

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE _____ December 26, 2012

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$65,996,327 for the year ended June 30, 2012, a 12.1% increase over the prior year. The receipts included \$6,659,318 in property tax, \$2,909,173 from tax increment financing, \$42,120,322 from charges for service, \$2,446,717 from operating grants, contributions and restricted interest, \$641,840 from capital grants, contributions and restricted interest, \$1,260,679 from local option sales tax, \$283,051 from hotel/motel tax, \$121,123 from franchise fees, \$52,342 from unrestricted interest on investments, \$9,408,837 from bond proceeds and \$92,925 from other general receipts.

Disbursements for the year totaled \$56,657,394, a 3.8% decrease from the prior year, and included \$5,717,661 for public safety, \$2,558,601 for public works and \$2,405,218 for community and economic development. Also, disbursements for business type activities totaled \$39,634,526.

The significant increase in receipts is primarily due to the issuance of refunding bonds. Disbursements decreased due to less debt service and capital projects disbursements, partially offset by an increase in payments for developer rebate agreements within the community and economic development function.

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/1220-0469-B00F.pdf>.

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CITY OF NEWTON

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

JUNE 30, 2012

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INTRODUCTORY SECTION



December 17, 2012

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, 2012, 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 Statistical section includes selected financial and demographic information generally presented on a multi-year basis.

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.
- Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.

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 a six-member City Council. The City Council is responsible for adopting ordinances, policy resolutions, the annual budget and a six-year Capital Improvements Program, appointing committees, and hiring the City Clerk, City Administrator and City Attorney. 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. 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 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 is 15,254.

In fiscal year 2012, the City's economy had the following highlights:

- Continued increases in hiring in the wind industry, helping to lower the unemployment rate in Jasper County over the course of the fiscal year.
- Hosting by the Iowa Speedway of two NASCAR Nationwide series races, along with several other big races, helping to draw over 200,000 fans to the track.
- Multi-million dollar investments in new business facilities for Farm Credit Services and the Walter G. Anderson carton factory.

Newton remains the stable home of many strong local employers like the Vernon Company, Newton Manufacturing, Thombert Inc., Rock Communications, Skiff Medical Center and Cline Tool. While the weakness in the national economy impacted all Newton businesses, most were able to adapt and remain viable.

The overall outlook for Newton is positive. Though slowed by the national economic situation, Newton is still 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 2007 departure of Maytag 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 conducted a two-year goal setting workshop in September of 2010. Staff and the City Council worked to achieve a very high percentage rate of completion of those goals and completed another two-year goal setting session in September of 2012.

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 program 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, 2012, the City had a number of debt issues outstanding. These issues included \$28,090,000 of general obligation bonds and \$3,898,000 of sewer revenue capital loan notes. The

City has maintained its rating from Moody's Investors Service on general obligation bond issues of 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 \$29,862,637 was below the legal limit of approximately \$41 million.

The City looks for, and calls in, bond issues which 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 an unqualified ("clean") opinion on the City of Newton's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

Acknowledgments

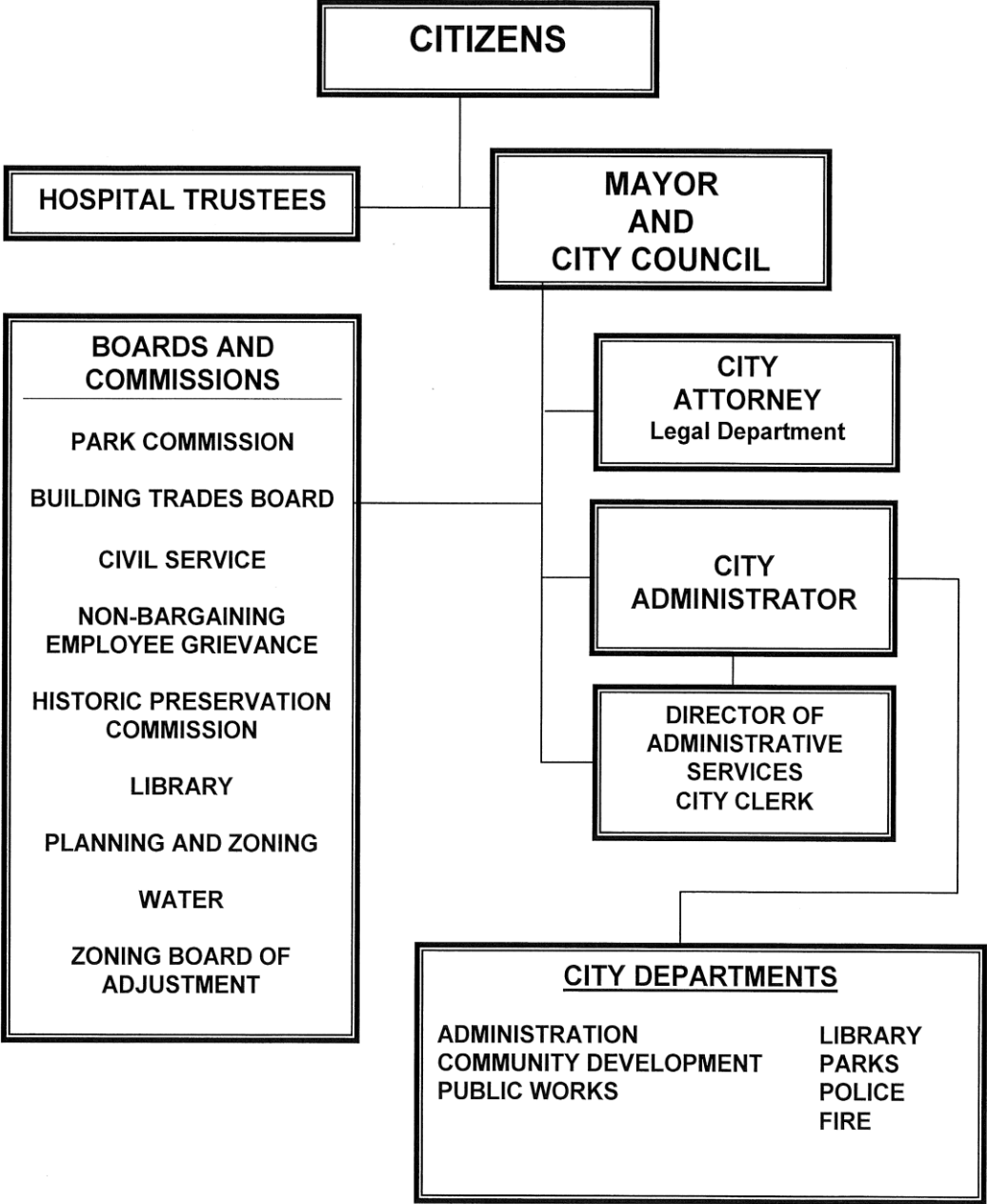
I am grateful for the support and interest of the Mayor and City Council, Department Directors and other management staff for their conscientiousness in planning and conducting the financial operations of the City of Newton in a responsible and progressive manner. Preparation of this report could not have been accomplished without the efficient and dedicated services of the 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

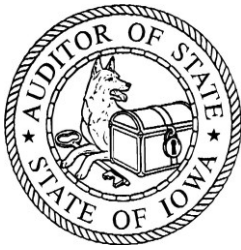


City of Newton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Charles Allen	Mayor	Jan 2012
Jeremy Heaberlin	Council Member	Jan 2012
Marvin Morris	Council Member	Jan 2012
Jim Plumb	Council Member	Jan 2012
Michael Hansen	Council Member	Jan 2014
D.J. Julius	Council Member	Jan 2014
Steve Mullan	Council Member	Jan 2014
Thomas R. Wardlow	City Administrator	Indefinite
Candice Van Zee	Clerk	Indefinite
Darrin T. Hamilton	Attorney	Indefinite
(After January 2012)		
Charles Allen	Mayor	Jan 2014
Michael Hansen	Council Member	Jan 2014
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
Candice Van Zee	Clerk	Indefinite
Darrin T. Hamilton	Attorney	Indefinite

FINANCIAL SECTION



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Newton, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Newton's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Skiff Medical Center (the Medical Center), a major Proprietary Fund, which represents 52% of the cash basis net assets and 90% of the operating receipts of the business type activities of the City. We also did not audit the financial statements of the Newton Municipal Waterworks (the Waterworks), a discretely presented component unit of the City, which represents 36% of the cash basis net assets and 99% of the total receipts of the discretely presented component units of the City. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical Center and the Waterworks, is based on the report of the other auditors.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

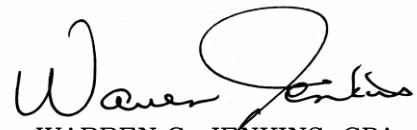
In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Newton as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2012 on our consideration of the City of Newton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 and should be considered in assessing the results of our audit.

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. The financial statements for the eight years ended June 30, 2011 (which are not presented herein) were audited by another auditor who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Supplementary Information included on pages 47 through 53 and the Schedule of Expenditures of Federal Awards included on page 55, required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 17, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 24.3%, or approximately \$5,024,000, from fiscal year 2011 to fiscal year 2012. Tax increment financing receipts increased approximately \$1,562,000 and bond proceeds increased \$5,799,000. These increases were partially offset by a decrease in capital grants and contributions of approximately \$2,029,000 as the City did not have as many active grant-funded capital projects in the current year.
- Disbursements of the City's governmental activities decreased 21.3%, or approximately \$4,603,000, in fiscal year 2012 from fiscal year 2011. Debt service and capital projects disbursements decreased approximately \$3,557,000 and \$2,810,000, respectively, while community and economic development disbursements increased approximately \$1,668,000.
- The City's total cash basis net assets increased 53.0%, or approximately \$9,339,000, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$8,932,000 and the assets of the business type activities increased approximately \$407,000.

