



# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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## NEWS RELEASE

FOR RELEASE

January 15, 2015

Contact: Andy Nielsen  
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Auditor of State Mary Mosiman today released an audit report on the City of Newton, Iowa.

The City's receipts totaled \$28,414,888 for the year ended June 30, 2014, a 35.4% increase over the prior year. The receipts included \$6,959,812 in property tax, \$2,717,402 from tax increment financing, \$6,926,547 from charges for service, \$2,225,302 from operating grants, contributions and restricted interest, \$512,818 from capital grants, contributions and restricted interest, \$1,289,442 from local option sales tax, \$260,964 from ticket surcharges, \$290,967 from hotel/motel tax, \$111,972 from franchise fees, \$54,306 from unrestricted interest on investments, \$6,912,920 from bond proceeds and \$152,436 from other general receipts.

Disbursements for the year totaled \$32,783,888, a 58.6% increase over the prior year, and included \$6,429,196 for public safety, \$4,006,361 for debt service and \$2,728,791 for public works. Also, disbursements for business type activities totaled \$5,419,379.

The significant increase in receipts is due primarily to bond proceeds received in the current fiscal year. The increase in disbursements is due to the City redeeming bonds, expansion of a landfill cell and purchase of landfill equipment in the current fiscal year.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1420-0469-B00F.pdf>.

###



**CITY OF NEWTON**

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

**JUNE 30, 2014**

## Table of Contents

|   |   |                 | <u>Page</u> |
|---|---|-----------------|-------------|
| <b>Introductory Section:</b>  |   |                 |             |
| Letter of Transmittal   |   |                 | 4-6         |
| Organizational Chart  |   |                 | 7           |
| Officials   |   |                 | 8           |
| <b>Financial Section:</b>   |   |                 |             |
| Independent Auditor’s Report  |   |                 | 9-12        |
| Management’s Discussion and Analysis  |   |                 | 13-19       |
| Basic Financial Statements:   |   | <u>Exhibit</u>  |             |
| Government-wide Financial Statement:  |   |                 |             |
| Cash Basis Statement of Activities and Net Position   | A |                 | 22-23       |
| Governmental Fund Financial Statement:  |   |                 |             |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balances  | B |                 | 24-25       |
| Proprietary Fund Financial Statement:   |   |                 |             |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balances  | C |                 | 27          |
| Notes to Financial Statements   |   |                 | 28-38       |
| Other Information:  |   |                 |             |
| Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  |   |                 | 40-41       |
| Notes to Other Information – Budgetary Reporting  |   |                 | 42          |
| Schedule of Funding Progress for the Retiree Health Plan  |   |                 | 43          |
| Supplementary Information:  |   | <u>Schedule</u> |             |
| Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds   | 1 |                 | 46-47       |
| Schedule of Indebtedness  | 2 |                 | 48-49       |
| Bond and Note Maturities  | 3 |                 | 50-51       |
| Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds   | 4 |                 | 52-53       |
| <b>Compliance Section:</b>  |   |                 |             |
| 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 <u>Government Auditing Standards</u> |   |                 | 55-56       |
| Schedule of Findings  |   |                 | 58-62       |
| Staff   |   |                 | 63          |

**Statistical Section:**Table

|   |   |       |
|---|---|-------|
| Tax Increment Financing Fund –<br>Schedule of Cash Receipts, Disbursements and Cash Balance                           | 1 | 64    |
| Comparison of Enterprise Funds Charges for Service Receipts   | 2 | 65    |
| Comparative Total and Per Capita Function Disbursements   | 3 | 66-67 |
| Comparative Property Tax Receipts by Fund   | 4 | 68    |
| Comparative Property Tax Levies and Collections   | 5 | 70-71 |
| Comparative Property Tax Rates Per \$1,000 of Assessed Valuation  | 6 | 72-73 |
| Comparative Ratio of General Obligation Bonded Debt to Taxable Value<br>and General Obligation Bonded Debt Per Capita | 7 | 74    |
| Sewer Fund Data   | 8 | 75    |
| Miscellaneous Statistical Data  | 9 | 76    |



# INTRODUCTORY SECTION







December 19, 2014

To the Honorable Mayor, City Council, and Citizens of the City of Newton, Iowa:

I am pleased to submit the Annual Financial Report for the City of Newton, Iowa, for the fiscal year ended June 30, 2014, and to also provide information about the City organization and community. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than the U.S. generally accepted accounting principles. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Annual Financial Report is presented in four sections: Introductory, Financial, Compliance and Statistical. The Introductory section includes the table of contents, letter of transmittal, the City's organizational chart and a list of City officials. The Financial section includes the independent auditor's report, Management's Discussion and Analysis, the basic financial statements, other information and supplementary information. The Compliance Section includes the 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. The Statistical section includes selected financial and demographic information generally presented on a multi-year basis.

The City of Newton has operated under a Mayor-Council form of government with an appointed City Administrator since 1982. Policy-making and legislative authority are vested in the governing Council, which consists of a Mayor and six-member City Council. The City Council is responsible for adopting ordinances, policy resolutions, the annual budget and six-year Community Investment Plan, appointing committees, and hiring the City Administrator, City Attorney and City Clerk. The City Administrator is responsible for overseeing the day-to-day operations of the City and for appointing and supervising the City's Department Directors. The City Council is elected on a non-partisan basis to four-year staggered terms with three City Council members elected every two years. The Mayor is elected for a two-year term. Four of the City Council members are elected within their respective wards, and the Mayor and the two remaining City Council members are elected at-large.

This Report includes all funds of the City of Newton except for the Enterprise, Skiff Medical Center Fund and excludes all component units which should be discretely presented. The City provides a full range of services including police and fire protection; sanitation services; the construction and maintenance of roads, streets and infrastructure; inspection and licensing functions; maintenance of grounds and buildings; municipal airport; library; cemetery and parks and recreation activities. In addition to general government activities, the City owns and operates enterprises for a regional landfill, water pollution control facility and golf course.

## **ECONOMIC CONDITION AND OUTLOOK**

The City of Newton serves as the Jasper County seat and as a local employment center. It is a regional retail hub, with a full range of shopping and services. The official population now stands at 15,254.

In fiscal year 2014, the City's economy had the following highlights:

- Continued increases in hiring in the wind industry, helping to lower the unemployment rate in the county over the course of the fiscal year.
- The Iowa Speedway was purchased by NASCAR and hosted two NASCAR Nationwide series races, along with several other big races, helping to draw thousands of fans to the track.

Newton remains the stable home of many strong local employers like Vernon Company, Newton Manufacturing, Thombert Inc., Rock Communications, Skiff Medical Center, Walter G. Anderson and Cline Tool. The local economy is rebounding from the recent recession with many of the major employers expanding operations.

The overall outlook for Newton is positive. Supported by new retail initiatives, Newton is well positioned for economic growth. The community is located along major transportation routes near an expanding metropolitan area and is intentionally diversifying its economic base. Due to these factors, Newton will continue to recover from the recent recession and be poised for consistent future growth.

## **CITY OPERATIONS**

The Mayor, City Council and City Staff conduct goal setting activities on a regular basis in order to provide the City with a firm sense of direction about its future as well as to evaluate current activities. The City implemented a two-year Strategic Action Plan in July of 2013. Staff and the City Council worked to achieve a very high percentage rate of completion of those goals and are in the process of creating another two-year Strategic Action Plan for 2015-2017.

## **FINANCIAL INFORMATION**

City administration is responsible for establishing and maintaining internal control designed to ensure the assets of the City are protected from loss, theft, or misuse and to ensure adequate accounting data is compiled to allow for the preparation of financial statements in conformity with the cash basis of accounting, which is an other comprehensive basis of accounting. Internal control is designed to provide reasonable, but not absolute, assurance these objectives are met. The concept of "reasonable assurance" recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

### Budgeting Controls

The City maintains budgeting controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. All funds are included in the annual appropriated budget. The level of budgeting control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the function level.

As demonstrated by the financial statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

### Debt Administration

At June 30, 2014 the City of Newton had a number of debt issues outstanding. These issues include \$21,525,000 of general obligation bonds and notes and \$3,417,000 of sewer revenue capital loan notes. The City has maintained its rating from Moody's Investors Service on general obligation bond issues at AA3. Under current state statutes, the City's general obligation debt issues are subject to a legal limitation based on 5% of total actual value of real property. The City's net general obligation debt of \$22,448,007 was below the legal limit of approximately \$42 million. The City looks for, and calls in, bond issues that will generate annual principal and interest savings.

### Cash Management

Cash temporarily idle during the year was invested in demand deposits and certificates of deposit. The Investment Policy adopted by the City Council stresses the importance of capital preservation. The policy directives intend to minimize credit and market risks while maintaining a competitive yield on the portfolio. Accordingly, deposits were either covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.

### Risk Management

The City is fully insured for its general and auto liability as well as public official, police professional and ambulance professional liability. Workers' compensation coverage is provided through a statewide risk pool for local governments, the Iowa Municipalities Workers' Compensation Association (IMWCA). The City has also transitioned to being fully insured from a self-insurance plan for medical, dental and prescription drug expenses.

## **OTHER INFORMATION**

### Independent Audit

State statutes require an annual audit by independent certified public accountants. The Office of Auditor of State, State of Iowa has issued unmodified opinions on the City of Newton's governmental activities, major funds and aggregate remaining funds financial statements for the year ended June 30, 2014. Adverse opinions were issued on the Enterprise, Skiff Medical Center Fund, business type activities and aggregate discretely presented component units due to the omission of the Skiff Medical Center and discretely presented components units from the financial statements. The City could not present the Skiff Medical Center or the Newton Municipal Water Works because each use a financial reporting framework that differs from that used by the City. The Independent Auditor's Report is located at the front of the financial section of this report.

### Acknowledgments

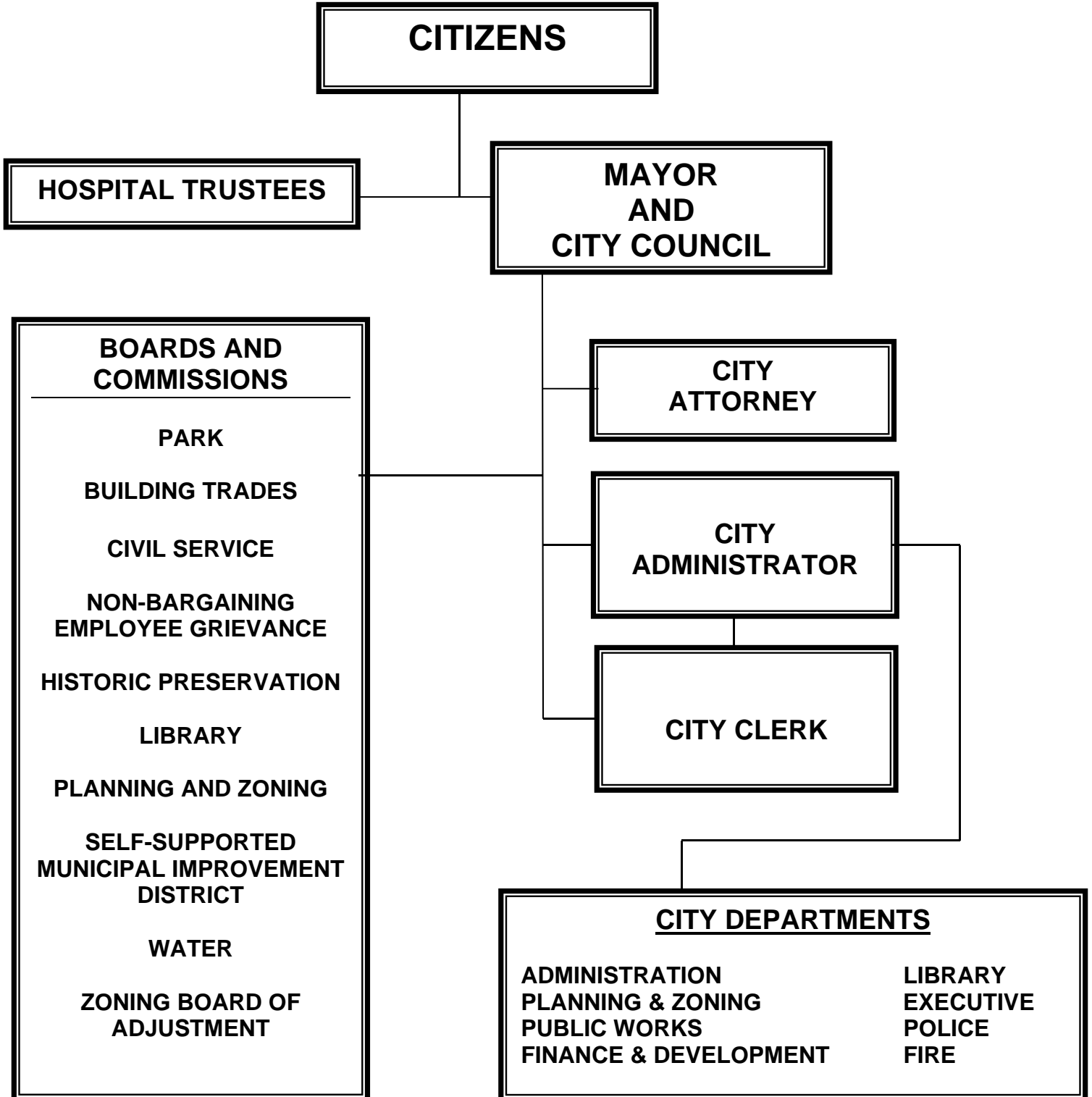
I am grateful for the support and interest of the Mayor and City Council, Department Directors and other management staff for their conscientiousness in planning and conducting the financial operations of the City of Newton in a responsible and progressive manner. Preparation of this report could not have been accomplished without the efficient and dedicated services of the Finance and Administration Department staff and the efficient assistance of the City's independent auditors, the Office of Auditor of State, State of Iowa.

