

CITY OF NEWTON, IOWA

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

JUNE 30, 2015

CITY OF NEWTON, IOWA  
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# **INTRODUCTORY SECTION**



# GET TO KNOW Newton

February 10, 2016

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, 2015, and to also provide information about the City organization and community. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than the U.S. Generally Accepted Accounting Principles. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

The Compliance Section includes the Auditor's Report on Internal Control over Financial Reporting and Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The Statistical section includes selected financial and demographic information generally presented on a multi-year basis.

The City of Newton has operated under a Mayor-Council form of government with an appointed City Administrator since 1982. Policy-making and legislative authority are vested in the governing Council, which consists of a Mayor and six-member City Council. The City Council is responsible for adopting ordinances, policy resolutions, the Annual Budget, and Community Investment Plan, appointing committees, and hiring the City Administrator, City Attorney, and City Clerk.

The City Administrator is responsible for overseeing the day-to-day operations of the City and for appointing and supervising the City's Department Directors. The City Council is elected on a non-partisan basis to four-year staggered terms, with three City Council members elected every two years. The Mayor is elected for a two-year term. Four of the City Council members are elected within their respective wards, and the Mayor and the two remaining City Council members are elected at-large.

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

## ECONOMIC CONDITION AND OUTLOOK

The City of Newton serves as the Jasper County seat and as a local employment center. It is a regional retail hub, with a full range of shopping and services that represent more than 75% of the sales in Jasper County. The official population now stands at 15,254.

In fiscal year 2014-2015, the community's economy had the following highlights:

- Continued increases in hiring, especially in the wind industry, helping to lower the unemployment rate in the county over the course of the fiscal year.
- Increased construction, included large commercial and multi-family residential projects.

Newton remains the stable home of many strong local employers like Vernon Company, Thombert Inc., and Rock Communications. The local economy has rebounded from the 2009 recession, with many of the major employers expanding operations.

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

## CITY OPERATIONS

The Mayor, City Council, and City Staff conduct goal setting activities on a regular basis in order to provide the City with a firm sense of direction about its future, as well as to evaluate current activities. The City adopted a two-year Strategic Action Plan in January of 2015. Staff and the Council are working on implementing the plan through project initiatives and major capital investments.

## FINANCIAL INFORMATION

City administration is responsible for establishing and maintaining internal control designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure adequate accounting data is compiled to allow for the preparation of financial statements in conformity with the Cash Basis of Accounting, which is 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.

### Budgeting Controls

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

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

### Debt Administration

At June 30, 2015 the City of Newton had a number of debt issues outstanding. These issues included \$26,190,000 of General Obligation Bonds, and \$3,166,000 of Sewer Revenue Capital Loan Notes. The City has maintained its rating from Moody's Investors Service on General Obligation Bond issues at Aa3. Under current state statutes, the City's General Obligation debt issues are subject to a legal limitation based on 5% of total actual value of real property. The City's net General Obligation debt of \$26,190,000 was below the legal limit of approximately \$41,000,000.

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

### Cash Management

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

## Risk Management

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

## OTHER INFORMATION

### Independent Audit

State statutes require an annual audit by independent certified public accountants. The Office of Auditor of State, State of Iowa has issued unmodified opinions on the City of Newton's governmental activities, major funds and aggregate remaining funds financial statements for the year ended June 30, 2015. 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.

### Acknowledgments

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

Respectfully submitted,



Robert L. Knabel  
City Administrator

CITY OF NEWTON, IOWA  
OFFICIALS  
June 30, 2015

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Hansen	Mayor	January, 2016
Noreen Otto	Council Member	January, 2016
Jeff Price	Council Member	January, 2016
Craig Trotter	Council Member	January, 2016
Lin Chape	Council Member	January, 2018
Evelyn George	Council Member	January, 2018
Steve Mullan	Council Member	January, 2018
Robert Knabel	City Administrator	Indefinite
Katrina Davis	City Clerk	Indefinite
Matthew Brick	City Attorney	Indefinite

# **FINANCIAL SECTION**

# Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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KENNETH P. TEGELS  
CHRISTOPHER J. NELSON  
DAVID A. GINTHER

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Newton, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

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

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

To the Honorable Mayor and  
Members of the City Council

## Opinions

### Summary of Opinions

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

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

Management has not included the Enterprise, Skiff Medical Center Fund in the City's financial statements because the Skiff Medical Center reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles require this fund to be presented as a major enterprise fund and financial information about the Enterprise, Skiff Medical Center Fund to be part of the business-type activities, thus increasing that activity's receipts and disbursement, and changing its net position. The amounts by which this departure affects the receipts, disbursements and cash balance of the business type activities and the omitted major fund are \$36,423,972, \$36,733,292 and \$3,735,292, respectively.

