



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____

July 22, 2013

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Newhall, Iowa.

The City's receipts totaled \$1,030,859 for the year ended June 30, 2012. The receipts included \$313,693 in property tax, \$12,659 from tax increment financing, \$52,191 from local option sales tax, \$381,091 from charges for service, \$174,930 from operating grants, contributions and restricted interest, \$12,755 from unrestricted interest, \$60,927 from anticipation project note proceeds and \$22,613 from other general receipts.

Disbursements for the year totaled \$701,474, and included \$151,497 for public works, \$112,348 for public safety and \$101,687 for culture and recreation. Also, disbursements for business type activities totaled \$280,125.

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/1221-0039-B00F.pdf>.

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CITY OF NEWHALL

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

JUNE 30, 2012

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City of Newhall

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Brandon Thompson	Mayor	Jan 2012
William Much	Mayor Pro tem	Jan 2012
Skylar Childers	Council Member	Jan 2012
Gerald Gessner	Council Member	Jan 2012
Aaron Knaack	Council Member	Jan 2012
Mark Lnenicka	Council Member	Jan 2012
Trish Gleason	Clerk/Treasurer	Indefinite
Jennifer Zahradnik	Attorney	Indefinite
(After January 2012)		
Jan Mattson	Mayor	Jan 2014
William Much	Mayor Pro tem	Jan 2014
Mike Berry	Council Member	Jan 2014
Richard Etscheidt	Council Member	Jan 2014
Gerald Gessner	Council Member	Jan 2014
Aaron Knaack	Council Member	Jan 2014
Keri Touro	Clerk/Treasurer	Indefinite
Don Hoskins & Anne Loomis	Attorney	Indefinite

City of Newhall



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Newhall, 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 Newhall's management. Our responsibility is to express opinions on these financial statements based on our audit.

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


As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total balance at July 1, 2011.


In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2011, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Newhall 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 May 30, 2013 on our consideration of the City of Newhall'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 Newhall's basic financial statements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is 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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2011, as discussed in the third paragraph, 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 Newhall's basic financial statements. Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 28 through 30 are presented for purposes of additional analysis and are not required parts 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 it.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Newhall 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

- The cash basis net assets of the City's governmental activities increased approximately \$266,000, or 24.6%, due, in part, to property tax collections.
- The cash basis net assets of the City's business type activities increased approximately \$63,000, or 34.5%, due primarily to an increase in utility rate charges.

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.

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development and general government. 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 and Urban Renewal Tax Increment, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

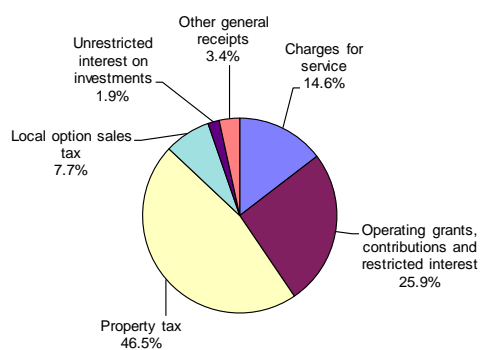
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

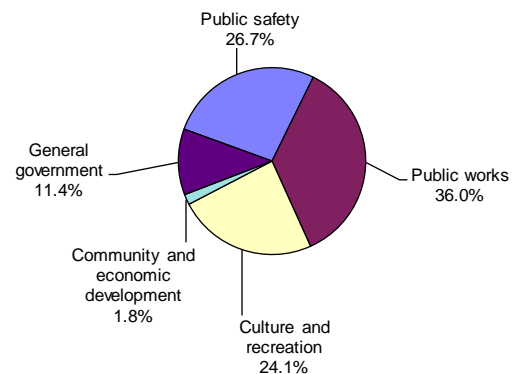
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,082,598 to \$1,348,689. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2012
Receipts:	
Program receipts:	
Charges for service	\$ 98,599
Operating grants, contributions and restricted interest	174,930
General receipts:	
Property tax	313,694
Tax increment financing	12,659
Local option sales tax	52,191
Unrestricted interest on investments	12,755
Other general receipts	22,612
Total receipts	687,440
Disbursements:	
Public safety	112,348
Public works	151,497
Culture and recreation	101,687
Community and economic development	7,794
General government	48,023
Total disbursements	421,349
Change in cash basis net assets	266,091
Cash basis net assets beginning of year	1,082,598
Cash basis net assets end of year	\$ 1,348,689