Respectfully submitted,



Robert L. Knabel  
City Administrator

# CITY OF NEWTON



**City of Newton**

**Officials**

| <u>Name</u>                  | <u>Title</u>       | <u>Term Expires</u> |
|------------------------------|--------------------|---------------------|
| <b>(Before January 2014)</b> |                    |                     |
| Michael Hansen               | Mayor              | Nov 2013            |
| Evelyn George                | Council Member     | Nov 2013            |
| D.J. Julius                  | Council Member     | Jan 2014            |
| Steve Mullan                 | Council Member     | Jan 2014            |
| Noreen Otto                  | Council Member     | Jan 2016            |
| Jeff Price                   | Council Member     | Jan 2016            |
| Craig Trotter                | Council Member     | Jan 2016            |
| Robert Knabel                | City Administrator | Indefinite          |
| Katrina Davis                | City Clerk         | Indefinite          |
| Matthew Brick                | City Attorney      | Indefinite          |
| <b>(After January 2014)</b>  |                    |                     |
| Michael Hansen               | Mayor              | Jan 2016            |
| Noreen Otto                  | Council Member     | Jan 2016            |
| Jeff Price                   | Council Member     | Jan 2016            |
| Craig Trotter                | Council Member     | Jan 2016            |
| Lin Chape                    | Council Member     | Jan 2018            |
| Evelyn George                | Council Member     | Jan 2018            |
| Steve Mullan                 | Council Member     | Jan 2018            |
| Robert Knabel                | City Administrator | Indefinite          |
| Katrina Davis                | City Clerk         | Indefinite          |
| Matthew Brick                | City Attorney      | Indefinite          |



# FINANCIAL SECTION







# OFFICE OF AUDITOR OF STATE

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## Independent Auditor's 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 Newton, Iowa, as of and for the year ended June 30, 2014, 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Summary of Opinions

| <u>Opinion Unit</u>                            | <u>Type of Opinion</u> |
|--|------------------------|
| Governmental Activities                        | Unmodified             |
| Business Type Activities                       | Adverse                |
| Aggregate Discretely Presented Component Units | Adverse                |
| Major Governmental Funds:                      |                        |
| General  | Unmodified             |
| Special Revenue:                               |                        |
| Road Use Tax                                   | Unmodified             |
| Employee Benefits                              | Unmodified             |
| Urban Renewal Tax Increment                    | Unmodified             |
| Housing Initiative                             | Unmodified             |
| Debt Service                                   | Unmodified             |
| Capital Projects                               | Unmodified             |
| Major Enterprise Funds:                        |                        |
| Skiff Medical Center                           | Adverse                |
| Sewer  | Unmodified             |
| Landfill                                       | Unmodified             |
| Aggregate Remaining Fund Information           | Unmodified             |

### *Basis for Adverse Opinion on the Enterprise, Skiff Medical Center Fund and on Business Type Activities*

Management has not included the Enterprise, Skiff Medical Center Fund in the City's financial statements because the Skiff Medical Center reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles require this fund to be presented as a major enterprise fund and financial information about the Enterprise, Skiff Medical Center Fund to be part of the business-type activities, thus increasing that activity's receipts and disbursements, and changing its net position. The amounts by which this departure affects the receipts, disbursements and cash balance of the business type activities and the omitted major fund are \$34,975,655, \$36,470,134 and \$4,119,590, respectively.

### *Adverse Opinion*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Enterprise, Skiff Medical Center Fund and on Business Type Activities" paragraph, the financial statements referred to above do not present fairly the cash basis financial position of the Enterprise, Skiff Medical Center Fund and the business type activities of the City of Newton as of June 30, 2014, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### *Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units*

The financial statements do not include financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and cash balances of the aggregate discretely presented component units has not been determined.

### *Adverse Opinion*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Newton as of June 30, 2014, or the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### *Unmodified 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 General Fund, the major Special Revenue Funds, including the Road Use Tax, Employee Benefits, Urban Renewal Tax Increment and Housing Initiative Funds, the Debt Service Fund, the Capital Projects Fund, the major Enterprise Funds, including the Sewer and Landfill Funds, and the aggregate remaining fund information of the City of Newton as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance 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.

### 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 Newton's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on the financial statements of the governmental activities, the aggregate remaining fund information and each major fund except the Enterprise, Skiff Medical Center Fund which were prepared on the basis of cash receipts and disbursements. We expressed adverse opinions on the financial statements of the business type activities, the aggregate discretely presented component units and the major Enterprise, Skiff Medical Center Fund. We also previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the seven years ended June 30, 2011 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information 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, except for the omission of the Skiff Medical Center's capital leases from the Schedule of Indebtedness, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, including the Introductory Section, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of Funding Progress for the Retiree Health Plan and the Statistical Section, have 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 them.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2014 on our consideration of the City of Newton'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 Newton's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 19, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Newton 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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 46.5%, or approximately \$7,508,000, from fiscal year 2013 to fiscal year 2014. A portion of ticket surcharge fees collected at the Speedway were remitted to the City for the first time in fiscal year 2014, accounting for approximately \$261,000 while bond proceeds increased \$6,913,000.
- Disbursements of the City's governmental activities increased 61.9%, or approximately \$10,459,000, in fiscal year 2014 over fiscal year 2013. Debt service disbursements increased approximately \$10,934,000 due to the City issuing new debt and redeeming the 2006B, 2007A, and 2009A bonds and notes in the current fiscal year.
- The City's total cash basis net position decreased 21%, or approximately \$4,369,000, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities decreased approximately \$3,468,000 and the cash basis net position of the business type activities decreased approximately \$901,000.

### 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, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental 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, 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 sanitary sewer system, the landfill and the golf course. 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, Employee Benefits and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. 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 separate Enterprise Funds to provide information for the Sewer and Landfill Funds, considered to be major funds of the City.

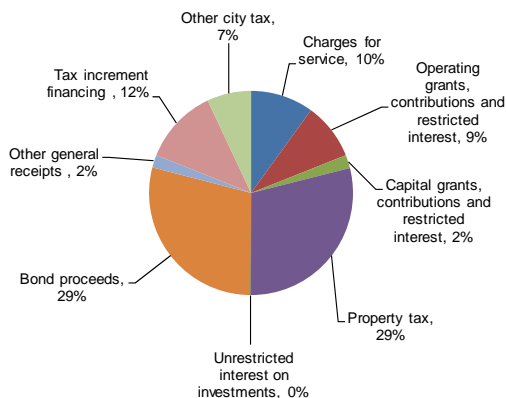
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

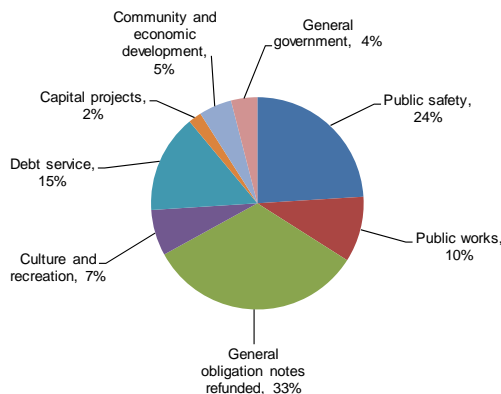
Net position may serve over time as a useful indicator of financial position. The City's cash basis net position for governmental activities decreased from a year ago, decreasing from approximately \$13.885 million to approximately \$10.418 million. The analysis which follows focuses on the changes in cash basis net position of governmental activities.

| Changes in Cash Basis Net Position of Governmental Activities<br>(Expressed in Thousands) |                     |               |
|---|---------------------|---------------|
|   | Year ended June 30, |               |
|   | 2014                | 2013          |
| <b>Receipts:</b>  |                     |               |
| Program receipts:   |                     |               |
| Charges for service   | \$ 2,265            | 2,196         |
| Operating grants, contributions and restricted interest                                   | 2,199               | 2,533         |
| Capital grants, contributions and restricted interest                                     | 513                 | 458           |
| General receipts:   |                     |               |
| Property tax  | 6,960               | 6,809         |
| Tax increment financing   | 2,717               | 2,561         |
| Other city tax  | 1,581               | 1,441         |
| Unrestricted interest on investments  | 21                  | 24            |
| Bond proceeds   | 6,913               | -             |
| Other general receipts  | 481                 | 120           |
| <b>Total receipts</b>   | <b>23,650</b>       | <b>16,142</b> |
| <b>Disbursements:</b>   |                     |               |
| Public safety   | 6,429               | 6,353         |
| Public works  | 2,729               | 2,707         |
| Culture and recreation  | 1,994               | 1,876         |
| Community and economic development  | 1,417               | 2,422         |
| General government  | 1,204               | 1,112         |
| Debt service  | 4,006               | 2,137         |
| Capital projects  | 520                 | 298           |
| General obligation notes refunded   | 9,065               | -             |
| <b>Total disbursements</b>  | <b>27,364</b>       | <b>16,905</b> |
| Change in cash basis net position before transfers  | (3,714)             | (763)         |
| Transfers, net  | 247                 | 277           |
| <b>Change in cash basis net position</b>  | <b>(3,467)</b>      | <b>(486)</b>  |
| Cash basis net position beginning of year   | 13,885              | 14,371        |
| <b>Cash basis net position end of year</b>  | <b>\$ 10,418</b>    | <b>13,885</b> |

Receipts by Source



Disbursements by Function



The decrease in the City's cash basis net position for governmental activities was primarily a result of the net effect of issuing new debt in the current and prior year fiscal years and retiring the 2006B, 2007A and 2009A bonds and notes obligations in the current fiscal year.

The City's total receipts for governmental activities increased 46.5%, or approximately \$7,508,000. The total cost of all programs and services increased approximately \$10,459,000, or 61.9%, from the prior year, with no programs added or deleted this year. The significant increase in receipts was primarily the result of the issuance of bonds during fiscal year 2014 and receiving a portion of the surcharge fees from Speedway tickets. The increase in disbursements was primarily the result of the retirement of debt, including the 2007A and 2009A bonds.

The cost of all governmental activities this year was approximately \$27.364 million compared to approximately \$16.905 million last year. The City's disbursements increased significantly in the debt service function. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 22-23, the amount taxpayers ultimately financed for these activities was approximately \$13.322 million because some of the cost was paid by those directly benefited from the programs (approximately \$2,265,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,712,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2014 from approximately \$5,187,000 to approximately \$4,977,000, principally due to receiving less in operating grants, contributions and restricted interest.

| Changes in Cash Basis Net Position of Business Type Activities<br>(Expressed in Thousands) |                     |       |
|--|---------------------|-------|
|  | Year ended June 30, |       |
|  | 2014                | 2013  |
| Receipts:  |                     |       |
| Program receipts:  |                     |       |
| Charges for service:   |                     |       |
| Sewer  | 2,597               | 2,580 |
| Landfill   | 1,540               | 1,704 |
| Golf   | 525                 | 453   |
| Operating grants, contributions and restricted interest                                    | 26                  | 35    |
| General receipts:  |                     |       |
| Unrestricted interest on investments   | 34                  | 38    |
| Other general receipts   | 44                  | 35    |
| Total receipts   | 4,766               | 4,845 |
| Disbursements:   |                     |       |
| Sewer  | 2,773               | 2,177 |
| Landfill   | 2,093               | 1,058 |
| Golf   | 554                 | 525   |
| Total disbursements  | 5,420               | 3,760 |
| Change in cash basis net position before transfers   | (654)               | 1,085 |
| Transfers, net   | (247)               | (277) |
| Change in cash basis net position  | (901)               | 808   |
| Cash basis net position beginning of year  | 6,842               | 6,034 |
| Cash basis net position end of year  | \$ 5,941            | 6,842 |

Total business type activities receipts for the fiscal year were approximately \$4.766 million compared to approximately \$4.845 million last year. This decrease was due to decreased landfill rock crushing receipts. The decrease in Landfill receipts was offset, in part, by an increase in Golf receipts due to more favorable weather in fiscal year 2014. Total disbursements for the fiscal year increased 44% to approximately \$5.420 million due to landfill cell expansion and equipment purchases in the current year.



## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Newton completed the year, its governmental funds reported a combined fund balance of \$10,417,504, a decrease of approximately \$3,468,000 from last year's total of \$13,885,117. 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 decreased \$368,554 from the prior year to \$2,899,564. Disbursements increased \$428,872, or 5.5%, over the prior year. The community and economic development function increased approximately \$207,000, primarily due to the City paying for certain urban renewal related disbursements, such as salaries and branding services, out of the General Fund. The City will certify the disbursements as tax increment financing obligations and subsequently reimburse the General Fund through tax increment financing collections transferred from the Special Revenue, Urban Renewal Tax Increment Fund. The increase in general government disbursements is primarily due to the purchase of new accounting software, audio-visual equipment and increased insurance costs in the current fiscal year.
- The Special Revenue, Road Use Tax Fund cash balance increased \$54,391 to \$392,223. Receipts increased 4.3% and disbursements and net transfers out increased 5.7%.
- The Special Revenue, Employee Benefits Fund cash balance increased \$42,294 to \$190,671, primarily due to property tax collections plus transfers in exceeding the benefits paid.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$324,517 to \$684,288. The City collected more in tax increment financing receipts in the current year while disbursing less for rebate payments to developers. Transfers to the Debt Service Fund for payment of TIF related debt increased approximately \$883,000.
- The Special Revenue, Housing Initiative Fund was created in 2014 using \$3,650,000 of bond proceeds. The proceeds will be used to acquire, restore or demolish abandoned, dilapidated or dangerous buildings, fund programs to assist in providing for the acquisition, restoration or demolition of housing and pay costs to repair infrastructure in connection with carrying out the Newton Housing Initiative.
- The Debt Service Fund cash balance decreased \$9,138,158 to \$95,090. This decrease was due to retiring \$9.07 million of capital loan notes, Series 2006B from bond proceeds received in the prior year.
- The Capital Projects Fund cash balance increased \$1,988,492 to \$2,042,871. The increase was primarily due to unspent bond proceeds held at year end.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Sewer Fund cash balance decreased \$296,214 to \$1,325,638, due primarily to an increase in capital projects costs and capital equipment purchases in the current fiscal year.
- The Enterprise, Landfill Fund cash balance decreased \$576,570 to \$4,637,300 due to increased capital project costs and the purchase of a bulldozer in the current year. In addition, receipts from the sale of recycled rock decreased during the current fiscal year. Operating disbursements remained steady from 2013 to 2014.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The amendments were approved on January 20, 2014 and May 19, 2014 and resulted in an increase in operating disbursements related to expenses associated with development agreements, bond issuance costs, grant disbursements, additional staff, branding and the retail marketing plan.