#### *Adverse Opinion*

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion on the Enterprise, Skiff Medical Center Fund and on Business Type Activities" paragraph, the financial statements referred to above do not present fairly the cash basis financial position of the Enterprise, Skiff Medical Center Fund and the business type activities of the City of Newton as of June 30, 2015, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

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

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

To the Honorable Mayor and  
Members of the City Council

### *Adverse Opinion*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Newton as of June 30, 2015, or the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### *Unmodified Opinions*

In our opinion the financial statements referred to above present fairly in all material respects, the respective cash basis financial position of the governmental activities, the General Fund, the major Special Revenue Funds, including the Employee Benefits, Urban Renewal Tax Increment and Housing Initiative Funds, the Debt Service Fund, the Capital Projects Fund, the major Enterprise Funds, including the Sewer and Landfill Funds, and the aggregate remaining fund information of the City of Newton as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### **Emphasis of a Matter**

As disclosed in Notes 5 and 6 to the financial statements, the City of Newton adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Newton's basic financial statements. The financial statements for the nine years ended June 30, 2014 (none of which are presented herein), were audited by other auditors whose report expressed adverse and unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in page 1 and pages 42 through 46, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, including the Introductory Section, the City's Management's Discussion and Analysis, the budgetary comparison information, the Schedules of the City's Proportionate Share of the Net Pension Liability, the Schedules of City Contributions, the Schedule of Funding Progress for the Retiree Health Plan and the Statistical Section, on pages 5 through 5e and 32 through 41, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and  
Members of the City Council

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2015 on our consideration of the City of Newton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Newton's internal control over financial reporting and compliance.

*Gwendolyn, Ben, Kyanna & W. P. C.*

Atlantic, Iowa  
December 28, 2015

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Newton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2015 FINANCIAL STATEMENTS**

- Receipts of the City's governmental activities increased 10.2%, or approximately \$2,406,000, from fiscal year 2014 to fiscal year 2015. A majority of this increase is from bond proceeds, which increased approximately \$2,582,000.
- Disbursements of the City's governmental activities decreased 17.6%, or approximately \$4,809,000, in fiscal year 2015 over fiscal year 2014. Capital projects disbursements increased by approximately \$1,045,000, and debt service disbursements decreased by approximately \$1,276,000 and refunding disbursement decreased by approximately \$6,345,000.
- The City's total cash basis net position increased 24%, or approximately \$3,886,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$3,775,000 and the cash basis net position of the business type activities increased approximately \$111,000.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

## **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

The Cash Basis Statement of Activities and Net Position are divided into two kinds of activities:

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

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These funds focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains separate Enterprise Funds to provide information for the Sewer and landfill Funds, considered to be major funds of the City.
- 3) The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's balance for governmental activities increased approximately \$3,775,000 from a year ago. The analysis that follows focuses on the cash balances for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 2,324	\$ 2,265
Operating grants, contributions and restricted interest	2,077	2,199
Capital grants, contributions and restricted interest	193	513
General receipts:		
Property tax	7,260	6,960
Tax increment financing	2,445	2,717
Other city tax	1,629	1,581
Unrestricted interest on investments	51	21
Bond proceeds	9,495	6,913
Other general receipts	582	481
Total receipts	<u>26,056</u>	<u>23,650</u>
Disbursements:		
Public safety	6,618	6,429
Public works	3,063	2,729
Culture and recreation	1,975	1,994
Community and economic development	2,604	1,417
General government	1,280	1,204
Debt service	2,730	4,006
Capital projects	1,565	520
General obligation notes refunded	2,720	9,065
Total disbursements	<u>22,555</u>	<u>27,364</u>
Change in cash basis net position before transfers	3,501	( 3,714)
Transfers, net	<u>274</u>	<u>247</u>
Change in cash basis net position	3,775	( 3,467)
Cash basis net position beginning of year	<u>10,418</u>	<u>13,885</u>
Cash basis net position end of year	<u>\$ 14,193</u>	<u>\$ 10,418</u>

