

CITY OF NEWTON, IOWA

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

JUNE 30, 2010

City of Newton, Iowa
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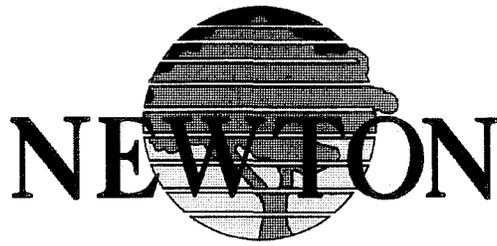
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INTRODUCTORY SECTION

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December 1, 2010

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

I am pleased to submit the annual financial report for the City of Newton, Iowa, for the fiscal year ended June 30, 2010, and to also provide information about the City organization and community. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation including all disclosures rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial statements on a cash basis of accounting. All disclosures necessary to enable the reader to gain an understanding of the government's financial activities have been included.

The annual financial report is presented in four sections: introductory, financial, compliance and statistical. The introductory section includes the table of contents, letter of transmittal, the government's organizational chart, and a list of City officials. The financial section includes the independent auditor's report, management's discussion and analysis, basic financial statements and required supplemental information. The statistical section includes selected financial and demographic information generally presented on a multi-year basis.

The Compliance Section of this report includes the auditor's report on internal control over financial reporting and compliance with requirements applicable to laws, regulations, contracts, and other matters.

The City of Newton has operated under a Mayor-Council form of government with an appointed City Administrator since 1982. Policy-making and legislative authority are vested in the governing Council, which consists of a Mayor, and six-member Council. The City Council is responsible for adopting ordinances, policy resolutions, the annual budget and six-year Capital Improvements Program, appointing committees, and hiring the City Administrator and City Attorney. The City Administrator is responsible for overseeing the day-to-day operations of the government and for appointing and supervising the City's department directors. The City Council is elected on a non-artisan basis to four-year staggered terms with three Council members elected every two years. The Mayor is elected for a two-year term. Four of the Council members are

elected within their respective wards, and the Mayor and the two remaining Council members are elected at-large.

This report includes all funds of the City of Newton. The City provides a full range of services including police and fire protection; sanitation services; the construction and maintenance of roads, streets and infrastructure; inspection and licensing functions; maintenance of grounds and buildings; municipal airport; library; cemetery and parks and recreation activities. In addition to general government activities, the municipality owns and operates enterprises for a regional landfill, water pollution control facility, and golf course.

ECONOMIC CONDITION AND OUTLOOK

The City of Newton serves as the Jasper County seat and as a local employment center. It is a regional retail hub, with a full range of shopping and services. The 2009-2010 fiscal year saw the impacts of a weak national economy, but also was a time for employment growth in Newton. Through aggressive pursuit of new businesses combined with local resourcefulness, Newton was able to stabilize its economy and set a positive course for future growth.

Newton continues to show resilience in the wake of the 2007 departure of the Maytag Corporation. In 2009-2010 in Newton, the community's economy had the following highlights:

- Employment of over 700 workers in the manufacturing of wind turbine components.
- Completion of the campus renovation and redevelopment for the former Maytag headquarters site, including the opening of a new career academy.
- Hosting by the Iowa Speedway of its first NASCAR Nationwide series race, drawing nearly 60,000 fans to the event.
- National winner of Siemens Sustainable Community Award for Small Communities presented by the US Chamber of Commerce
- Infrastructure investments in Newton roads utilizing State and Federal money to complete several asphalt overlay projects.

Though slowed by the overall national economy in 2009-2010, Newton is still well positioned for economic growth. The community is located along major transportation routes near an expanding metropolitan area and is intentionally diversifying its economic base. Due to these factors, Newton will continue to recover from the departure of Maytag and be poised for consistent future growth.

As stated above, in 2009-2010, work also continued on the remaking of the Maytag corporate campus in downtown Newton. Iowa Telecom, the owner of the majority of the complex, completed enhancements to its headquarters complex and continued to actively seek other occupants for vacant spaces. Windstream Corporation, of Little Rock Arkansas, acquired Iowa Telecom in 2010 and is currently transitioning its operations.

An ongoing prominent economic success story in Newton in 2009-2010 was the continued success of the Iowa Speedway. This \$70 million state-of-the-art facility opened in 2006 and hosts several large, nationally televised events throughout each year. The Speedway consists of a 7/8-mile oval racetrack, an infield road course, over 25,000 permanent grandstand seats, and two-dozen luxury suites. The track attracted over 200,000 spectators in the summer of 2010. The Iowa Speedway's past successes have been recognized with an awarding of a second NASCAR Nationwide race scheduled for 2011.

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

The overall outlook for Newton is positive. Though slowed by the national economic situation, Newton is still well positioned for economic growth. The community is located along major transportation routes near an expanding metropolitan area and is intentionally diversifying its economic base. For these factors, Newton will continue to recover from the departure of Maytag and be poised for consistent future growth.

CITY OPERATIONS

The Mayor, City Council and City staff conduct strategic planning activities on a regular basis in order to provide the City with a firm sense of direction about its future as well as to evaluate current activities. The City conducted a two-year strategic planning workshop in August of 2008. Staff and the Council worked to achieve a very high percentage rate of completion of those goals and held another two-year strategy planning session in August of 2010.

FINANCIAL INFORMATION

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

The City maintains budgeting controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. All funds are included in the annual appropriated budget with the exception of non-expendable trust funds, the internal service fund, and agency funds. The level of budgeting control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the program level.

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

Debt Administration

At June 30, 2010 the City of Newton had a number of debt issues outstanding. These issues included \$21,455,000 of general obligation bonds, \$4,121,616 of sewer revenue capital loan notes, and \$35,000 of special assessment bonds and notes. The government has experienced an upgrade of its rating from Moody's Investors Service on general obligation bond issues to AA3. Under current state statutes, the government's general obligation debt issues are subject to a legal limitation based on 5 percent of total actual value of real property. The government's net general obligation debt of \$25,611,616 was below the legal limit of \$35,557,875.

The City looks for, and calls in, bond issues that will generate annual principal and interest savings.

Cash Management

Cash temporarily idle during the year was invested in demand deposits, and certificates of deposit. The investment policy adopted by the City Council stresses the importance of capital preservation. The policy directives intend to minimize credit and market risks while maintaining a competitive yield on the portfolio. Accordingly, deposits were either covered by federal depository insurance or collateralized. All collateral on uninsured deposits was held either by the State Treasurer, the government, its agent, or a financial institution's trust department in the government's name. All of the investments subject to risk categorization were classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board.

Risk Management

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

OTHER INFORMATION

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Nolte, Cornman & Johnson P.C. was selected for this purpose. The independent auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report.

Evaluation by Moody's Investors Service

In 2010, Moody's Investors Service reclassified to a rating of AA3 from its earlier A1 rating the City of Newton's general obligation debt.

Acknowledgments

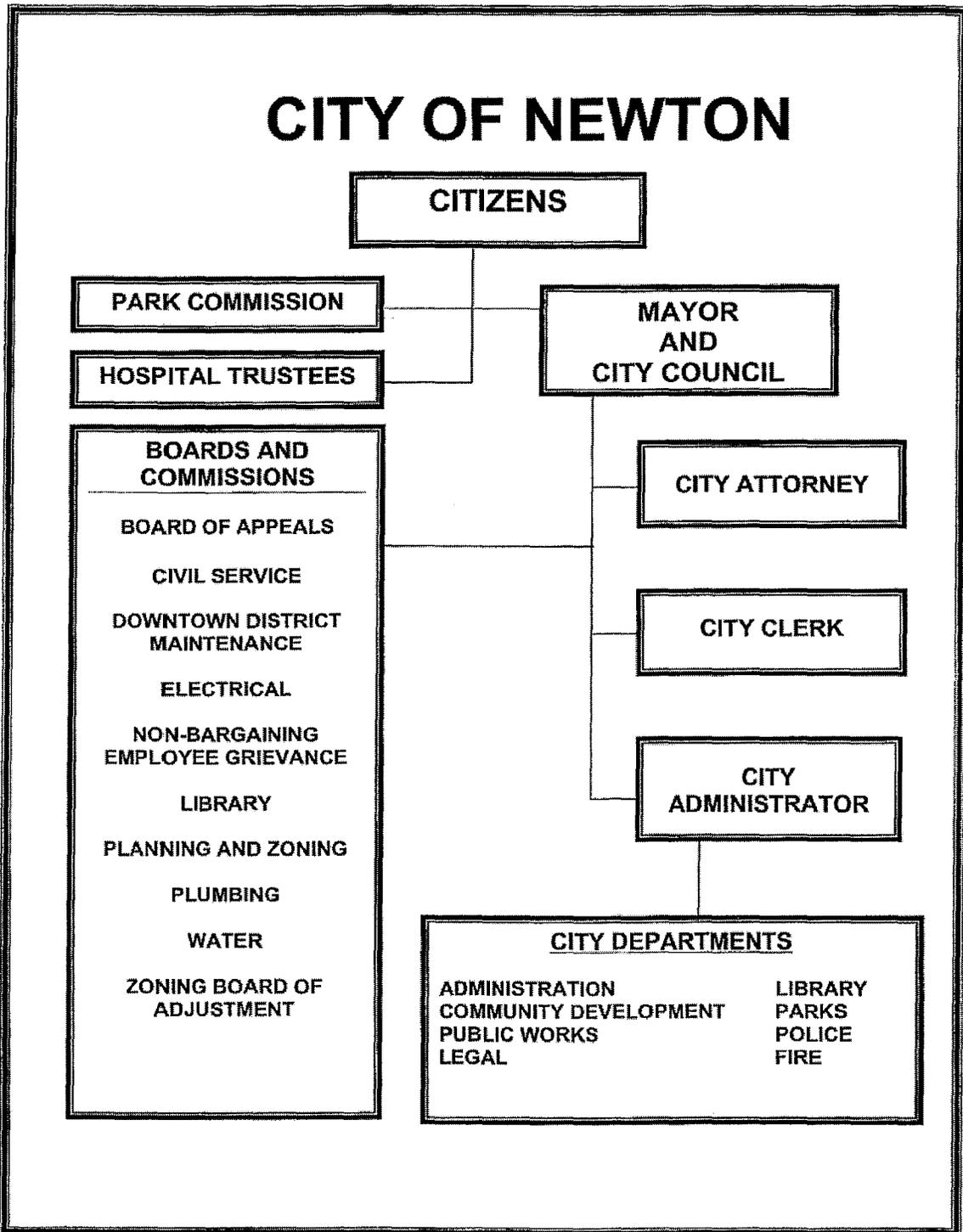
I am grateful for the support and interest of the Mayor and City Council, department directors and other management staff for their conscientiousness in planning and conducting the financial operations of the City of Newton in a responsible and progressive manner. Preparation of this report could not have been accomplished without the efficient and dedicated services of the Administration Department staff and the efficient assistance of the City's independent auditors, Nolte, Cornman & Johnson P.C.