The City's receipts/revenues were \$2,184,081 less than budgeted. This was primarily due to Skiff Medical Center actual charges for service being less than budgeted.

Actual disbursements/expenses for the debt service and business type activities functions were \$9,222,267 and \$2,907,319, respectively, less than the amended budget. This was primarily due to the City budgeting for the retirement of general obligation capital loan notes, series 2006B but reporting the retirement as other financing uses. In addition, Skiff Medical Center actual disbursements were less than budgeted.

The City exceeded the amount budgeted in the community and economic development function prior to a budget amendment.

## DEBT ADMINISTRATION

At June 30, 2014, the City had \$24,942,000 of bonds and other long-term debt outstanding, compared to \$30,521,000 last year, as shown below.

|                                  | Outstanding Debt at Year-End |        |
|----------------------------------|------------------------------|--------|
|                                  | (Expressed in Thousands)     |        |
|                                  | June 30,                     |        |
|                                  | 2014                         | 2013   |
| General obligation bonds         | \$ 21,525                    | 26,860 |
| Sewer revenue capital loan notes | 3,417                        | 3,661  |
| Total                            | \$ 24,942                    | 30,521 |

Debt decreased as a result of the City making scheduled payments on the existing debt and retiring the Series 2006B capital loan notes with bond proceeds received in the prior year. During the year ended June 30, 2014, the City issued two debt obligations, series 2014A for \$4,330,000 and series 2014B for \$2,525,000.

The City continues to carry a general obligation bond rating of AA3 assigned by national rating agencies to the City's debt since 2010. 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 \$22,448,077, which includes \$923,077 of development agreements, is significantly below its constitutional debt limit of approximately \$42 million. Additional information about the City's long-term debt is presented in Notes 3 and 11 to the financial statements.

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

The City of Newton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in Jasper County now stands at 5.0% versus 5.6% a year ago. This compares with the State's unemployment rate of 4.4% and the national rate of 6.1%. All unemployment figures are as of June 30, 2014.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget, including balances on hand and other financing sources, are approximately \$75 million, a decrease of 21% from the final fiscal year 2014 budget. The decrease is due primarily to less receipts/revenues expected in charges for service as well as decreases in the beginning balance and other financing sources. Budgeted disbursements/expenses decreased approximately \$11 million, primarily due to the refunding of bonds from funds held in escrow.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$5 million by the close of fiscal year 2015.

#### **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 Lisa Frasier, Financial Assistant, 101 W. 4<sup>th</sup> Street S., Newton, Iowa 50208.

## **Basic Financial Statements**

**City of Newton**

City of Newton  
Cash Basis Statement of Activities and Net Position  
As of and for the year ended June 30, 2014

|   | Disbursements | Program Receipts    |   |   |
|---|---------------|---------------------|---|---|
|   |               | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| <b>Functions/Programs:</b>                |               |                     |   |   |
| Governmental activities:                  |               |                     |   |   |
| Public safety                             | \$ 6,429,196  | 1,075,709           | 415,613   | -   |
| Public works                              | 2,728,791     | 835,341             | 1,573,387   | -   |
| Culture and recreation                    | 1,994,009     | 288,295             | 117,299   | -   |
| Community and economic development        | 1,417,245     | 11,033              | 35,836  | 63,138  |
| General government                        | 1,203,719     | 34,817              | 31,735  | -   |
| Debt service                              | 4,006,361     | 19,630              | 25,578  | -   |
| Capital projects                          | 520,188       | -                   | -   | 449,680   |
| Total governmental activities             | 18,299,509    | 2,264,825           | 2,199,448   | 512,818   |
| Business type activities:                 |               |                     |   |   |
| Sewer                                     | 2,772,770     | 2,596,796           | 11,641  | -   |
| Landfill                                  | 2,093,012     | 1,540,295           | 13,850  | -   |
| Golf                                      | 553,597       | 524,631             | 363   | -   |
| Total business type activities            | 5,419,379     | 4,661,722           | 25,854  | -   |
| Total                                     | \$ 23,718,888 | 6,926,547           | 2,225,302   | 512,818   |
| <b>General Receipts and Transfers:</b>    |               |                     |   |   |
| Property and other city tax levied for:   |               |                     |   |   |
| General purposes                          |               |                     |   |   |
| Debt service                              |               |                     |   |   |
| Tax increment financing                   |               |                     |   |   |
| Local option sales tax                    |               |                     |   |   |
| Speedway ticket surcharge                 |               |                     |   |   |
| Hotel/motel tax                           |               |                     |   |   |
| Franchise fees                            |               |                     |   |   |
| Unrestricted interest on investments      |               |                     |   |   |
| Miscellaneous                             |               |                     |   |   |
| Bond proceeds                             |               |                     |   |   |
| Sale of capital assets                    |               |                     |   |   |
| General obligation notes refunded         |               |                     |   |   |
| Transfers                                 |               |                     |   |   |
| Total general receipts and transfers      |               |                     |   |   |
| Change in cash basis net position         |               |                     |   |   |
| Cash basis net position beginning of year |               |                     |   |   |
| Cash basis net position end of year       |               |                     |   |   |
| <b>Cash Basis Net Position</b>            |               |                     |   |   |
| Restricted:                               |               |                     |   |   |
| Nonexpendable:                            |               |                     |   |   |
| Cemetery perpetual care                   |               |                     |   |   |
| Permanent endowments                      |               |                     |   |   |
| Expendable:                               |               |                     |   |   |
| Streets                                   |               |                     |   |   |
| Urban renewal purposes                    |               |                     |   |   |
| Housing initiative                        |               |                     |   |   |
| Capital projects                          |               |                     |   |   |
| Debt service                              |               |                     |   |   |
| Library capital improvements              |               |                     |   |   |
| Police department                         |               |                     |   |   |
| Closure and postclosure care              |               |                     |   |   |
| Other purposes                            |               |                     |   |   |
| Unrestricted                              |               |                     |   |   |
| <b>Total cash basis net position</b>      |               |                     |   |   |

See notes to financial statements.

| Net (Disbursements) Receipts and<br>Changes in Cash Basis Net Position |                             |              |
|--|-----------------------------|--------------|
| Governmental<br>Activities   | Business Type<br>Activities | Total        |
| (4,937,874)  | -                           | (4,937,874)  |
| (320,063)  | -                           | (320,063)    |
| (1,588,415)  | -                           | (1,588,415)  |
| (1,307,238)  | -                           | (1,307,238)  |
| (1,137,167)  | -                           | (1,137,167)  |
| (3,961,153)  | -                           | (3,961,153)  |
| (70,508)   | -                           | (70,508)     |
| (13,322,418)   | -                           | (13,322,418) |
| -  | (164,333)                   | (164,333)    |
| -  | (538,867)                   | (538,867)    |
| -  | (28,603)                    | (28,603)     |
| -  | (731,803)                   | (731,803)    |
| (13,322,418)   | (731,803)                   | (14,054,221) |
| 6,393,188  | -                           | 6,393,188    |
| 566,624  | -                           | 566,624      |
| 2,717,402  | -                           | 2,717,402    |
| 1,289,442  | -                           | 1,289,442    |
| 260,964  | -                           | 260,964      |
| 290,967  | -                           | 290,967      |
| 111,972  | -                           | 111,972      |
| 20,675   | 33,631                      | 54,306       |
| 62,211   | -                           | 62,211       |
| 6,912,920  | -                           | 6,912,920    |
| 45,915   | 44,310                      | 90,225       |
| (9,065,000)  | -                           | (9,065,000)  |
| 247,525  | (247,525)                   | -            |
| 9,854,805  | (169,584)                   | 9,685,221    |
| (3,467,613)  | (901,387)                   | (4,369,000)  |
| 13,885,117   | 6,842,393                   | 20,727,510   |
| \$ 10,417,504  | 5,941,006                   | 16,358,510   |
| \$ 256,312   | -                           | 256,312      |
| 233,320  | -                           | 233,320      |
| 392,223  | -                           | 392,223      |
| 684,288  | -                           | 684,288      |
| 3,627,027  | -                           | 3,627,027    |
| 2,042,871  | -                           | 2,042,871    |
| 95,090   | 28,227                      | 123,317      |
| 56,411   | -                           | 56,411       |
| 70,436   | -                           | 70,436       |
| -  | 939,722                     | 939,722      |
| 232,247  | 44,700                      | 276,947      |
| 2,727,279  | 4,928,357                   | 7,655,636    |
| \$ 10,417,504  | 5,941,006                   | 16,358,510   |

City of Newton

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

As of and for the year ended June 30, 2014

|  | Special Revenue |                    |                      |                                   |                       |
|--|-----------------|--------------------|----------------------|-----------------------------------|-----------------------|
|  | General         | Road<br>Use<br>Tax | Employee<br>Benefits | Urban<br>Renewal<br>Tax Increment | Housing<br>Initiative |
| <b>Receipts:</b>   |                 |                    |                      |                                   |                       |
| Property tax   | \$ 3,850,520    | -                  | 2,383,477            | -                                 | -                     |
| Tax increment financing                                    | -               | -                  | -                    | 2,717,402                         | -                     |
| Other city tax   | 386,367         | -                  | 59,177               | -                                 | -                     |
| Licenses and permits                                       | 299,981         | -                  | -                    | -                                 | -                     |
| Use of money and property                                  | 82,342          | -                  | 544                  | 4,898                             | -                     |
| Intergovernmental  | 341,239         | 1,523,169          | -                    | 63,138                            | -                     |
| Charges for service  | 1,828,431       | -                  | -                    | -                                 | -                     |
| Special assessments  | 2,686           | -                  | -                    | -                                 | -                     |
| Miscellaneous  | 325,153         | -                  | 125,752              | 265,464                           | -                     |
| Total receipts   | 7,116,719       | 1,523,169          | 2,568,950            | 3,050,902                         | -                     |
| <b>Disbursements:</b>                                      |                 |                    |                      |                                   |                       |
| Operating:   |                 |                    |                      |                                   |                       |
| Public safety  | 3,840,529       | -                  | 2,127,802            | -                                 | -                     |
| Public works   | 1,438,258       | 1,015,475          | 255,058              | -                                 | -                     |
| Culture and recreation                                     | 1,196,672       | -                  | 376,269              | -                                 | -                     |
| Community and economic development                         | 670,109         | -                  | 68,561               | 643,934                           | 22,973                |
| General government   | 1,051,448       | -                  | 150,271              | -                                 | -                     |
| Debt service   | -               | -                  | -                    | -                                 | -                     |
| Capital projects   | -               | -                  | -                    | -                                 | -                     |
| Total disbursements  | 8,197,016       | 1,015,475          | 2,977,961            | 643,934                           | 22,973                |
| Excess (deficiency) of receipts over (under) disbursements | (1,080,297)     | 507,694            | (409,011)            | 2,406,968                         | (22,973)              |
| <b>Other financing sources (uses):</b>                     |                 |                    |                      |                                   |                       |
| Bond proceeds (net of premium and fees of \$57,920)        | -               | -                  | -                    | 150,000                           | 3,650,000             |
| General obligation notes refunded                          | -               | -                  | -                    | -                                 | -                     |
| Sale of capital assets                                     | 45,915          | -                  | -                    | -                                 | -                     |
| Transfers in   | 700,828         | 2,877              | 451,305              | 13,322                            | -                     |
| Transfers out  | (35,000)        | (456,180)          | -                    | (2,245,773)                       | -                     |
| Total other financing sources (uses)                       | 711,743         | (453,303)          | 451,305              | (2,082,451)                       | 3,650,000             |
| Change in cash balances                                    | (368,554)       | 54,391             | 42,294               | 324,517                           | 3,627,027             |
| Cash balances beginning of year                            | 3,268,118       | 337,832            | 148,377              | 359,771                           | -                     |
| Cash balances end of year                                  | \$ 2,899,564    | 392,223            | 190,671              | 684,288                           | 3,627,027             |
| <b>Cash Basis Fund Balances</b>                            |                 |                    |                      |                                   |                       |
| Nonspendable:  |                 |                    |                      |                                   |                       |
| Cemetery perpetual care                                    | \$ -            | -                  | -                    | -                                 | -                     |
| Park endowment   | -               | -                  | -                    | -                                 | -                     |
| Restricted for:  |                 |                    |                      |                                   |                       |
| Streets  | -               | 392,223            | -                    | -                                 | -                     |
| Urban renewal purposes                                     | -               | -                  | -                    | 684,288                           | -                     |
| Housing initiative   | -               | -                  | -                    | -                                 | 3,627,027             |
| Capital projects   | -               | -                  | -                    | -                                 | -                     |
| Debt service   | -               | -                  | -                    | -                                 | -                     |
| Library capital improvements                               | 56,411          | -                  | -                    | -                                 | -                     |
| Police department  | 70,436          | -                  | -                    | -                                 | -                     |
| Other purposes   | 41,576          | -                  | 190,671              | -                                 | -                     |
| Assigned for:  |                 |                    |                      |                                   |                       |
| Library reserve  | 2,438           | -                  | -                    | -                                 | -                     |
| Citizen's Police Academy                                   | 214             | -                  | -                    | -                                 | -                     |
| Demolition reserve   | 32,890          | -                  | -                    | -                                 | -                     |
| Fireworks display  | 1,530           | -                  | -                    | -                                 | -                     |
| Unassigned   | 2,694,069       | -                  | -                    | -                                 | -                     |
| Total cash basis fund balances                             | \$ 2,899,564    | 392,223            | 190,671              | 684,288                           | 3,627,027             |