The increase in the City's cash basis net position for governmental activities was primarily a result of issuing new debt in the current year.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The City's total receipts for governmental activities increased 10.2%, or approximately \$2,406,000. The total cost of all programs and services decreased approximately \$4,809,000, or 17.6%, from the prior year, with no programs added or deleted this year. The significant increase in receipts was primarily the result of the issuance of bonds during fiscal year 2015. The decrease in disbursements was primarily the result of the retirement of debt.

The cost of all governmental activities this year was approximately \$22,555 million compared to approximately \$27.364 million last year. The City's disbursements decreased significantly in the debt service function. As shown in the Cash Basis Statement of Activities and Net Position, the amount taxpayers ultimately financed for these activities was approximately \$15.241 million because some of the cost was paid by those directly benefited from the programs (approximately \$2,324,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,270,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for services, decreased in fiscal year 2015 from approximately \$4,977,000 to approximately \$4,594,000, principally due to receiving less in operating grants, contributions and restricted interest.

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### Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)

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	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 2,649	\$ 2,597
Landfill	1,597	1,540
Golf	324	525
Operating grants, contributions and restricted interest	21	26
General receipts:		
Unrestricted interest on investments	29	34
Other general receipts	365	44
Total receipts	4,985	4,766
Disbursements:		
Sewer	2,582	2,773
Landfill	1,519	2,093
Golf	499	554
Total disbursements	4,600	5,420
Change in cash basis net position before transfers	385	( 654)
Transfers, net	( 274)	( 247)
Change in cash basis net position	111	( 901)
Cash basis net position beginning of year	5,941	6,842
Cash basis net position end of year	\$ 6,052	\$ 5,941

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

Total business type activities receipts for the fiscal year were approximately \$4.985 million compared to approximately \$4.766 million last year. This increase was due to an increase in charges for sewer services and an increase in other general receipts. Total disbursements for the fiscal year decreased 15% to approximately \$4,600 million due to decreased sewer and landfill disbursements.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Newton completed the year, its governmental funds reported a combined fund balance of \$14,192,391, an increase of approximately \$3,775,000 from last year's total of \$10,417,504. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$575,605 from the prior year to \$2,323,959. Disbursements increased \$296,766, or 3.6%, over the prior year. The community and economic development function increased approximately \$146,000, primarily due to the City paying for certain urban renewal related disbursements, such as salaries and branding services, out of the General Fund. The City will certify the disbursements as tax increment financing obligations and subsequently reimburse the General Fund through tax increment financing collections transferred from the Special Revenue, Urban Renewal Tax Increment Fund.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$68,027 to \$122,644, primarily due to property tax collections plus transfers being less than benefits paid.
- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased \$217,736 to \$466,552. The City collected less in tax increment financing receipts in the current year while disbursing more of rebate payments to developers. Transfers to the Debt Service Fund for payment of TIF related debt decreased approximately \$77,000.
- The Special Revenue, Housing Initiative Fund was created in 2014 using \$3,650,000 of bond proceeds. The proceeds will be used to acquire, restore or demolish abandoned, dilapidated or dangerous buildings, fund programs to assist in providing for the acquisition, restoration or demolition of housing and pay costs to repair infrastructure in connection with carrying out the Newton Housing Initiative.
- The Debt Service Fund cash balance decreased \$6,942 to \$88,148.
- The Capital Projects Fund cash balance increased \$5,360,053 to \$7,402,924. The increase was primarily due to unspent bond proceeds held at year end.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance decreased \$87,634 to \$1,238,004, due primarily to an increase in operating disbursements in the current fiscal year.
- The Enterprise, Landfill Fund cash balance increased \$230,809 to \$4,868,109 due to decreased capital project costs and increased operating receipts in the current year.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 18, 2015 and resulted in an increase in operating disbursements in the amount of \$5,578,694.