Respectfully submitted,



Thomas R. Wardlow
City Administrator

CITY OF NEWTON



City of Newton, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Charles Allen	Mayor	December 31, 2011
Jeremy Heaberlin	Council-At-Large	December 31, 2011
D.J. Julius	Council-At-Large	December 31, 2013
Jim Plumb	Council-First Ward	December 31, 2011
Michael Hansen	Council-Second Ward	December 31, 2013
Marvin Morris	Council-Third Ward	December 31, 2011
Steve Mullan	Council-Fourth Ward	December 31, 2013
Tom Wardlow	City Administrator	Appointed
Darrin T. Hamilton	City Attorney	Appointed
Candice Van Zee	City Clerk	Appointed

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FINANCIAL SECTION

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NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Newton, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Newton. Our responsibility is to express an opinion 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 that our audit provides a reasonable basis for our opinion.

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

In our opinion, 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 Newton at June 30, 2010, and the respective changes in financial position for the year then ended in conformity with the basis of accounting described in Note 1.

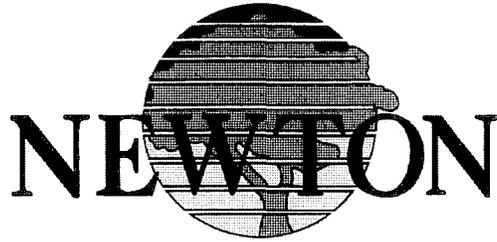
In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose 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 Governmental Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 19 through 25 and 46 through 48 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 Newton's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed an unqualified opinion on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedule 1 through 5, is presented for purposes of additional analysis and is not required parts of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is also presented for the purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section tables have not been subject to the auditing procedures applied by us in the audit of the financial statements, and accordingly we express no opinion on them.

NOLTE, CORNMAN & JOHNSON PC
NOLTE, CORNMAN & JOHNSON, P.C.

Newton, Iowa
December 1, 2010



**CITY OF NEWTON, IOWA
MANAGEMENT DISCUSSION AND ANALYSIS**

The City of Newton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The City's General Fund receipts of \$8,442,086 increased \$191,088 or 2.31% from the FY 2009 receipts of \$8,250,998.
- General Fund property taxes increased by \$265,185 or 8.66% to \$3,328,128 over the FY 2009 tax collections of \$3,062,943.
- The City's General Fund disbursements of \$7,982,466 decreased \$469,837 or 5.56% from the FY 2009 disbursements of \$8,452,303.
- The City's General Fund end of year cash balance of \$3,631,598 increased \$459,620 or 14.48% from the FY 2009 cash balance of \$3,171,978.
- There were no significant changes in the City's operations.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

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

The Government-wide Financial Statements consists of a statement of activities and changes in cash balances. 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 statements by providing information about the most significant funds.

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

Supplementary Information provides detailed information about the annual budget, nonmajor governmental funds and debt obligations.

REPORTING THE CITY AS A WHOLE

The statement of activities and changes in cash balance presents information showing how the City's cash balance changed during the most recent fiscal year.

The City's governmental activities are displayed in the statement of activities and changes in the cash balance. Governmental activities include public safety public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

The business-type activities of the City include the landfill, sanitary sewer system, and other non-major enterprise funds. These activities are financed primarily by user charges.

Fund Financial Statements

The fund financial statements provide detailed information about individual, significant funds; not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to help it control and manage money for particular purposes.

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of the funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Funds. Governmental funds are reported on the basis of cash receipts and disbursements. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Financial records and reports are prepared on the basis of when cash is received and disbursed. The government fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide statement of activities and changes in cash balance. The City maintains two Enterprise Funds to provide separate information for the landfill and sanitary sewer funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The Internal Service Fund utilized by the City accounts for employee group health insurance.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the City reports the activities of the funds using the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). The City does not report capital assets or depreciation on those assets as would be required by GAAP.

Governmental Activities

The City's end of year cash balance for governmental activities of \$6,353,754 increased \$187,718 or 3.04% from the FY 2009 end of year cash balance of \$6,166,036.

Changes in Cash Balance of Governmental Activities
(Expressed in Thousands)

	Governmental Activities		Total Change
	2010	2009	2009-10
Receipts and Transfers:			
Charges for service and sales	\$ 2,475	2,483	-0.32%
Operating grants, contributions and restricted interest	2,052	4,412	-53.49%
Capital grants, contributions and restricted interest	765	92	731.52%
General revenues:			
Property tax	8,194	7,386	10.94%
Unrestricted investment earnings	35	77	-54.55%
Bond proceeds	5,171	0	
Other general receipts	2,642	2,365	11.71%
Transfers	40	13	207.69%
Total receipts and transfers	21,374	16,828	27.01%
Disbursements			
Public safety	5,127	5,465	-6.18%
Public works	2,423	2,557	-5.24%
Health and social services	268	12	2133.33%
Culture and recreation	1,696	1,810	-6.30%
Community and economic development	4,467	618	622.82%
General government	1,149	1,257	-8.59%
Debt service	2,191	2,162	1.34%
Capital project	3,865	4,118	-6.14%
Total disbursements	21,186	17,999	17.71%
Increase(Decrease) in cash balance	188	(1,171)	116.05%
Cash Balance Beginning of Year	6,166	7,337	-15.96%
Cash Balance End of Year	\$ 6,354	6,166	3.05%

Changes in Cash Balance of Business-Type Activities (Expressed in Thousands)			
	Business-Type Activities		Total Change
	2010	2009	2009-10
Receipts and Transfers:			
Program receipts:			
Charges for service and sales:			
Landfill	\$ 1,444	1,311	10.14%
Sewer	1,792	1,955	-8.34%
Other	483	485	-0.41%
Operating Grants, contributions and restricted interest			
Other	8	81	-90.12%
General receipts:			
Unrestricted investment earnings	52	59	-11.86%
Bond proceeds	241	20	1105.00%
Other general receipts	60	56	7.14%
Transfers	(40)	(13)	207.69%
Total receipts and transfers	4,040	3,954	2.18%
Disbursements and Transfers:			
Landfill	920	664	38.55%
Sewer	2,193	2,183	0.46%
Other	527	426	23.71%
Total disbursements	3,640	3,273	11.21%
Increase(Decrease) in cash balance	400	681	41.26%
Cash Balance Beginning of Year	5,124	4,443	15.33%
Cash Balance End of Year	\$ 5,524	5,124	7.81%

THE CITY'S INDIVIDUAL MAJOR FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are major reasons for the changes in cash balances from the prior year for the City's major funds.

Governmental Funds.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$3,631,598 increased \$459,620 or 14.48% from the prior year ending cash balance of \$3,171,978.

Proprietary Funds.

- The Sewer Fund end of year cash balance of \$1,191,084 decreased \$143,626 or 10.76% from the FY 2009 end of year cash balance of \$1,334,710.
- The Landfill Fund end of year cash balance of \$3,674,767 increased \$516,231 or 16.34% from the FY 2009 end of year cash balance of \$3,158,536.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following a required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget once.

DEBT ADMINISTRATION

At FY2010 year-end, the City had \$25,611,616 in bonds and other long-term debt compared to \$25,169,852 last year as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	2010	2009
General obligation bonds	\$ 21,455	\$ 21,020
Special assessment bonds and notes	35	70
Sewer revenue capital loan notes	4,122	4080
Total	<u>\$ 25,612</u>	<u>\$ 25,170</u>

The City's general obligation bond rating continues to be A1 rating as rated by Moody's. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$25,611,616 is below the City's legal debt limit.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

After having implemented a one-cent sales tax in 2006, the city has realized additional revenues that have provided relief to property tax payers and funded needs and programs.

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 regarding this report or need additional financial information, contact Thomas R. Wardlow, City Administrator, 101 West 4th Street South, Newton, Iowa.

Sincerely,

A handwritten signature in cursive script that reads "Thomas R. Wardlow".

Thomas R. Wardlow
City Administrator

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BASIC FINANCIAL STATEMENTS

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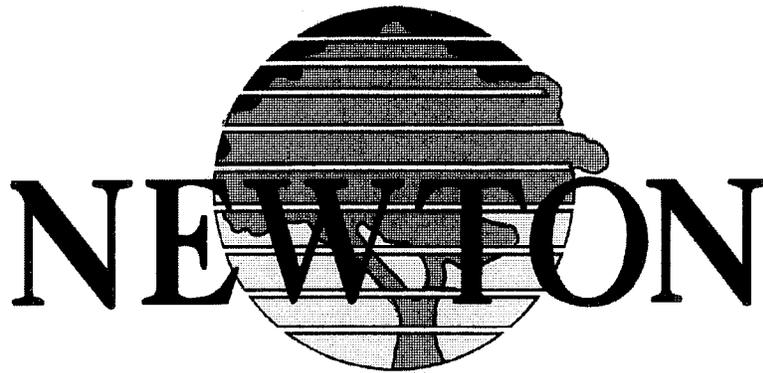