Receipts by Source



Disbursements by Function



Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2012
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 156,633
Sewer	125,859
General receipts:	
Anticipation project note proceeds	60,927
Total receipts	<u>343,419</u>
Disbursements:	
Water	144,203
Sewer	135,922
Total disbursements	<u>280,125</u>
Change in cash basis net assets	63,294
Cash basis net assets beginning of year	<u>183,436</u>
Cash basis net assets end of year	<u>\$ 246,730</u>

The cash basis net assets of the City's business type activities increased \$63,294, due primarily to an increase in user fees for water and sewer utilities.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Newhall completed the year, its governmental funds reported a combined fund balance of \$1,348,689, an increase of \$266,091 above last year's total of \$1,082,598. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased approximately \$100,000 over the prior year to \$841,185, due primarily to property tax collections increasing over the prior year.
- The Special Revenue, Road Use Tax Fund cash balance increased approximately \$22,000 over the prior year to \$44,999. Road use tax received exceeded the amount disbursed in fiscal year 2012.
- The Special Revenue, Urban Renewal Tax Increment Fund was established in a previous fiscal year to account for a major water improvement project within the City's business district. At June 30, 2012, the cash balance was \$152,816, an increase of approximately \$5,200 from the previous year.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased approximately \$52,000 over the prior year to \$196,582. The increase in cash balance is due to current year local option sales tax collections of \$52,191.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$12,430 to \$155,911, due primarily to an increase in water billings and water consumption and reductions in debt service payments.
- The Enterprise, Sewer Fund cash balance increased \$50,864 to \$90,819, due primarily to an increase in receipts.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not amend its budget from the original budget originally adopted on March 14, 2011.

The City's receipts were \$910,749 less than budgeted. The City budgeted for approximately \$970,000 of intergovernmental receipts not received during the year ended June 30, 2012.

The City exceeded the amount budgeted in the public safety function for the year ended June 30, 2012.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$408,194 in bonds and other long-term debt outstanding, compared to \$367,096 at June 30, 2011, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
Revenue bonds/note	\$ 156,330	176,159
Anticipation project note	251,864	190,937
Total	\$ 408,194	367,096

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 constitutional debt limit is approximately \$2.3 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Formulation of the fiscal year 2013 budget was limited by several factors. The fiscal year 2013 budget includes total receipts of \$5,345,289 and disbursements of \$5,326,090.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$19,000 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 Keri Touro, City Clerk, 220 1st Street E, Newhall, Iowa 52315-0177.

City of Newhall

Basic Financial Statements

City of Newhall

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
Functions/Programs:			
Governmental activities:			
Public safety	\$ 112,348	1,625	80,138
Public works	151,497	82,275	83,439
Culture and recreation	101,687	14,611	10,207
Community and economic development	7,794	-	-
General government	48,023	88	-
Capital projects	-	-	1,146
Total governmental activities	421,349	98,599	174,930
Business type activities:			
Water	144,203	156,633	-
Sewer	135,922	125,859	-
Total business type activities	280,125	282,492	-
Total	\$ 701,474	381,091	174,930

General Receipts:

Property and other city tax levied for:

General purposes

Debt service

Tax increment financing

Local option sales tax

Anticipation project note proceeds

Unrestricted interest on investments

Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:

