



**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 September 15, 2009

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$1,024,752 for the year ended June 30, 2008. The receipts included \$150,772 in property tax, \$94,950 from tax increment financing, \$286,596 from charges for service, \$360,113 from operating grants, contributions and restricted interest, \$32,439 from capital grants, contributions and restricted interest, \$69,130 from local option sales tax, \$16,228 from unrestricted interest on investments and \$14,524 from other general receipts.

Disbursements for the year totaled \$956,710, and included \$344,155 for public safety, \$168,861 for public works and \$78,671 for culture and recreation. Also, disbursements for business type activities totaled \$239,200.

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/index.html>.

###



**CITY OF NEWHALL**

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

**JUNE 30, 2008**

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-6
Management’s Discussion and Analysis		7-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	19
Notes to Financial Statements		20-24
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		26-27
Notes to Required Supplementary Information – Budgetary Reporting		28
Other Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	31
Schedule of Indebtedness	2	32-33
Bond and Note Maturities	3	34
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		35-36
Schedule of Findings		37-42
Staff		43

**City of Newhall**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
Mike Hagen	Mayor	Jan 2008
Jan Mattson	Mayor Pro tem	Jan 2008
Terry Buelow	Council Member	Jan 2008
Jerry Gessner	Council Member	Jan 2008
Bill Much	Council Member	Jan 2008
Otis Sebastian	Council Member	Jan 2008
Trish Gleason	Clerk/Treasurer	Jan 2008
Larry D. Schlue	Attorney	Jan 2008
<b>(After January 2008)</b>		
Mike Hagen	Mayor	Jan 2010
Jan Mattson	Mayor Pro tem	Jan 2010
Jerry Gessner	Council Member	Jan 2010
Mark Lnenicka	Council Member	Jan 2010
Bill Much	Council Member	Jan 2010
Otis Sebastian	Council Member	Jan 2010
Trish Gleason	Clerk/Treasurer	Jan 2010
Larry D. Schlue	Attorney	Jan 2010

**City of Newhall**



**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

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, 2008, 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.

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.

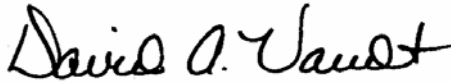
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not 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, 2007.

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, 2007, as discussed in the previous 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, 2008, 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.

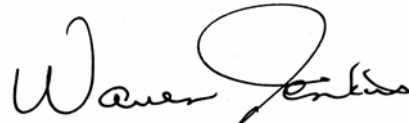
In accordance with Government Auditing Standards, we have also issued our report dated July 14, 2009 on our consideration of the City of Newhall's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and 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 internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newhall's basic financial statements. Other 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 has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

July 14, 2009



---

## **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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- The cash basis net assets of the City's governmental activities increased approximately \$122,000 due, in part, to local option sales tax collections.
- The cash basis net assets of the City's business type activities decreased approximately \$54,000, due primarily to pump repairs.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the 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, 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 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.