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

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

The Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

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

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

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 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 Skiff Medical Center, 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.

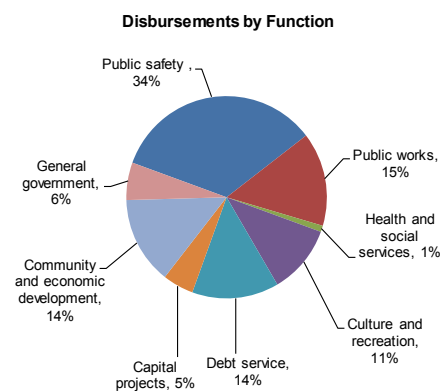
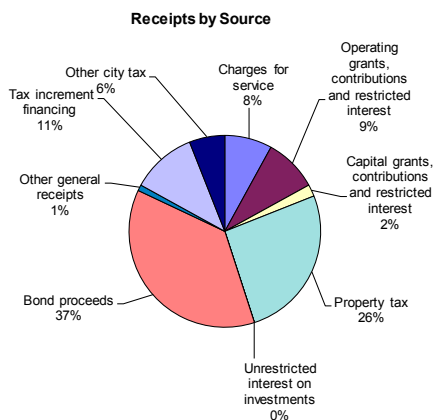
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As described in Note 13 on page 40, beginning business type activities net assets were restated to exclude activity for the Newton Municipal Waterworks which is reported as a discretely presented component unit in the current fiscal year, pursuant to Governmental Accounting Standards Board (GASB) Statements No. 14 and 39. To enhance comparability, all amounts

presented for fiscal year 2011 in this discussion and analysis were restated, where applicable, to reflect these changes as if the changes had been made in the prior year.

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from approximately \$5.440 million to approximately \$14.371 million. The analysis which follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)			
		Year ended June 30,	
		2012	2011
Receipts:			
Program receipts:			
Charges for service	\$	2,091	\$ 2,341
Operating grants, contributions and restricted interest		2,432	1,603
Capital grants, contributions and restricted interest		471	2,500
General receipts:			
Property tax		6,659	6,294
Tax increment financing		2,909	1,347
Other city tax		1,544	1,703
Unrestricted interest on investments		28	36
Bond proceeds		9,409	3,610
Other general receipts		158	1,243
Total receipts		25,701	20,677
Disbursements:			
Public safety		5,718	5,415
Public works		2,559	2,410
Health and social services		153	12
Culture and recreation		1,917	1,962
Community and economic development		2,405	737
General government		1,103	1,555
Debt service		2,358	5,915
Capital projects		810	3,620
Total disbursements		17,023	21,626
Change in cash basis net assets before transfers		8,678	(949)
Transfers, net		253	35
Change in cash basis net assets		8,931	(914)
Cash basis net assets beginning of year		5,440	6,354
Cash basis net assets end of year	\$	14,371	5,440



The significant increase in the City's cash balance for governmental activities was a result of unspent bond proceeds held by the City at June 30, 2012. The funds are held in escrow and will be used to refund \$9,065,000 of general obligation capital loan notes when the notes become callable in June 2014.

The City's total receipts for governmental activities increased 24.3%, or approximately \$5,024,000. The total cost of all programs and services decreased approximately \$4,603,000, or 21.3%, with no programs added or deleted this year. The significant increase in receipts was primarily the result of the issuance of refunding bonds during fiscal year 2012 and an increase in tax increment financing collections. The increases were partially offset by decreases in grants received for capital purposes in the current fiscal year.

The cost of all governmental activities this year was approximately \$17.023 million compared to approximately \$21.626 million last year. The City's disbursements decreased significantly in the debt service and capital projects functions but increased in the community and economic development function due to increases in rebate agreement payments to developers. However, as shown in the Statement of Activities and Net Assets on pages 18-19, the amount taxpayers ultimately financed for these activities was approximately \$12.028 million because some of the cost was paid by those directly benefited from the programs (approximately \$2,091,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,903,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2012 from approximately \$6,444,000 to approximately \$4,994,000, principally due to receiving less grant receipts to complete capital projects.

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2012	2011
Receipts:		
Program receipts:		
Charges for service:		
Skiff Medical Center	\$ 36,068	31,520
Sewer	2,076	1,777
Landfill	1,377	1,334
Golf	508	407
Operating grants, contributions and restricted interest	15	58
Capital grants, contributions and restricted interest	170	-
General receipts:		
Unrestricted interest on investments	25	938
Bond proceeds	-	364
Other general receipts	55	1,787
Total receipts	<u>40,294</u>	<u>38,185</u>
Disbursements:		
Skiff Medical Center	36,308	33,190
Sewer	1,708	2,320
Landfill	1,002	1,324
Golf	616	420
Total disbursements	<u>39,634</u>	<u>37,254</u>
Change in cash basis net assets before transfers	660	931
Transfers, net	<u>(253)</u>	<u>(35)</u>
Change in cash basis net assets	407	896
Cash basis net assets beginning of year	<u>12,171</u>	<u>11,275</u>
Cash basis net assets end of year	<u>\$ 12,578</u>	<u>12,171</u>

Total business type activities receipts for the fiscal year were approximately \$40.294 million compared to approximately \$38.185 million last year. This increase was due primarily to increased receipts at Skiff Medical Center and an increase in sewer rates during the current fiscal year. Total disbursements for the fiscal year increased 6.4% to approximately \$39.634 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Newton completed the year, its governmental funds reported a combined fund balance of \$14,371,353, an increase of more than \$8,930,000 above last year's total of \$5,439,526. 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 \$59,066 from the prior year to \$3,429,525. Receipt and disbursement activity was comparable to the prior year.
- The Special Revenue, Road Use Tax Fund cash balance increased \$107,116 to \$266,250. There was a slight increase in fund receipts and disbursements in fiscal year 2012, but amounts were comparable to the prior year.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$9,095 to \$149,555. While the City collected more in the employee benefit tax levy in the current fiscal year, disbursements also grew to pay for increases in benefit costs.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$407,392 to \$572,270. The City collected more in tax increment financing receipts in the current year. However, disbursements for rebate payments to developers increased and the City continued to make transfers to the Debt Service Fund for payment of TIF related debt.
- The Debt Service Fund cash balance increased \$9,307,844 to \$9,375,246. This increase was due to the issuance of \$9.385 million in refunding bonds at year end which will be held in escrow until the debt is refunded in 2014.
- The Capital Projects Fund cash balance decreased \$13,910 to \$101,635. This decrease was due to current year disbursements slightly outpacing receipts and transfers in from other funds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Skiff Medical Center cash balance decreased \$21,721 to \$6,544,086. Operating receipts increased \$3,025,989 to \$36,067,840 and operating disbursements increased \$1,617,625 to \$34,100,975.
- The Enterprise, Sewer Fund cash balance increased \$217,286 to \$1,325,195, due primarily to an increase in sewer rates which led to higher customer receipts.
- The Enterprise, Landfill Fund cash balance increased \$312,618 to \$4,638,035, due primarily to a decrease in disbursements for capital equipment from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 21, 2012 and resulted in an increase in operating disbursements related to increased Skiff Medical Center disbursements and for federal grant expenditures, capital projects and equipment purchases by the City.

The City's receipts were \$2,493,077 less than budgeted. This was primarily due to Skiff Medical Center actual charges for service being less than budgeted.

Even with the budget amendment, total disbursements were \$100,961 more than the amended budget in the debt service function due to the City not anticipating issuing the refunding bonds in fiscal year 2012. However, actual disbursements for the public works, the health and social services and the business type activities functions were \$344,796, \$264,024 and \$3,318,079, respectively, less than the amended budget. This was primarily due to the City

delaying equipment purchases for the police, fire and parks departments and the Skiff Medical Center.

The City exceeded the amount budgeted in the debt service function for the year ended June 30, 2012 due to the issuance of the general obligation refunding bonds at year end and the costs associated with the issuance. In addition, the City exceeded the amount budgeted in the capital projects function prior to the budget amendment.

DEBT ADMINISTRATION

At June 30, 2012, the City had approximately \$35,281,000 of bonds and other long-term debt outstanding, compared to \$24,878,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2012	2011
General obligation bonds	\$ 28,090	20,175
Sewer revenue capital loan notes	3,898	4,128
Skiff Medical Center capital leases	3,293	575
Total	\$ 35,281	24,878

Debt increased as a result of issuing general obligation refunding bonds. In addition, the Skiff Medical Center entered into additional capital leases during the current year.

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 \$29,862,637, which includes \$1,772,637 of development agreements, is significantly below its constitutional debt limit of approximately \$41 million. Additional information about the City’s long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City of Newton’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 6.8% versus 7.8% a year ago. This compares with the State’s unemployment rate of 5.1% and the national rate of 8.2%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are approximately \$77.9 million, an increase of 4% over the final fiscal year 2012 budget. Property tax (benefiting from the fiscal year 2012 rate increases and increases in assessed valuations) and proceeds from the urban renewal tax increment financing revenue bonds are expected to lead this increase. The City will use these increases in receipts to finance programs we currently offer and to defray a portion of the costs of carrying out a major urban renewal project of the City. Budgeted disbursements are expected to rise approximately \$3.5 million. Increased health care costs, increases in street construction and maintenance and the urban renewal project represent the largest increases. The City has added no major new programs or initiatives to the fiscal year 2013 budget.

If these estimates are realized, the City’s budgeted cash balance is expected to decrease approximately \$177,000 by the close of fiscal year 2013.

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, Interim Comptroller, 101 W. 4th Street S., City of Newton, Iowa 50208.