Streets

Urban renewal purposes

Local option sales tax purposes

Debt service

Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(30,585)	-	(30,585)
14,217	-	14,217
(76,869)	-	(76,869)
(7,794)	-	(7,794)
(47,935)	-	(47,935)
1,146	-	1,146
(147,820)	-	(147,820)
-	12,430	12,430
-	(10,063)	(10,063)
-	2,367	2,367
(147,820)	2,367	(145,453)
236,075	-	236,075
77,618	-	77,618
12,659	-	12,659
52,191	-	52,191
-	60,927	60,927
12,755	-	12,755
22,613	-	22,613
413,911	60,927	474,838
266,091	63,294	329,385
1,082,598	183,436	1,266,034
\$ 1,348,689	246,730	1,595,419
\$ 44,999	-	44,999
152,816	-	152,816
196,582	-	196,582
77,618	2,114	79,732
35,489	-	35,489
841,185	244,616	1,085,801
\$ 1,348,689	246,730	1,595,419

City of Newhall

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	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 224,953	-	-
Tax increment financing	-	-	12,659
Other city tax	-	-	-
Licenses and permits	10,433	-	-
Use of money and property	19,429	-	-
Intergovernmental	56,868	83,439	-
Charges for service	83,595	-	-
Miscellaneous	35,579	659	-
Total receipts	430,857	84,098	12,659
Disbursements:			
Operating:			
Public safety	102,721	-	-
Public works	85,714	65,783	-
Culture and recreation	101,687	-	-
Community and economic development	344	-	7,450
General government	48,023	-	-
Total disbursements	338,489	65,783	7,450
Excess of receipts over disbursements	92,368	18,315	5,209
Other financing sources (uses):			
Operating transfers in	7,464	3,658	-
Operating transfers out	-	-	-
Total other financing sources (uses)	7,464	3,658	-
Change in cash balances	99,832	21,973	5,209
Cash balances beginning of year	741,353	23,026	147,607
Cash balances end of year	\$ 841,185	44,999	152,816
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	44,999	-
Urban renewal purposes	-	-	152,816
Local option sales tax purposes	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Unrestricted	841,185	-	-
Total cash basis fund balances	\$ 841,185	44,999	152,816

See notes to financial statements.

Local Option Sales Tax	Nonmajor	Total
-	88,740	313,693
-	-	12,659
52,191	-	52,191
-	-	10,433
-	-	19,429
-	-	140,307
-	-	83,595
-	18,895	55,133
52,191	107,635	687,440
-	9,627	112,348
-	-	151,497
-	-	101,687
-	-	7,794
-	-	48,023
-	9,627	421,349
52,191	98,008	266,091
-	-	11,122
-	(11,122)	(11,122)
-	(11,122)	-
52,191	86,886	266,091
144,391	26,221	1,082,598
196,582	113,107	1,348,689
-	-	44,999
-	-	152,816
196,582	-	196,582
-	77,618	77,618
-	35,489	35,489
-	-	841,185
196,582	113,107	1,348,689

City of Newhall

City of Newhall

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

As of and for the year ended June 30, 2012

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 148,426	125,859	274,285
Miscellaneous	8,207	-	8,207
Total operating receipts	156,633	125,859	282,492
Operating disbursements:			
Business type activities	115,630	99,465	215,095
Excess of operating receipts over operating disbursements	41,003	26,394	67,397
Non-operating receipts (disbursements):			
Anticipation project note proceeds	-	60,927	60,927
Debt service	(25,973)	-	(25,973)
Capital projects	(2,600)	(36,457)	(39,057)
Net non-operating receipts (disbursements)	(28,573)	24,470	(4,103)
Change in cash balances	12,430	50,864	63,294
Cash balances beginning of year	143,481	39,955	183,436
Cash balances end of year	\$ 155,911	90,819	246,730
Cash Basis Fund Balances			
Restricted for debt service	\$ 2,114	-	2,114
Unrestricted	153,797	90,819	244,616
Total cash basis fund balances	\$ 155,911	90,819	246,730

See notes to financial statements.

City of Newhall

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Newhall is a political subdivision of the State of Iowa located in Benton County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Newhall 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 Newhall (the primary government) and its 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.