The City's receipts/revenues were \$2,640,488 more than budgeted. This was primarily due to actual charges for service being more than budgeted.

Actual disbursements were \$7,890,887 less than the amended budget. This was primarily due to actual disbursements in the capital projects and business type activities being less than budgeted.

## DEBT ADMINISTRATION

At June 30, 2015, the City had \$29,356,000 of bonds and other long-term debt outstanding, compared to \$24,942,000 last year as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30, 2015	2014
General obligation bonds	\$ 26,190	\$ 21,525
Sewer revenue capital loan notes	3,166	3,417
Total	<u>\$ 29,356</u>	<u>\$ 24,942</u>

Debt decreased as a result of the City making scheduled payments on the existing debt and advance refunding \$2,720,000 of the Series 2009B 6.0 Urban Renewal Refunding Bonds. During the year ended June 30, 2015, the City issued two debt obligations, series 2015A for \$4,790,000 and series 2015B for \$4,705,000.

The City continues to carry a general obligation bond rating of AA3 assigned by national rating agencies to the City's debt since 2010. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$26,190,000 is significantly below its constitutional debt limit of approximately \$41 million. Additional information about the City's long-term debt is presented in Notes 3 and 13 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Newton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees charged for various City activities. One of those factors is the economy. Unemployment in Jasper County now stands at 3.6% versus 4.3% a year ago. This compares with the State's unemployment rate of 3.7% and the national rate of 5.3%. All unemployment figures are as of June 30, 2015.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget, including balances on hand and other financing sources, are approximately \$86 million, an increase of 14% from the final fiscal year 2015 budget. The increase is due primarily to unspent bond proceeds for capital items. Budgeted disbursements/expenses increased approximately \$3.9 million, primarily due to projects in the Housing Initiative and Capital funds.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$3.4 million by the close of fiscal year 2016.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lisa Frasier, Financial Assistant, 101 W. 4<sup>th</sup> Street S., Newton, Iowa 50208.

CITY OF NEWTON, IOWA  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2015

	<u>Disbursements</u>	<u>Program Receipts</u>	
		<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 6,618,231	\$ 1,120,952	\$ 280,355
Public works	3,063,416	882,234	1,648,535
Culture and recreation	1,975,189	212,365	98,112
Community and economic development	2,604,430	33,025	14,692
General government	1,279,714	75,300	31,841
Debt service	2,729,522	--	3,634
Capital projects	1,564,457	--	--
Total governmental activities	<u>19,834,959</u>	<u>2,323,876</u>	<u>2,077,169</u>
Business type activities:			
Sewer	2,581,856	2,648,707	7,390
Landfill	1,519,422	1,596,609	12,961
Golf	499,141	324,160	591
Total business type activities	<u>4,600,419</u>	<u>4,569,476</u>	<u>20,942</u>
Total	<u>\$ 24,435,378</u>	<u>\$ 6,893,352</u>	<u>\$ 2,098,111</u>
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Hotel motel tax			
Franchise fees			
Local option sales tax			
Speedway ticket surcharge			
Unrestricted interest on investments			
Proceeds from sale of assets			
Debt proceeds			
Payment to refunded bond escrow agent			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$( 5,216,924)	\$ --	\$( 5,216,924)
--	( 532,647)	--	( 532,647)
--	( 1,664,712)	--	( 1,664,712)
--	( 2,556,713)	--	( 2,556,713)
--	( 1,172,573)	--	( 1,172,573)
--	( 2,725,888)	--	( 2,725,888)
<u>192,997</u>	<u>( 1,371,460)</u>	<u>--</u>	<u>( 1,371,460)</u>
<u>192,997</u>	<u>( 15,240,917)</u>	<u>--</u>	<u>( 15,240,917)</u>
--	--	74,241	74,241
--	--	90,148	90,148
<u>--</u>	<u>--</u>	<u>( 174,390)</u>	<u>( 174,390)</u>
<u>--</u>	<u>--</u>	<u>( 10,001)</u>	<u>( 10,001)</u>
<u>\$ 192,997</u>	<u>( 15,240,917)</u>	<u>( 10,001)</u>	<u>( 15,250,918)</u>
	6,534,034	--	6,534,034
	725,696	--	725,696
	2,444,811	--	2,444,811
	310,186	--	310,186
	108,747	--	108,747
	1,318,757	--	1,318,757
	374,468	--	374,468
	50,718	29,292	80,010
	99,333	--	99,333
	9,495,000	--	9,495,000
	--	365,597	365,597
	( 2,720,000)	--	( 2,720,000)
	<u>274,054</u>	<u>( 274,054)</u>	<u>--</u>
	<u>19,015,804</u>	<u>120,835</u>	<u>19,136,639</u>
	3,774,887	110,834	3,885,721
	<u>10,417,504</u>	<u>5,941,006</u>	<u>16,358,510</u>
	<u>\$ 14,192,391</u>	<u>\$ 6,051,840</u>	<u>\$ 20,244,231</u>