Basic Financial Statements

City of Newton
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2012

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government				
Governmental activities:				
Public safety	\$ 5,717,661	1,032,283	330,923	10,330
Public works	2,558,601	790,251	1,583,161	-
Health and social services	153,374	-	97,804	-
Culture and recreation	1,917,021	240,452	150,551	-
Community and economic development	2,405,218	2,125	219,546	-
General government	1,102,944	26,052	28,392	-
Debt service	2,357,739	-	21,240	-
Capital projects	810,310	-	-	461,261
Total governmental activities	17,022,868	2,091,163	2,431,617	471,591
Business type activities:				
Skiff Medical Center	36,307,998	36,067,840	9,000	170,249
Sewer	1,708,328	2,076,017	-	-
Landfill	1,002,478	1,377,227	-	-
Golf	615,722	508,075	6,100	-
Total business type activities	39,634,526	40,029,159	15,100	170,249
Total Primary Government	\$ 56,657,394	42,120,322	2,446,717	641,840
Component Units:				
Newton Municipal Waterworks	\$ 2,305,963	2,361,696	95,777	-
Newton Public Library Foundation	12,412	-	475	-
Friends of the Newton Public Library	2,396	-	4,614	-
Total Component Units	\$ 2,320,771	2,361,696	100,866	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Franchise fees				
Unrestricted interest/dividends on investments				
Bond proceeds				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Permanent endowments				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Library capital improvements				
Closure and postclosure care				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Governmental Activities	Business Type Activities	Total	Component Units
(4,344,125)	-	(4,344,125)	
(185,189)	-	(185,189)	
(55,570)	-	(55,570)	
(1,526,018)	-	(1,526,018)	
(2,183,547)	-	(2,183,547)	
(1,048,500)	-	(1,048,500)	
(2,336,499)	-	(2,336,499)	
(349,049)	-	(349,049)	
<u>(12,028,497)</u>	<u>-</u>	<u>(12,028,497)</u>	
-	(60,909)	(60,909)	
-	367,689	367,689	
-	374,749	374,749	
-	(101,547)	(101,547)	
<u>-</u>	<u>579,982</u>	<u>579,982</u>	
<u>(12,028,497)</u>	<u>579,982</u>	<u>(11,448,515)</u>	
			151,510
			(11,937)
			<u>2,218</u>
			<u>141,791</u>
5,853,808	-	5,853,808	-
805,510	-	805,510	-
2,909,173	-	2,909,173	-
1,260,679	-	1,260,679	-
283,051	-	283,051	-
121,123	-	121,123	-
27,897	24,445	52,342	29,604
9,408,837	-	9,408,837	-
5,211	5,470	10,681	-
32,244	50,000	82,244	-
252,791	(252,791)	-	-
<u>20,960,324</u>	<u>(172,876)</u>	<u>20,787,448</u>	<u>29,604</u>
8,931,827	407,106	9,338,933	171,395
5,439,526	12,170,769	17,610,295	1,306,082
<u>\$ 14,371,353</u>	<u>12,577,875</u>	<u>26,949,228</u>	<u>1,477,477</u>
\$ 243,552	-	243,552	-
233,320	50,500	283,820	-
266,250	-	266,250	-
572,270	-	572,270	-
9,375,246	30,014	9,405,260	21,626
82,235	-	82,235	-
-	730,581	730,581	-
251,190	-	251,190	944,410
3,347,290	11,766,780	15,114,070	511,441
<u>\$ 14,371,353</u>	<u>12,577,875</u>	<u>26,949,228</u>	<u>1,477,477</u>

City of Newton

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

As of and for the year ended June 30, 2012

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 3,669,772	-	2,037,155	-
Tax increment financing	-	-	-	2,909,173
Other city tax	1,267,936	-	386,832	-
Licenses and permits	275,515	-	-	-
Use of money and property	85,236	-	399	4,697
Intergovernmental	330,711	1,446,859	-	130,628
Charges for service	1,797,054	-	-	-
Special assessments	-	-	-	-
Miscellaneous	341,809	-	163,854	83,009
Total receipts	7,768,033	1,446,859	2,588,240	3,127,507
Disbursements:				
Operating:				
Public safety	3,905,230	-	1,812,431	-
Public works	1,446,748	993,865	117,988	-
Health and social services	10,788	-	142,586	-
Culture and recreation	1,580,208	-	336,813	-
Community and economic development	546,327	-	68,495	1,790,396
General government	964,722	-	138,222	-
Debt service	-	-	-	-
Capital projects	-	-	-	260,483
Total disbursements	8,454,023	993,865	2,616,535	2,050,879
Excess (deficiency) of receipts over (under) disbursements	(685,990)	452,994	(28,295)	1,076,628
Other financing sources (uses):				
Bond proceeds, including premium of \$23,837	-	-	-	-
Sale of capital assets	32,244	-	-	-
Operating transfers in	664,868	-	19,200	-
Operating transfers out	(70,188)	(345,878)	-	(1,484,020)
Total other financing sources (uses)	626,924	(345,878)	19,200	(1,484,020)
Net change in cash balances	(59,066)	107,116	(9,095)	(407,392)
Cash balances beginning of year	3,488,591	159,134	158,650	979,662
Cash balances end of year	\$ 3,429,525	266,250	149,555	572,270
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ -	-	-	-
Park endowment	-	-	-	-
Restricted for:				
Streets	-	266,250	-	-
Urban renewal purposes	-	-	-	572,270
Debt service	-	-	-	-
Library capital improvements	82,235	-	-	-
Other purposes	-	-	149,555	-
Assigned for:				
Citizen's Police Academy	247	-	-	-
Police Department	63,911	-	-	-
Fireworks display	2,149	-	-	-
Unassigned	3,280,983	-	-	-
Total cash basis fund balances	\$ 3,429,525	266,250	149,555	572,270

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
788,550	-	-	6,495,477
-	-	-	2,909,173
52,803	-	-	1,707,571
-	-	-	275,515
2,932	-	-	93,264
-	459,696	-	2,367,894
-	-	-	1,797,054
18,308	-	-	18,308
-	1,565	6,330	596,567
862,593	461,261	6,330	16,260,823
-	-	-	5,717,661
-	-	-	2,558,601
-	-	-	153,374
-	-	-	1,917,021
-	-	-	2,405,218
-	-	-	1,102,944
2,357,739	-	-	2,357,739
-	549,827	-	810,310
2,357,739	549,827	-	17,022,868
(1,495,146)	(88,566)	6,330	(762,045)
9,408,837	-	-	9,408,837
-	-	-	32,244
1,394,153	74,656	-	2,152,877
-	-	-	(1,900,086)
10,802,990	74,656	-	9,693,872
9,307,844	(13,910)	6,330	8,931,827
67,402	115,545	470,542	5,439,526
9,375,246	101,635	476,872	14,371,353
-	-	243,552	243,552
-	-	233,320	233,320
-	-	-	266,250
-	-	-	572,270
9,375,246	-	-	9,375,246
-	-	-	82,235
-	101,635	-	251,190
-	-	-	247
-	-	-	63,911
-	-	-	2,149
-	-	-	3,280,983
9,375,246	101,635	476,872	14,371,353

Exhibit C

City of Newton

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

As of and for the year ended June 30, 2012

	Enterprise				Total
	Skiff Medical Center	Sewer	Landfill	Nonmajor Golf	
Operating receipts:					
Charges for service	\$ 36,067,840	2,074,418	1,314,130	353,937	39,810,325
Miscellaneous	-	1,599	39,822	154,138	195,559
Total operating receipts	36,067,840	2,076,017	1,353,952	508,075	40,005,884
Operating disbursements:					
Business type activities	34,100,975	1,297,767	651,128	536,922	36,586,792
Excess (deficiency) of operating receipts over (under) operating disbursements	1,966,865	778,250	702,824	(28,847)	3,419,092
Non-operating receipts (disbursements):					
Intergovernmental	-	-	-	6,100	6,100
Investment income (loss)	(10,812)	8,276	26,981	-	24,445
Miscellaneous	9,000	-	23,275	5,470	37,745
Sale of capital assets	50,000	-	-	-	50,000
Debt service	(571,647)	(353,840)	-	-	(925,487)
Capital projects	(1,635,376)	(56,721)	(351,350)	(78,800)	(2,122,247)
Net non-operating receipts (disbursements)	(2,158,835)	(402,285)	(301,094)	(67,230)	(2,929,444)
Excess (deficiency) of receipts over (under) disbursements before capital contributions and transfers	(191,970)	375,965	401,730	(96,077)	489,648
Capital contributions and transfers:					
Capital grants and contributions	170,249	-	-	-	170,249
Transfers out	-	(158,679)	(89,112)	(5,000)	(252,791)
Net capital contributions and transfers	170,249	(158,679)	(89,112)	(5,000)	(82,542)
Net change in cash balances	(21,721)	217,286	312,618	(101,077)	407,106
Cash balances beginning of year, as restated	6,565,807	1,107,909	4,325,417	171,636	12,170,769
Cash balances end of year	\$ 6,544,086	1,325,195	4,638,035	70,559	12,577,875
Cash Basis Fund Balances					
Nonspendable - permanent endowment	\$ 50,500	-	-	-	50,500
Restricted for:					
Debt service	-	30,014	-	-	30,014
Closure and postclosure care	-	-	730,581	-	730,581
Unrestricted	6,493,586	1,295,181	3,907,454	70,559	11,766,780
Total cash basis fund balances	\$ 6,544,086	1,325,195	4,638,035	70,559	12,577,875

See notes to financial statements.