Blended Component Units

The Newhall Fire Department Foundation, Inc. (Fire Foundation) was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The Fire Foundation is legally separate from the City, but its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Newhall First Responders Foundation, Inc. (First Responders Foundation) was organized under Chapter 504A of the Code of Iowa as a non-profit corporation. The First Responders Foundation is legally separate from the City, but its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

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

B. Basis of Presentation

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

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

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or are 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 Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and used for property tax relief.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there 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:

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

Unassigned – All amounts not included in the preceding classification.

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 public safety function.

(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.

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

(3) Bonds and Note Payable

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

Year Ending June 30,	Principal	Interest	Total
2013	\$ 20,333	5,031	25,364
2014	20,861	4,233	25,094
2015	16,136	3,411	19,547
2016	10,000	2,970	12,970
2017	10,000	2,670	12,670
2018 - 2022	55,000	8,670	63,670
2023 - 2024	24,000	1,080	25,080
Total	\$ 156,330	28,065	184,395

Revenue Bonds and Note

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$216,000 of water revenue bonds and a \$100,000 water revenue note issued in December 2001 and December 2004, respectively. Proceeds from the bonds and note provided financing for the construction of water system improvements. The bonds and note are payable solely from water customer net receipts and are payable through 2024. Annual principal and interest payments on the bonds and note are expected to require less than 64% of net receipts. The total principal and interest remaining to be paid on the bonds and note is \$184,395. For the year ended June 30, 2012, principal and interest paid and total customer net receipts were \$25,973 and \$41,003, respectively.

The resolutions providing for the issuance of the revenue bonds and note include the following provisions:

- (a) The bonds and note will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water revenue sinking account within the Enterprise Funds for the purpose of making the bond and note principal and interest payments when due.
- (c) The City pledges to set water rates at 110% of the annual debt service. If debt service coverage should fall below 110%, the City will raise water rates so coverage is maintained.

Anticipation Project Note

On March 24, 2010, the City entered into a State Revolving Fund (SRF) sewer revenue loan and disbursement agreement for the issuance of a \$325,000 interest free anticipation project note. The note was issued as an interim measure for engineering costs for a sewer project and will be repaid from proceeds of a future SRF loan agreement. At June 30, 2012, the City had drawn \$251,864 of the authorized note amount.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 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 contribution to IPERS for the year ended June 30, 2012 was \$16,226, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2012, primarily relating to the General Fund, totaled \$1,400. This liability has been computed based on rates of pay in effect at June 30, 2012.

(6) Development Agreements

The City has entered into two development agreements to assist in an urban renewal project. The City agreed to rebate 65.87% of the incremental property tax paid by a developer in exchange for street improvements made by the developer. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years, beginning December 1, 2003. The total to be paid by the City under these agreements is not to exceed \$192,000.

During the year ended June 30, 2012, the City rebated \$3,820 of incremental property tax under these agreements. The maximum remaining balance at June 30, 2012 was \$11,803.

(7) Risk Management

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

City of Newhall

Other Information

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

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 313,693	-	-
Tax increment financing	12,659	-	-
Other city tax	52,191	-	-
Licenses and permits	10,433	-	-
Use of money and property	19,429	-	-
Intergovernmental	140,307	-	-
Charges for service	83,595	274,285	-
Miscellaneous	55,132	8,207	18,895
Total receipts	687,439	282,492	18,895
Disbursements:			
Public safety	112,348	-	9,627
Public works	151,497	-	-
Culture and recreation	101,687	-	-
Community and economic development	7,794	-	-
General government	48,023	-	-
Debt service	-	-	-
Capital projects	-	-	-
Business type activities	-	280,125	-
Total disbursements	421,349	280,125	9,627
Excess (deficiency) of receipts over (under) disbursements	266,090	2,367	9,268
Other financing sources, net	-	60,927	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	266,090	63,294	9,268
Balances beginning of year	1,082,599	183,436	26,221
Balances end of year	\$ 1,348,689	246,730	35,489

See accompanying independent auditor's report.