CITY OF NEWTON, IOWA  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2015

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts</u> Operating Grants, Contributions, and Restricted Interest
Cash Basis Net Position			
Restricted:			
Nonexpendable:			
Cemetery perpetual care			
Permanent endowments			
Expendable:			
Streets			
Urban renewal purposes			
Housing initiative			
Capital projects			
Debt service			
Police department			
Closure and postclosure care			
Other purposes			
Unrestricted			
Total cash basis net position			

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 262,962	\$ --	\$ 262,962
	233,320	--	233,320
	433,973	29,130	463,103
	466,552	--	466,552
	2,851,779	--	2,851,779
	7,402,924	--	7,402,924
	88,148	103,425	191,573
	83,526	--	83,526
	--	1,044,339	1,044,339
	302,946	--	302,946
	<u>2,066,261</u>	<u>4,874,946</u>	<u>6,941,207</u>
	<u>\$ 14,192,391</u>	<u>\$ 6,051,840</u>	<u>\$ 20,244,231</u>

CITY OF NEWTON, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

	<u>General</u>	<u>Special Revenue</u>	
		<u>Employee Benefits</u>	<u>Urban Renewal Tax Increment</u>
Receipts:			
Property tax	\$ 3,749,275	\$ 2,461,295	\$ --
Tax increment financing	--	--	2,444,811
Other city tax	196,758	114,263	--
Licenses and permits	323,716	--	--
Use of money and property	91,122	--	3,890
Intergovernmental	590,448	--	--
Charges for service	1,730,308	--	--
Special assessments	18,911	--	--
Miscellaneous	361,410	110,658	378,968
Total receipts	<u>7,061,948</u>	<u>2,686,216</u>	<u>2,827,669</u>
Disbursements:			
Operating:			
Public safety	3,898,324	2,314,311	--
Public works	1,496,438	293,019	--
Culture and recreation	1,157,780	385,813	--
Community and economic development	816,450	88,216	876,383
General government	1,124,790	154,924	--
Debt service	--	--	--
Capital projects	--	--	--
Total disbursements	<u>8,493,782</u>	<u>3,236,283</u>	<u>876,383</u>
Excess (deficiency) of receipts over (under) disbursements	( 1,431,834)	( 550,067)	1,951,286
Other financing sources (uses):			
Debt proceeds	--	--	--
Payment to refunded bond escrow agent	--	--	--
Proceeds from sale of assets	81,668	--	--
Transfers in	774,561	482,040	--
Transfers out	--	--	( 2,169,022)
Total other financing sources (uses)	<u>856,229</u>	<u>482,040</u>	<u>( 2,169,022)</u>
Change in cash balances	( 575,605)	( 68,027)	( 217,736)
Cash balances beginning of year	<u>2,899,564</u>	<u>190,671</u>	<u>684,288</u>
Cash balances end of year	<u>\$ 2,323,959</u>	<u>\$ 122,644</u>	<u>\$ 466,552</u>

(continued next page)