Exhibit A

CITY OF NEWTON, IOWA
STATEMENT OF ACTIVITIES AND CHANGES IN CASH BALANCES
YEAR ENDED JUNE 30, 2010

	Program Receipts				Net (Disbursements) Receipts		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs							
Governmental activities:							
Public safety	\$ 5,127,611	1,338,788	262,840	0	(3,525,983)	0	(3,525,983)
Public works	2,422,659	956,674	1,377,091	0	(88,894)	0	(88,894)
Health and social services	267,944	0	0	0	(267,944)	0	(267,944)
Culture and recreation	1,696,648	102,156	0	0	(1,594,492)	0	(1,594,492)
Community and economic development	4,465,669	0	0	0	(4,465,669)	0	(4,465,669)
General government	1,149,508	77,036	14,065	0	(1,058,407)	0	(1,058,407)
Debt service	2,190,835	0	0	0	(2,190,835)	0	(2,190,835)
Capital projects	3,864,984	0	398,587	764,773	(2,701,624)	0	(2,701,624)
Total governmental activities	21,185,858	2,474,654	2,052,583	764,773	(15,893,848)	0	(15,893,848)
Business-type activities:							
Landfill	919,709	1,443,700	0	0	0	523,991	523,991
Sewer	2,193,393	1,792,379	0	0	0	(401,014)	(401,014)
Golf	526,845	482,920	8,799	0	0	(35,126)	(35,126)
Total business-type activities	3,639,947	3,718,999	8,799	0	0	87,851	87,851
Total	\$ 24,825,805	6,193,653	2,061,382	764,773	(15,893,848)	87,851	(15,805,997)
General Receipts:							
Property tax levied for:							
General purposes					\$ 3,328,128	0	3,328,128
Employee benefits					1,736,137	0	1,736,137
Debt service					887,495	0	887,495
Tax increment financing					2,242,523	0	2,242,523
Other city tax					1,657,637	35,821	1,693,458
Unrestricted investment earnings					35,100	51,851	86,951
Bond proceeds, net					5,170,527	240,616	5,411,143
Special assessments					22,407	0	22,407
Miscellaneous					879,158	24,435	903,593
Sale of capital assets					82,634	0	82,634
Transfers					39,820	(39,820)	0
Total general receipts and transfers					16,081,566	312,903	16,394,469
Changes in cash balances					187,718	400,754	588,472
Cash balances beginning of year					6,166,036	5,123,699	11,289,735
Cash balances end of year					\$ 6,353,754	5,524,453	11,878,207

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit B

CITY OF NEWTON, IOWA
STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

	Special Revenue						Other Nonmajor Governmental Funds	Total
	General	Road Use Tax	Employee Benefits	Tax Increment Financing	Debt Service	Capital Projects		
Receipts:								
Property tax	\$ 3,328,128	0	1,736,137	0	887,495	0	0	5,951,760
Tax increment financing collections	0	0	0	2,242,523	0	0	0	2,242,523
Other city tax	1,217,478	0	416,477	0	23,682	0	0	1,657,637
Licenses and permits	157,553	0	0	0	0	0	0	157,553
Use of money and property	97,711	0	0	5,552	611	154	8,108	112,136
Intergovernmental	285,797	1,377,091	0	398,588	0	755,883	0	2,817,359
Charges for services	2,240,062	0	0	0	0	0	0	2,240,062
Special assessments	307	0	0	0	22,100	0	0	22,407
Miscellaneous	372,386	0	300,884	0	0	205,888	0	879,158
Total receipts	7,899,422	1,377,091	2,453,498	2,646,663	933,888	961,925	8,108	16,080,595
Disbursements:								
Governmental activities:								
Public safety	3,705,314	0	1,388,052	0	0	0	0	5,093,366
Public works	1,336,800	1,032,070	47,124	0	0	0	0	2,415,994
Health and social services	11,103	0	256,841	0	0	0	0	267,944
Culture and recreation	1,389,867	0	299,366	0	0	0	0	1,689,233
Community and economic development	496,255	0	56,896	3,908,201	0	0	1,154	4,462,506
General government	964,142	0	171,273	0	0	0	0	1,135,415
Debt service	0	0	0	0	2,190,835	0	0	2,190,835
Capital projects	0	0	0	2,848,567	0	1,016,417	0	3,864,984
Total disbursements	7,903,481	1,032,070	2,219,552	6,756,768	2,190,835	1,016,417	1,154	21,120,277
Excess (deficiency) of receipts over (under) disbursements	(204,059)	345,021	233,946	(4,110,105)	(1,256,947)	(54,492)	6,954	(5,039,682)
Other financing sources (uses):								
Bond refinancing, net	0	0	0	5,168,033	2,494	0	0	5,170,527
Sale of capital assets	32,634	0	0	0	0	50,000	0	82,634
Transfers in	710,030	0	17,948	700,000	1,284,305	78,986	0	2,791,269
Transfers out	(78,986)	(333,205)	(136,680)	(2,069,580)	(15,536)	0	0	(2,633,987)
Total other financing sources (uses)	663,678	(333,205)	(118,732)	3,798,453	1,271,263	128,986	0	5,410,443
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	459,619	11,816	115,214	(311,652)	14,316	74,494	6,954	370,761
Cash balances beginning of year	3,171,978	10,212	(20,658)	2,085,505	(9,693)	159,767	457,501	5,854,612
Cash balances end of year	\$ 3,631,597	22,028	94,556	1,773,853	4,623	234,261	464,455	6,225,373
Amount reported for governmental activities in the statement of activities and changes in cash balance are different because:								
Excess of receipts and other financing sources over disbursements and other financing uses								\$ 370,761
The internal service fund is used by management to charge the costs of employee health benefits to individual funds. The net loss of the internal service fund is reported with governmental activities.								(183,042)
Change in cash balance of governmental activities								\$ 187,719

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit C

CITY OF NEWTON, IOWA
STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2010

	Enterprise Funds				Internal Service Fund Group Insurance
	Landfill	Sewer	Other Nonmajor Enterprise Funds	Total	
Receipts:					
Charges for services	\$ 1,443,700	1,792,379	482,920	3,718,999	0
Use of money and property	41,570	7,603	2,678	51,851	0
Other city tax	0	0	35,821	35,821	0
Intergovernmental	0	0	8,799	8,799	0
Miscellaneous	11,840	9,169	3,426	24,435	92,534
Total receipts	1,497,110	1,809,151	533,644	3,839,905	92,534
Disbursements:					
Business-type activities:					
Operations	919,709	1,643,420	417,520	2,980,649	0
Debt service	0	321,463	0	321,463	0
Capital projects	0	228,510	109,325	337,835	0
	919,709	2,193,393	526,845	3,639,947	0
Governmental activities:					
Non-program	0	0	0	0	158,115
Total disbursements	919,709	2,193,393	526,845	3,639,947	158,115
Excess(deficiency) of receipts over(under) disbursements	577,401	(384,242)	6,799	199,958	(65,581)
Other financing sources(uses):					
Bond proceeds, net	0	240,616	0	240,616	0
Transfers in	0	0	61,170	61,170	136,680
Transfers out	(61,170)	0	(39,820)	(100,990)	(254,142)
Total other financing sources(uses)	(61,170)	240,616	21,350	200,796	(117,462)
Excess/(Deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	516,231	(143,626)	28,149	400,754	(183,043)
Cash balances beginning of year	3,158,536	1,334,710	630,453	5,123,699	311,424
Cash balances end of year	\$ 3,674,767	1,191,084	658,602	5,524,453	128,381

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit D

CITY OF NEWTON, IOWA
STATEMENT OF NET ASSETS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2010

	<u>Municipal Waterworks</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 531,417
Retricted sinking fund	14,798
Receivables (net of allowance for uncollectibles)	204,033
Inventory	93,595
Total current assests	<u>843,843</u>
Non-current assets:	
Capital assets, net of accumulated depreciation	
Property, plant and equipment	4,899,934
Construction in progress	32,864
Total non-current assets	<u>4,932,798</u>
Total assets	<u>5,776,641</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and other current liabilities	131,056
Total current liabilities	<u>131,056</u>
Noncurrent liabilities:	
Due within one year	96,992
Due in more than one year	673,221
Total noncurrent liabilities	<u>770,213</u>
Total liabilities	<u>901,269</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	4,162,585
Unreserved	712,787
Total net assets	<u>\$ 4,875,372</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

Exhibit E

CITY OF NEWTON, IOWA
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
COMPONENT UNIT
YEAR ENDED JUNE 30, 2010

	<u>Municipal Waterworks</u>
Operating Revenues	
Charges for service	\$ 2,217,425
Miscellaneous	74,705
Total Operating Revenues	<u>2,292,130</u>
Operating Expenses	
Home and Community Environment Program:	
Plant:	
Operating expense:	972,327
Maintenance expenses:	69,305
Distribution:	
Operating expense:	373,002
Maintenance expenses:	22,916
Administrative and general expenses	515,956
Depreciaton	295,252
Total operating expenses	<u>2,248,758</u>
Operating Income	<u>43,372</u>
Non-Operating Revenues (Expenses)	
Interest Expense	(35,485)
Net loss on disposal of assets	(8,026)
Miscellaneous revenue	13,871
Total non-operating revenue (expenses)	<u>(29,640)</u>
Change in net assests	13,732
Total net assets - beginning	<u>4,861,640</u>
Total net assets - ending	<u>\$ 4,875,372</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

CITY OF NEWTON, IOWA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

The City of Newton, Iowa, was incorporated in 1857 and operates under the Mayor/Council/Administrator form of government. The City of Newton provides a broad range of services to citizens, including general government, public safety, streets, sanitation, and health, cultural and park facilities, and social services. It also operates the airport, landfill, parking facilities, and sewer utilities.

Reporting Entity

For financial reporting purposes, the City of Newton, Iowa, 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 criteria also include organizations that are fiscally dependent on the City.

The following component units are entities which are legally separate from the City. A summary of the financial transactions of the Waterworks component unit have been included. Skiff Medical Center's financial statements have not been displayed in this report.

The Newton Municipal Waterworks (Waterworks) is a municipal utility of the City of Newton, Iowa, which is operated under Chapter 338 of the Code of Iowa and the Newton City Code. The Waterworks is legally separate from the City but has the potential to provide specific benefits to, or impose specific burdens on the City. The Waterworks is governed by a three-member board appointed by the Mayor and approved by the City Council. The City has been audited separately. Complete financial statements can be obtained from the Waterwork's administrative office.