City of Newton

Combining Statement of Activities and Net Assets – Cash Basis
Discretely Presented Component Units

As of and for the year ended June 30, 2012

	Newton Municipal Waterworks	Newton Public Library Foundation	Friends of the Newton Public Library	Total Component Units
Disbursements	\$ 2,305,963	12,412	2,396	2,320,771
Program receipts:				
Charges for service	2,361,696	-	-	2,361,696
Operating grants and contributions	95,777	475	4,614	100,866
Total program receipts	2,457,473	475	4,614	2,462,562
Net program receipts (disbursements)	151,510	(11,937)	2,218	141,791
General receipts:				
Interest/dividends on investments	852	28,450	302	29,604
Change in cash basis net assets	152,362	16,513	2,520	171,395
Cash basis net assets beginning of year, as restated	380,705	885,678	39,699	1,306,082
Cash basis net assets end of year	\$ 533,067	902,191	42,219	1,477,477
Cash Basis Net Assets				
Restricted:				
Debt service	\$ 21,626	-	-	21,626
Other purposes	-	902,191	42,219	944,410
Unrestricted	511,441	-	-	511,441
Total cash basis net assets	\$ 533,067	902,191	42,219	1,477,477

See notes to financial statements.

City of Newton

Notes to Financial Statements

June 30, 2012

(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 the Skiff Medical Center, 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. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Newton (the primary government), and its discretely presented component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Units

The Newton Municipal Waterworks (Waterworks) is a municipal utility of the City of Newton, which is operated under Chapter 388 of the Code of Iowa and the Newton City Code. The Waterworks is governed by a three-member board appointed by the Mayor and approved by the City Council. Certain disclosures about the Waterworks are not included because the Waterworks has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the Waterworks administrative office.

The Newton Public Library Foundation (Foundation) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable, educational and scientific purposes which benefit or support the Newton Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Foundation are substantially for the direct benefit of the Newton Public Library.

The Friends of the Newton Public Library (Friends) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable, educational and scientific purposes which benefit or support the Newton Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Friends meet the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Friends are substantially for the direct benefit of the Newton Public Library.

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

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

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

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

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 employee 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 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 used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Skiff Medical Center Fund accounts for the operation and maintenance of the Skiff Medical Center.

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 assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

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

D. Governmental Cash Basis Fund Balances

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

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function. In addition, the City exceeded the amount budgeted in the capital projects function prior to a budget amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2012, the City had investments in U.S. Government Treasury Notes with a carrying amount and fair value of \$9,291,379. Of the amount, \$50,198 matures in December 2012, \$58,640 matures in June 2013, \$58,739 matures in December 2013, and \$9,123,802 matures in June 2014.

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

Skiff Medical Center (The Medical Center)

The Medical Center manages the following risks in accordance with their formal investment policy:

Concentration of Credit Risk – The Medical Center’s investment policy limits the amount the Medical Center may invest in any one sector of the market to 50% of total investments.

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

Custodial Credit Risk – Custodial credit risk for deposits is the risk, in the event of the failure of a depository financial institution, the Medical Center will not be able to recover its deposits or will not be able to recover collateral securities in the possession of an outside party. The custodial credit risk for investments is the risk, in the event of the failure of the counterparty (e.g. broker dealer) to a transaction, the Medical Center will not be able to recover the value of its investment or collateral securities in the possession of another party. The Medical Center’s investment policy requires funds to be deposited into banking institutions with the ability to collateralize any deposits made in excess of the Federal Deposit Insurance Corporation’s insurance limits.

The composition of the Medical Center’s investments limited as to use or restricted as of June 30, 2012 is as follows:

Investments limited as to use or restricted:

By Board of Trustees for capital improvements:

Cash and cash equivalents	\$ 711,947
Certificates of deposit	324,100
Mutual funds:	
Fixed Income	2,267,294
Equities	1,323,136
Accrued interest	923

By Board of Trustees for self funded health insurance claims:

Certificates of deposit	300,000
	<u>4,927,400</u>

By Donor:

Cash and cash equivalents	4,100
Certificates of deposit	50,500
	<u>54,600</u>

Total investments limited as to use or restricted	<u><u>\$ 4,982,000</u></u>
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(3) Bonds and Notes Payable

Primary Government

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
2013	\$ 1,230,000	890,700	237,000	116,940	1,467,000	1,007,640
2014	2,120,000	875,620	244,000	109,830	2,364,000	985,450
2015	2,515,000	809,323	251,000	102,510	2,766,000	911,833
2016	2,465,000	744,948	260,000	94,980	2,725,000	839,928
2017	2,340,000	677,427	268,000	87,180	2,608,000	764,607
2018-2022	10,655,000	2,349,276	1,468,000	310,350	12,123,000	2,659,626
2023-2027	6,765,000	524,655	1,080,000	103,590	7,845,000	628,245
2028-2030	-	-	90,000	5,460	90,000	5,460
Total	\$ 28,090,000	6,871,949	3,898,000	930,840	31,988,000	7,802,789

General Obligation Refunding Bonds

On June 27, 2012, the City issued \$9,385,000 of general obligation refunding bonds for the crossover advance refunding of \$9,065,000 of capital loan notes dated May 16, 2006. The City entered into an escrow agreement whereby the proceeds from the general obligation refunding bonds were converted into U.S. government securities. These securities were placed in an escrow account for the express purpose of paying the interest on the general obligation refunding bonds as due until the cross over date of June 1, 2014, at which time the refunded general obligation capital loan notes of \$9,065,000 become callable. After the principal and interest on all of the outstanding notes have been paid, any remaining funds in the escrow account, together with any interest thereon, shall be returned to the City. The transactions and balances of the escrow account are recorded by the City since the refunded debt is not considered extinguished.

The refunding was undertaken to reduce future debt service payments by \$1,439,688 and resulted in an economic gain of \$1,274,467.

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 are expected to require less than 46% of net receipts. The total principal and interest remaining to be paid on the notes is \$4,828,840. For the current year, principal and interest paid and total customer net receipts were \$353,840 and \$778,250, 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 revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

Skiff Medical Center

The Medical Center leases various medical equipment and information system hardware and software under capital lease agreements. The liability under each capital lease was recorded at the present value of the future minimum payments due under the lease, as determined with imputed interest rates ranging from 4.4% to 5.0% per annum.

Principal and interest maturities under the capital lease agreements in effect at June 30, 2012 are summarized as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 789,246	55,073	844,319
2014	804,547	38,698	843,245
2015	740,897	22,964	763,861
2016	688,202	11,427	699,629
2017	270,064	2,624	272,688
Total	\$ 3,292,956	130,786	3,423,742

Discretely Presented Component Unit

The Waterworks issued revenue bonds for which the Waterworks pledged income from anticipated future revenues. The original amount of revenue bonds issued in prior years was \$1,156,000. Revenue bonds outstanding at June 30, 2012 are as follows:

Year Ending June 30,	Interest Rates	Bond Issue of June 1, 2011		
		Principal	Interest	Total
2013	3.0%	\$ 62,000	17,040	79,040
2014	3.0	64,000	15,180	79,180
2015	3.0	67,000	13,260	80,260
2016	3.0	69,000	11,250	80,250
2017	3.0	72,000	9,180	81,180
2018	3.0	75,000	7,020	82,020
2019	3.0	78,000	4,770	82,770
2020	3.0	81,000	2,430	83,430
Total		\$ 568,000	80,130	648,130

Capital Loan Notes

On May 30, 2012, the Waterworks entered into an agreement with Great Western Bank for a \$500,000 line of credit for the Waterworks to use to fund the replacement of two aerators, water plant flood protection and other miscellaneous water system equipment. The notes bear interest at 4.50% per annum, are payable semiannually on December 1 and June 1 and will mature on June 1, 2013. As of June 30, 2012, the Waterworks did not owe any money on this line of credit.

(4) County Agreement

During the year ended June 30, 2009, the City entered into an agreement with Jasper County to pay one-half of the interest payment on the County's 2007 general obligation urban renewal bonds during fiscal year 2010 through and including fiscal year 2013. The payment totaled \$131,921 for the year ended June 30, 2012 and is estimated to be \$131,921 for the year ending June 30, 2013.

(5) 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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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, 2012, 2011 and 2010 were \$279,883, \$236,584 and \$223,404, respectively, equal to the required contributions for each year. The Skiff Medical Center's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$1,317,473, \$1,098,744 and \$1,079,219, 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 that 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, can not be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2012, 2011 and 2010 were \$669,988, \$505,959 and \$443,950, respectively, which met the required contribution for each year.

(6) Other Postemployment Benefits (OPEB)

City

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 100 active and 10 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 a lifetime benefit of single health insurance coverage for two former employees and 14 retirees have \$5,000 of life insurance coverage until death.

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 that, 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 table shows the components of the City's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 126,570
Interest on net OPEB obligation	4,550
Adjustment to annual required contribution	(7,101)
Annual OPEB cost	<u>124,019</u>
Contributions made	<u>(26,675)</u>
Increase in net OPEB obligation	97,344
Net OPEB obligation beginning of year	<u>182,009</u>
Net OPEB obligation end of year	<u><u>\$ 279,353</u></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, 2012.

For the year ended June 30, 2012, the City contributed \$26,675 to the medical plan. Plan members eligible for benefits contributed \$84,922, or 76.1% 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 for the last three years are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 111,750	18.76%	\$ 90,788
2011	114,877	20.59	182,009
2012	124,019	21.51	279,353

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,274,865, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,274,865. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,625,000 and the ratio of the UAAL to covered payroll was 22.66%. As of June 30, 2012, 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, 2009 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 GRP 2000 Annuity Mortality Table.

Projected claim costs of the medical plan range from \$341 to \$514 for single plans and from \$1,047 to \$1,576 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.

Skiff Medical Center

Plan Description – The Medical Center operates a single-employer retiree benefit plan which provides medical benefits/prescription drug benefits for retirees and their spouses. There are 238 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a self-insured plan. Retirees under age 65 pay the same contribution for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Medical Center. The Medical Center currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The Medical Center’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the Medical Center, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, 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 table shows the components of the Medical Center’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the Medical Center’s net OPEB obligation:

Annual required contribution	\$	44,630	44,630
Interest on net OPEB obligation		-	(148)
Adjustment to annual required contribution		-	249
Annual OPEB cost		44,630	44,731
Contributions made		32,996	39,777
Increase in net OPEB obligation		11,634	4,954
Net OPEB obligation beginning of year		7	(4,947)
Net OPEB obligation end of year	\$	11,641	7

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. The end of year net OPEB benefit 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, 2012.