Total	Budgeted Amounts Original/Final	Final to Total Variance
313,693	300,286	13,407
12,659	13,604	(945)
52,191	64,745	(12,554)
10,433	1,950	8,483
19,429	14,500	4,929
140,307	1,110,700	(970,393)
357,880	330,300	27,580
44,444	25,700	18,744
951,036	1,861,785	(910,749)
102,721	94,180	(8,541)
151,497	216,000	64,503
101,687	117,207	15,520
7,794	17,330	9,536
48,023	71,405	23,382
-	76,750	76,750
-	-	-
280,125	4,739,523	4,459,398
691,847	5,332,395	4,640,548
259,189	(3,470,610)	3,729,799
60,927	3,540,000	(3,479,073)
320,116	69,390	250,726
1,239,814	1,165,962	73,852
1,559,930	1,235,352	324,578

City of Newhall

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2012

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component units. 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 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. The City did not amend the budget during the year ended June 30, 2012.

During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the public safety function.

Supplementary Information

Schedule 1

City of Newhall

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2012

	Special Revenue				Total
	Employee Benefits	Fire Foundation	First Responders Foundation	Debt Service	
Receipts:					
Property tax	\$ 11,122	-	-	77,618	88,740
Miscellaneous	-	8,660	10,235	-	18,895
Total receipts	11,122	8,660	10,235	77,618	107,635
Disbursements:					
Operating:					
Public safety	-	7,529	2,098	-	9,627
Excess of receipts over disbursements	11,122	1,131	8,137	77,618	98,008
Other financing uses:					
Operating transfers out	(11,122)	-	-	-	(11,122)
Change in cash balances	-	1,131	8,137	77,618	86,886
Cash balances beginning of year	-	18,109	8,112	-	26,221
Cash balances end of year	\$ -	19,240	16,249	77,618	113,107
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ -	-	-	77,618	77,618
Other purposes	-	19,240	16,249	-	35,489
Total cash basis fund balances	\$ -	19,240	16,249	77,618	113,107

See accompanying independent auditor's report.

City of Newhall

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue bonds: Water	Dec 1, 2001	3.00% *	\$ 216,000
Revenue note: Water	Dec 23, 2004	4.60%	\$ 100,000
Anticipation project note: Sewer	Mar 8, 2010	0.00%	\$ 325,000

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

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
136,000	-	9,000	127,000	4,420
40,159	-	10,829	29,330	1,724
190,937	60,927	-	251,864	-

Schedule 3

City of Newhall
Bond and Note Maturities
June 30, 2012

Revenue Bonds/Note						
Year Ending June 30,	Water Revenue Bonds Issued Dec 1, 2001		Water Revenue Note Issued Dec 23, 2004		Total	
	Interest Rates	Amount	Interest Rates	Amount		
2013	3.00%	\$ 9,000	4.60%	\$ 11,333	20,333	
2014	3.00	9,000	4.60	11,861	20,861	
2015	3.00	10,000	4.60	6,136	16,136	
2016	3.00	10,000		-	10,000	
2017	3.00	10,000		-	10,000	
2018	3.00	10,000		-	10,000	
2019	3.00	11,000		-	11,000	
2020	3.00	11,000		-	11,000	
2021	3.00	11,000		-	11,000	
2022	3.00	12,000		-	12,000	
2023	3.00	12,000		-	12,000	
2024	3.00	12,000		-	12,000	
Total		<u>\$ 127,000</u>		<u>\$ 29,330</u>	<u>156,330</u>	

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Newhall, 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 May 30, 2013. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2011. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City of Newhall is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Newhall'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 Newhall's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Newhall'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, 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 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 Newhall's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items (A) through (D) to be material weaknesses.

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

Compliance and Other Matters


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


Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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 Newhall's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Newhall'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 Newhall and other parties to whom the City of Newhall may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 30, 2013

City of Newhall

Schedule of Findings

Year ended June 30, 2012

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has control over each of the following areas for the City:
- (1) Accounting system - record keeping for the receipt and disbursement cycles and reporting.
 - (2) Receipts - collecting, depositing, journalizing and posting.
 - (3) Payroll - changes to the master list, preparation and distribution.
 - (4) Disbursements - check writing, signing and posting.
 - (5) Investments - authorization and accounting functions.
 - (6) Utilities - billing, collecting and posting.
 - (7) Long-term debt – recording, reconciling and performing cash functions.