Skiff Medical Center (Medical Center) is a municipal hospital of the City of Newton, Iowa, organized under Chapter 392 of the Code of Iowa, and is governed by a five-member board elected by the citizens of Newton. The Medical Center is fiscally dependent on the City because general obligation bond issuance authorizations are approved by the City Council, and the liability for the general obligation bonds remains with the City. The Medical Center has been audited separately by other auditors. Complete financial statements can be obtained from the Medical Center's administrative office.

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Jointly Governed Organizations

The City also participates in several jointly governed organizations that provides 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 Poweshiek-Jasper County Task Force, the Jasper County Joint E911 Service Board, and the Jasper County Assessor's Conference Board.

Government-wide Financial Statements

The government-wide financial statement (i.e., the statement of activities and changes in cash balances) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally 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 support.

The statement of activities and changes in cash balances demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that 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 that are restricted to meeting the operational or capital requirements of a particular function. Tax and other items not properly included among program receipts are reported instead as general receipts.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

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 accounting principles generally accepted in the United States of America.

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 that are 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 that are not paid from other funds.

(continued on next page)

Special Revenue Funds:

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

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

The Tax Increment Financing Fund is used to account for projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

Additionally, the City reports the following major proprietary funds:

The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supposed by user charges.

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

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.

Budgets and Budgetary Accounting

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 permanent funds, the internal service fund, and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements, known as functions, not by fund or fund type. These ten functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities, and non-program.

(continued on next page)

Property Taxes

By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. The levy or lien date is the date that the tax asking is certified by the City to the County. Property taxes are levied as of July 1 on property values assessed as of January 1 of the previous year. The tax levy is divided into two billings. The first billing is mailed on July 1 and the second billing is mailed on January 1. The billings are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending three months after the tax bill mailing. On these dates (September 30 and March 31), the bill becomes delinquent, and penalties and interest may be assessed by the governments.

Note 2 - Cash and Investments

The City's deposits in banks at June 30, 2010, 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 assets that were classified as investments at June 30, 2010.

Note 3 - Bonds and Notes Payable

Annual debt service requirements to maturity for the City's indebtedness are as follows:

(continued on next page)

Year Ending June 30,	General Obligation Bonds		Sewer Revenues Capital Loan Notes		Special Assessment Capital Loan Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
	2011	1,370,000	862,053	225,000	323,653	35,000
2012	1,410,000	829,359	233,000	276,908	-	-
2013	1,190,000	785,084	240,000	226,393	-	-
2014	2,095,000	747,965	247,000	187,858	-	-
2015	1,700,000	690,109	255,000	147,775	-	-
2016	1,655,000	620,794	263,000	121,400	-	-
2017	1,530,000	550,329	271,000	99,546	-	-
2018	1,570,000	485,118	279,000	86,376	-	-
2019	1,340,000	415,553	289,000	72,480	-	-
2020	1,140,000	359,787	298,000	63,810	-	-
2021	1,175,000	312,418	287,616	54,870	-	-
2022	1,230,000	255,793	288,000	37,020	-	-
2023	1,290,000	196,348	298,000	28,380	-	-
2024	1,350,000	133,993	154,000	19,440	-	-
2025	1,410,000	71,092	159,000	14,820	-	-
2026	-	-	165,000	10,050	-	-
2027	-	-	170,000	5,100	-	-
Total	\$ 21,455,000	\$ 7,315,795	\$ 4,121,616	\$ 1,775,879	\$ 35,000	\$ 2,460

Year Ending June 30,	Total	
	Principal	Interest
2011	1,630,000	1,188,166
2012	1,643,000	1,106,267
2013	1,430,000	1,011,477
2014	2,342,000	935,823
2015	1,955,000	837,884
2016	1,918,000	742,194
2017	1,801,000	649,875
2018	1,849,000	571,494
2019	1,629,000	488,033
2020	1,438,000	423,597
2021	1,462,616	367,288
2022	1,518,000	292,813
2023	1,588,000	224,728
2024	1,504,000	153,433
2025	1,569,000	85,912
2026	165,000	10,050
2027	170,000	5,100
Total	\$ 25,611,616	\$ 9,094,134

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

- a) The notes will only be redeemed from the future earnings of the Sewer Fund, and the note holders hold a lien on the future earnings of the fund.
- b) Establish a Subordinated Sinking Fund and make a monthly cash transfer equal to 1/6 of the installment of interest coming due on the next interest payment date plus 1/12 of the installment of principal coming due on the notes on the next succeeding principal payment date.

Note 4 - Employer Incentives Agreement

During the year ended June 30, 2009 the City entered into an agreement with Jasper County to pay one-half of the interest payments on the Counties 2007 General Obligation, Urban Renewal Bonds during fiscal years 2009-2010 through and including 2012-2013. These payments will total \$395,763, and are summarized as follows:

<u>Employer Incentives Agreement</u>	
<u>Year</u>	<u>November 13, 2007</u>
<u>Ending</u> <u>June 30,</u>	<u>Amount</u>
2011	\$ 131,921
2012	131,921
2013	131,921
	<u>\$ 395,763</u>

Note 5 - Advance Refunding of General Obligation and Revenue Bonds

During the year ended June 30, 2010 the City issued \$7,415,000 of general obligation refunding bonds, with interest rates ranging from 2.00% to 5.15%. The amount of the refunded general obligation and revenue bonds was \$5,784,852. The net present value savings over the life of the bonds was \$609,292.

Note 6 - Employment Retirement Systems

MFPRSI - The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan) which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, West Des Moines, IA 50263.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, cannot be less than 17% of earnable compensation. Contribution requirements are established by state

(continued on next page)

statute. The City's contributions to the Plan for the years ended June 30, 2010, 2009 and 2008 were \$443,950, \$519,538, and \$648,188, respectively, which (met) exceeded the required contribution for each year.

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

Plan members are required to contribute 4.30% of their annual covered salary, and the City is required to contribute 6.65% of covered salary. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$223,404, \$211,869, and \$203,585, respectively, equal to the required contributions for each year.

Note 7 - Other Postemployment Benefits

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for retirees and their spouses. There are 103 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug and dental coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug and dental benefit as active employees, which results in an implicit subsidy and an OPEB liability.

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

Projected claim costs of the medical plan range from \$428.19 for single to \$1,314.12 for family under Plan \$350/\$750 deductible, \$405.14 for single to \$1,243.37 for family under Plan \$500/\$1,000 deductible, \$384.13 for single to \$1,179.89 for family under Plan \$750/\$1,500 deductible and \$250.73 for single to \$769.49 for family under Plan \$2,500/\$5,000 deductible. Upon retirement, the retired participant is assumed to pay 100% of the required premium. For the year ended June 30, 2010, the City contributed \$20,962 to the medical plan. Plan members eligible for benefits contributed \$0.

Note 8 - 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 compensated absences payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

(continued on next page)

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 652,878</u>

Upon termination, retirement, or death, City employees are not paid for unused sick leave.

This liability has been computed based on rates of pay in effect at June 30, 2010.

Note 9 - Landfill Closure and Postclosure Care

The City of Newton has entered into an agreement with several other municipalities as allowed under Section 28E of the Code of Iowa to provide for economical and environmentally responsible disposal of solid waste and establish permanent environmental responsibility for the Newton Sanitary Landfill.

State and federal laws and regulations require the Newton Sanitary Landfill to place a final cover on its landfill site when filled and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City has estimated a total liability for the closure and postclosure of the landfill of approximately \$4,744,200. This amount is based upon the use of 29% of the estimated total capacity. The remaining \$11,615,110 will be recognized as the remaining capacity is filled.

These amounts are based upon what it would cost to perform all closure and postclosure care in 2009. The City expects to close the existing area of the landfill in 2011. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

As specified in the 28E agreement, the City of Newton is responsible for only 57.56%, or \$2,730,762, of the total closure and postclosure cost of the landfill. The City's proportionate share is updated annually in accordance with Section 2.2(b) of the Landfill Intergovernmental Agreement.

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

Note 10 - Transfers

The details of transfers for the year ended June 30, 2010, is as follows:

(continued on next page)

Transfers in

	General Fund	Employee Benefits Fund	Debt Service Fund	Capital Projects Fund	Tax increment Financing Fund	Insurance Funds	Nonmajor Enterprise Funds	Total
Transfers out								
General fund	\$ -	\$ -	\$ -	\$ 78,986	\$ -	\$ -	\$ -	\$ 78,986
Employee Benefits Fund	-	-	-	-	-	136,680	-	136,680
Road use tax fund	333,205	-	-	-	-	-	-	333,205
Tax Increment Financing fund	103,147	17,948	1,248,485	-	700,000	-	-	2,069,580
Insurance Fund	254,142	-	-	-	-	-	-	254,142
Debt Fund	15,536	-	-	-	-	-	-	15,536
Landfill fund	-	-	-	-	-	-	61,170	61,170
Nonmajor enterprise funds	4,000	-	35,820	-	-	-	-	39,820
Total	\$ 710,030	\$ 17,948	\$ 1,284,305	\$ 78,986	700,000	\$ 136,680	\$ 61,170	\$ 2,989,119

The transfer to the General Fund from the Road Use Tax Fund represents the reimbursement of disbursements that related to road use (traffic control, street lighting, storm sewer, sidewalks, etc.).

The transfer to the General Fund from the Tax Increment Financing (TIF) Fund represents the reimbursement of disbursements of the TIF administration and payment of loans of prior years to the TIF fund.

The transfer to the General fund from the Insurance Fund was the result of the City closing the Insurance Fund with the money in the fund going to the General Fund.

The transfer from to the General Fund from the Debt Service Fund represents a corrective transfer for Special Assessment taxes received into the Debt Service Fund.

The transfer to the General Fund from the Nonmajor Enterprise Funds represents the Golf transfer to help with General Fund operating expenses.

The transfer from one TIF fund to another represents the North Central TIF paying for part of the Synergy project.

The transfer to the Employee Benefits Fund from the Tax Increment Financing Fund represents the reimbursement of disbursements for the benefits of the economic development director.

The transfers to the Debt Service Fund are for the payment of debt.

The transfer to the Capital Projects Fund represent the General Fund reimbursing for the payment of the children's shelter and hatchery project.

The transfer to the Insurance Fund from the Employee Benefits Fund represents the payment for unpaid insurance claims from the previous fiscal year.