The Medical Center’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB benefit as of June 30, 2012 and 2011 are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Benefit)
2010	\$ 38,238	119%	\$ (4,947)
2011	44,731	89	7
2012	44,630	74	11,641

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$428,494, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$428,494. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$17,624,000 and the ratio of

the UAAL to covered payroll was 2.4%. As of June 30, 2012, 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 the 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, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3% discount rate based on the Medical Center’s funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 4%. The medical trend rate is reduced 1% each year until reaching the 4% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Rates for Male and Female. Termination rates were based upon national termination studies performed by the Society of Actuaries, adjusted to reflect the recent lower termination rates experienced by the Medical Center. Retirement rates were developed based upon recent Medical Center experience.

Projected claim costs of the medical plan are \$838 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(7) 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, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$798,000
Compensatory time	<u>26,000</u>
Total	<u>\$824,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 345,878
	Urban Renewal Tax Increment	66,199
	Enterprise:	
	Sewer	158,679
	Landfill	89,112
	Golf	5,000
		<u>664,868</u>
Special Revenue:	Special Revenue:	
Employee Benefits	Urban Renewal Tax Increment	<u>19,200</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	<u>1,394,153</u>
Capital Projects	General	70,188
	Special Revenue:	
	Urban Renewal Tax Increment	<u>4,468</u>
		<u>74,656</u>
Total		<u>\$ 2,152,877</u>

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

(9) 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 effect 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 \$3,125,200 for closure and \$1,638,000 for postclosure care, for a total of \$4,763,200 as of June 30, 2012. The estimated remaining life of the landfill is 151 years, with approximately 31% of the landfill's capacity used at June 30, 2012.

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, 2012, assets of \$730,581 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.

(10) 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, 2012, the City had no unspent tonnage fees.

(11) 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 663 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 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 due and payable in the current 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 to equal 150% of the total current members' basis rates 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 operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current 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, 2012 were \$167,917.

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 in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, 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. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000 and for the Newton Municipal Airport for aviation ground operations liability insurance in the amount of \$5,000,000. 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.

Skiff Medical Center

The Medical Center has a self-insurance program for hospitalization and medical coverage for its employees. The Medical Center limits its losses through the use of stop-loss policies and reinsurance. Specific individual losses for claims are limited to \$60,000 per year. The Medical Center's aggregate annual loss limitation is limited to 120% of estimated claims each year. The Medical Center's expense under the self-insurance program for the year ended June 30, 2012 was \$3,165,734.

Cumulative amounts estimated to be payable by the Medical Center with respect to pending and potential claims for all years in which the Medical Center is liable under its self-insurance program have been accrued as liabilities. Such accrued liabilities are necessarily based on estimates. Thus, the Medical Center's ultimate liability may exceed or be less than amounts accrued.

The Medical Center carries a professional liability policy (including malpractice) providing coverage of \$1,000,000 for injuries per occurrence and \$3,000,000 aggregate coverage. In addition, the Medical Center carries an umbrella policy which provides \$5,000,000 coverage. These policies provide coverage on a claims-made basis covering only those claims which have occurred and are reported to the insurance company while the coverage is in force. In the event the Medical Center should elect not to purchase insurance from the present carrier or the carrier should elect not to renew the policy, and unreported claims which occurred during the policy year may not be recoverable from the carrier.

(12) 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 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, 2012 was \$1,777,210. The estimated outstanding balance of the agreements at June 30, 2012 was \$4,253,476.

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 \$2,480,839 which requires an annual appropriation by the City Council.

(13) Restatements

During the year ended June 30, 2012, the City began reporting the Newton Municipal Waterworks as a discretely presented component unit of the City rather than as an Enterprise Fund in accordance with Governmental Accounting Standards Board Statements Number 14 and 39. In addition, the City began reporting the Newton Public Library Foundation and the Friends of the Newton Public Library as discretely presented component units of the City. The Foundation and Friends were not previously reported by the City. The effect of these restatements are as follows:

	Business Type Activities Enterprise	Discretely Presented Component Units		
		Newton Municipal Waterworks	Newton Public Library Foundation	Friends of the Newton Public Library
Balances June 30, 2011, as previously reported	\$ 12,551,474	-	-	-
Reclassification of Newton Municipal Waterworks as a discretely presented component unit	(380,705)	380,705	-	-
Inclusion of Newton Public Library Foundation	-	-	885,678	-
Inclusion of Friends of the Newton Public Library	-	-	-	39,699
Balances July 1, 2011, as restated	\$ 12,170,769	380,705	885,678	39,699

The Enterprise, Landfill Postclosure Fund, a nonmajor Enterprise Fund at June 30, 2011, was merged into the Enterprise, Landfill Fund as of July 1, 2011. As a result, the cash balance in the Enterprise, Landfill Fund at July 1, 2011 increased \$627,034 to \$4,325,417.

Other Information

City of Newton
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 and Discretely Presented Component Units

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Component Units Actual	Less Funds Not Required to be Budgeted
Receipts:				
Property tax	\$ 6,495,477	-	-	-
Tax increment financing	2,909,173	-	-	-
Other city tax	1,707,571	-	-	-
Licenses and permits	275,515	-	-	-
Use of money and property	93,264	24,445	29,604	28,752
Intergovernmental	2,367,894	6,100	-	-
Charges for service	1,797,054	39,810,325	2,361,696	-
Special assessments	18,308	-	-	-
Miscellaneous	596,567	403,553	100,866	5,089
Total receipts	<u>16,260,823</u>	<u>40,244,423</u>	<u>2,492,166</u>	<u>33,841</u>
Disbursements:				
Public safety	5,717,661	-	-	-
Public works	2,558,601	-	-	-
Health and social services	153,374	-	-	-
Culture and recreation	1,917,021	-	14,808	14,808
Community and economic development	2,405,218	-	-	-
General government	1,102,944	-	-	-
Debt service	2,357,739	-	-	-
Capital projects	810,310	-	-	-
Business type activities	-	39,634,526	2,305,963	-
Total disbursements	<u>17,022,868</u>	<u>39,634,526</u>	<u>2,320,771</u>	<u>14,808</u>
Excess (deficiency) of receipts over (under) disbursements	(762,045)	609,897	171,395	19,033
Other financing sources, net	9,693,872	(202,791)	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	8,931,827	407,106	171,395	19,033
Balances beginning of year, as restated	<u>5,439,526</u>	<u>12,170,769</u>	<u>1,306,082</u>	<u>925,377</u>
Balances end of year	<u>\$ 14,371,353</u>	<u>12,577,875</u>	<u>1,477,477</u>	<u>944,410</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
6,495,477	6,536,879	6,536,879	(41,402)
2,909,173	2,977,273	3,107,273	(198,100)
1,707,571	1,800,467	1,800,467	(92,896)
275,515	166,000	166,000	109,515
118,561	245,670	245,670	(127,109)
2,373,994	1,616,535	2,067,428	306,566
43,969,075	42,082,207	46,797,224	(2,828,149)
18,308	200	200	18,108
1,095,897	666,507	735,507	360,390
58,963,571	56,091,738	61,456,648	(2,493,077)
5,717,661	5,753,159	5,885,103	167,442
2,558,601	2,883,397	2,903,397	344,796
153,374	337,398	417,398	264,024
1,917,021	1,984,617	2,035,168	118,147
2,405,218	2,500,217	2,544,717	139,499
1,102,944	1,188,342	1,258,342	155,398
2,357,739	2,256,778	2,256,778	(100,961)
810,310	1,000	889,000	78,690
41,940,489	41,532,438	45,258,568	3,318,079
58,963,357	58,437,346	63,448,471	4,485,114
214	(2,345,608)	(1,991,823)	1,992,037
9,491,081	41,600	41,600	9,449,481
9,491,295	(2,304,008)	(1,950,223)	11,441,518
17,991,000	14,989,289	13,348,643	4,642,357
27,482,295	12,685,281	11,398,420	16,083,875

City of Newton

Notes to Other Information – Budgetary Reporting

June 30, 2012

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget was amended once, increasing budgeted disbursements by \$5,011,125. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function. In addition, the City exceeded the amount budgeted in the capital projects function prior to a budget amendment.

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)
City:							
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
Medical Center:							
2009	Jul 1, 2008	-	\$ 417	417	0.00%	\$ 19,942	2.1%
2010	Jul 1, 2008	-	417	417	0.00	17,377	2.4
2011	Jul 1, 2010	-	428	428	0.00	16,694	2.6
2012	Jul 1, 2010	-	428	428	0.00	17,624	2.4

See Note 6 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.

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, 2012

	Permanent		Total
	Cemetery Perpetual Care	Fred Maytag Park Endowment	
Receipts:			
Miscellaneous	\$ 6,330	-	6,330
Disbursements:			
None	-	-	-
Net change in cash balances	6,330	-	6,330
Cash balances beginning of year	237,222	233,320	470,542
Cash balances end of year	\$ 243,552	233,320	476,872
Cash Basis Fund Balances			
Nonspendable:			
Cemetery perpetual care	\$ 243,552	-	243,552
Park endowment	-	233,320	233,320
Total cash basis fund balances	\$ 243,552	233,320	476,872

See accompanying independent auditor's report.