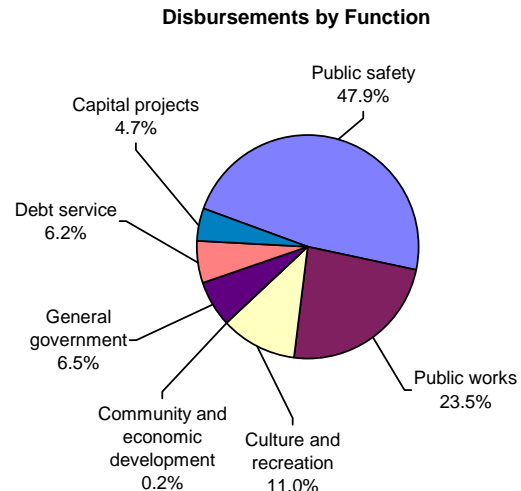
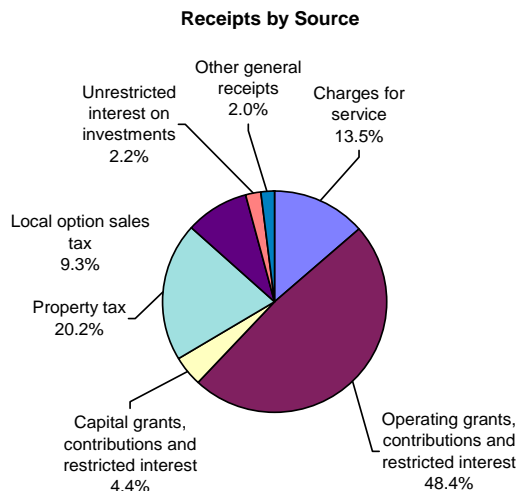
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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 \$635,001 to \$756,736. 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, 2008
Receipts:	
Program receipts:	
Charges for service	\$ 101,089
Operating grants, contributions and restricted interest	360,113
Capital grants, contributions and restricted interest	32,439
General receipts:	
Property tax	150,772
Tax increment financing	94,950
Local option sales tax	69,130
Unrestricted interest on investments	16,228
Other general receipts	14,524
Total receipts	<u>839,245</u>
Disbursements:	
Public safety	344,155
Public works	168,861
Culture and recreation	78,671
Community and economic development	1,560
General government	46,523
Debt service	44,310
Capital projects	33,430
Total disbursements	<u>717,510</u>
Change in cash basis net assets	121,735
Cash basis net assets beginning of year	<u>635,001</u>
Cash basis net assets end of year	<u>\$ 756,736</u>



<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2008</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 117,910
Sewer	67,597
Total receipts	<u>185,507</u>
Disbursements:	
Water	125,535
Sewer	113,665
Total disbursements	<u>239,200</u>
Change in cash basis net assets	(53,693)
Cash basis net assets beginning of year	<u>189,825</u>
Cash basis net assets end of year	<u>\$ 136,132</u>

The cash basis net assets of the City's business type activities decreased \$53,693, due primarily to sewer system pump repairs.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Newhall completed the year, its governmental funds reported a combined fund balance of \$756,736, an increase of more than \$121,000 above last year's total of \$635,001. 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 \$39,500 from the prior year to \$306,120, due in part to FEMA reimbursements for ice damage repairs in a prior year.
- 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, 2008, the cash balance was \$327,511, an increase of \$47,567 over the previous year.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$48,332 over the prior year to \$125,086. The increase in cash balance is due to a decrease in spending in the current year. Local option sales tax receipts increased over the prior year.

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

- The Water Fund cash balance decreased \$7,625 to \$61,899, due primarily to an increase in the sale of water and reductions in debt service payments over the prior year.
- The Sewer Fund cash balance decreased \$46,068 to \$74,233, due primarily to pump repairs.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on September 24, 2007 and resulted in an increase in operating disbursements related to increased disbursements for public safety, primarily for the purchase of a new fire truck. The City had sufficient cash balances to absorb these additional costs.

The City exceeded the amount budgeted in the community and economic development function for the year ended June 30, 2008 due to adjustments in planning and zoning salaries. The City is working with the planning and zoning supervisor in budgeting more accurately in the future.

## DEBT ADMINISTRATION

At June 30, 2008, the City had \$573,843 in bonds and other long-term debt outstanding, compared to \$623,871 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2008	2007
General obligation bonds	\$ 344,000	377,000
Revenue bonds	160,000	168,000
Revenue note	69,843	78,871
Total	\$ 573,843	623,871

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 \$398,514, including development agreements of \$54,518, is significantly below its constitutional debt limit of approximately \$2.2 million.

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

Formulation of the FY2009 budget was limited by several factors. The FY2009 budget contains total receipts of \$740,429 and disbursements of \$916,335.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$176,000 by the close of 2009.