See notes to financial statements.



| Debt Service | Capital Projects | Nonmajor  | Total       |
|--------------|------------------|-----------|-------------|
| 555,273      | -                | 4,614     | 6,793,884   |
| -            | -                | -         | 2,717,402   |
| 11,351       | -                | 1,289,442 | 1,746,337   |
| -            | -                | -         | 299,981     |
| 25,578       | 199              | -         | 113,561     |
| -            | 448,002          | 65,796    | 2,441,344   |
| -            | -                | -         | 1,828,431   |
| 19,630       | -                | -         | 22,316      |
| -            | 1,479            | 9,432     | 727,280     |
| 611,832      | 449,680          | 1,369,284 | 16,690,536  |
| -            | -                | 460,865   | 6,429,196   |
| -            | -                | 20,000    | 2,728,791   |
| -            | -                | 421,068   | 1,994,009   |
| -            | -                | 11,668    | 1,417,245   |
| -            | -                | 2,000     | 1,203,719   |
| 4,006,361    | -                | -         | 4,006,361   |
| -            | 520,188          | -         | 520,188     |
| 4,006,361    | 520,188          | 915,601   | 18,299,509  |
| (3,394,529)  | (70,508)         | 453,683   | (1,608,973) |
| 1,088,920    | 2,024,000        | -         | 6,912,920   |
| (9,065,000)  | -                | -         | (9,065,000) |
| -            | -                | -         | 45,915      |
| 2,245,773    | 35,000           | -         | 3,449,105   |
| (13,322)     | -                | (451,305) | (3,201,580) |
| (5,743,629)  | 2,059,000        | (451,305) | (1,858,640) |
| (9,138,158)  | 1,988,492        | 2,378     | (3,467,613) |
| 9,233,248    | 54,379           | 483,392   | 13,885,117  |
| 95,090       | 2,042,871        | 485,770   | 10,417,504  |
| -            | -                | 256,312   | 256,312     |
| -            | -                | 233,320   | 233,320     |
| -            | -                | -         | 392,223     |
| -            | -                | -         | 684,288     |
| -            | -                | -         | 3,627,027   |
| -            | 2,042,871        | -         | 2,042,871   |
| 95,090       | -                | -         | 95,090      |
| -            | -                | -         | 56,411      |
| -            | -                | -         | 70,436      |
| -            | -                | -         | 232,247     |
| -            | -                | -         | 2,438       |
| -            | -                | -         | 214         |
| -            | -                | -         | 32,890      |
| -            | -                | -         | 1,530       |
| -            | -                | (3,862)   | 2,690,207   |
| 95,090       | 2,042,871        | 485,770   | 10,417,504  |

**City of Newton**

## City of Newton

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

As of and for the year ended June 30, 2014

|  | Sewer        | Landfill    | Nonmajor<br>Golf | Total       |
|--|--------------|-------------|------------------|-------------|
| Operating receipts:  |              |             |                  |             |
| Charges for service  | \$ 2,556,779 | 1,465,029   | 359,853          | 4,381,661   |
| Miscellaneous  | 49,198       | 45,628      | 165,141          | 259,967     |
| Total operating receipts                                     | 2,605,977    | 1,510,657   | 524,994          | 4,641,628   |
| Operating disbursements:                                     |              |             |                  |             |
| Business type activities                                     | 1,879,416    | 797,288     | 511,630          | 3,188,334   |
| Excess of operating receipts<br>over operating disbursements | 726,561      | 713,369     | 13,364           | 1,453,294   |
| Non-operating receipts (disbursements):                      |              |             |                  |             |
| Interest on investments                                      | 8,051        | 25,580      | -                | 33,631      |
| Intergovernmental  | 2,460        | -           | -                | 2,460       |
| Rent   | -            | 43,488      | -                | 43,488      |
| Sale of capital assets                                       | -            | 44,310      | -                | 44,310      |
| Debt service   | (337,630)    | -           | -                | (337,630)   |
| Capital projects   | (555,724)    | (1,295,724) | (41,967)         | (1,893,415) |
| Net non-operating receipts<br>(disbursements)                | (882,843)    | (1,182,346) | (41,967)         | (2,107,156) |
| Deficiency of receipts under<br>disbursements                | (156,282)    | (468,977)   | (28,603)         | (653,862)   |
| Transfers out  | (139,932)    | (107,593)   | -                | (247,525)   |
| Change in cash balances                                      | (296,214)    | (576,570)   | (28,603)         | (901,387)   |
| Cash balances beginning of year                              | 1,621,852    | 5,213,870   | 6,671            | 6,842,393   |
| Cash balances end of year                                    | \$ 1,325,638 | 4,637,300   | (21,932)         | 5,941,006   |
| <b>Cash Basis Fund Balances</b>                              |              |             |                  |             |
| Restricted for:  |              |             |                  |             |
| Debt service   | \$ 28,227    | -           | -                | 28,227      |
| Waste reduction  | -            | 44,700      | -                | 44,700      |
| Closure and postclosure care                                 | -            | 939,722     | -                | 939,722     |
| Unrestricted   | 1,297,411    | 3,652,878   | (21,932)         | 4,928,357   |
| Total cash basis fund balances                               | \$ 1,325,638 | 4,637,300   | (21,932)         | 5,941,006   |

See notes to financial statements.

City of Newton

Notes to Financial Statements

June 30, 2014

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

The City of Newton is a political subdivision of the State of Iowa located in Jasper County. It was first incorporated in 1857 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. In addition to general government activities, the municipality owns and operates enterprises for sewer services, a regional landfill and a golf course.

A. Reporting Entity

For financial reporting purposes, the City of Newton has included all funds, organizations, agencies, boards, commissions and authorities except for the Enterprise, Skiff Medical Center Fund. 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.

Excluded Component Units

These financial statements present the City of Newton (the primary government). The financial statements do not include financial data for the Newton Municipal Waterworks, Newton Public Library Foundation and Friends of the Newton Public Library, legally separate entities which should be reported as discretely presented component units.

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: Mid-Iowa Narcotics Enforcement, Jasper County Joint E911 Service Board, Jasper County Assessor's Conference Board and Jasper County Emergency Management Commission.

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 Funds.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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 Employee Benefits Fund is used to account for the employee benefit property tax levy for the payment of employment benefits.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Housing Initiative Fund is used to account for debt proceeds used to implement the City's housing initiative program.

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those finances through Enterprise Funds.

The City reports the following major proprietary funds:

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

The Enterprise, Landfill Fund accounts for the operation and maintenance of the Newton Sanitary Landfill.

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 are 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 are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements/expenses exceeded the amount budgeted in the community and economic development function prior to a budget amendment.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2014 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) Bonds and Notes Payable**

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

| Year Ending June 30, | General Obligation Bonds and Notes |           | Revenue Notes |          | Total      |           |
|----------------------|------------------------------------|-----------|---------------|----------|------------|-----------|
|                      | Principal                          | Interest  | Principal     | Interest | Principal  | Interest  |
| 2015                 | \$ 2,110,000                       | 483,488   | 251,000       | 87,722   | 2,361,000  | 571,210   |
| 2016                 | 2,200,000                          | 454,316   | 260,000       | 81,643   | 2,460,000  | 535,959   |
| 2017                 | 2,220,000                          | 413,347   | 268,000       | 75,342   | 2,488,000  | 488,689   |
| 2018                 | 2,260,000                          | 370,131   | 275,000       | 68,853   | 2,535,000  | 438,984   |
| 2019                 | 2,085,000                          | 323,717   | 285,000       | 62,190   | 2,370,000  | 385,907   |
| 2020-2024            | 9,330,000                          | 936,084   | 1,411,000     | 202,905  | 10,741,000 | 1,138,989 |
| 2025-2029            | 1,320,000                          | 41,155    | 636,000       | 47,610   | 1,956,000  | 88,765    |
| 2030                 | -                                  | -         | 31,000        | 930      | 31,000     | 930       |
| Total                | \$ 21,525,000                      | 3,022,238 | 3,417,000     | 627,195  | 24,942,000 | 3,649,433 |

On June 18, 2014, the City issued \$4,330,000 of general obligation bonds with interest rates ranging from 2.00% to 2.90% for a current refunding of \$435,000 of general obligation capital loan notes dated June 20, 2007 and for housing initiative and urban renewal projects. The City refunded the notes to reduce its total debt service payments by approximately \$55,000 and to obtain an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$52,000.

On June 18, 2014, the City issued \$2,525,000 of general obligation bonds with interest rates ranging from 2.00% to 2.15% for a current refunding of \$570,000 of general obligation urban renewal bonds dated August 25, 2009 and for general improvement and urban renewal projects. The City refunded the notes to reduce its total debt service payments by approximately \$26,000 and to obtain an economic gain of approximately \$25,000.

#### Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,261,000 of sewer revenue notes issued in April 2002, \$2,561,000 issued in April 2007 and \$469,000 issued in January 2010. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2023, 2027 and 2030, respectively. Annual principal and interest payments on the notes required approximately 47% of net receipts during the year. The total principal and interest remaining to be paid on the notes is \$4,044,195. For the current year, principal and interest paid and total customer net receipts were \$337,630 and \$726,561, respectively.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account within the Enterprise, Sewer Fund for the purpose of making the note principal and interest payments when due.
- (c) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

#### **(4) Pension and Retirement Systems**

IPERS - 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 5.95% of their annual covered salary and the City is required to contribute 8.93% 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 years ended June 30, 2014, 2013 and 2012 were \$322,548, \$305,062 and \$279,883, respectively, equal to the required contributions for each year.



MFPRSI - The City contributes to the Municipal Fire and Police Retirement System of Iowa (MFPRSI or the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report which includes financial statements and required supplementary information. The report may be obtained by writing to the Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, IA 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, is 30.12% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2014, 2013 and 2012 were \$819,368, \$714,069 and \$669,988, respectively, which met the required contribution for each year.

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

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 102 active and 9 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, which results in an implicit subsidy and an OPEB liability.

The City also provides single health plan coverage for a disabled police officer.

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.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following shows the components of the City's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

|  |                   |
|--|-------------------|
| Annual required contribution               | \$ 147,832        |
| Interest on net OPEB obligation            | 10,719            |
| Adjustment to annual required contribution | (26,232)          |
| Annual OPEB cost                           | <u>132,319</u>    |
| Contributions made                         | (23,293)          |
| Increase in net OPEB obligation            | <u>109,026</u>    |
| Net OPEB obligation beginning of year      | 428,757           |
| Net OPEB obligation end of year            | <u>\$ 537,783</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the City contributed \$23,293 to the medical plan. Plan members eligible for benefits contributed \$87,596, or 79.0% of the premium costs.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

| Year Ended June 30, | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------|------------------|--|---------------------|
| 2012                | \$ 124,019       | 21.51%                                     | \$ 320,029          |
| 2013                | 130,357          | 16.59                                      | 428,757             |
| 2014                | 132,319          | 17.60                                      | 537,783             |

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$1,301,898, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,301,898. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,899,107 and the ratio of the UAAL to covered payroll was 22.07%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as other information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the City's funding policy. The health cost trend rate is 6% a year.

Mortality rates are from the 94 Group Annuity Mortality Table.

Projected claim costs of the medical plan range from \$393 to \$570 for single plans and \$1,211 to \$1,753 for family plans. Upon retirement, the retired participant is assumed to pay 100% of the required premium. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time 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 compensatory time and vacation payable to employees at June 30, 2014, primarily relating to the General Fund, is as follows:

| Type of Benefit   | Amount           |
|-------------------|------------------|
| Vacation          | \$901,000        |
| Compensatory time | 30,000           |
| Total             | <u>\$931,000</u> |

This liability has been computed based on rates of pay in effect at June 30, 2014.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

| Transfer to                 | Transfer from               | Amount              |
|-----------------------------|-----------------------------|---------------------|
| General                     | Special Revenue:            |                     |
|                             | Road Use Tax                | \$ 456,180          |
|                             | Enterprise:                 |                     |
|                             | Sewer                       | 139,326             |
|                             | Landfill                    | 105,322             |
|                             |                             | <u>700,828</u>      |
| Special Revenue:            |                             |                     |
| Road Use Tax                | Enterprise:                 |                     |
|                             | Sewer                       | 606                 |
|                             | Landfill                    | 2,271               |
|                             |                             | <u>2,877</u>        |
| Employee Benefits           | Special Revenue:            |                     |
|                             | Local Option Sales Tax      | 451,305             |
| Urban Renewal Tax Increment |                             |                     |
|                             | Debt Service                | <u>13,322</u>       |
| Debt Service                | Special Revenue:            |                     |
|                             | Urban Renewal Tax Increment | 2,245,773           |
| Capital Projects            | General                     | <u>35,000</u>       |
| Total                       |                             | <u>\$ 3,449,105</u> |

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

**(8) Closure and Postclosure Care and Financial Assurance**

To comply with federal and state regulations, the City is required to complete a monitoring system plan and a closure/postclosure plan to provide funding necessary to affect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills which receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that year. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the City have been estimated to be \$4,174,000 for closure and \$1,650,000 for postclosure care, for a total of \$5,824,000 as of June 30, 2014. The estimated remaining life of the landfill is 141 years, with approximately 33% of the landfill's capacity used at June 30, 2014.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The City has begun to accumulate resources to fund these costs and, at June 30, 2014, assets of \$939,722 are restricted for these purposes. They are reported as restricted cash basis fund balance in the Enterprise, Landfill Fund in the Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Proprietary Funds.

Also, pursuant to Chapter 567-113.14 of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the City is required to demonstrate financial assurance for the unfunded costs. The City has adopted the local government financial test financial assurance mechanism. Under this mechanism, the City must certify to the Iowa Department of Natural Resources the City has met the requirements outlined in Chapter 567-113.14(6)(f) of the IAC.