City of Newton
Schedule of Indebtedness
Year ended June 30, 2012

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
Total			
Revenue notes:			
Sewer revenue capital loan notes, series 2002	Apr 3, 2002	3.00%	\$ 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			
Skiff Medical Center capital leases	Various	4.40 - 5.00%	

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
9,700,000	-	-	9,700,000	450,119
635,000	-	65,000	570,000	35,603
880,000	-	105,000	775,000	23,575
5,455,000	-	540,000	4,915,000	226,634
3,095,000	-	655,000	2,440,000	43,507
410,000	-	105,000	305,000	4,332
-	9,385,000	-	9,385,000	-
\$ 20,175,000	9,385,000	1,470,000	28,090,000	783,770
1,513,000	-	107,000	1,406,000	45,390
2,163,000	-	105,000	2,058,000	64,890
452,000	-	18,000	434,000	13,560
\$ 4,128,000	-	230,000	3,898,000	123,840
\$ 574,658	3,250,689	532,391	3,292,956	39,256

City of Newton
Bond and Note Maturities
June 30, 2012

Year Ending June 30,	General Obligation							
	Series 2006B		Series 2007A		Series 2009A		Series 2009B	
	Issued May 16, 2006		Issued Jun 20, 2007		Issued Aug 25, 2009		Issued Aug 25, 2009	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2013	- %	\$ -	5.75%	\$ 65,000	2.000%	\$ 105,000	2.800%	\$ 525,000
2014	4.250	635,000	5.75	70,000	2.500	100,000	3.400	785,000
2015	4.500	660,000	5.50	75,000	2.750	150,000	3.700	285,000
2016	4.500	685,000	5.50	75,000	3.000	150,000	4.100	295,000
2017	4.500	715,000	5.50	85,000	3.000	150,000	4.300	305,000
2018	4.500	750,000	5.55	90,000	3.125	120,000	4.700	320,000
2019	4.500	780,000	5.60	95,000	-	-	4.875	295,000
2020	4.625	815,000	5.75	15,000	-	-	5.000	310,000
2021	4.750	850,000	-	-	-	-	5.000	325,000
2022	4.750	890,000	-	-	-	-	5.050	340,000
2023	4.750	930,000	-	-	-	-	5.050	360,000
2024	4.750	975,000	-	-	-	-	5.100	375,000
2025	5.000	1,015,000	-	-	-	-	5.150	395,000
Total		<u>\$ 9,700,000</u>		<u>\$ 570,000</u>		<u>\$ 775,000</u>		<u>\$ 4,915,000</u>

Year Ending 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 Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2013	3.00%	\$ 110,000	3.00%	\$ 109,000	3.00%	\$ 18,000	
2014	3.00	113,000	3.00	112,000	3.00	19,000	244,000
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>\$ 1,406,000</u>		<u>\$ 2,058,000</u>		<u>\$ 434,000</u>	<u>\$ 3,898,000</u>

See accompanying independent auditor's report.

Bonds and Notes						
Series 2010A		Series 2010B		Series 2012		
Issued Dec 30, 2010		Issued Dec 30, 2010		Issued Jun 27, 2012		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
0.90%	\$ 430,000	0.90%	\$ 105,000	- %	\$ -	1,230,000
1.15	430,000	1.15	100,000	-	-	2,120,000
1.45	440,000	1.45	100,000	1.00	805,000	2,515,000
1.75	450,000		-	1.00	810,000	2,465,000
2.00	265,000		-	1.00	820,000	2,340,000
2.30	275,000		-	1.00	825,000	2,380,000
2.60	150,000		-	1.20	835,000	2,155,000
	-		-	1.45	845,000	1,985,000
	-		-	1.65	860,000	2,035,000
	-		-	1.80	870,000	2,100,000
	-		-	2.00	885,000	2,175,000
	-		-	2.10	905,000	2,255,000
	-		-	2.25	925,000	2,335,000
	<u>\$ 2,440,000</u>		<u>\$ 305,000</u>		<u>\$ 9,385,000</u>	<u>28,090,000</u>

City of Newton

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

For the Last Nine Years

	2012	2011	2010
Receipts:			
Property tax	\$ 6,495,477	6,293,597	5,951,760
Tax increment financing	2,909,173	1,347,281	2,242,523
Other city tax	1,707,571	1,703,058	1,657,637
Licenses and permits	275,515	155,019	157,553
Use of money and property	93,264	109,517	112,136
Intergovernmental	2,367,894	4,103,067	2,817,356
Charges for service	1,797,054	2,112,552	2,240,062
Special assessments	18,308	23,864	22,407
Miscellaneous	596,567	1,177,272	879,158
Total	<u>\$ 16,260,823</u>	<u>17,025,227</u>	<u>16,080,592</u>
Disbursements:			
Operating:			
Public safety	\$ 5,717,661	5,410,336	5,093,366
Public works	2,558,601	2,409,348	2,415,994
Health and social services	153,374	12,083	267,944
Culture and recreation	1,917,021	1,960,709	1,689,233
Community and economic development	2,405,218	737,015	4,462,506
General government	1,102,944	1,553,181	1,135,415
Debt service	2,357,739	5,914,670	2,190,835
Capital projects	810,310	3,620,110	3,864,984
Total	<u>\$ 17,022,868</u>	<u>21,617,452</u>	<u>21,120,277</u>

See accompanying independent auditor's report.

2009	2008	2007	2006	2005	2004
5,493,609	5,984,330	7,230,696	5,994,989	5,654,908	5,758,479
1,891,542	2,036,141	1,860,065	1,691,755	1,508,311	872,463
1,655,392	1,675,923	285,958	328,427	314,247	322,489
159,900	190,304	205,956	225,130	161,605	171,658
177,015	280,094	346,163	244,662	192,121	210,000
4,504,063	4,908,820	6,171,243	1,799,776	2,203,808	2,458,778
2,223,544	2,036,389	1,957,417	1,942,775	1,905,605	1,707,917
24,383	45,262	77,206	15,647	7,123	20,695
609,260	1,040,044	497,221	960,438	440,812	588,492
16,738,708	18,197,307	18,631,925	13,203,599	12,388,540	12,110,971
5,284,662	5,134,641	5,168,187	5,024,945	4,977,075	4,805,464
2,523,491	2,544,558	2,186,286	2,109,548	2,282,945	2,159,562
12,032	12,464	12,898	14,721	40,177	287,589
1,774,050	1,723,088	1,544,680	1,456,883	1,525,350	1,271,987
3,931,121	3,451,583	8,344,843	7,677,471	1,435,070	999,778
1,190,467	1,268,716	1,136,829	1,114,948	985,365	1,018,977
2,161,937	2,711,173	3,025,150	3,569,991	2,164,850	2,449,921
786,856	430,141	546,850	1,092,201	2,915,109	975,263
17,664,616	17,276,364	21,965,723	22,060,708	16,325,941	13,968,541

City of Newton

COMPLIANCE SECTION

City of Newton

Schedule of Expenditures of Federal Awards

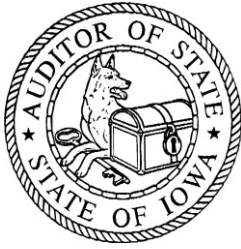
Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Commerce:			
Economic Development Administration:			
Economic Adjustment Assistance	11.307	05-79-04645	\$ 1,800
U.S. Department of Justice:			
Bureau of Justice Assistance:			
Bulletproof Vest Partnership Program	16.607	2010BOBX10051541	6,313
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0065-11-2010	143,856
U.S. Department of Homeland Security:			
Federal Emergency Management Agency:			
Assistance to Firefighters Grant	97.044	EMW-2010-FO-01529	38,727
Assistance to Firefighters Grant	97.044	EMW-2011-FO-04386	3,916
			42,643
Total direct			194,612
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/Entitlement Grants	14.218	08-DRPG-242	10,015
U.S. Department of the Interior:			
Iowa Department of Cultural Affairs:			
Historic Preservation Fund Grants-In-Aid	15.904	2011-09	8,460
U.S. Department of Justice:			
Polk County Sheriff's Office:			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.738	11JAG/ARRA 16168C	64,392
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-5482(614)--70-50	291,531
Iowa Department of Public Safety:			
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	12-410, Task 54	9,330
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1930-DRIA	31,914
Total Indirect			415,642
Total			\$ 610,254

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Newton and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

City of Newton



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Newton, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 17, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Skiff Medical Center (Medical Center), a major proprietary fund, and the Newton Municipal Waterworks (the Waterworks), a discretely presented component of the City, as described in our report on the City of Newton's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters which are reported on separately by those other auditors.

Internal Control Over Financial Reporting

The management of the City of Newton is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Newton's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Newton's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be 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 described in

Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 through II-D-12 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-E-12 through II-H-12 to be significant deficiencies.

Compliance and Other Matters

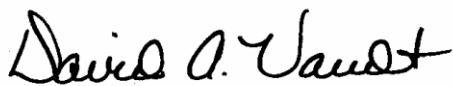
As part of obtaining reasonable assurance about whether the City of Newton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 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.

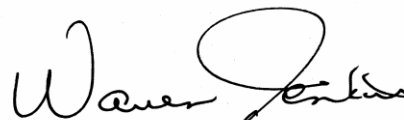
The City of Newton's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Newton's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Newton and other parties to whom the City of Newton may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 17, 2012

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

City of Newton



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the City of Newton, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Newton's major federal programs for the year ended June 30, 2012. The City of Newton's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the City of Newton's management. Our responsibility is to express an opinion on the City of Newton's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Newton's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Newton's compliance with those requirements.

In our opinion, the City of Newton complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the City of Newton is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Newton's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Newton's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Newton and other parties to whom the City of Newton may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 17, 2012

City of Newton

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA Number 20.106 – Airport Improvement Program
 - CFDA Number 20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Newton did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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 and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Disbursements – initiating disbursements, check signing, recording and reconciling.
- 6) Payroll – preparing, signing and custody of undistributed warrants and reviewing payroll journals.
- 7) Accounting system – performing all general accounting functions, including making journal entries and having custody of City assets.