(continued on next page)

The transfer to the Nonmajor Enterprise Funds represents the transfer to the Landfill Post Closure Fund from the Landfill Fund to set aside a balance to be used to pay for future costs for the closing of the current landfill.

Note 11 - Commitments and Contingencies

The City's corporate counsel reported that as of June 30, 2010, various claims and lawsuits were on file against the City. The corporate counsel estimated that all potential settlements against the City not covered by insurance would not materially affect the financial position of the City. The City has authority to levy additional taxes (outside the regular limit) to cover uninsured judgments against the City.

Note 12 - Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2010 were \$164,144.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to

(continued on next page)

\$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions.

However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with the Newton Municipal Airport for aviation ground operations liability insurance in the amount of \$13,171. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEWTON, IOWA
 BUDGETARY COMPARISON OF SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN BALANCES -
 BUDGET TO ACTUAL - ALL GOVERNMENTAL FUNDS AND
 AND PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2010

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 5,951,760	0	0
Tax increment financing collections	2,242,523	0	0
Other city tax	1,657,637	35,821	0
Licenses and permits	157,553	0	0
Use of money and property	112,136	51,851	0
Intergovernmental	2,817,359	8,799	0
Charges for services	2,240,062	3,718,999	0
Special assessments	22,407	0	0
Miscellaneous	879,158	116,969	92,534
Total receipts	<u>16,080,595</u>	<u>3,932,439</u>	<u>92,534</u>
Disbursements:			
Public safety	5,093,366	0	0
Public works	2,415,994	0	0
Health and social services	267,944	0	0
Culture and recreation	1,689,233	0	0
Community and economic development	4,462,506	0	0
General government	1,135,415	0	0
Debt service	2,190,835	0	0
Capital projects	3,864,984	0	0
Business-type	0	3,639,947	0
Non-program	0	158,115	158,115
Total disbursements	<u>21,120,277</u>	<u>3,798,062</u>	<u>158,115</u>
Excess (Deficiency) of receipts over (under) disbursements	(5,039,682)	134,377	(65,581)
Other financing sources(uses), net	5,410,443	83,333	(117,462)
Excess(deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	370,761	217,710	(183,043)
Balance beginning of year	5,854,612	5,435,123	311,424
Balance end of year	<u>\$ 6,225,373</u>	<u>5,652,833</u>	<u>128,381</u>

SEE NOTES TO FINANCIAL STATEMENTS.

Net	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Original	Final	
5,951,760	5,941,263	5,941,263	10,497
2,242,523	1,300,093	7,576,861	(5,334,338)
1,693,458	1,667,542	1,645,542	47,916
157,553	191,900	158,350	(797)
163,987	403,417	354,917	(190,930)
2,826,158	1,533,353	2,257,000	569,158
5,959,061	6,064,642	5,606,145	352,916
22,407	5,000	5,000	17,407
903,593	484,900	718,572	185,021
19,920,500	17,592,110	24,263,650	(4,343,150)
5,093,366	5,057,431	5,207,605	114,239
2,415,994	2,570,064	2,607,194	191,200
267,944	426,980	480,980	213,036
1,689,233	1,787,173	1,807,510	118,277
4,462,506	737,013	4,581,013	118,507
1,135,415	1,198,856	1,224,056	88,641
2,190,835	2,164,397	4,448,314	2,257,479
3,864,984	20,000	5,131,475	1,266,491
3,639,947	4,369,089	4,249,689	609,742
0	0	0	0
24,760,224	18,331,003	29,737,836	4,977,612
(4,839,724)	(738,893)	(5,474,186)	634,462
5,611,238	2,223,294	5,452,394	158,844
771,514	1,484,401	(21,792)	793,306
10,978,311	13,482,321	11,305,008	(326,697)
11,749,825	14,966,722	11,283,216	466,609

CITY OF NEWTON, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2010

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 permanent funds, the internal service fund, and agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major class disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, and the capital projects fund. Although the budgeted document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, the budget was amended increasing budgeted disbursements by \$11,406,833. This budget amendment was reflected in the final budgeted amounts.

OTHER SUPPLEMENTARY INFORMATION

CITY OF NEWTON, IOWA
 COMBINING SCHEDULE OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2010

	Special Revenue	Permanent		Total
	Central Business District	Perpetual Care	Fred Maytag Park Endowment	
Receipts:				
Use of money and property	\$ 0	8,108	0	8,108
Total receipts	0	8,108	0	8,108
Disbursements:				
Governmental activities:				
Community and economic development	1,154	0	0	1,154
Total disbursements	1,154	0	0	1,154
Excess(deficiency) of receipts over(under) disbursements	(1,154)	8,108	0	6,954
Cash balances beginning of year	1,154	223,027	233,320	457,501
Cash balances end of year	\$ 0	231,135	233,320	464,455

CITY OF NEWTON, IOWA
 COMBINING SCHEDULE OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES
 NONMAJOR ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2010

	Landfill		Total
	Post Closure	Golf	
Receipts:			
Charges for services	\$ 0	482,920	482,920
Use of money and property	2,678	0	2,678
Other city tax	0	35,821	35,821
Intergovernmental	0	8,799	8,799
Miscellaneous	0	3,426	3,426
Total receipts	2,678	530,966	533,644
Disbursements:			
Business-type activities:			
Operations	0	417,520	417,520
Capital projects	0	109,325	109,325
Total disbursements	0	526,845	526,845
Excess of receipts over disbursements	2,678	4,121	6,799
Other financing sources(uses):			
Transfers in	61,170	0	61,170
Transfers out	0	(39,820)	(39,820)
Total other financing sources(uses)	61,170	(39,820)	21,350
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	63,848	(35,700)	28,149
Cash balances beginning of year	460,528	169,925	630,453
Cash balances end of year	\$ 524,376	134,226	658,602

CITY OF NEWTON, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
1995B Series, Urban renewal	6/1/1995	7.25 %	\$ 580,000
1999A Series, Street and park improvements and equipment	6/1/1999	4.25-4.50	1,440,000
1999B Series, Urban renewal	6/1/1999	6.30-6.85	720,000
2001A Series, Public improvements and equipment	5/24/2001	4.50-5.00	2,040,000
2001B Series, Urban renewal	5/24/2001	6.15-6.40	235,000
2003A Series, Public improvements and equipment	3/1/2003	2.65-4.25	1,515,000
2003B Series, Urban renewal	3/1/2003	4-10-5.20	725,000
2004A Series, Refunding	1/1/2004	2.45-3.75	1,060,000
2004B Series, Public improvements and equipment	9/15/2004	3.00-4.10	1,665,000
2004C Series, Public improvements and equipment	9/15/2004	3.70-5.10	1,135,000
2006A Series, Urban renewal	2/1/2006	9.50	3,644,852
2006B Series, Iowa Speedway infrastructure	5/16/2006	4.25-5.00	9,700,000
2006C Series, Refunding	4/28/2006	3.60-3.80	1,290,000
2007A Series, Urban renewal	6/20/2007	5.55-5.75	740,000
2009A Series, Refunding	8/25/2009	2.00-3.13	1,115,000
2009B Series, Refunding	8/25/2009	1.75-5.15	6,300,000
Total			
Sewer Revenue Capital Loan Notes:			
2002 Sewer	4/3/2002	3.00 %	\$ 2,111,497
2007 Sewer	4/15/2007	3.00	2,561,000
2010 Sewer	1/13/2010	3.00	240,616
Total			
Special Assessment Capital Loan Notes:			
2001D Series	5/24/2001	7.70 %	\$ 245,000
2001E Series	5/24/2001	5.35	75,000
Total			

Schedule 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 65,000	\$ 0	\$ 65,000	\$ 0	\$ 4,713	\$ -
530,000	0	530,000	0	6,412	-
325,000	0	325,000	0	5,855	-
1,125,000	0	140,000	985,000	53,220	-
85,000	0	85,000	0	1,455	-
970,000	0	90,000	880,000	37,630	-
440,000	0	440,000	0	5,838	-
605,000	0	105,000	500,000	20,645	-
1,420,000	0	120,000	1,300,000	52,936	-
760,000	0	760,000	0	9,793	-
3,644,852	0	3,644,852	0	38,727	-
9,700,000	0	-	9,700,000	450,119	-
610,000	0	195,000	415,000	22,885	-
740,000	0	45,000	695,000	41,640	-
0	1,115,000	120,000	995,000	21,678	-
0	6,300,000	315,000	5,985,000	183,882	-
<u>\$ 21,019,852</u>	<u>\$ 7,415,000</u>	<u>\$ 6,979,852</u>	<u>\$ 21,455,000</u>	<u>\$ 957,428</u>	<u>\$ -</u>
\$ 1,716,000	\$ 0	\$ 100,000	\$ 1,616,000	\$ 51,480	\$ -
2,364,000	0	99,000	2,265,000	70,920	-
0	240,616	0	240,616	63	-
<u>\$ 4,080,000</u>	<u>\$ 240,616</u>	<u>\$ 199,000</u>	<u>\$ 4,121,616</u>	<u>\$ 122,463</u>	<u>\$ -</u>
\$ 50,000	\$ 0	\$ 25,000	\$ 25,000	\$ 3,850	\$ -
20,000	0	10,000	10,000	1,070	-
<u>\$ 70,000</u>	<u>\$ 0</u>	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 4,920</u>	<u>\$ -</u>

CITY OF NEWTON, IOWA
BONDS AND NOTE MATURITIES
JUNE 30, 2010

Year Ending June 30,	General Obligation Bonds					
	2001A Series		2003A Series		2004A Series	
	Issued May 24, 2001		Issued March 1, 2003		Issued January 1, 2004	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	4.50 %	\$ 145,000	3.40 %	\$ 95,000	3.20 %	\$ 100,000
2012	4.60	155,000	3.65	100,000	3.45	100,000
2013	4.70	160,000	3.80	105,000	3.55	100,000
2014	4.80	165,000	4.00	105,000	3.65	100,000
2015	4.90	175,000	4.00	110,000	3.75	100,000
2016	5.00	185,000	4.10	115,000	-	0
2017	-	0	4.20	120,000	-	0
2018	-	0	4.25	130,000	-	0
2019	-	0	-	0	-	0
2020	-	0	-	0	-	0
2021	-	0	-	0	-	0
2022	-	0	-	0	-	0
2023	-	0	-	0	-	0
2024	-	0	-	0	-	0
2025	-	0	-	0	-	0
		<u>\$ 985,000</u>		<u>\$ 880,000</u>		<u>\$ 500,000</u>