## 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 Trish Gleason, City Clerk, 220 1<sup>st</sup> 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, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 344,155	3,242	265,112	-
Public works	168,861	62,396	75,906	32,439
Culture and recreation	78,671	22,877	19,095	-
Community and economic development	1,560	-	-	-
General government	46,523	12,574	-	-
Debt service	44,310	-	-	-
Capital projects	33,430	-	-	-
Total governmental activities	717,510	101,089	360,113	32,439
Business type activities:				
Water	125,535	117,910	-	-
Sewer	113,665	67,597	-	-
Total business type activities	239,200	185,507	-	-
Total	\$ 956,710	286,596	360,113	32,439
<b>General Receipts:</b>				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
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				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.



Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(75,801)	-	(75,801)
1,880	-	1,880
(36,699)	-	(36,699)
(1,560)	-	(1,560)
(33,949)	-	(33,949)
(44,310)	-	(44,310)
(33,430)	-	(33,430)
(223,869)	-	(223,869)
-	(7,625)	(7,625)
-	(46,068)	(46,068)
-	(53,693)	(53,693)
(223,869)	(53,693)	(277,562)
150,772	-	150,772
94,950	-	94,950
69,130	-	69,130
16,228	-	16,228
14,524	-	14,524
345,604	-	345,604
121,735	(53,693)	68,042
635,001	189,825	824,826
\$ 756,736	136,132	892,868
\$ 11,609	-	11,609
327,511	-	327,511
-	25,400	25,400
417,616	110,732	528,348
\$ 756,736	136,132	892,868

City of Newhall

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

As of and for the year ended June 30, 2008

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 138,669	-	-
Tax increment financing	-	-	94,950
Other city tax	-	-	-
Licenses and permits	9,027	-	-
Use of money and property	21,635	-	-
Intergovernmental	290,823	75,906	-
Charges for service	79,612	-	-
Special assessments	15,348	-	-
Miscellaneous	29,349	115	-
Total receipts	<u>584,463</u>	<u>76,021</u>	<u>94,950</u>
Disbursements:			
Operating:			
Public safety	344,155	-	-
Public works	77,312	82,224	9,325
Culture and recreation	78,671	-	-
Community and economic development	1,560	-	-
General government	46,523	-	-
Debt service	-	-	-
Capital projects	33,430	-	-
Total disbursements	<u>581,651</u>	<u>82,224</u>	<u>9,325</u>
Excess of receipts over disbursements	<u>2,812</u>	<u>(6,203)</u>	<u>85,625</u>
Other financing sources (uses):			
Sale of capital assets	2,578	-	-
Operating transfers in	34,118	-	-
Operating transfers out	-	-	(38,058)
Total other financing sources (uses)	<u>36,696</u>	<u>-</u>	<u>(38,058)</u>
Net change in cash balances	39,508	(6,203)	47,567
Cash balances beginning of year	<u>266,612</u>	<u>17,812</u>	<u>279,944</u>
Cash balances end of year	<u>\$ 306,120</u>	<u>11,609</u>	<u>327,511</u>
<b>Cash Basis Fund Balances</b>			
Unreserved:			
General fund	\$ 306,120	-	-
Special revenue funds	-	11,609	327,511
Debt service fund	-	-	-
Total cash basis fund balances	<u>\$ 306,120</u>	<u>11,609</u>	<u>327,511</u>

See notes to financial statements.