The City has met the financial assurance requirements issued by the Iowa Department of Natural Resources by complying with the local government financial test.

**(9) Solid Waste Tonnage Fees Retained**

The City has established an account for restricting and using solid waste tonnage fees retained by the City in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2014, the City had unspent tonnage fees of \$44,700.

**(10) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$179,056.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and for the Newton Municipal Airport for liability insurance in the amount of \$1,000,000 and \$5,000,000, respectively. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(11) Development Agreements**

The City has entered into various development agreements to assist in certain urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer and make economic development grant payments in exchange for the construction of buildings and certain improvements by the developers. Certain agreements also require the developer to certify specific employment requirements are met.

The total amount rebated during the year ended June 30, 2014 was \$643,934. The estimated outstanding balance of the agreements at June 30, 2014 is \$2,066,913.

These agreements are not a general obligation of the City. However, the agreements are subject to the constitutional debt limitation of the City, except for the amounts which require an annual appropriation by the City Council. The amount of the development agreements subject to the constitutional debt limit at June 30, 2014 is \$923,077.

**(12) Construction Commitments**

The City has entered into construction contracts totaling approximately \$2,867,000 for street, sidewalk, trail, airport, sanitary sewer, landfill and sewer improvements. As of June 30, 2014, approximately \$1,973,000 had been paid on the contracts. The remaining \$894,000 will be paid as work on the projects progresses.

**(13) Deficit Balances**

The City had deficit balances at June 30, 2014, as follows:

| <u>Fund</u>                                   | <u>Amount</u> |
|---|---------------|
| Special Revenue:                              |               |
| Self-Supported Municipal Improvement District | \$ 3,862      |
| Enterprise:                                   |               |
| Golf  | 21,932        |

The deficit balances are the result of costs incurred prior to availability of funds. The deficit balance in the Special Revenue, Self-Supported Municipal Improvement District Fund will be eliminated through future property tax. The deficit in the Enterprise, Golf Fund will be eliminated through future receipts.

## **Other Information**

City of Newton  
 Budgetary Comparison Schedule  
 of Receipts/Revenues, Disbursements/Expenses and Changes in Balances/Net Position –  
 Budget and Actual – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2014

|  | (Unaudited)                     |  |                                      |   |
|--|---------------------------------|--|--------------------------------------|---|
|  | Cash Basis                      | GAAP Basis                             |                                      |   |
|  |                                 | Proprietary<br>Funds<br>Actual         | Skiff<br>Medical<br>Center<br>Actual | Component Unit<br>Newton<br>Municipal<br>Waterworks<br>Actual |
|  | Governmental<br>Funds<br>Actual | (Excluding<br>Skiff Medical<br>Center) |                                      |   |
| Receipts:  |                                 |  |                                      |   |
| Property tax   | \$ 6,793,884                    | -                                      | -                                    | -   |
| Tax increment financing  | 2,717,402                       | -                                      | -                                    | -   |
| Other city tax   | 1,746,337                       | -                                      | -                                    | -   |
| Licenses and permits   | 299,981                         | -                                      | -                                    | -   |
| Use of money and property  | 113,561                         | 77,119                                 | (70,059)                             | -   |
| Intergovernmental  | 2,441,344                       | 2,460                                  | -                                    | -   |
| Charges for service  | 1,828,431                       | 4,381,661                              | 34,995,941                           | 2,550,295   |
| Special assessments  | 22,316                          | -                                      | -                                    | -   |
| Miscellaneous  | 727,280                         | 259,967                                | 49,773                               | 188,182   |
| Total receipts/revenues  | 16,690,536                      | 4,721,207                              | 34,975,655                           | 2,738,477   |
| Disbursements:   |                                 |  |                                      |   |
| Public safety  | 6,429,196                       | -                                      | -                                    | -   |
| Public works   | 2,728,791                       | -                                      | -                                    | -   |
| Culture and recreation   | 1,994,009                       | -                                      | -                                    | -   |
| Community and economic development   | 1,417,245                       | -                                      | -                                    | -   |
| General government   | 1,203,719                       | -                                      | -                                    | -   |
| Debt service   | 4,006,361                       | -                                      | -                                    | -   |
| Capital projects   | 520,188                         | -                                      | -                                    | -   |
| Business type activities   | -                               | 5,419,379                              | 36,470,134                           | 2,767,358   |
| Total disbursements/expenses   | 18,299,509                      | 5,419,379                              | 36,470,134                           | 2,767,358   |
| Deficiency of receipts/revenues<br>under disbursements/expenses  | (1,608,973)                     | (698,172)                              | (1,494,479)                          | (28,881)  |
| Other financing sources (uses), net  | (1,858,640)                     | (203,215)                              | 209,524                              | -   |
| Deficiency of receipts/revenues and other<br>financing sources under disbursements/<br>expenses and other financing uses | (3,467,613)                     | (901,387)                              | (1,284,955)                          | (28,881)  |
| Balances/net position beginning of year  | 13,885,117                      | 6,842,393                              | 5,404,545                            | 4,707,297   |
| Balances/net position end of year  | \$ 10,417,504                   | 5,941,006                              | 4,119,590                            | 4,678,416   |

See accompanying independent auditor's report.



| Total       | Budgeted Amounts |              | Final to Total Variance |
|-------------|------------------|--------------|-------------------------|
|             | Original         | Final        |                         |
| 6,793,884   | 6,783,608        | 6,783,608    | 10,276                  |
| 2,717,402   | 2,874,623        | 2,874,623    | (157,221)               |
| 1,746,337   | 1,719,641        | 1,719,641    | 26,696                  |
| 299,981     | 306,800          | 306,800      | (6,819)                 |
| 120,621     | 180,747          | 180,747      | (60,126)                |
| 2,443,804   | 2,108,828        | 2,239,828    | 203,976                 |
| 43,756,328  | 46,117,457       | 46,117,457   | (2,361,129)             |
| 22,316      | -                | -            | 22,316                  |
| 1,225,202   | 1,087,252        | 1,087,252    | 137,950                 |
| 59,125,875  | 61,178,956       | 61,309,956   | (2,184,081)             |
| 6,429,196   | 6,433,059        | 6,613,559    | 184,363                 |
| 2,728,791   | 3,226,656        | 3,172,361    | 443,570                 |
| 1,994,009   | 2,083,465        | 2,156,465    | 162,456                 |
| 1,417,245   | 759,935          | 2,041,230    | 623,985                 |
| 1,203,719   | 1,393,648        | 1,433,648    | 229,929                 |
| 4,006,361   | 12,063,628       | 13,228,628   | 9,222,267               |
| 520,188     | 791,000          | 841,000      | 320,812                 |
| 44,656,871  | 47,564,190       | 47,564,190   | 2,907,319               |
| 62,956,380  | 74,315,581       | 77,051,081   | 14,094,701              |
| (3,830,505) | (13,136,625)     | (15,741,125) | 11,910,620              |
| (1,852,331) | 14,100           | 6,919,100    | (8,771,431)             |
| (5,682,836) | (13,122,525)     | (8,822,025)  | 3,139,189               |
| 30,839,352  | 27,305,303       | 26,625,383   | 4,213,969               |
| 25,156,516  | 14,182,778       | 17,803,358   | 7,353,158               |

City of Newton

Notes to Other Information – Budgetary Reporting

June 30, 2014

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, except as noted below, following required public notice and hearing for all funds. The City's budget includes the Skiff Medical Center, a city department, and the Newton Municipal Waterworks, a component unit, neither of which is included in the City's financial statements because each use a financial reporting framework which differs from the framework used by the City. Skiff Medical Center budgets on the cash basis and the Newton Municipal Waterworks budgets on the GAAP basis. 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/expenses 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/expenses required to be budgeted include disbursements/expenses for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements/expenses by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements/expenses by \$2,735,500. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements/expenses exceeded the amount budgeted in the community and economic development function prior to a budget amendment.

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City of Newton

Schedule of Funding Progress for  
the Retiree Health Plan  
(In Thousands)

Other Information

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------|--------------------------|-------------------------------|---------------------------------------|---------------------------|--------------------|---------------------|---|
| 2010                | Jul 1, 2009              | -                             | \$ 1,240                              | 1,240                     | 0.00%              | \$ 5,517            | 22.48 %   |
| 2011                | Jul 1, 2009              | -                             | 1,259                                 | 1,259                     | 0.00               | 5,593               | 22.51   |
| 2012                | Jul 1, 2009              | -                             | 1,275                                 | 1,275                     | 0.00               | 5,625               | 22.66   |
| 2013                | Jul 1, 2012              | -                             | 1,315                                 | 1,315                     | 0.00               | 5,775               | 22.78   |
| 2014                | Jul 1, 2012              | -                             | 1,302                                 | 1,302                     | 0.00               | 5,899               | 22.07   |

See Note 5 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

**City of Newton**

**Supplementary Information**

City of Newton

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the year ended June 30, 2014

|   | Special Revenue |                              |   |
|---|-----------------|------------------------------|---|
|   | COPS<br>Grant   | Local Option<br>Sales<br>Tax | Self Supported<br>Municipal<br>Improvement District |
| Receipts:   |                 |                              |   |
| Property tax  | \$ -            | -                            | 4,614   |
| Other city tax  | -               | 1,289,442                    | -   |
| Intergovernmental   | 65,796          | -                            | -   |
| Miscellaneous   | -               | -                            | 3,192   |
| Total receipts  | 65,796          | 1,289,442                    | 7,806   |
| Disbursements:  |                 |                              |   |
| Public safety   | 65,796          | 395,069                      | -   |
| Public works  | -               | 20,000                       | -   |
| Culture and recreation  | -               | 421,068                      | -   |
| Community and economic development                            | -               | -                            | 11,668  |
| General government  | -               | 2,000                        | -   |
| Total disbursements   | 65,796          | 838,137                      | 11,668  |
| Excess (deficiency) of receipts<br>over (under) disbursements | -               | 451,305                      | (3,862)   |
| Other financing uses:   |                 |                              |   |
| Transfers out   | -               | (451,305)                    | -   |
| Change in cash balances                                       | -               | -                            | (3,862)   |
| Cash balances beginning of year                               | -               | -                            | -   |
| Cash balances end of year                                     | \$ -            | -                            | (3,862)   |
| <b>Cash Basis Fund Balances</b>                               |                 |                              |   |
| Nonspendable:   |                 |                              |   |
| Cemetery perpetual care                                       | \$ -            | -                            | -   |
| Park endowment  | -               | -                            | -   |
| Unassigned  | -               | -                            | (3,862)   |
| Total cash basis fund balances                                | \$ -            | -                            | (3,862)   |

See accompanying independent auditor's report.

| Permanent                     |                                  |  |           |
|-------------------------------|----------------------------------|--|-----------|
| Cemetery<br>Perpetual<br>Care | Fred Maytag<br>Park<br>Endowment |  | Total     |
| -                             | -                                |  | 4,614     |
| -                             | -                                |  | 1,289,442 |
| -                             | -                                |  | 65,796    |
| 6,240                         | -                                |  | 9,432     |
| 6,240                         | -                                |  | 1,369,284 |
| -                             | -                                |  | 460,865   |
| -                             | -                                |  | 20,000    |
| -                             | -                                |  | 421,068   |
| -                             | -                                |  | 11,668    |
| -                             | -                                |  | 2,000     |
| -                             | -                                |  | 915,601   |
| 6,240                         | -                                |  | 453,683   |
| -                             | -                                |  | (451,305) |
| 6,240                         | -                                |  | 2,378     |
| 250,072                       | 233,320                          |  | 483,392   |
| 256,312                       | 233,320                          |  | 485,770   |
| 256,312                       | -                                |  | 256,312   |
| -                             | 233,320                          |  | 233,320   |
| -                             | -                                |  | (3,862)   |
| 256,312                       | 233,320                          |  | 485,770   |

City of Newton  
Schedule of Indebtedness  
Year ended June 30, 2014

| Obligation                                      | Date of Issue | Interest Rates | Amount Originally Issued |
|---|---------------|----------------|--------------------------|
| General obligation bonds and notes:             |               |                |                          |
| Capital loan notes, series 2006B                | May 16, 2006  | 4.25 - 5.00 %  | \$ 9,700,000             |
| Capital loan notes, series 2007A                | Jun 20, 2007  | 5.50 - 5.75    | 740,000                  |
| Urban renewal and refunding bonds, series 2009A | Aug 25, 2009  | 2.00 - 3.125   | 1,115,000                |
| Urban renewal and refunding bonds, series 2009B | Aug 25, 2009  | 1.25 - 5.15    | 6,300,000                |
| Refunding bonds, series 2010A                   | Dec 30, 2010  | 0.75 - 2.60    | 3,095,000                |
| Refunding bonds, series 2010B                   | Dec 30, 2010  | 0.50 - 1.45    | 515,000                  |
| Corporate refunding bonds, series 2012          | Jun 27, 2012  | 1.00 - 2.25    | 9,385,000                |
| Series 2014A                                    | Jun 18, 2014  | 2.00 - 2.90    | 4,330,000                |
| Series 2014B                                    | Jun 18, 2014  | 2.00 - 2.15    | 2,525,000                |
| Total   |               |                |                          |
| Revenue notes:                                  |               |                |                          |
| Sewer revenue capital loan notes, series 2002   | Apr 3, 2002   | * 1.75 %       | \$ 2,261,000             |
| Sewer revenue capital loan notes, series 2007   | Apr 5, 2007   | * 3.00         | 2,561,000                |
| Sewer revenue capital loan notes, series 2009   | Jan 13, 2010  | * 3.00         | 469,000                  |
| Total   |               |                |                          |

\* The City is required to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.