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

Response – Invoices are now being initialed by the Mayor as he reviews and we now require two signatures on checks. We will continue to explore ways to eliminate other areas which are not properly segregated.

Conclusion – Response accepted.

- (B) Bank Reconciliations - Monthly reconciliations of the Clerk's balances to the bank accounts and investments were not prepared. A list of outstanding checks was not always prepared for each month or retained.

Recommendation - To improve financial accountability and control, a monthly reconciliation of the book and bank balances should be prepared and retained. Any variances should be investigated and resolved in a timely manner. A listing of outstanding checks should be prepared each month and retained.

Response – This is a training issue. Bank statements are now balanced monthly. A new process and form is now in place which will assist the City Clerk in balancing monthly, documenting the statements and presenting the information to the City Council.

Conclusion - Response accepted.

City of Newhall

Schedule of Findings

Year ended June 30, 2012

- (C) Financial Reporting – During the audit, we determined corrective transfers were necessary to properly record State Revolving Fund loan proceeds, engineering costs and employee benefits. Adjustments were subsequently made to properly record these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure receipts and disbursements are properly recorded in the City’s financial statements.

Response – Correcting transfers have been made and, going forward, receipts and disbursements will be properly recorded.

Conclusion – Response accepted.

- (D) Utility Reconciliations – The City is not performing a utility reconciliation of billings, collections and receivables.

Recommendation – A reconciliation of utility billings, collections and receivables should be performed monthly.

Response – A reconciliation of utility billings, collections and receivables is now being done on a monthly basis.

Conclusion – Response accepted.

- (E) Receipts and Timely Deposits - Receipts were not always deposited or posted to the accounting system in a timely manner.

Recommendation - To safeguard cash and increase funds available for investment, receipts should be deposited intact and posted on a timely basis.

Response – The City Clerk will now make deposits on the same day transactions are entered into the computer.

Conclusion – Response accepted.

- (F) Disbursements - Certain disbursements were not supported by proper documentation, or the invoices or other supporting documentation could not be located for review.

Recommendation – All disbursements should be supported by original invoices or other supporting documentation.

Response - Proper disbursement procedures have been discussed and will be followed in the future.

Conclusion – Response accepted.

City of Newhall

Schedule of Findings

Year ended June 30, 2012

- (G) Computer System – The following weaknesses in the City’s computer system were noted:

The City does not have written policies over the computer system for:

- Requiring passwords not be continually reused and requiring passwords be changed at least every 60 to 90 days.
- Requiring passwords have a minimum length of at least 8 characters.

Also, the City does not have an approved disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items to improve the City’s control over its computer system. Also, a written disaster recovery plan should be written and approved.

Response – The City Clerk has changed all passwords effective December 1, 2012. New procedures will be documented and implemented by the City Council in 2013. A disaster recovery plan will be adopted and implemented during 2013.

Conclusion – Response accepted.

- (H) Accounting Policies and Procedures Manual – The City does not have a standardized accounting manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- 1) Aid in training additional or replacement personnel and help achieve uniformity in accounting and in the application of policies and procedures.
- 2) Help streamline accounting operations by achieving uniformity in accounting and in the application of policies and procedures.
- 3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- 4) Help preserve the key elements in the City’s internal controls.
- 5) Increase effectiveness and efficiency of City operations.

Response – The City is moving forward with purchasing Data Technology Software to replace its current accounting system. When this occurs in late summer 2013, process and procedures will be documented.

Conclusion – Response accepted.

City of Newhall

Schedule of Findings

Year ended June 30, 2012

- (I) Timesheets – Although timesheets were prepared for all employees, there was no indication the timesheets were reviewed and approved. Also, one employee does not report vacation or sick leave used on their timesheets.