Local Option Sales Tax	Nonmajor	Total
-	12,103	150,772
-	-	94,950
69,130	-	69,130
-	-	9,027
-	-	21,635
-	-	366,729
-	-	79,612
-	-	15,348
-	-	29,464
69,130	12,103	836,667
-	-	344,155
-	-	168,861
-	-	78,671
-	-	1,560
-	-	46,523
-	44,310	44,310
-	-	33,430
-	44,310	717,510
69,130	(32,207)	119,157
-	-	2,578
-	38,058	72,176
(20,798)	(13,320)	(72,176)
(20,798)	24,738	2,578
48,332	(7,469)	121,735
76,754	(6,121)	635,001
125,086	(13,590)	756,736
-	-	306,120
125,086	-	464,206
-	(13,590)	(13,590)
125,086	(13,590)	756,736

**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, 2008

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 103,867	67,597	171,464
Miscellaneous	14,043	-	14,043
Total operating receipts	117,910	67,597	185,507
Operating disbursements:			
Business type activities	99,521	88,458	187,979
Excess (deficiency) of operating receipts over (under) operating disbursements	18,389	(20,861)	(2,472)
Non-operating disbursements:			
Debt service	(26,014)	-	(26,014)
Equipment	-	(25,207)	(25,207)
Net non-operating disbursements	(26,014)	(25,207)	(51,221)
Net change in cash balances	(7,625)	(46,068)	(53,693)
Cash balances beginning of year	69,524	120,301	189,825
Cash balances end of year	\$ 61,899	74,233	136,132
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ 25,400	-	25,400
Unreserved	36,499	74,233	110,732
Total cash basis fund balances	\$ 61,899	74,233	136,132

See notes to financial statements.

City of Newhall

Notes to Financial Statements

June 30, 2008

**(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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: 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 two categories:

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account 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 Water Fund accounts for the operation and maintenance of the City's water system.

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the community and economic development function.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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



**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds/Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 34,000	10,320	17,448	7,905	51,448	18,225
2010	35,000	9,300	17,888	7,226	52,888	16,526
2011	36,000	8,250	18,348	6,526	54,348	14,776
2012	37,000	7,170	19,830	5,804	56,830	12,974
2013	38,000	6,060	20,333	5,030	58,333	11,090
2014 - 2018	164,000	12,510	66,996	15,654	230,996	28,164
2019 - 2023	-	-	57,000	7,020	57,000	7,020
2024	-	-	12,000	1,380	12,000	1,380
Total	\$ 344,000	53,610	229,843	56,545	573,843	110,155

Revenue Note and Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$316,000 in water revenue bonds and note issued in July 2002 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. The total principal and interest remaining to be paid on the bonds and note is \$286,388. For the year ended June 30, 2008, principal and interest paid and total customer net receipts were \$26,014 and \$18,389, respectively. Annual principal and interest payments on the bonds required 141% of net receipts.

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 revenue 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. The City did not comply with this requirement.

**(4) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008 was \$7,321, equal to the required contribution for the year.

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2008, primarily relating to the General Fund, totaled \$950.

This liability has been computed based on rates of pay in effect at June 30, 2008.

**(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 tax paid by a developer in exchange for street improvements made by the developer. The incremental 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, 2008, the City rebated \$9,325 of incremental tax under these agreements. The maximum remaining balance at June 30, 2008 was \$54,518.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 20,798
	Employee Benefits	13,320
		<u>34,118</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	<u>38,058</u>
Total		<u>\$ 72,176</u>

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

**(8) 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.

**(9) Deficit Balance**

The Debt Service Fund had a deficit balance of \$13,590 at June 30, 2008.

**Required Supplementary 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

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 150,772	-
Tax increment financing	94,950	-
Other city tax	69,130	-
Licenses and permits	9,027	-
Use of money and property	21,635	-
Intergovernmental	366,729	-
Charges for service	79,612	185,507
Special assessments	15,348	-
Miscellaneous	29,464	-
Total receipts	836,667	185,507
Disbursements:		
Public safety	344,155	-
Public works	168,861	-
Culture and recreation	78,671	-
Community and economic development	1,560	-
General government	46,523	-
Debt service	44,310	-
Capital projects	33,430	-
Business type activities	-	239,200
Total disbursements	717,510	239,200
Excess (deficiency) of receipts over (under) disbursements	119,157	(53,693)
Other financing sources, net	2,578	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	121,735	(53,693)
Balances beginning of year	635,001	189,825
Balances end of year	\$ 756,736	136,132