In addition, an independent person does not enter payroll rates and rates are not tested and reviewed by an independent person.

For the Friends of the Newton Public Library, one person handles and records collections, prepares deposits, prepares, signs and mails checks and reconciles the bank account.

For the Newton Public Library Foundation, one person handles and records collections, prepares deposits and reconciles the bank account.

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

Response – The City will review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff including elected officials. The Friends of the Newton Public Library and the Newton Public Library Foundation will review their control procedures and have an independent person review the monthly reconciliations.

Conclusion – Response accepted.

II-B-12 Financial Reporting – The Newton Municipal Waterworks was improperly reported as a department of the City in the financial statements for the year ended June 30, 2011. The Waterworks should have been presented as a discretely presented component unit. In addition, in prior years, the City has not reported the Newton Public Library Foundation and the Friends of the

City of Newton

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Newton Public Library as discretely presented component units. The beginning balances have been restated to properly report these entities as discretely presented component units in the current fiscal year.

Recommendation – The City should review financial reporting requirements to ensure the proper reporting of component unit activity.

Response – The City will review the financial reporting requirements for Newton Municipal Waterworks, Newton Public Library Foundation and the Friends of the Newton Public Library and ensure proper reporting of component unit activity.

Conclusion – Response accepted.

- II-C-12 Utility Billings and Reconciliations – The City has an agreement with the Newton Municipal Waterworks for billing and collection services for the City’s sewer, solid waste and recycling functions. The City does not have procedures in place to identify the amounts which should be collected for sewer, solid waste and recycling charges each billing period and to reconcile expected collections to actual collections. This should be done through obtaining billing reports and delinquent account listings from the Waterworks each billing period and reconciling collections, billings and delinquent accounts for the billing period.

Recommendation – The City should establish procedures to ensure the proper amount of sewer, garbage, and recycling are collected, including reconciling billings, collections and delinquent accounts for each billing period.

Response – The City will establish procedures to ensure the proper amount of sewer, garbage, and recycling are collected, including reconciling billings, collections and delinquent accounts for each billing period. This will include actual printouts from the Newton Municipal Waterworks financial system.

Conclusion – Response accepted.

- II-D-12 Other Reconciliations – The City performs billing and collection services for ambulance service and for the City’s landfill. Monthly reconciliations to reconcile expected collections to actual collections are not performed. This should be done 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.

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.

Response – This City will establish procedures to ensure the proper amount of ambulance and landfill fees are collected and reconciled. This will be done each billing period by an independent person. Delinquent accounts will be investigated and uncollectible accounts will be written off with approved procedures.

Conclusion – Response accepted.

City of Newton

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

II-E-12 Bank Reconciliations – Monthly bank statements are reconciled to the City’s monthly financial report. However, the monthly bank reconciliations are not reviewed and approved by an independent person. In addition, at June 30, 2012, an unexplained variance of \$2,641 existed between the bank and the general ledger balance.

Recommendation – 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.

Response – The City will have an independent person review the reconciliations and document this review by initialing and dating the monthly reconciliations. The City will also investigate and resolve any variances in a timely manner. This City will be resolving the variance of \$2,641 by Council Resolution.

Conclusion – Response accepted.

II-F-12 Information Systems – The City does not have a written disaster recovery plan for its computer system.

Recommendation – The City should develop a written disaster recovery plan.

Response – The City is in the process of developing a written disaster recovery plan which will be implemented within the next 6 months.

Conclusion - Response accepted.

II-G-12 Petty Cash – The custodian of the petty cash fund is not prohibited from handling other cash receipts and the responsibility for the petty cash fund is not assigned to one individual. Reimbursement vouchers are not approved by an employee who has no access to the petty cash. Petty cash fund replenishments are not monitored by someone other than the custodian.

Recommendation – To strengthen the control over the accountability for the petty cash fund, one individual with no responsibility for handling other cash receipts should be assigned responsibility for the petty cash fund and maintain custody of the fund. Reimbursement vouchers should be approved by an independent person and signed as evidence of review. Replenishments to the petty cash fund should be monitored by a person independent of custody.

Response – The responsibility of the petty cash fund will be a person who is not handling the other cash receipts on a daily basis. Reimbursement vouchers will be approved by an independent person and signed. Any replenishment to the fund will be monitored by a person independent of custody.

Conclusion – Response accepted.

II-H-12 Receipts – An initial listing of cash and checks received is not prepared by all departments. In addition, checks received at the Library are not restrictively endorsed immediately upon receipt.

Recommendation – A listing of all cash and receipts received in the mail should be prepared by a person other than accounting personnel. The listing should be compared to the receipt records by an independent person. Checks should be restrictively endorsed immediately upon receipt.

City of Newton

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Response – A listing of all cash and receipts received in the mail will be prepared by a person opening the mail and is someone other than accounting personnel. This listing will then be confirmed by an independent person. All departments will begin to immediately endorse all checks upon receipt.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Newton

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

City of Newton

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-12 Certified Budget – During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the debt service function. In addition, the City exceeded the amount budgeted in the capital projects 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 the budget in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

Conclusion – Response accepted.

IV-B-12 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>
Hy-Vee	Donuts for safety meeting	\$ 41

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 the requirements of public purpose.

Conclusion – Response accepted.

IV-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Newton

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

IV-D-12 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Steve Ashing, Fireman, Sales Representative for Sandry Fire Supply, LLC	Supplies	\$ 14,936
Cheryl Boothe, Library Clerk, Wife of owner of A-1 Lock	Lock supplies	266
Janet Cox, Police Administrative Assistant, Owner of Coxes Greenhouse	Building supplies	129

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Library Clerk and Police Administrative Assistant do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year. The transactions with the Fireman may represent a conflict of interest in accordance with Chapter 362.5(3)(j) of the Code of Iowa since the transactions exceeded \$1,500 during the fiscal year and were not entered into through competitive bidding.

Recommendation – The City should comply with the requirements of the Code of Iowa. The City should ensure bids are solicited for purchases which may benefit a city employee or officer, directly or indirectly, and may exceed the \$1,500 statutory limit within the fiscal year. In addition, the City should consult legal counsel to determine the disposition of the transactions with the Fireman.

Response – The City has required the Fireman to stop all transactions with the City as a sales representative for Sandry Fire Supply, LLC. The City will monitor these types of transactions in the future.

Conclusion – Response acknowledged. The City should consult legal counsel to determine the disposition of the transactions which occurred during fiscal year 2012.

IV-E-12 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.

IV-F-12 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

IV-G-12 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.

IV-H-12 Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

City of Newton

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- IV-I-12 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.
- IV-J-12 Financial Assurance – The City has met the closure and postclosure 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).
- IV-K-12 Tax Increment Financing – 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 from the fund as provided in Chapter 403.19 of the Code of Iowa. 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. In addition, Chapter 403.19(5)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

We noted the following related to the City's TIF certifications:

- The City did not certify \$57,117 in certified tax increment financing (TIF) indebtedness to the County Auditor for the portion of the capital loan notes, series 2007A, to be paid from the Prairie Fire tax increment financing district.
- Certain amounts certified to the County Auditor represent estimated or projected costs. The City does not have a system for tracking actual costs for comparison to certified costs for subsequent certification of costs in excess of the amount certified or for decertification of amounts for which the certified amount exceeded the actual costs incurred. We noted actual costs incurred by the City which varied from the amount certified which requires certification or decertification.
- In November 2011, the City certified tax increment financing (TIF) indebtedness to the County Auditor for invoices and transfers from the Special Revenue, Urban Renewal Tax Increment Fund for project and other miscellaneous costs within the City's urban renewal area. While the City intended these payments to represent loans from the Special Revenue, Urban Renewal Tax Increment Fund for the related TIF projects, certain loans were never formally approved by the City Council and, accordingly, do not represent TIF debt which may be certified to the County Auditor.
- Invoices were paid from the Special Revenue, Urban Renewal Tax Increment Fund for project and other miscellaneous costs within the City's urban renewal area during the fiscal year. In some cases, these items have not been certified as tax increment financing (TIF) indebtedness to the County Auditor.

City of Newton

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Recommendation – The City should certify the TIF debt related to the general obligation capital loan notes, series 2007A. The City should also review projected or estimated costs certified in the past and compare to actual costs to determine what additional amounts should be certified or decertified. The City should determine the amounts to be certified for project and other miscellaneous costs paid from the Special Revenue, Urban Renewal Tax Increment Fund.

The City should establish procedures to ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa and includes only allowable debt approved by the City Council prior to certification.

The City should consult TIF legal counsel to determine the propriety of the City's TIF certifications and disbursements which include projected costs.

Response – The City will certify the TIF debt related to the general obligation capital loan notes series 2007A. The City will also review projected or estimated costs certified in the past and compare to actual costs to determine what additional amounts should be certified or decertified. The City will establish procedures to ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa and includes only allowable debt approved by the City Council prior to certification. The City will pay all miscellaneous TIF related costs from the General Fund. These costs will then be certified by the Council as TIF debt as an internal loan and then be certified to the County Auditor before December 1 of each year.

Conclusion – Response accepted.

IV-L-12 Local Option Sales Tax – Local option sales tax (LOST) receipts are recorded in the General and Special Revenue, Employee Benefits Funds. The LOST ballot requires the receipts to be used for specified purposes. The City also passes a resolution annually allocating the local option sales tax within the constraints of the ballot.

During the fiscal year, LOST disbursements were not tracked in a manner which documented compliance with the LOST ballot referendum provisions and annual City Council resolutions.

Recommendation – The City should document the collection, disbursement and balance of all LOST funds. Disbursement of these funds should be properly identified to document compliance with the LOST ballot referendum provisions.