Year Ending June 30,	General Obligation Bonds					
	2004B Series		2006B Series		2006C Series	
	Issued September 15, 2004		Issued May 15, 2006		Issued April 28, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	3.25 %	\$ 125,000	4.25 %	0	3.75 %	\$ 200,000
2012	3.50	130,000	4.25	0	3.80	215,000
2013	3.50	130,000	4.25	0	-	0
2014	3.63	135,000	4.25	635,000	-	0
2015	3.75	145,000	4.50	660,000	-	0
2016	3.88	150,000	4.50	685,000	-	0
2017	4.00	155,000	4.50	715,000	-	0
2018	4.10	160,000	4.50	750,000	-	0
2019	4.10	170,000	4.50	780,000	-	0
2020	-	0	4.63	815,000	-	0
2021	-	0	4.75	850,000	-	0
2022	-	0	4.75	890,000	-	0
2023	-	0	4.75	930,000	-	0
2024	-	0	4.75	975,000	-	0
2025	-	0	5.00	1,015,000	-	0
		<u>\$ 1,300,000</u>		<u>\$ 9,700,000</u>		<u>\$ 415,000</u>

(continued)

CITY OF NEWTON, IOWA
BONDS AND NOTE MATURITIES
JUNE 30, 2010

Year Ending June 30,	2007A Series		2009A Series		2009B Series	
	Issued June 20, 2007		Issued August 25, 2009		Issued August 25, 2009	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	5.75 %	\$ 60,000	2.00 %	\$ 115,000	1.75 %	\$ 530,000
2012	5.75	65,000	2.00	105,000	2.50	540,000
2013	5.75	65,000	2.00	105,000	2.80	525,000
2014	5.75	70,000	2.50	100,000	3.40	785,000
2015	5.50	75,000	2.75	150,000	3.70	285,000
2016	5.50	75,000	3.00	150,000	4.10	295,000
2017	5.50	85,000	3.00	150,000	4.30	305,000
2018	5.55	90,000	3.13	120,000	4.70	320,000
2019	5.60	95,000	-	0	4.88	295,000
2020	5.75	15,000	-	0	5.00	310,000
2021	-	0	-	0	5.00	325,000
2022	-	0	-	0	5.05	340,000
2023	-	0	-	0	5.05	360,000
2024	-	0	-	0	5.10	375,000
2025	-	0	-	0	5.15	395,000
		<u>\$ 695,000</u>		<u>\$ 995,000</u>		<u>\$ 5,985,000</u>

June 30,	Total
2011	\$ 1,370,000
2012	1,410,000
2013	1,190,000
2014	2,095,000
2015	1,700,000
2016	1,655,000
2017	1,530,000
2018	1,570,000
2019	1,340,000
2020	1,140,000
2021	1,175,000
2022	1,230,000
2023	1,290,000
2024	1,350,000
2025	1,410,000
	<u>\$ 21,455,000</u>

(continued)

CITY OF NEWTON, IOWA
BONDS AND NOTE MATURITIES
JUNE 30, 2010

Year Ending June 30,	Sewer Revenue Capital Loan Notes					
	Issued April 15, 2007		Issued April 3, 2002		Issued January 13, 2010	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	3.00 %	\$ 102,000	3.00 %	\$ 103,000	3.00 %	\$ 20,000
2012	3.00	105,000	3.00	107,000	3.00	21,000
2013	3.00	109,000	3.00	110,000	3.00	21,000
2014	3.00	112,000	3.00	113,000	3.00	22,000
2015	3.00	116,000	3.00	116,000	3.00	23,000
2016	3.00	120,000	3.00	120,000	3.00	23,000
2017	3.00	123,000	3.00	124,000	3.00	24,000
2018	3.00	127,000	3.00	127,000	3.00	25,000
2019	3.00	132,000	3.00	131,000	3.00	26,000
2020	3.00	136,000	3.00	135,000	3.00	27,000
2021	3.00	140,000	3.00	139,000	3.00	8,616
2022	3.00	145,000	3.00	143,000	-	0
2023	3.00	150,000	3.00	148,000	-	0
2024	3.00	154,000	3.00	0	-	0
2025	3.00	159,000	3.00	0	-	0
2026	3.00	165,000	3.00	0	-	0
2027	3.00	170,000	3.00	0	-	0
		<u>\$ 2,265,000</u>		<u>\$ 1,616,000</u>		<u>\$ 240,616</u>

Year Ending June 30,	Sewer Revenue Capital Loan Notes	
	Total	
2011	225,000	
2012	233,000	
2013	240,000	
2014	247,000	
2015	255,000	
2016	263,000	
2017	271,000	
2018	279,000	
2019	289,000	
2020	298,000	
2021	287,616	
2022	288,000	
2023	298,000	
2024	154,000	
2025	159,000	
2026	165,000	
2027	170,000	
	<u>\$ 4,121,616</u>	

(continued)

CITY OF NEWTON, IOWA
BONDS AND NOTE MATURITIES
JUNE 30, 2010

Special Assessment Capital Loan Notes					
Year Ending June 30,	2001D Series		2001E Series		Total
	Issued May 24, 2001		Issued May 24, 2001		
	Interest Rates	Amount	Interest Rates	Amount	
2011	7.70 %	\$ 25,000	5.35 %	\$ 10,000	\$ 35,000
		25,000		\$ 10,000	\$ 35,000

CITY OF NEWTON, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUND TYPES

FOR THE LAST SEVEN YEARS

	2010	2009	2008	2007	2006	2005	2004
Receipts:							
Property tax	\$ 5,951,760	5,493,609	5,984,330	7,230,696	5,994,989	5,654,908	5,758,479
Tax increment financing collections	2,242,523	1,891,542	2,036,141	1,860,065	1,691,755	1,508,311	872,463
Other city tax	1,657,637	1,655,392	1,675,923	285,958	328,427	314,247	322,489
Licenses and permits	157,553	159,900	190,304	205,956	225,130	161,605	171,658
Use of money and property	112,136	177,015	280,094	346,163	244,662	192,121	210,000
Intergovernmental	2,817,356	4,504,063	4,908,820	6,171,243	1,799,776	2,203,808	2,458,778
Charges for services	2,240,062	2,223,544	2,036,389	1,957,417	1,942,775	1,905,605	1,707,917
Special assessments	22,407	24,383	45,262	77,206	15,647	7,123	20,695
Miscellaneous	879,158	609,260	1,040,044	497,221	960,438	440,812	588,492
Total receipts	\$ 16,080,592	16,738,708	18,197,307	18,631,925	13,203,599	12,388,540	12,110,971
Disbursements:							
Governmental activities:							
Public safety	\$ 5,093,366	5,284,662	5,134,641	5,168,187	5,024,945	4,977,075	4,805,464
Public works	2,415,994	2,523,491	2,544,558	2,186,286	2,109,548	2,282,945	2,159,562
Health and social services	267,944	12,032	12,464	12,898	14,721	40,177	287,589
Culture and recreation	1,689,233	1,774,050	1,723,088	1,544,680	1,456,883	1,525,350	1,271,987
Community and economic development	4,462,506	3,931,121	3,451,583	8,344,843	7,677,471	1,435,070	999,778
General government	1,135,415	1,190,467	1,268,716	1,136,829	1,114,948	985,365	1,018,977
Debt service	2,190,835	2,161,937	2,711,173	3,025,150	3,569,991	2,164,850	2,449,921
Capital projects	3,864,984	786,856	430,141	546,850	1,092,201	2,915,109	975,263
Total disbursements	\$ 21,120,277	17,664,616	17,276,364	21,965,723	22,060,708	16,325,941	13,968,541

COMPLIANCE SECTION

CITY OF NEWTON, IOWA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2010

GRANTOR/PROGRAM	CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	PROGRAM EXPENDITURES
DEPARTMENT OF HOMELAND SECURITY:			
ASSISTANCE TO FIREFIGHTERS GRANT PROGRAM	97.044	EMW-2008-FD-00190	24,110
ASSISTANCE TO FIREFIGHTERS GRANT PROGRAM	97.044	EMW-2009-FD-00364	47,989
INDIRECT:			
DEPARTMENT OF COMMERCE			
ECONOMIC ADJUSTMENT GRANT	11.307	05-79-04645	222,454
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			
IOWA DEPARTMENT OF ECONOMIC DEVELOPMENT:			
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM	14.228	07-OT-002-06	8,450
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM (PAIP)	14.228	07-PIAP-005	181,621
FEDERAL HIGHWAY ADMINISTRATION			
IOWA DEPARTMENT OF TRANSPORTATION:			
ARRA- HIGHWAY PLANNING AND CONSTRUCTION	20.205	01-09-ESP-039	717,504
DEPARTMENT OF JUSTICE:			
GOVERNOR'S OFFICE OF DRUG CONTROL POLICY:			
BYRNE FORMULA GRANT PROGRAM	16.738	09-JAG/ARRA-247	48,757
ARRA-RECOVERY ACT EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT (JAG)	16.804	2009-SB-B9-1193	10,195
ENVIRONMENTAL PROTECTION AGENCY			
CLEAN WATER STATE REVOLVING FUND (CWSRF)	66.458	CS-192478-01	240,616
DEPARTMENT OF HOMELAND SECURITY:			
IOWA DEPARTMENT OF PUBLIC DEFENSE:			
IOWA HOMELAND SECURITY AND EMERGENCY MANAGEMENT DIVISION:			
DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	FEMA-099-56505-00	77,917
TOTAL			<u>\$ 1,579,613</u>

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

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

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 City of Newton, Iowa as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 1, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 City of Newton, Iowa'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 City of Newton, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Newton, Iowa'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 or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Newton, Iowa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Cost as item II-A-10 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 noted no significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Newton, Iowa'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 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.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 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.