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
150,772	155,232	155,232	(4,460)
94,950	80,000	80,000	14,950
69,130	51,975	51,975	17,155
9,027	1,700	1,700	7,327
21,635	10,000	10,000	11,635
366,729	269,100	373,600	(6,871)
265,119	285,750	285,750	(20,631)
15,348	-	-	15,348
29,464	71,400	71,400	(41,936)
<u>1,022,174</u>	<u>925,157</u>	<u>1,029,657</u>	<u>(7,483)</u>
344,155	277,015	367,467	23,312
168,861	173,954	188,454	19,593
78,671	85,104	85,104	6,433
1,560	1,550	1,550	(10)
46,523	48,175	51,175	4,652
44,310	45,300	45,300	990
33,430	75,000	75,000	41,570
239,200	254,116	256,616	17,416
<u>956,710</u>	<u>960,214</u>	<u>1,070,666</u>	<u>113,956</u>
65,464	(35,057)	(41,009)	106,473
<u>2,578</u>	<u>-</u>	<u>-</u>	<u>2,578</u>
68,042	(35,057)	(41,009)	109,051
<u>824,826</u>	<u>600,977</u>	<u>600,977</u>	<u>223,849</u>
<u>892,868</u>	<u>565,920</u>	<u>559,968</u>	<u>332,900</u>

City of Newhall

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

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. 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. During the year, one budget amendment increased budgeted disbursements by \$110,452. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amount budgeted in the community and economic development function.

**Other Supplementary Information**

**City of Newhall**



## 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, 2008

	Special Revenue		
	Employee Benefits	Debt Service	Total
Receipts:			
Property tax	\$ 12,103	-	12,103
Disbursements:			
Debt service	-	44,310	44,310
Excess (deficiency) of receipts over (under) disbursements	12,103	(44,310)	(32,207)
Other financing sources (uses):			
Operating transfers in	-	38,058	38,058
Operating transfers out	(13,320)	-	(13,320)
Total other financing sources (uses)	(13,320)	38,058	24,738
Net change in cash balances	(1,217)	(6,252)	(7,469)
Cash balances beginning of year	1,217	(7,338)	(6,121)
Cash balances end of year	\$ -	(13,590)	(13,590)
<b>Cash Basis Fund Balances</b>			
Unreserved	\$ -	(13,590)	(13,590)

See accompanying independent auditor's report.

---

City of Newhall  
Schedule of Indebtedness  
Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds: Water improvement	Dec 1, 2001	3.00%	\$ 527,000
Revenue bonds: Water	Dec 1, 2001	3.00%	\$ 216,000
Revenue note: Water	Dec 23, 2004	4.60%	\$ 100,000

See accompanying independent auditor's report.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
377,000	33,000	344,000	11,310
168,000	8,000	160,000	5,460
78,871	9,028	69,843	3,526

**Schedule 3**

City of Newhall  
Bond and Note Maturities  
June 30, 2008

Year Ending June 30,	General Obligation Bonds		Revenue Bonds/Note				
	Water		Water Revenue Bonds		Water Revenue Note		
	Improvement		Issued Dec 1, 2001		Issued Dec 23, 2004		
	Interest		Interest		Interest		Total
Rates	Amount	Rates	Amount	Rates	Amount		
2009	3.00%	\$ 34,000	3.00%	\$ 8,000	4.60%	\$ 9,448	17,448
2010	3.00	35,000	3.00	8,000	4.60	9,888	17,888
2011	3.00	36,000	3.00	8,000	4.60	10,348	18,348
2012	3.00	37,000	3.00	9,000	4.60	10,830	19,830
2013	3.00	38,000	3.00	9,000	4.60	11,333	20,333
2014	3.00	39,000	3.00	9,000	4.60	11,861	20,861
2015	3.00	40,000	3.00	10,000	4.60	6,135	16,135
2016	3.00	42,000	3.00	10,000		-	10,000
2017	3.00	43,000	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>\$ 344,000</u>		<u>\$ 160,000</u>		<u>\$ 69,843</u>	<u>229,843</u>

See accompanying independent auditor's report.



