006. Wages will be documented and approved in Minutes annually.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted. However, although the City has approved and adopted an investment policy, the policy references are to Chapter 452 of the Code of Iowa, which are no longer applicable.

Recommendation – The City should establish a new investment policy that references Chapters 12B and 12C of the Code of Iowa.

Response – The City will update the investment policy.

Conclusion – Response accepted.

City of Hazleton

Schedule of Findings

Year ended June 30, 2006

- (8) Insurance Tax Levy – The City levies a tax for liability insurance. The insurance levy tax collections of \$15,766 were recorded in the General Fund as required. Insurance premiums paid from the General Fund totaled \$6,155, indicating excess tax is being levied for this purpose.

Recommendation – The insurance tax levy should be reduced to the estimated expenses for insurance premiums. Amounts collected in excess of insurance premiums in the General Fund should be used only for insurance purposes.

Response – This violation will be corrected.

Conclusion – Response accepted.

- (9) Special Revenue Levies - Chapter 384.8 of the Code of Iowa authorizes a City to establish an Emergency Fund, levy property tax for the fund and transfer from the Emergency Fund to the General Fund. The City levied property tax for an Emergency Fund, but recorded the property tax directly in the General Fund rather than establishing a separate Emergency Fund.

The City also levied property tax for employee benefits, as allowed by Chapter 384.6 of the Code of Iowa, but recorded the property tax collections directly in the General Fund rather than establishing a separate Special Revenue Fund.

Recommendation - The City should establish separate Special Revenue Funds for these levies and record the related transactions in these funds.

Response – This violation will be corrected.

Conclusion – Response accepted.

- (10) Revenue Bonds – No instances of non-compliance with the provisions of the revenue bond resolution were noted.

- (11) Utilities – Utility rates were not approved by ordinance as required by Chapter 384.84 of the Code of Iowa. Rates were established by ordinance in 2003 and approved increases based on consumer price index reports for the fiscal years ended June 30, 2005 and 2006.

Recommendation - The City should establish all utility rates by ordinance as required by Chapter 384.84 of the Code of Iowa, including required publications and hearings, as necessary.

Response – We will comply with Chapter 384.84 of the Code of Iowa.

Conclusion – Response accepted.

City of Hazleton

Staff

This audit was performed by:

Steven M. Nottger, CPA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Shawn R. Elsbury, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State