| Balance<br>Beginning<br>of Year | Issued<br>During<br>Year | Redeemed<br>During<br>Year | Balance<br>End of<br>Year | Interest<br>Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 9,700,000                       | -                        | 9,700,000                  | -                         | 450,119          |
| 505,000                         | -                        | 505,000                    | -                         | 29,266           |
| 670,000                         | -                        | 670,000                    | -                         | 20,172           |
| 4,390,000                       | -                        | 785,000                    | 3,605,000                 | 198,434          |
| 2,010,000                       | -                        | 430,000                    | 1,580,000                 | 34,725           |
| 200,000                         | -                        | 100,000                    | 100,000                   | 2,600            |
| 9,385,000                       | -                        | -                          | 9,385,000                 | 142,240          |
| -                               | 4,330,000                | -                          | 4,330,000                 | -                |
| -                               | 2,525,000                | -                          | 2,525,000                 | -                |
| <b>\$ 26,860,000</b>            | <b>6,855,000</b>         | <b>12,190,000</b>          | <b>21,525,000</b>         | <b>877,556</b>   |
| 1,296,000                       | -                        | 113,000                    | 1,183,000                 | 22,680           |
| 1,949,000                       | -                        | 112,000                    | 1,837,000                 | 58,470           |
| 416,000                         | -                        | 19,000                     | 397,000                   | 12,480           |
| <b>\$ 3,661,000</b>             | <b>-</b>                 | <b>244,000</b>             | <b>3,417,000</b>          | <b>93,630</b>    |

City of Newton  
Bond and Note Maturities  
June 30, 2014

| Year<br>Ending<br>June 30, | General Obligation  |                     |                     |                     |                     |                   |                     |                     |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
|                            | Series 2009B        |                     | Series 2010A        |                     | Series 2010B        |                   | Series 2012         |                     |
|                            | Issued Aug 25, 2009 |                     | Issued Dec 30, 2010 |                     | Issued Dec 30, 2010 |                   | Issued Jun 27, 2012 |                     |
|                            | Interest            |                     | Interest            |                     | Interest            |                   | Interest            |                     |
|                            | Rates               | Amount              | Rates               | Amount              | Rates               | Amount            | Rates               | Amount              |
| 2015                       | 3.700%              | \$ 285,000          | 1.45%               | \$ 440,000          | 1.45%               | \$ 100,000        | 1.00%               | \$ 805,000          |
| 2016                       | 4.100               | 295,000             | 1.75                | 450,000             | -                   | -                 | 1.00                | 810,000             |
| 2017                       | 4.300               | 305,000             | 2.00                | 265,000             | -                   | -                 | 1.00                | 820,000             |
| 2018                       | 4.700               | 320,000             | 2.30                | 275,000             | -                   | -                 | 1.00                | 825,000             |
| 2019                       | 4.875               | 295,000             | 2.60                | 150,000             | -                   | -                 | 1.20                | 835,000             |
| 2020                       | 5.000               | 310,000             | -                   | -                   | -                   | -                 | 1.45                | 845,000             |
| 2021                       | 5.000               | 325,000             | -                   | -                   | -                   | -                 | 1.65                | 860,000             |
| 2022                       | 5.050               | 340,000             | -                   | -                   | -                   | -                 | 1.80                | 870,000             |
| 2023                       | 5.050               | 360,000             | -                   | -                   | -                   | -                 | 2.00                | 885,000             |
| 2024                       | 5.100               | 375,000             | -                   | -                   | -                   | -                 | 2.10                | 905,000             |
| 2025                       | 5.150               | 395,000             | -                   | -                   | -                   | -                 | 2.25                | 925,000             |
| Total                      |                     | <u>\$ 3,605,000</u> |                     | <u>\$ 1,580,000</u> |                     | <u>\$ 100,000</u> |                     | <u>\$ 9,385,000</u> |

| Year<br>Ending<br>June 30, | Sewer Revenue Notes |                     |                    |                     |                     |                   |                  |
|----------------------------|---------------------|---------------------|--------------------|---------------------|---------------------|-------------------|------------------|
|                            | Series 2002         |                     | Series 2007        |                     | Series 2009         |                   | Total            |
|                            | Issued Apr 3, 2002  |                     | Issued Apr 5, 2007 |                     | Issued Jan 13, 2010 |                   |                  |
|                            | Interest            |                     | Interest           |                     | Interest            |                   |                  |
|                            | Rates               | Amount              | Rates              | Amount              | Rates               | Amount            |                  |
| 2015                       | 3.00%               | \$ 116,000          | 3.00%              | \$ 116,000          | 3.00%               | \$ 19,000         | 251,000          |
| 2016                       | 3.00                | 120,000             | 3.00               | 120,000             | 3.00                | 20,000            | 260,000          |
| 2017                       | 3.00                | 124,000             | 3.00               | 123,000             | 3.00                | 21,000            | 268,000          |
| 2018                       | 3.00                | 127,000             | 3.00               | 127,000             | 3.00                | 21,000            | 275,000          |
| 2019                       | 3.00                | 131,000             | 3.00               | 132,000             | 3.00                | 22,000            | 285,000          |
| 2020                       | 3.00                | 135,000             | 3.00               | 136,000             | 3.00                | 23,000            | 294,000          |
| 2021                       | 3.00                | 139,000             | 3.00               | 140,000             | 3.00                | 23,000            | 302,000          |
| 2022                       | 3.00                | 143,000             | 3.00               | 145,000             | 3.00                | 24,000            | 312,000          |
| 2023                       | 3.00                | 148,000             | 3.00               | 150,000             | 3.00                | 25,000            | 323,000          |
| 2024                       | -                   | -                   | 3.00               | 154,000             | 3.00                | 26,000            | 180,000          |
| 2025                       | -                   | -                   | 3.00               | 159,000             | 3.00                | 27,000            | 186,000          |
| 2026                       | -                   | -                   | 3.00               | 165,000             | 3.00                | 28,000            | 193,000          |
| 2027                       | -                   | -                   | 3.00               | 170,000             | 3.00                | 28,000            | 198,000          |
| 2028                       | -                   | -                   | -                  | -                   | 3.00                | 29,000            | 29,000           |
| 2029                       | -                   | -                   | -                  | -                   | 3.00                | 30,000            | 30,000           |
| 2030                       | -                   | -                   | -                  | -                   | 3.00                | 31,000            | 31,000           |
| Total                      |                     | <u>\$ 1,183,000</u> |                    | <u>\$ 1,837,000</u> |                     | <u>\$ 397,000</u> | <u>3,417,000</u> |

See accompanying independent auditor's report.

| Bonds and Notes     |                     |                |                     |                   |  |
|---------------------|---------------------|----------------|---------------------|-------------------|--|
| Series 2014A        |                     |                | Series 2014B        |                   |  |
| Issued Jun 18, 2014 |                     |                | Issued Jun 18, 2014 |                   |  |
| Interest Rates      | Amount              | Interest Rates | Amount              | Total             |  |
| 2.00%               | \$ 325,000          | 2.00%          | \$ 155,000          | 2,110,000         |  |
| 2.00                | 495,000             | 2.00           | 150,000             | 2,200,000         |  |
| 2.00                | 555,000             | 2.00           | 275,000             | 2,220,000         |  |
| 2.00                | 585,000             | 2.00           | 255,000             | 2,260,000         |  |
| 2.00                | 655,000             | 2.00           | 150,000             | 2,085,000         |  |
| 2.10                | 655,000             | 2.00           | 155,000             | 1,965,000         |  |
| 2.45                | 480,000             | 2.00           | 165,000             | 1,830,000         |  |
| 2.70                | 480,000             | 2.00           | 175,000             | 1,865,000         |  |
| 2.90                | 100,000             | 2.00           | 410,000             | 1,755,000         |  |
|                     | -                   | 2.15           | 635,000             | 1,915,000         |  |
|                     | -                   |                | -                   | 1,320,000         |  |
|                     | <u>\$ 4,330,000</u> |                | <u>\$ 2,525,000</u> | <u>21,525,000</u> |  |

City of Newton

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Ten Years

|                                    | 2014                 | 2013              | 2012              |
|------------------------------------|----------------------|-------------------|-------------------|
| <b>Receipts:</b>                   |                      |                   |                   |
| Property tax                       | \$ 6,793,884         | 6,646,452         | 6,495,477         |
| Tax increment financing            | 2,717,402            | 2,560,585         | 2,909,173         |
| Other city tax                     | 1,746,337            | 1,604,454         | 1,707,571         |
| Licenses and permits               | 299,981              | 307,552           | 275,515           |
| Use of money and property          | 113,561              | 116,361           | 93,264            |
| Intergovernmental                  | 2,441,344            | 2,440,079         | 2,367,894         |
| Charges for service                | 1,828,431            | 1,845,139         | 1,797,054         |
| Special assessments                | 22,316               | 22,014            | 18,308            |
| Miscellaneous                      | 727,280              | 594,484           | 596,567           |
| <b>Total</b>                       | <b>\$ 16,690,536</b> | <b>16,137,120</b> | <b>16,260,823</b> |
| <b>Disbursements:</b>              |                      |                   |                   |
| <b>Operating:</b>                  |                      |                   |                   |
| Public safety                      | \$ 6,429,196         | 6,353,118         | 5,717,661         |
| Public works                       | 2,728,791            | 2,707,209         | 2,558,601         |
| Health and social services         | -                    | -                 | 153,374           |
| Culture and recreation             | 1,994,009            | 1,875,748         | 1,917,021         |
| Community and economic development | 1,417,245            | 2,421,712         | 2,405,218         |
| General government                 | 1,203,719            | 1,112,059         | 1,102,944         |
| Debt service                       | 4,006,361            | 2,137,456         | 2,357,739         |
| Capital projects                   | 520,188              | 297,887           | 810,310           |
| <b>Total</b>                       | <b>\$ 18,299,509</b> | <b>16,905,189</b> | <b>17,022,868</b> |

See accompanying independent auditor's report.

| 2011       | 2010       | 2009       | 2008       | 2007       | 2006       | 2005       |
|------------|------------|------------|------------|------------|------------|------------|
| 6,293,597  | 5,951,760  | 5,493,609  | 5,984,330  | 7,230,696  | 5,994,989  | 5,654,908  |
| 1,347,281  | 2,242,523  | 1,891,542  | 2,036,141  | 1,860,065  | 1,691,755  | 1,508,311  |
| 1,703,058  | 1,657,637  | 1,655,392  | 1,675,923  | 285,958    | 328,427    | 314,247    |
| 155,019    | 157,553    | 159,900    | 190,304    | 205,956    | 225,130    | 161,605    |
| 109,517    | 112,136    | 177,015    | 280,094    | 346,163    | 244,662    | 192,121    |
| 4,103,067  | 2,817,356  | 4,504,063  | 4,908,820  | 6,171,243  | 1,799,776  | 2,203,808  |
| 2,112,552  | 2,240,062  | 2,223,544  | 2,036,389  | 1,957,417  | 1,942,775  | 1,905,605  |
| 23,864     | 22,407     | 24,383     | 45,262     | 77,206     | 15,647     | 7,123      |
| 1,177,272  | 879,158    | 609,260    | 1,040,044  | 497,221    | 960,438    | 440,812    |
| 17,025,227 | 16,080,592 | 16,738,708 | 18,197,307 | 18,631,925 | 13,203,599 | 12,388,540 |
| 5,410,336  | 5,093,366  | 5,284,662  | 5,134,641  | 5,168,187  | 5,024,945  | 4,977,075  |
| 2,409,348  | 2,415,994  | 2,523,491  | 2,544,558  | 2,186,286  | 2,109,548  | 2,282,945  |
| 12,083     | 267,944    | 12,032     | 12,464     | 12,898     | 14,721     | 40,177     |
| 1,960,709  | 1,689,233  | 1,774,050  | 1,723,088  | 1,544,680  | 1,456,883  | 1,525,350  |
| 737,015    | 4,462,506  | 3,931,121  | 3,451,583  | 8,344,843  | 7,677,471  | 1,435,070  |
| 1,553,181  | 1,135,415  | 1,190,467  | 1,268,716  | 1,136,829  | 1,114,948  | 985,365    |
| 5,914,670  | 2,190,835  | 2,161,937  | 2,711,173  | 3,025,150  | 3,569,991  | 2,164,850  |
| 3,620,110  | 3,864,984  | 786,856    | 430,141    | 546,850    | 1,092,201  | 2,915,109  |
| 21,617,452 | 21,120,277 | 17,664,616 | 17,276,364 | 21,965,723 | 22,060,708 | 16,325,941 |

**City of Newton**

# COMPLIANCE SECTION







# OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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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 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Newton, Iowa, as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2014. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed unmodified opinions on the governmental activities, the General Fund, the major Special Revenue Funds, including the Road Use Tax, Employee Benefits, Urban Renewal Tax Increment and Housing Initiative Funds, the Debt Service Fund, the Capital Projects Fund, the major Enterprise Funds, including the Sewer and Landfill Funds, and the aggregate remaining fund information of the City of Newton, Iowa, as of June 30, 2014. We expressed adverse opinions on the business type activities, the Enterprise, Skiff Medical Center Fund and the aggregate discretely presented component units.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Newton'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 Newton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Newton'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 Newton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings as items (D) and (E) to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Newton'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, 2014 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 Newton's Responses to the Findings


The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City'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 results 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 Newton 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.

  
MARY MOSIMAN, CPA  
Auditor of State

  
WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

December 19, 2014

**City of Newton**

**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. Although multiple individuals are involved in the accounting duties of the City, there is insufficient segregation of duties to prevent one individual from having control over each of the following areas for the City:
- 1) Cash – reconciling bank accounts, initiating cash receipts, depositing, handling and recording cash.
  - 2) Investments – detailed record keeping, custody and reconciling.
  - 3) Long-term debt – recording and reconciling.
  - 4) Receipts – collecting, depositing, posting, reconciling and maintaining accounts receivable records.
  - 5) Disbursements – recording, preparing checks and signing checks.
  - 6) Payroll – recording, preparing and signing payroll warrants.
  - 7) Accounting system – performing all general accounting functions, including making journal entries and having custody of City assets.
  - 8) Journal entries – preparing and journalizing with no independent review.