Recommendation – The City should review and update payroll policies to ensure all employees submit detailed timesheets and timesheets are reviewed and approved. Also, vacation and sick leave used should be reported on a timesheet by all employees.

Response – Effective December 1, 2012, all employees are using the correct time cards and documenting detailed absenteeism.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Newhall

Schedule of Findings

Year ended June 30, 2012

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amount budgeted in the public safety function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – A budget amendment will be done in the future before disbursements are made.

Conclusion – Response accepted.

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

<u>Paid For</u>	<u>Purpose</u>	<u>Amount</u>
Alcohol	Beer tent	\$ 1,014
Fireworks	125 year celebration	6,000
IPERS late fees	Late fees	174

Recommendation – According to the opinion, it is possible for certain 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 improper purpose is very thin.

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 – Items have been added to the April 8, 2013 meeting. We plan to document the process for IPERS late fees. As far as the 125 year celebration, all donations for the celebration came through City Hall, so in return all bills were paid for that celebration through City Hall, including beer and fireworks.

Conclusion – Response acknowledged. If this practice is continued, the City should establish written policies and procedures, including the requirement for the documentation of public purpose.

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

City of Newhall

Schedule of Findings

Year ended June 30, 2012

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jerry Gessner, Council Member, Owner of Gessner's Auto Service	Repairs, per bid	\$ 1,152

In accordance with Chapter 362.5(3)(d) of the Code of Iowa, the transactions with the Council Member do not appear to represent a conflict of interest since they were entered into through competitive bidding.

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

The City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation – The City should publish annual individual salaries as required.

Response – The City is now publishing annual salaries.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds and Note – The City has complied with the revenue bond and note resolutions, except as follows:

The water revenue bond resolution requires the City to establish water sinking accounts. The City has established these accounts and made payments from the accounts. However, the required transfers were not made into the sinking accounts.

Recommendation – The City should make the required transfers.

Response – Transactions are now being made.

Conclusion – Response accepted.

- (9) Private Use of Public Property – According to Article III, Section 31 of the Constitution of the State of Iowa, "No public money or property shall be appropriated for local, or private purposes." Also, according to an opinion of the Attorney General dated May 13, 1983, "private use of public property is permissible only if the private use is incidental to a public purpose."

City of Newhall

Schedule of Findings

Year ended June 30, 2012

The City Council permitted a Council Member to purchase a City owned asphalt roller for \$1 for private use and, upon completion of the private use, agreed to repurchase the asphalt roller for \$1.

Recommendation – The City should establish a policy prohibiting the private use of any City-owned property and equipment.

Response – An item will be added to April 18, 2013 agenda for documenting in the minutes which will prohibit this in the future.

Conclusion – Response acknowledged. The City should establish an overall policy prohibiting the private use of any City-owned property and equipment.

- (10) Tax Increment Financing – The City has tax increment financing (TIF) debt of \$11,803 outstanding at June 30, 2012. The City had cash on hand of \$152,816 at June 30, 2012 in the Special Revenue, Urban Renewal Tax Increment Fund to pay for the TIF debt outstanding. Therefore, the City had \$141,013 more cash on hand than needed to pay the TIF debt outstanding.

In addition, the City's agreement provides for a 34.13% set aside for low and moderate income requirements (LMI). As of June 30, 2012, the City has not demonstrated compliance with use of the LMI set aside.

Recommendation – The City should consult legal counsel to determine the disposition of this matter, including documenting the LMI requirements have been met.

Response – The City intends to seek legal advice to meet the requirements of the Special Revenue, Urban Renewal Tax Increment Fund.

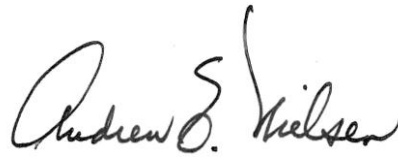
Conclusion – Response accepted.

City of Newhall

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Justin M. Scherrman, Staff Auditor
Joshua W. Ostrander, 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