**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, each major fund and the aggregate remaining fund information of the City of Newhall, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated July 14, 2009. 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, 2007. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of 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 our 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including a deficiency we consider to be a material weakness.

A control deficiency exists when the design or operation of the 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Newhall's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Newhall's financial statements that is more than inconsequential will not be prevented or detected by the City of Newhall's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Newhall's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (A) is a material weakness.

#### Compliance and Other Matters

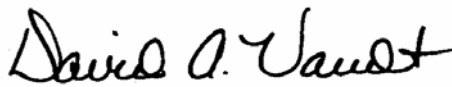
As part of obtaining reasonable assurance about whether the City of Newhall's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 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.

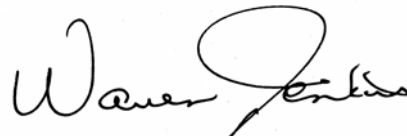
The City of Newhall's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Newhall's responses and, accordingly, we express no opinion on them.

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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

July 14, 2009

City of Newhall  
Schedule of Findings  
Year ended June 30, 2008

**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 revenue and disbursement cycles and reporting.
  - (2) Receipts—collecting, depositing, journalizing and posting.
  - (3) Payroll—changes to the master list, preparation and distribution.
  - (4) Bank reconciliation—preparation and maintenance of accounting records.

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.

Response – The City will continue to look for ways to rectify this issue. Currently we have begun a procedure in which the Mayor initials invoices to be paid.

Conclusion – Response accepted.

- (B) Receipts – Proper account coding of revenues and timely deposits of receipts help ensure proper reporting and handling of monies. The City coded certain receipts as “Not in Chart of Accounts”. Additionally, the Library holds receipts until the monthly board meeting and then submits receipts to the City Clerk for deposit, causing certain receipts from the State of Iowa to be deposited a month or more after receipt.

Recommendation – The City should identify all sources of receipts using the chart of accounts and, if necessary, establish new account codes as needed. The Library should remit receipts for deposit to the City Clerk timely.

Response – This issue was corrected the day the auditors found it.

Conclusion – Response accepted.

- (C) Disbursements – The City issued a check prior to year end which was held until September when the services and products were completed.

Recommendation – In the future, checks should not be written and held.

Response – Checks will be written only when an invoice is present.

Conclusion – Response accepted.

City of Newhall

Schedule of Findings

Year ended June 30, 2008

- (D) Information Systems – The following weaknesses in the City’s computer based systems were noted:

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

- Personal use of computer equipment and software.
- Requiring users to log-off unattended computers.
- Personal use of the internet.
- A disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items to improve the City’s control over computer-based systems.

Response – The City is in the process of developing a personnel handbook which includes all of the above listed policies and will be adopted in FY10.

Conclusion – Response accepted.

- (E) Disaster Recovery Plan – The City does not have a written approved disaster recovery plan detailing personnel, procedures and equipment necessary to ensure continuity of City services with minimal interruption. The City has begun to put together the items necessary to reestablish services but a formal written plan has not been developed or approved by the City Council.

Recommendation – The City should develop a written disaster recovery plan detailing necessary personnel, procedures and equipment to establish City services in the event of a disaster to ensure minimal interruption of City services.

Response – The City has partnered with Benton County and hired an experienced author to complete the plan. He is working with FEMA currently on details needed for the update.

Conclusion – Response accepted.

- (F) Timesheets – The City utilizes timesheets to record hours worked, vacation and/or sick time used. One employee does not report or track vacation used on the timesheets.

Recommendation – The City should review and update payroll policies to ensure all employees submit detailed timesheets.