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. Access to the signature stamp for checks should be properly safeguarded.

Response – The City will review its control procedures to obtain the maximum internal control possible under the circumstances.

Conclusion – Response accepted.

- (B) Financial Reporting – During the audit, we identified a check for a material amount written prior to June 30, 2014 and held until satisfactory completion of services provided. An adjustment was subsequently made to properly report the amount in the City's financial statements.

Recommendation – The City should implement procedures to ensure checks are not written and held at June 30.

Response – The City will implement procedures to ensure checks are not written and held at June 30.

Conclusion – Response accepted.

- (C) Ambulance and Landfill Reconciliations – The City performs billing and collection services for the ambulance service and the City's Landfill. Monthly reconciliations to reconcile expected collections to actual collections are not performed for the landfill and are incomplete for the ambulance service. Reconciliations should be performed through analyzing billing reports and delinquent account listings each billing period and reconciling collections, billings and delinquent accounts. In addition, outstanding balances are not periodically reviewed for collectability and approved for write-off, if necessary. Also, an independent individual does not review the ambulance service reconciliation.

City of Newton

Schedule of Findings

Year ended June 30, 2014

The Landfill daily reconciliation incorrectly reconciles cash in the drawer to printed tickets for the day rather than to the cash recorded per the Daily Ticket Report.

Recommendation – The City should establish procedures to ensure the proper amount of ambulance and landfill fees are collected, including reconciling billings, collections and delinquent accounts. Delinquent accounts should be investigated and those deemed to be uncollectible should be properly approved for write-off through established procedures. An independent person should review the reconciliations and document their review by signing or initialing and dating the monthly reconciliations. Any variances should be investigated and resolved in a timely manner.

The Landfill daily receipts should be reconciled to cash per the Daily Ticket Report.

Response – The City will establish procedures to ensure the proper amount of ambulance and landfill fees are collected, including reconciling.

Conclusion – Response accepted.

- (D) Computer System – The City does not have a written disaster recovery plan which addresses recovery of financial data in the event of a disaster.

Recommendation – The City should develop a written disaster recovery plan which addresses recovery of financial data operations.

Response – The City will develop a written disaster recovery plan which addresses recovery of financial data operations.

Conclusion – Response accepted.

- (E) Receipts – An independent person does not open mail. An initial listing of cash and checks received is not prepared by all departments.

For the Fire and Parks Departments, an initial listing of receipts is prepared. However, an independent individual does not reconcile amounts recorded on the initial listing to amounts recorded in the ledger and deposited in the bank.

For the Library, supporting documentation of receipts is insufficient to provide an audit trail of the individuals making payments. Although a report is run to support daily collections, there is no identification of customers making the payments.

Recommendation – Mail should be opened by an independent individual and a listing of all cash and receipts received in the mail should be prepared by the mail opener. The receipts should then be given to accounting personnel responsible for deposit preparation. The initial listing should later be compared to the receipt and deposit records by an independent person. Receipt documentation should be maintained in sufficient detail to provide a complete audit trail.

Response – The City Finance Department will work with all City departments to develop procedures in their cash receipting to be in compliance with the above recommendations.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Newton

Schedule of Findings

Year ended June 30, 2014

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – During the year ended June 30, 2014, the City exceeded the amount budgeted in the community and economic development function prior to a budget amendment. 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 City will amend its budget before disbursements are allowed to exceed the budget.

Conclusion – Response accepted.

- (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> |
|----------------|--------------------------------------|---------------|
| PJ’s Deli      | Sandwiches for supervisor luncheon   | \$105         |
| Fareway        | Potato chips and cookies for meeting | 20            |

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 close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City 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 – The City will review, and where appropriate, adopt policies and procedures related to requirements of public purpose.

Conclusion – Response accepted.

- (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> |
|---|--------------------------------|---------------|
| Janet Cox, Police Administrative Assistant, Owner of Coxes Greenhouse | Planting supplies              | \$20          |

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Police Administrative Assistant do not appear to represent a conflict of interest since the transactions totaled less than \$1,500 during the fiscal year.

City of Newton

Schedule of Findings

Year ended June 30, 2014

- (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 – The City Council went into closed session on June 30, 2014. However, the minutes record did not document the specific exemption for the closed session by reference to a specific provision of Chapter 21.5 of the Code of Iowa, commonly known as the open-meetings law.

Recommendation – The City should comply with Chapter 21.5 of the Code of Iowa.

Response – The wording, “Section 21.5(1)(j), Code of Iowa 2014” was inadvertently left off of the minutes. The City of Newton was in compliance with Chapter 21.5 of the Code of Iowa as the provision to go into closed session is included in the Code of Iowa 2014: To discuss the purchase or sale of particular real estate where premature disclosure could be reasonably expected to increase the price the governmental body would have to pay for that property or reduce the price the governmental body would receive for that property. The City also received approval from the City Attorney to proceed into closed session. The June 30, 2014 minutes have been amended and will be approved at the December 15, 2014 Council meeting.

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.
- (8) Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.
- (9) Solid Waste Fees Retainage – No instances of non-compliance with the solid waste fees used in accordance with the provisions of Chapter 455B.310 of the Code of Iowa were noted.
- (10) Financial Assurance – The City has met the closure and postclosure care financial assurance requirements issued by the Iowa Department of Natural Resources by complying with the local government financial test as specified in Iowa Administrative Code Chapter 567-113.14(6)(f).
- (11) Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.

However, the amount reported by the City as TIF debt outstanding was understated since the City did not include interest for one TIF debt obligation. In addition, the City did not include future TIF rebate obligations for certain rebate agreements for the portion of annual appropriation debt not yet appropriated by the City Council.

In addition, the amount the City reported as TIF debt outstanding was overstated due to the City erroneously reporting an additional principal payment for one TIF obligation.

Recommendation – The City should ensure the amount reported as outstanding TIF debt includes all certified and certifiable debt.

City of Newton

Schedule of Findings

Year ended June 30, 2014

Response – The City will develop procedures to ensure the amount reported as outstanding TIF debt includes all certified and certifiable debt.

Conclusion – Response accepted.

- (12) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement as provided in the Code section. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness.

During the year ended June 30, 2014, the City made payments on two rebate agreements from the Special Revenue, Tax Increment Financing Fund which were not previously certified as TIF indebtedness.

Recommendation – The City should ensure amounts paid out of the Special Revenue, Tax Increment Financing Fund have been previously certified as TIF indebtedness.

Response – The City will ensure the amounts paid out of the Special Revenue, Tax Increment Financing Fund have been previously certified as TIF indebtedness.

Conclusion – Response accepted.

- (13) Financial Condition – The City had deficit balances in the following funds at June 30, 2014:

|   |    |        |
|---|----|--------|
| Special Revenue:                              |    |        |
| Self-Supported Municipal Improvement District | \$ | 3,862  |
| Enterprise:                                   |    |        |
| Golf  |    | 21,932 |

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

Response – The City will continue to monitor funds with a deficit balance and develop strategies to return these funds to a sound financial position.

Conclusion – Response accepted.



City of Newton

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager  
Lesley R. Geary, CPA, Senior Auditor II  
Tiffany N. Aliprandi, Staff Auditor  
Amanda L. Burt, Staff Auditor  
Chad C. Lynch, Assistant Auditor  
Nate W. Packer, Assistant Auditor  
Ryan P. Swanson, Assistant Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State



# STATISTICAL SECTION

**Table 1**

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CITY OF NEWTON

TAX INCREMENT FINANCING FUND – STATEMENT OF CASH RECEIPTS  
AND DISBURSEMENTS

INCEPTION TO JUNE 30, 2014

|   |                   |
|---|-------------------|
| Operating Receipts:                             |                   |
| Bond proceeds                                   | \$ 31,724,268     |
| Interest on investments                         | 180,062           |
| Sale of property                                | 1,195,701         |
| Property tax                                    | 28,826,519        |
| Intergovernmental                               | 10,970,834        |
| Miscellaneous                                   | 1,454,886         |
|   | <u>74,352,270</u> |
| Operating Disbursements:                        |                   |
| Property acquisition and improvement            | 9,694,844         |
| Property demolition                             | 966,390           |
| Economic development grants                     | 18,587,147        |
| Legal and administrative                        | 1,474,644         |
| Property taxes                                  | 97,338            |
| Relocation                                      | 47,050            |
| Contractual services                            | 5,000             |
| Operating supplies                              | 15,139            |
| Structures                                      | 62,756            |
| Refunds   | 4,790,765         |
| Revenue bond principal                          | 5,074,852         |
| Revenue bond interest                           | 896,194           |
| Street improvements                             | 1,242,670         |
| City Hall site improvements                     | 550,127           |
| Private development improvements                | 462,406           |
| Skiff Medical Center                            | 280,000           |
| Manufactured Gas Plant                          | 3,253             |
| Lighting and landscaping                        | 431,730           |
| Storage yard                                    | 578,063           |
| Payment to other agencies                       | 610,369           |
|   | <u>45,870,737</u> |
| Operating receipts over operating disbursements | <u>28,481,533</u> |
| Other transactions:                             |                   |
| Transfer to Debt Service Fund - bond interest   | (24,426,170)      |
| Transfer to General Fund - economic development | (3,735,880)       |
| Transfer to Central Business District           | (2,500)           |
| Transfer to Employee Benefits Fund              | (138,547)         |
| Transfer to Capital Projects Fund               | (823,232)         |
| Transfer to Sewer Fund                          | (547,555)         |
| Interfund Loan                                  | 1,876,639         |
|   | <u>\$ 684,288</u> |
| Cash and investment balance at June 30, 2014    |                   |

Note: During fiscal year 1988, the City established a tax increment financing district to generate revenues to assist the City in funding responsibility for an urban renewal plan. Under the urban renewal plan, the City purchases properties located within the district to be demolished for development. The City issued bonds to initially fund this plan, which will be retired from fund revenues through transfers to the Debt Service Fund.

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CITY OF NEWTON  
COMPARISON OF ENTERPRISE FUNDS CHARGES FOR  
SERVICE RECEIPTS

| Year Ended<br>June 30, | Sewer        | Landfill     | Golf       | Parking   |
|------------------------|--------------|--------------|------------|-----------|
| 2005                   | \$ 2,158,385 | \$ 1,094,907 | \$ 382,123 | \$ 87,684 |
| 2006                   | 2,201,492    | 1,004,324    | 347,108    | 78,449    |
| 2007                   | 2,173,973    | 1,050,974    | 327,866    | 75,824    |
| 2008                   | 2,144,742    | 1,257,373    | 396,034    | 67,195    |
| 2009                   | 1,955,306    | 1,310,509    | 485,479    | -         |
| 2010                   | 1,792,379    | 1,443,700    | 482,920    | -         |
| 2011                   | 1,777,277    | 1,333,719    | 407,474    | -         |
| 2012                   | 2,074,418    | 1,314,130    | 353,937    | -         |
| 2013                   | 2,546,212    | 1,516,748    | 305,269    | -         |
| 2014                   | 2,556,779    | 1,465,029    | 359,853    | -         |

CITY OF NEWTON

COMPARATIVE TOTAL AND PER CAPITA FUNCTION DISBURSEMENTS

| Year<br>Ended<br>June 30, | Population<br>Per Census | Public Safety<br>Disbursements |               | Public Works<br>Disbursements |                   | Health and<br>Social Services<br>Disbursements |               | Culture & Recreation<br>Disbursements |               | Community and<br>Economic Development<br>Disbursements |               |
|---------------------------|--------------------------|--------------------------------|---------------|-------------------------------|-------------------|--|---------------|---------------------------------------|---------------|--|---------------|
|                           |                          | <u>Per</u>                     |               | <u>Per</u>                    |                   | <u>Per</u>                                     |               | <u>Per</u>                            |               | <u>Per</u>   |               |
|                           |                          | <u>Total</u>                   | <u>Capita</u> | <u>Total</u>                  | <u>Per Capita</u> | <u>Total</u>                                   | <u>Capita</u> | <u>Total</u>                          | <u>Capita</u> | <u>Total</u>   | <u>Capita</u> |
| 2005                      | 15,579*                  | \$ 5,023,931                   | \$ 322.48     | \$ 2,293,480                  | \$ 147.22         | \$ 40,177                                      | \$ 2.58       | \$ 1,536,731                          | \$ 98.64      | \$ 1,438,161   | \$ 92.31      |
| 2006                      | 15,579*                  | 5,164,297                      | 331.49        | 2,140,871                     | 137.42            | 14,721   | 0.94          | 1,490,716                             | 95.69         | 7,686,675  | 493.40        |
| 2007                      | 15,579*                  | 5,189,928                      | 333.14        | 2,191,174                     | 140.65            | 12,898   | 0.83          | 1,549,961                             | 99.49         | 8,346,277  | 535.74        |
| 2008                      | 15,579*                  | 5,258,043                      | 337.51        | 2,571,150                     | 165.04            | 12,464   | 0.80          | 1,753,157                             | 112.53        | 3,465,451  | 222.44        |
| 2009                      | 15,579*                  | 5,464,580                      | 350.77        | 2,556,561                     | 164.10            | 12,032   | 0.77          | 1,809,924                             | 116.18        | 618,532  | 39.70         |
| 2010                      | 15,579*                  | 5,127,611                      | 329.14        | 2,422,659                     | 155.51            | 267,944  | 17.20         | 1,696,648                             | 108.91        | 4,465,669  | 286.65        |
| 2011                      | 15,254**                 | 5,414,879                      | 354.98        | 2,410,052                     | 157.99            | 12,083   | 0.79          | 1,961,802                             | 128.61        | 737,224  | 48.33         |
| 2012                      | 15,254**                 | 5,717,661                      | 374.83        | 2,558,601                     | 167.73            | 153,374  | 10.05         | 1,917,021                             | 125.67        | 2,405,218  | 157.68        |
| 2013                      | 15,254**                 | 6,353,118                      | 416.49        | 2,707,209                     | 177.48            | -  | -             | 1,875,748                             | 122.97        | 2,421,712  | 158.76        |
| 2014                      | 15,254**                 | 6,429,196                      | 421.48        | 2,728,791                     | 178.89            | -  | -             | 1,994,009                             | 130.72        | 1,417,245  | 92.91         |