City of Newton, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Newton, Iowa'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 City of Newton, Iowa and other parties to whom City of Newton, Iowa may report, including federal awarding agencies and pass-through entities. 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 City of Newton, Iowa 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.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

December 1, 2010

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Audit's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of City of Newton, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2010. The City's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Newton, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-10 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance

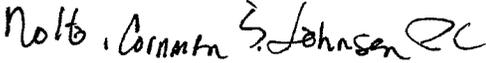
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that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City'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 City of Newton, Iowa, and other parties to whom City of Newton, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

December 1, 2010

CITY OF NEWTON, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose an audit finding which is required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 11.307 – Economic Adjustment Grant
 - CFDA Number 20.205 – HMA Stimulus – Overlay Surface Transportation Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Newton, Iowa, did not qualify as a low-risk auditee.

CITY OF NEWTON, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part II: Findings Related to the Basic Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual has the ability to enter cash receipts, reconcile bank accounts, reconcile investments, and make entries to the general ledger.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult and the City has taken some steps to help minimize this problem. While the individual mentioned above has the ability to perform each of the functions listed, she is not doing so on a daily basis. However, the City should continually review its control procedures to obtain the maximum internal control possible under the circumstances, and management needs to be aware of the importance of segregating duties when assigning job responsibilities.

Response - The City is aware of the auditor's recommendation and has made a number of changes in its practices since this issue was first identified in the 1995 audit. Given the size of our administration staff compared to the range of City administrative responsibilities, some overlay of duties is necessary. The City Administrator and Director of Administrative Services are currently exploring ways to have more segregation of duties in the general administrative office.

Conclusion - Response accepted

CITY OF NEWTON, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 11.307 -- Economic Adjustment Grant
Federal Award Year: 2010
US Department of Commerce

CFDA Number 20.205 -- HMA Stimulus -- Overlay Surface Transportation Program
Federal Award Year: 2010
Federal Highway Administration
Passed through the Iowa Department of Transportation

III-A-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that one individual has the ability to enter cash receipts, reconcile bank accounts, reconcile investments, and make entries to the general ledger.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult and the City has taken some steps to help minimize this problem. While the individual mentioned above has the ability to perform each of the functions listed, she is not doing so on a daily basis. However, the City should continually review its control procedures to obtain the maximum internal control possible under the circumstances, and management needs to be aware of the importance of segregating duties when assigning job responsibilities.

Response - The City is aware of the auditor's recommendation and has made a number of changes in its practices since this issue was first identified in the 1995 audit. Given the size of our administration staff compared to the range of City administrative responsibilities, some overlay of duties is necessary. The City Administrator and Director of Administrative Services are currently exploring ways to have more segregation of duties in the general administrative office.

Conclusion - Response accepted

CITY OF NEWTON, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-10 Certified Budget - City disbursements for the year ended June 30, 2010, did not exceed the amount budgeted.
- IV-B-10 Questionable Disbursements - We noted no disbursements that fail to meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-10 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-10 Business Transactions - There were no business transactions between the City and City officials or employees that appear to represent a conflict of interest.
- IV-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-10 Revenue Bonds - No instances of non-compliance with the provisions of the City's revenue bond resolutions were noted.
- IV-H-10 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy.
- IV-I-10 Solid Waste Fees Retainage - The City used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.

**STATISTICAL SECTION
(UNAUDITED)**

Table 1

CITY OF NEWTON, IOWA
TAX INCREMENT FINANCING FUND - STATEMENT OF CASH RECEIPTS
AND DISBURSEMENTS (UNAUDITED)
INCEPTION TO JUNE 30, 2010

Operating receipts:	
Bond proceeds	\$ 31,560,946
Interest on investments	159,743
Sale of property	1,195,701
Property taxes	19,381,579
Intergovernmental	10,421,240
Miscellaneous	596,539
	<hr/>
	63,315,748
Operating disbursements:	
Property acquisition and improvement	9,694,327
Property demolition	966,390
Economic development grants	18,462,147
Legal and administrative	1,461,641
Property taxes	94,716
Relocation	47,050
Operating supplies	15,139
Structures	62,133
Refunds	603,017
Revenue bond principal	5,074,852
Revenue bond interest	896,194
Street improvements	1,239,670
City Hall site improvements	545,658
Private development improvements	457,407
Skiff Medical Center	280,000
Manufactured Gas Plant	1,877
Payment to other agencies	610,369
	<hr/>
	40,512,587
Operating receipts over operating disbursements	22,803,161
Other transactions:	
Transfer to Debt Service Fund - bond interest	(18,024,138)
Transfer to General Fund - economic development	(3,519,019)
Transfer to Central Business District	(2,500)
Transfer to Employee Benefits Fund	(81,596)
Transfer to Capital Projects Fund	(731,139)
Transfer to Sewer Fund	(547,555)
Interfund loan	1,876,639
	<hr/>
Cash and investment balance at June 30, 2010	<u>\$ 1,773,853</u>

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

Table 2

CITY OF NEWTON, IOWA
COMPARISON OF ENTERPRISE FUNDS CHARGES FOR
SERVICES RECEIPTS (UNAUDITED)

<u>Year Ended</u> <u>June 30</u>	<u>Golf</u>	<u>Landfill</u>	<u>Sewer</u>	<u>Parking</u>
1999	\$ 237,829	\$ 1,016,244	\$ 1,624,456	\$ 71,803
2000	247,336	1,066,190	1,727,724	64,783
2001	252,813	1,023,040	1,663,932	64,157
2002	310,166	1,101,874	1,799,290	68,049
2003	337,385	1,004,252	1,907,363	80,521
2004	361,043	1,207,756	1,996,295	78,717
2005	382,123	1,094,907	2,158,385	87,684
2006	347,108	1,004,324	2,201,492	78,449
2007	327,866	1,050,974	2,173,973	75,824
2008	396,034	1,257,373	2,144,742	67,195
2009	485,479	1,310,509	1,955,306	-
2010	482,920	1,443,700	1,792,379	-

CITY OF NEWTON, IOWA
COMPARITIVE TOTAL AND PER CAPITA PROGRAM DISBURSEMENTS (UNAUDITED)

Year Ended June 30	Population Per Census	Public Safety Disbursements		Public Works Disbursements		Health and Social Services Disbursements		Culture and Recreation Disbursements		Community and Economic Development Disbursements	
		Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita
		1999	14,789**								
2000	14,789**										
2001	15,579***										
2002	15,579***										
2003	15,579***	\$ 4,545,241	\$ 291.75	\$ 1,983,636	\$ 127.33	\$ 82,434	\$ 5.29	\$ 1,604,289	\$ 102.98	\$ 704,691	\$ 45.23
2004	15,579***	\$ 4,758,804	\$ 305.46	\$ 2,147,898	\$ 137.87	\$ 280,590	\$ 18.01	\$ 1,260,323	\$ 80.90	\$ 988,114	\$ 63.43
2005	15,579***	\$ 5,023,931	\$ 322.48	\$ 2,293,480	\$ 147.22	\$ 40,177	\$ 2.58	\$ 1,536,731	\$ 98.64	\$ 1,438,161	\$ 92.31
2006	15,579***	\$ 5,164,297	\$ 331.49	\$ 2,140,871	\$ 137.42	\$ 14,721	\$ 0.94	\$ 1,490,716	\$ 95.69	\$ 7,686,675	\$ 493.40
2007	15,579***	\$ 5,189,928	\$ 333.14	\$ 2,191,174	\$ 140.65	\$ 12,898	\$ 0.83	\$ 1,549,961	\$ 99.49	\$ 8,346,277	\$ 535.74
2008	15,579***	\$ 5,258,043	\$ 337.51	\$ 2,571,150	\$ 165.04	\$ 12,464	\$ 0.80	\$ 1,753,157	\$ 112.53	\$ 3,465,451	\$ 222.44
2009	15,579***	\$ 5,464,580	\$ 350.77	\$ 2,556,561	\$ 164.10	\$ 12,032	\$ 0.77	\$ 1,809,924	\$ 116.18	\$ 618,532	\$ 39.70
2010	15,579***	\$ 5,127,611	\$ 329.14	\$ 2,422,659	\$ 155.51	\$ 267,944	\$ 17.20	\$ 1,696,648	\$ 108.91	\$ 4,465,669	\$ 286.65

* Prior to 2003 disbursements were reported by programs. Function information is not available for these years.

** 1990 census figures

*** 2000 census figures

Table 3

General Government Disbursements		Debt Service Disbursements		Capital Projects Disbursements		Business type Activities Disbursements		Total Disbursements	
Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita
								\$ 18,034,278	\$ 1,219.44
								\$ 17,836,493	\$ 1,206.06
								\$ 17,936,321	\$ 1,151.31
								\$ 18,929,396	\$ 1,215.06
\$ 1,105,423	\$ 70.96	\$ 4,155,529	\$ 266.74	\$ 1,036,483	\$ 66.53	\$ 7,110,440	\$ 456.41	\$ 22,328,166	\$ 1,433.22
\$ 1,014,311	\$ 65.11	\$ 2,449,921	\$ 157.26	\$ 975,263	\$ 62.61	\$ 3,577,958	\$ 229.67	\$ 17,453,182	\$ 1,120.30
\$ 1,007,296	\$ 64.66	\$ 2,164,850	\$ 138.96	\$ 2,915,109	\$ 187.12	\$ 4,158,222	\$ 266.91	\$ 20,577,957	\$ 1,320.88
\$ 1,180,160	\$ 75.75	\$ 3,569,991	\$ 229.15	\$ 1,092,201	\$ 70.11	\$ 3,178,050	\$ 204.00	\$ 25,517,682	\$ 1,637.95
\$ 1,147,004	\$ 73.63	\$ 3,025,150	\$ 194.18	\$ 546,850	\$ 35.10	\$ 4,549,073	\$ 292.00	\$ 26,558,315	\$ 1,704.75
\$ 1,331,350	\$ 85.46	\$ 2,711,173	\$ 174.03	\$ 430,141	\$ 27.61	\$ 5,469,044	\$ 351.05	\$ 23,001,973	\$ 1,476.47
\$ 1,257,096	\$ 80.69	\$ 2,161,937	\$ 138.77	\$ 4,118,643	\$ 264.37	\$ 3,273,083	\$ 210.10	\$ 21,272,388	\$ 1,365.45
\$ 1,149,508	\$ 73.79	\$ 2,190,835	\$ 140.63	\$ 3,864,984	\$ 248.09	\$ 3,639,947	\$ 233.64	\$ 24,825,805	\$ 1,593.54