Response – The City will create a LOST Fund to record all receipts and disbursements. LOST disbursements will be tracked in a manner which documents compliance with the LOST ballot referendum provisions and annual resolution.

Conclusion – Response accepted.

IV-M-12 Uniform Chart of Accounts – The City's accounting system does not use the Uniform Chart of Accounts for City governments in Iowa.

City of Newton

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Recommendation – The City should establish an accounting system which uses the uniform chart of accounts to properly identify transactions of the City for reporting and budgeting purposes.

Response – The City is in the process of implementing new financial software. The City will convert to the Uniform Chart of Accounts during that process.

Conclusion – Response accepted.

IV-N-12 Employee Benefits Levy – Pursuant to Chapter 384.6 of the Code of Iowa, the City levies a tax for payment of costs related to employee benefits and accounts for the levied tax in the Special Revenue, Employee Benefits Fund. Employee benefits payable from this levy are defined in Chapter 545-4.1 of the Iowa Administrative Code. The City disbursed a total of \$3,833 from the Special Revenue, Employee Benefits Fund for disbursements primarily related to the City's safety committee. Safety committee disbursements are not a benefit allowed by Chapter 545-4.1 of the Iowa Administrative Code and, therefore, are not an allowable use of the employee benefits levy.

Recommendation – The City should transfer \$3,833 from allowable City funds (likely the General Fund) to the Special Revenue, Employee Benefits Fund to reimburse this fund for the unallowable costs.

Response – The City will transfer \$3,833 from the General Fund to the Special Revenue, Employee Benefits Fund to reimburse for the safety committee disbursements. The City will no longer use the Special Revenue, Employee Benefits Fund to pay costs associated with the safety committee.

Conclusion – Response accepted.

City of Newton

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Lesley R. Geary, CPA, Senior Auditor II
Alison P. Herold, CPA, Senior Auditor
Karie A. Meisgeier, CPA, Staff Auditor
Robert W. Endriss, CPA, Assistant Auditor
Matthew S. Nye, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State

STATISTICAL SECTION

Table 1

CITY OF NEWTON
TAX INCREMENT FINANCING FUND – SCHEDULE OF CASH RECEIPTS,
DISBURSEMENTS AND CASH BALANCE
INCEPTION TO JUNE 30, 2012

Operating Receipts:	
Bond proceeds	\$ 31,560,946
Interest on investments	169,188
Sale of property	1,195,701
Property tax	23,548,532
Intergovernmental	10,551,868
Miscellaneous	1,102,766
	<u>68,129,001</u>
Operating Disbursements:	
Property acquisition and improvement	9,694,844
Property demolition	966,390
Economic development grants	18,462,147
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	2,529,349
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>43,484,321</u>
Operating receipts over operating disbursements	24,644,680
Other transactions:	
Transfer to Debt Service Fund - bond interest	(20,817,298)
Transfer to General Fund - economic development	(3,639,417)
Transfer to Central Business District	(2,500)
Transfer to Employee Benefits Fund	(119,047)
Transfer to Capital Projects Fund	(823,232)
Transfer to Sewer Fund	(547,555)
Interfund Loan	1,876,639
Cash and investment balance at June 30, 2012	<u>\$ 572,270</u>

Note: During the fiscal year 1998, 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.

CITY OF NEWTON
COMPARISON OF ENTERPRISE FUNDS CHARGES FOR
SERVICE RECEIPTS

Year Ended June 30	Sewer	Landfill	Golf	Parking	Medical Center
2003	\$ 1,907,363	\$ 1,004,252	\$ 337,385	\$ 80,521	\$ -
2004	1,996,295	1,207,756	361,043	78,717	-
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	-	31,520,047
2012	2,074,418	1,314,130	353,937	-	36,067,840

Note: Beginning in the 2011 fiscal year the City began reporting the Skiff Medical Center as an Enterprise Fund.

City of Newton

CITY OF NEWTON
COMPARATIVE TOTAL AND PER CAPITA FUNCTION DISBURSEMENTS

Year Ended	Population	Public Safety Disbursements		Public Works Disbursements		Health and Social Services Disbursements		Culture & Recreation Disbursements		Community and Economic Development Disbursements	
		Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita
2003	15,579*	\$ 4,545,241	\$ 291.75	\$ 1,983,636	\$ 127.33	\$ 82,434	\$ 5.29	\$ 1,604,289	\$ 102.98	\$ 704,691	\$ 45.23
2004	15,579*	4,758,804	305.46	2,147,898	137.87	280,590	18.01	1,260,323	80.90	988,114	63.43
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

* 2000 census figures

** 2010 census figures

Note: Beginning in the 2011 fiscal year the City began reporting the Skiff Medical Center as an Enterprise Fund.

Table 3

General Government Disbursements		Debt Service Disbursements		Capital Projects Disbursements		Business Type Activities Disbursements		Total Disbursements	
	<u>Per Capita</u>		<u>Per Capita</u>		<u>Per Capita</u>		<u>Per Capita</u>		<u>Per Capita</u>
<u>Total</u>		<u>Total</u>		<u>Total</u>		<u>Total</u>		<u>Total</u>	
\$ 1,105,423	\$ 70.96	\$ 4,155,529	\$ 266.74	\$ 1,036,483	\$ 66.53	\$ 7,110,440	\$ 456.41	22,328,166	1,433.22
1,014,311	65.11	2,449,921	157.26	975,263	62.61	3,577,958	229.67	17,453,182	1,120.30
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	39,733,332	2,604.78	61,359,169	4,022.50
1,102,944	72.31	2,357,739	154.57	810,310	53.12	39,634,526	2,598.30	56,657,394	3,714.26

Table 4

CITY OF NEWTON
COMPARATIVE PROPERTY TAX RECEIPTS BY FUND

Year Ended <u>June 30</u>	<u>General Fund</u>	Special Revenue Employee <u>Benefits Fund</u>	Debt Service <u>Fund</u>
2003 *	\$ 3,962,126	\$ 2,346,229	\$ 1,212,722
2004 *	3,419,134	2,200,265	1,019,238
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

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

City of Newton

CITY OF NEWTON
COMPARATIVE PROPERTY TAX LEVIES AND COLLECTIONS

<u>Year Ended June 30</u>	<u>Collection Year Ended June 30</u>	<u>Total Property Tax Levy</u>	<u>Current Property Tax Collections</u>	<u>Percent Of Property Tax Levy Collected</u>
2002	2003	\$ 6,051,121	\$ 6,456,534	106.70%
2003	2004	5,888,462	6,175,595	104.88%
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	6,434,266	6,293,014	97.80%
2011	2012	6,536,879	6,493,334	99.33%

Delinquent Property Tax Collections	Tax Increment Financing Collections	Total Property Tax Collections
\$ 553	\$ 979,530	7,436,617
3,509	934,565	7,113,669
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

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

Levy Year	Collection Year Ended June 30	Levy for			
		Newton School District	City of Newton	Jasper County	Area Schools
2002	2003	\$ 15.83348	\$ 15.53000	\$ 5.84654	\$ 0.54584
2003	2004	16.40942	15.38000	5.89480	0.58184
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

Table 6

<u>Extension Council</u>	<u>County Assessor</u>	<u>Tuberculosis Eradication</u>	<u>Total</u>	<u>Percent of City of Newton Levy to Total Levy</u>
\$ 0.13572	\$ 0.32864	\$ 0.00400	\$ 38.22422	40.10%
0.14192	0.31173	0.00400	38.72371	36.40%
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%

Table 7

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

Date	Population Per Census	Taxable Value (Agriculture Land Included)	General Obligation Bonded Debt (1)	Ratio of General Obligation Bonded Debt to Taxable Value	General Obligation Bonded Debt Per Capita
6/30/2003	15,579*	\$ 418,921,161	\$ 13,963,029	0.033331	\$ 896.27
6/30/2004	15,579*	427,155,346	13,032,467	0.030510	836.54
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

* 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.

CITY OF NEWTON
SCHEDULE OF INSURANCE COVERAGE
JUNE 30, 2012

Fire and extended property coverage - all risk - \$1,000 deductible:	
APD Vehicle	\$ 4,223,791
Book collection	3,219,523
Buildings	29,216,689
Personal property	2,767,277
Miscellaneous property	3,150,392
Fire and extended property coverage - all risk - \$500 deductible:	
EDP Hardware	78,800
Comprehensive automobile coverage:	
Bodily injury	2,000,000
Property damage	2,000,000
Uninsured motorist/underinsured motorist	1,000,000
Comprehensive	200 deductible
Collision	1,000 deductible
Comprehensive general liability	2,000,000
Umbrella excess liability coverage (includes auto bodily injury and property damage)	3,000,000
Airport liability	5,000,000
City clerk legal liability bond (errors and omissions)	2,000,000
Public officials liability	2,000,000
Worker's compensation	Statutory limit

Table 9

CITY OF NEWTON
SEWER FUND DATA
JUNE 30, 2012

Sewer customers served at June 30, 2012 6,215

Sewer rates in effect at June 30, 2012

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

CITY OF NEWTON
MISCELLANEOUS STATISTICAL DATA
JUNE 30, 2012

Ten Largest Employers in Jasper County

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

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

Name (2)	Business Activity
US Motorsport Corporation	Iowa Speedway
AG/IRG WPP Newton LLC	Former Maytag manufacturing plant
Wal-Mart, Inc.	Retail
Hy-Vee Corporation	Food Retailer
IWA Services LLC	Local phone/internet/comunications
Love's Travel Stop	Convenience store/ gas station
Newton Lodge and Suites, LLC	Hotel
Newton Investments LLC	Hotel
American Healthcare Invst. LLC	Two nursing homes
MGA Properites LLC	Printing Factory

(1) Source - Newton Development Corporation

(2) Source - Jasper County Geograhic Information System