\* 2000 census figures

\*\* 2010 census figures

**Table 3**

| General Government Disbursements |                   | Debt Service Disbursements |                   | Capital Projects Disbursements |                   | Business Type Activities Disbursements |                   | Total Disbursements |                   |
|----------------------------------|-------------------|----------------------------|-------------------|--------------------------------|-------------------|--|-------------------|---------------------|-------------------|
| <u>Total</u>                     | <u>Per Capita</u> | <u>Total</u>               | <u>Per Capita</u> | <u>Total</u>                   | <u>Per Capita</u> | <u>Total</u>                           | <u>Per Capita</u> | <u>Total</u>        | <u>Per Capita</u> |
| \$ 1,007,296                     | \$ 64.66          | \$ 2,164,850               | \$ 138.96         | \$ 2,915,109                   | \$ 187.12         | \$ 4,158,222                           | \$ 266.91         | \$ 20,577,957       | \$ 1,320.88       |
| 1,180,160                        | 75.75             | 3,569,991                  | 229.15            | 1,092,201                      | 70.11             | 3,178,050                              | 204.00            | 25,517,682          | 1,637.95          |
| 1,147,004                        | 73.63             | 3,025,150                  | 194.18            | 546,850                        | 35.10             | 4,549,073                              | 292.00            | 26,558,315          | 1,704.75          |
| 1,331,350                        | 85.46             | 2,711,173                  | 174.03            | 430,141                        | 27.61             | 5,469,044                              | 351.05            | 23,001,973          | 1,476.47          |
| 1,257,096                        | 80.69             | 2,161,937                  | 138.77            | 4,118,643                      | 264.37            | 3,273,083                              | 210.10            | 21,272,388          | 1,365.45          |
| 1,149,508                        | 73.79             | 2,190,835                  | 140.63            | 3,864,984                      | 248.09            | 3,639,947                              | 233.64            | 24,825,805          | 1,593.54          |
| 1,555,017                        | 101.94            | 5,914,670                  | 387.75            | 3,620,110                      | 237.32            | 6,542,942                              | 428.93            | 61,359,169          | 4,022.50          |
| 1,102,944                        | 72.31             | 2,357,739                  | 154.57            | 810,310                        | 53.12             | 3,326,528                              | 218.08            | 20,349,396          | 1,334.04          |
| 1,112,059                        | 72.90             | 2,137,456                  | 140.12            | 297,887                        | 19.53             | 3,760,471                              | 246.52            | 20,665,660          | 1,354.77          |
| 1,203,719                        | 78.91             | 4,006,361                  | 262.64            | 520,188                        | 34.10             | 5,419,379                              | 355.28            | 23,718,888          | 1,554.93          |

**Table 4**

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CITY OF NEWTON  
COMPARATIVE PROPERTY TAX RECEIPTS BY FUND TYPE (UNAUDITED)

| Year<br>Ended<br>June 30, | General Fund | Special<br>Revenue,<br>Employee<br>Benefits Fund | Debt<br>Service<br>Fund |
|---------------------------|--------------|--|-------------------------|
| 2005 *                    | \$ 3,210,594 | \$ 1,737,090                                     | \$ 924,383              |
| 2006 *                    | 3,640,718    | 1,753,991  | 944,354                 |
| 2007 *                    | 4,433,214    | 1,820,874  | 1,339,772               |
| 2008 *                    | 4,507,293    | 2,113,039  | 1,085,183               |
| 2009 *                    | 4,242,797    | 2,007,008  | 923,579                 |
| 2010 *                    | 4,545,913    | 2,152,614  | 933,277                 |
| 2011 *                    | 4,915,611    | 2,189,531  | 915,377                 |
| 2012                      | 3,669,772    | 2,037,155  | 788,550                 |
| 2013                      | 3,845,538    | 2,228,337  | 572,577                 |
| 2014                      | 3,850,520    | 2,383,477  | 555,273                 |

\*For fiscal years 2011 and prior, amounts include special assessments, local option sales tax, hotel/motel tax and utility excise replacement tax in addition to property tax.



**City of Newton**

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CITY OF NEWTON

COMPARATIVE PROPERTY TAX LEVIES AND COLLECTIONS

| <u>Year<br/>Ended<br/>June 30,</u> | <u>Collection<br/>Year Ended<br/>June 30,</u> | <u>Total Property<br/>Tax Levy</u> | <u>Current<br/>Property Tax<br/>Collections</u> | <u>Percent Of<br/>Property Tax<br/>Levy Collected</u> |
|------------------------------------|---|------------------------------------|---|---|
| 2004                               | 2005  | \$ 5,917,919                       | 5,654,909                                       | 95.56%  |
| 2005                               | 2006  | 5,987,798                          | 5,994,989                                       | 100.12%   |
| 2006                               | 2007  | 6,186,189                          | 7,230,696                                       | 116.88%   |
| 2007                               | 2008  | 5,982,574                          | 5,984,330                                       | 100.03%   |
| 2008                               | 2009  | 5,557,926                          | 5,489,841                                       | 98.77%  |
| 2009                               | 2010  | 5,941,263                          | 5,947,898                                       | 100.11%   |
| 2010                               | 2011  | 6,258,941                          | 6,293,014                                       | 100.54%   |
| 2011                               | 2012  | 6,536,879                          | 6,493,334                                       | 99.33%  |
| 2012                               | 2013  | 6,670,813                          | 6,645,487                                       | 99.62%  |
| 2013                               | 2014  | 6,783,608                          | 6,789,263                                       | 100.08%   |

| Delinquent<br>Property Tax<br>Collections | Tax Increment<br>Financing<br>Collections | Total Property<br>Tax Collections |
|---|---|-----------------------------------|
| \$ 7,491                                  | \$ 1,508,311                              | 7,170,711                         |
| 1,060                                     | 1,691,755                                 | 7,687,804                         |
| 1,387                                     | 1,860,065                                 | 9,092,148                         |
| 1,756                                     | 2,036,141                                 | 8,022,227                         |
| 3,768                                     | 1,891,542                                 | 7,385,151                         |
| 3,862                                     | 2,242,523                                 | 8,194,283                         |
| 583                                       | 1,347,281                                 | 7,640,878                         |
| 2,143                                     | 2,909,173                                 | 9,404,650                         |
| 965                                       | 2,560,585                                 | 9,207,037                         |
| 4,621                                     | 2,717,402                                 | 9,511,286                         |

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CITY OF NEWTON  
 COMPARATIVE PROPERTY TAX RATES PER \$1,000 OF  
 ASSESSED VALUATIONS

| Levy<br>Year | Collection<br>Year Ended<br>June 30, | Levy for                  |                |               |              |
|--------------|--------------------------------------|---------------------------|----------------|---------------|--------------|
|              |                                      | Newton School<br>District | City of Newton | Jasper County | Area Schools |
| 2004         | 2005                                 | 17.19063                  | \$ 15.94998    | 8.06036       | \$ 0.59856   |
| 2005         | 2006                                 | 16.78900                  | 15.95000       | 9.16450       | 0.68408      |
| 2006         | 2007                                 | 16.91412                  | 16.63000       | 9.24852       | 0.68688      |
| 2007         | 2008                                 | 16.48184                  | 15.79100       | 9.17034       | 0.60276      |
| 2008         | 2009                                 | 16.73813                  | 15.65673       | 9.29114       | 0.84695      |
| 2009         | 2010                                 | 16.56630                  | 15.65613       | 8.99696       | 0.56778      |
| 2010         | 2011                                 | 16.72645                  | 15.34596       | 8.38776       | 0.56008      |
| 2011         | 2012                                 | 16.23768                  | 15.30305       | 8.62582       | 0.59018      |
| 2012         | 2013                                 | 15.96319                  | 14.99630       | 7.66830       | 0.58466      |
| 2013         | 2014                                 | 15.15308                  | 14.66304       | 7.23964       | 0.68147      |

| Extension<br>Council | County<br>Assessor | Tuberculosis<br>Eradication | Total       | Percent of<br>City of<br>Newton Levy<br>to Total Levy |
|----------------------|--------------------|-----------------------------|-------------|---|
| 0.14490              | \$ 0.30222         | 0.00400                     | \$ 42.25065 | 37.02%  |
| 0.14902              | 0.34677            | 0.00400                     | 43.08737    | 36.22%  |
| 0.16251              | 0.38972            | 0.00400                     | 44.03575    | 39.05%  |
| 0.15230              | 0.38173            | 0.00350                     | 42.58347    | 36.62%  |
| 0.17218              | 0.40747            | 0.00350                     | 43.11610    | 36.31%  |
| 0.17240              | 0.40625            | 0.00300                     | 42.36882    | 36.95%  |
| 0.17318              | 0.42448            | 0.00340                     | 41.62131    | 36.87%  |
| 0.16758              | 0.41948            | 0.00320                     | 41.34699    | 37.01%  |
| 0.16027              | 0.39701            | 0.00330                     | 39.77303    | 37.70%  |
| 0.39050              | 0.15697            | 0.00000                     | 38.28469    | 38.30%  |

**Table 7**

## CITY OF NEWTON

COMPARATIVE RATIO OF GENERAL OBLIGATION BONDED DEBT TO TAXABLE VALUE  
AND GENERAL OBLIGATION BONDED DEBT PER CAPITA

| Date      | Population<br>Per Census | Taxable Value<br>(Agriculture<br>Land Included) | General Obligation<br>Bonded Debt (1) | Ratio of<br>General<br>Obligation<br>Bonded<br>Debt to<br>Taxable Value | General<br>Obligation<br>Bonded<br>Debt<br>Per Capita |
|-----------|--------------------------|---|---------------------------------------|---|---|
| 6/30/2005 | 15,579*                  | \$ 420,783,396                                  | 13,125,190                            | 0.031192  | \$ 842.49   |
| 6/30/2006 | 15,579*                  | 426,286,988                                     | 24,816,270                            | 0.058215  | 1,592.93  |
| 6/30/2007 | 15,579*                  | 422,991,842                                     | 23,786,864                            | 0.056235  | 1,526.85  |
| 6/30/2008 | 15,579*                  | 436,831,194                                     | 22,209,852                            | 0.050843  | 1,425.63  |
| 6/30/2009 | 15,579*                  | 401,742,086                                     | 21,089,852                            | 0.052496  | 1,353.74  |
| 6/30/2010 | 15,579*                  | 415,904,928                                     | 21,490,000                            | 0.051670  | 1,379.42  |
| 6/30/2011 | 15,254**                 | 454,143,296                                     | 20,175,000                            | 0.044424  | 1,322.60  |
| 6/30/2012 | 15,254**                 | 510,841,569                                     | 28,090,000 (2)                        | 0.054988  | 1,841.48  |
| 6/30/2013 | 15,254**                 | 536,167,609                                     | 26,860,000 (2)                        | 0.050096  | 1,760.85  |
| 6/30/2014 | 15,254**                 | 544,823,839                                     | 21,525,000                            | 0.039508  | 1,411.11  |

\* 2000 census figures

\*\* 2010 census figures

(1) Includes capital loan notes and bonds payable.

(2) Includes capital loan notes of \$9,065,000 for which  
the cross-over refunding call date is June 1, 2014.

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CITY OF NEWTON  
SEWER FUND DATA  
JUNE 30, 2014

Sewer customers served at June 30, 2014 6,260

Sewer rates in effect at June 30, 2014

Minimum charge of \$10.27 per month plus \$3.30/100 cubic feet over the first 200 cubic feet used.

A surcharge factor is levied for the following customers whose waste waters exceed normal domestic waste water:

| <u>Customer Type</u>  | <u>Surcharge Factor</u> |
|---|-------------------------|
| Laundry, including industrial laundries, commercial laundries, and laundromatic | 1.2                     |
| Car washes  | 1.3                     |
| Restaurants - including quick service and sit-down types                        | 1.6                     |
| Bakeries  | 1.4                     |
| Nursing homes   | 1.6                     |
| Correctional facilities   | 1.4                     |

**Table 9**

CITY OF NEWTON  
 MISCELLANEOUS STATISTICAL DATA  
 JUNE 30, 2014

Ten Largest Employers in Jasper County

| Name (1)                         | Business Activity              |
|----------------------------------|--------------------------------|
| TPI                              | Wind turbine blades            |
| Newton Community School District | Education                      |
| Skiff Medical Center             | Hospital                       |
| Hy-Vee Corporation               | Food Retailer                  |
| Wal-Mart, Inc.                   | Retail                         |
| Trinity Structural Towers        | Wind turbine towers            |
| Caleris                          | Telecommunications call center |
| Rock Communications              | Commercial printing            |
| Jasper County                    | Government                     |
| The Vernon Company               | Specialty Advertising          |

Ten Largest Taxpayers by Assessed Valuation (does not include Utilities)

| Name (2)                     | Business Activity                  |
|------------------------------|------------------------------------|
| Iowa Speedway LLC            | Iowa Speedway                      |
| AG/IRG WPP Newton LLC        | Trinity Towers Manufacturing Plant |
| Sir Properties Trust         | TPI Wind Blades                    |
| Wal-Mart, Inc.               | Retail                             |
| Wesley Retirement Services   | Retirement residences              |
| Newton Enterprises LLC       | Plastics/office complex            |
| Hy-Vee Corporation           | Food Retailer                      |
| Newton Village, Inc          | Retirement residences              |
| Love's Travel Stop           | Convenience store / gas station    |
| Newton Lodge and Suites, LLC | Hotel                              |

(1) Source - Newton Development Corporation, Greater Newton Area Chamber of Commerce

(2) Source - Jasper County Geograhic Information System