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

<u>Year Ended June 30</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>
1999	\$ 3,464,404	\$ 2,209,366	\$ 1,197,079
2000	3,581,029	2,285,484	1,166,506
2001	3,628,493	2,217,650	1,104,795
2002	3,809,166	2,174,281	1,152,609
2003	3,962,126	2,346,229	1,212,722
2004	3,419,134	2,200,265	1,019,238
2005	3,210,594	1,737,090	924,383
2006	3,640,718	1,753,991	944,354
2007	4,433,214	1,820,874	1,339,772
2008	4,507,293	2,113,039	1,085,183
2009	4,242,797	2,007,008	923,579
2010	4,545,913	2,152,614	933,277

* Includes special assessments

CITY OF NEWTON, IOWA
COMPARATIVE PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)

<u>Year Ended June 30</u>	<u>Collection Year Ended June 30</u>	<u>Total Property Tax Levy</u>	<u>Current Property Tax Collections</u>
1998	1999	\$ 5,922,601	\$ 5,934,327
1999	2000	5,976,126	6,025,184
2000	2001	5,810,661	6,004,953
2001	2002	6,002,909	6,289,066
2002	2003	6,051,121	6,456,534
2003	2004	5,888,462	6,175,595
2004	2005	5,917,919	5,654,909
2005	2006	5,987,798	5,994,989
2006	2007	6,186,189	7,230,696
2007	2008	5,982,574	5,984,330
2008	2009	5,557,926	5,489,841
2009	2010	5,941,263	5,947,898

Table 5

<u>Percent of Property Tax Levy Collected</u>	<u>Delinquent Property Tax Collections</u>	<u>TIF Property Tax Collections</u>	<u>Total Property Tax Collections</u>
100.20%	\$ 2,361	\$ 958,457	\$ 6,895,145
100.82%	373	1,027,627	7,053,184
103.34%	899	955,535	6,961,387
104.77%	1,249	857,895	7,148,210
106.70%	553	979,530	7,436,617
104.88%	3,509	934,565	7,113,669
95.56%	7,491	1,508,311	7,170,711
100.12%	1,060	1,691,755	7,510,791
116.88%	1,387	1,860,065	8,923,511
100.03%	1,756	2,036,141	7,845,782
98.77%	3,768	1,891,542	7,385,151
100.11%	3,862	2,242,523	8,194,283

CITY OF NEWTON, IOWA
 COMPARATIVE PROPERTY TAX RATES PER \$1,000 OF
 ASSESSED VALUATION (UNAUDITED)

Levy Year	Collection Year Ended June 30	Levy For			
		Newton School District	City of Newton	Jasper County	Area Schools
1999	2000	\$ 15.39680	\$ 15.41000	\$ 9.87591	\$ 0.52451
2000	2001	15.40482	15.10449	7.12568	0.54506
2001	2002	15.04789	15.10000	7.02263	0.54454
2002	2003	15.83348	15.53000	5.84654	0.54584
2003	2004	16.40942	15.38000	5.89480	0.58184
2004	2005	17.19063	15.94998	8.06036	0.59856
2005	2006	16.78900	15.95000	9.16450	0.68408
2006	2007	16.91412	16.63000	9.24852	0.68688
2007	2008	16.48184	15.79100	9.17034	0.60276
2008	2009	16.73813	15.65673	9.29114	0.84695
2009	2010	16.56630	15.65613	8.99696	0.56778

Table 6

<u>Extension Council</u>	<u>County Assessor</u>	<u>Tuerculosis Eradication</u>	<u>Total</u>	<u>Percent of City of Newton Levy to Total Levy</u>
\$ 0.09314	\$ 0.24894	\$ 0.00500	\$ 41.55430	39.92%
0.10559	0.31415	0.00500	38.60479	39.59%
0.11130	0.31981	0.00500	38.15117	39.50%
0.13572	0.32864	0.00400	38.22422	40.10%
0.14192	0.31173	0.00400	38.72371	36.40%
0.14490	0.30222	0.00400	42.25065	37.02%
0.14902	0.34677	0.00400	43.08737	36.22%
0.16251	0.38972	0.00400	44.03575	39.05%
0.15230	0.38173	0.00350	42.58347	36.62%
0.17218	0.40747	0.00350	43.11610	36.31%
0.17240	0.40625	0.00300	42.36882	36.95%

Table 7

CITY OF NEWTON, IOWA
 COMPARATIVE RATION OF GENERAL OBLIGATION BONDED DEBT TO TAXABLE VALUE
 AND GENERAL OBLIGATION BONDED DEBT PER CAPITA (UNAUDITED)

Date	Population Per Census	Taxable Value (Agricultural Land Included)	General Obligation Bonded Debt	Ratio of General Obligation Bonded Debt to Taxable Value	General Obligation Bonded Debt Per Capita
6/30/1999	14,789*	\$ 421,775,111	\$ 13,642,013 (1) (2)	0.032344	\$ 922.44
6/30/2000	14,789*	423,094,033	13,268,803 (1) (2)	0.031361	897.21
6/30/2001	15,579**	434,293,599	14,514,058 (1) (2)	0.033420	931.64
6/30/2002	15,579**	427,155,346	12,978,392 (1) (2)	0.030383	833.07
6/30/2003	15,579**	418,921,161	13,963,029 (1) (2)	0.033331	896.27
6/30/2004	15,579**	427,155,346	13,032,467 (1) (2)	0.030509	836.54
6/30/2005	15,579**	420,783,396	13,125,190 (1) (2)	0.031192	842.49
6/30/2006	15,579**	426,286,988	24,042,419 (1) (2)	17.730620	1,543.26
6/30/2007	15,579**	422,991,842	26,133,084 (1) (2)	16.186067	1,677.46
6/30/2008	15,579**	436,831,194	26,569,030 (1) (2)	16.441368	1,705.44
6/30/2009	15,579**	401,742,086	25,169,852 (1) (2)	15.961241	1,615.63
6/30/2010	15,579**	415,904,928	25,611,616 (1) (2)	16.238918	1,643.98

* 1990 census figures.

** 2000 census figures.

(1) Includes capital loan notes payable.

(2) Includes future capital lease payments.

CITY OF NEWTON, IOWA
SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)
JUNE 30, 2010

Fire and extended property coverage - all risk - \$1,000 deductible:	
APD Vehicle	\$ 4,195,534
Buildings	28,643,822
Personal property	3,668,218
Miscellaneous property	3,030,892
Fire and extended property coverage - all risk - \$500 deductible:	
EDP Hardware	78,800
Comprehensive automobile coverage:	
Bodily injury	2,000,000
Property damage	2,000,000
Uninsured motorist/underinsured motorist	1,000,000
Comprehensive	200 deductible
Collision	1,000 deductible
Comprehensive general liability	2,000,000
Boiler explosion damage to boiler and building	1,500,000
Umbrella excess liability coverage(includes auto bodily injury and property damage)	3,000,000
Ambulance and EMT professional liability	2,000,000
Airport liability	5,000,000
City clerk legal liability bond(errors and omissions)	2,000,000
Public officials liability	2,000,000
Workers' compensation	Statutory limit

CITY OF NEWTON, IOWA
 SEWER FUND DATA (UNAUDITED)
 JUNE 30, 2010

Sewer customers served at June 30, 2010 6,211

Sewer rates in effect at June 30, 2010:
 Minimum charge of \$7.11 per month plus \$2.28/100 cubic
 feet over the first 200 cubic feet used.

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

<u>Customer Type</u>	<u>Surcharge Factor</u>
Newton schools	1.1
Laundry, including industrial laundries, commercial laundries, and laundromatic	1.2
Car washes	1.3
Restaurants - including quick serve and sit-down types	1.6
Bakeries	1.4
Nursing homes	1.6

CITY OF NEWTON, IOWA
 MISCELLANEOUS STATISTICAL DATA (UNAUDITED)
 JUNE 30, 2010

Ten Largest Employers in Jasper County

Name (1)	Business Activity
Skiff Medical Center	Hospital
TPI	Wind turbine blades
Iowa Telecom	Communications
Progress Industries	Contract assembly
Hy-Vee Corporation	Food retailer
Wal-Mart, Inc.	Retail
Rock Communications	Commercial printing
The Vernon Company	Specialty advertising
Trinity Structural Towers	Wind turbine blades
Newton Manufacturing	Specialty advertising

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

Name (2)	Business Activity
AG/IRG WPP Newton LLC	Former Maytag manufacturing plant
Wal-Mart, Inc.	Retail
Newton Investments LLC	Two hotels
Love's Travel Stop	Convenience store/gas station
Hy-Vee Corporation	Food retailer
IWA Services LLC	Local phone/internet/communications
US Motorsport Corporation	Iowa Speedway land/infrastructure
Pence, Levi	Funeral home and various rentals
American Healthcare Invst. LLC	Two nursing homes
Dondim LLC	Ford auto sales

(1) Source - Iowa Workforce Development

(2) Source - City's Assessor's Office

CITY OF NEWTON, IOWA
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010

Comment Number	Comment Title	Corrective Action Plan	Contact Person Title Phone Number	Anticipated Date of Completion
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COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND COMMUNITY
DEVELOPMENT BLOCK GRANTS/BROWNFIELDS ECONOMIC DEVELOPMENT INITIATIVE:

III-A-10	Segregation of Duties over Federal Revenues	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs	Thomas Wardlow Chief Financial Officer (641) 792-2787	On going effort to increase segregation of duties
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CITY OF NEWTON, IOWA
 SCHEDULE OF PRIOR YEAR FEDERAL AUDIT FINDINGS
 YEAR ENDED JUNE 30, 2010

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action or other explanation</u>
2010	Segregation of Duties over Federal Revenues	Not corrected	On going effort to increase segregation of duties.
2009	Segregation of Duties over Federal Revenues	Not corrected	On going effort to increase segregation of duties.
2008	Segregation of Duties over Federal Revenues	Not corrected	On going effort to increase segregation of duties.
2007	Not A133		
2006	Not A133		