Response – The employee will be required to turn this information into the City Clerk for each payroll run.

Conclusion – Response accepted.



City of Newhall

Schedule of Findings

Year ended June 30, 2008

- (G) Record of Investments – The City’s investment policy states the responsibility for investment transactions resides with the Treasurer of the City of Newhall and only the Treasurer and those authorized by the resolution may invest public funds. The Fire and First Responder Departments each had a certificate of deposit (CD) initially recorded on the City’s financial records not invested by the Treasurer or City Clerk of Newhall. The CD’s had no detailed transaction history recorded in the City’s financial statements as interest and account statements were not available. This has been resolved for audit purposes.

Recommendation – A detailed record of all investment transactions by fund should be maintained.

Response – The Fire Department brought their CD interest up to date with the City and then cashed the CD. The First Responders Department will be doing the same as of July 1, 2009.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Newhall

Schedule of Findings

Year ended June 30, 2008

**Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amount budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in 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 to</u>	<u>Purpose</u>	<u>Amount</u>
Wells Fargo Visa	Gift cards for Library fundraiser	\$ 150
Blue Bunny	Ice cream for Library fundraiser	12
Newhall Locker	Hotdogs/hamburgers for Library fundraiser and fire department	82
DJ C-Stores	Computer service donation	100
William Danker	Peanuts for fire department	24
Andrew Miller	Scholarship	125
Newhall First Stop	Pop/water for fire department	376

According to the opinion, it is possible for certain expenses 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 Council should thoroughly consider and document the public purpose and propriety of these expenses or, if appropriate, request reimbursement. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – The City will document the public purpose for purchases better or the purchases will not be authorized.

Conclusion – Response accepted.

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

City of Newhall

Schedule of Findings

Year ended June 30, 2008

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

Name, Title, and Business Connection	Transaction Description	Amount
Jerry Gessner, Council Member, Owner of Gessner's Auto Service	Repairs, per bid	\$ 2,608
David Furler, Public Works Superintendent, Father is owner of Furler Utility Service	Water testing	8,005

In accordance with Chapter 362.5(11) 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 in accordance with Chapter 362.5(4) of the Code of Iowa. The transactions with the Public Works Superintendent's father may represent a conflict of interest since total transactions exceeded \$2,500 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of the transactions with the Public Works Superintendent's father.

Response – The City will seek legal advice from the City attorney to resolve this matter.

Conclusion – Response accepted.

- (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) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (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 issued revenue bonds and a revenue note with covenants the City must maintain net revenues at a level not less than 110% of the amount of principal and interest on the bonds and note falling due in the same year. The City has not established water rates sufficient to produce and maintain net revenues at a level not less than 110% of the average annual installments of principal and interest on the bonds and note falling due in the same year.

Recommendation – The City should review the utility rates and the actual receipts to ensure rates produce receipts sufficient to meet the financial obligations and covenants included in the revenue bond and note covenants.

Response – Water and sewer rates were raised in July 2009 and will be raised each year thereafter to prevent this issue from happening again.

Conclusion – Response accepted.

City of Newhall

Schedule of Findings

Year ended June 30, 2008

(10) Financial Condition – The Debt Service Fund had a deficit balance of \$13,590 at June 30, 2008.

Recommendation – The City should investigate alternatives to eliminate this deficit to return this fund to a sound financial position.

Response – The City has made a correcting transfer to the Debt Service Fund.

Conclusion – Response accepted.

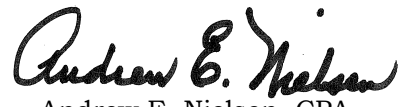
---

City of Newhall

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Carrie L. Livingston, CPA, Senior Auditor  
Daniel L. Grady, Senior Auditor  
Kristin M. Ockenfels, Assistant Auditor

  
Andrew E. Nielsen, CPA  
Deputy Auditor of State