<u>Special Revenue</u>				
<u>Housing Initiative</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 695,592	\$ --	\$ 11,809	\$ 6,917,971
--	--	--	--	2,444,811
--	30,104	--	634	341,759
--	--	--	--	323,716
17,818	467	10,036	--	123,333
--	--	191,377	2,904,906	3,686,731
--	--	--	--	1,730,308
--	--	--	--	18,911
93	3,634	1,620	17,536	873,919
<u>17,911</u>	<u>729,797</u>	<u>203,033</u>	<u>2,934,885</u>	<u>16,461,459</u>
--	--	--	405,596	6,618,231
--	--	--	1,273,959	3,063,416
--	--	--	431,596	1,975,189
804,174	--	--	19,207	2,604,430
--	--	--	--	1,279,714
--	2,729,522	--	--	2,729,522
--	--	1,564,457	--	1,564,457
<u>804,174</u>	<u>2,729,522</u>	<u>1,564,457</u>	<u>2,130,358</u>	<u>19,834,959</u>
( 786,263)	( 1,999,725)	( 1,361,424)	804,527	( 3,373,500)
--	2,860,000	6,635,000	--	9,495,000
--	( 2,720,000)	--	--	( 2,720,000)
11,015	--	--	6,650	99,333
--	1,852,783	86,477	3,951	3,199,812
--	--	--	( 756,736)	( 2,925,758)
<u>11,015</u>	<u>1,992,783</u>	<u>6,721,477</u>	<u>( 746,135)</u>	<u>7,148,387</u>
( 775,248)	( 6,942)	5,360,053	58,392	3,774,887
<u>3,627,027</u>	<u>95,090</u>	<u>2,042,871</u>	<u>877,993</u>	<u>10,417,504</u>
<u>\$ 2,851,779</u>	<u>\$ 88,148</u>	<u>\$ 7,402,924</u>	<u>\$ 936,385</u>	<u>\$ 14,192,391</u>

CITY OF NEWTON, IOWA  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2015

	Special Revenue		
General	Employee Benefits	Urban Renewal Tax Increment	
Cash Basis Fund Balances			
Nonspendable:			
Cemetery perpetual care	\$ --	\$ --	\$ --
Park endowment	--	--	--
Restricted for:			
Streets	--	--	--
Urban renewal purpose	--	--	466,552
Housing initiative	--	--	--
Capital projects	--	--	--
Debt service	--	--	--
Police department	83,526	--	--
Other purposes	180,302	122,644	--
Assigned for:			
Library reserve	38,372	--	--
Demolition reserve	32,890	--	--
Unassigned	1,988,869	--	--
Total cash basis fund balances	\$ 2,323,959	\$ 122,644	\$ 466,552

The accompanying notes are an integral part of these statements.

<u>Special Revenue</u>				
<u>Housing Initiative</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ 262,962	\$ 262,962
--	--	--	233,320	233,320
--	--	--	433,973	433,973
--	--	--	--	466,552
2,851,779	--	--	--	2,851,779
--	--	7,402,924	--	7,402,924
--	88,148	--	--	88,148
--	--	--	--	83,526
--	--	--	--	302,946
--	--	--	--	38,372
--	--	--	--	32,890
--	--	--	6,130	1,994,999
<u>\$ 2,851,779</u>	<u>\$ 88,148</u>	<u>\$ 7,402,924</u>	<u>\$ 936,385</u>	<u>\$ 14,192,391</u>

CITY OF NEWTON, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2015

	<u>Sewer</u>	<u>Landfill</u>
Operating receipts:		
Charges for service	\$ 2,648,707	\$ 1,596,609
Miscellaneous	<u>12,692</u>	<u>191,153</u>
Total operating receipts	2,661,399	1,787,762
Operating disbursements:		
Business type activities	<u>1,910,147</u>	<u>691,361</u>
Total operating disbursements	<u>1,910,147</u>	<u>691,361</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	751,252	1,096,401
Non-operating receipts (disbursements):		
Interest on investments	6,512	22,780
Intergovernmental	328	--
Rent	--	37,743
Debt service	( 347,265)	--
Capital projects	<u>( 324,444)</u>	<u>( 828,061)</u>
Net non-operating receipts (disbursements)	<u>( 664,869)</u>	<u>( 767,538)</u>
Excess (deficiency) of receipts over (under) disbursements	86,383	328,863
Operating transfers out	<u>( 174,017)</u>	<u>( 98,054)</u>
Net change in cash balances	( 87,634)	230,809
Cash balances beginning of year	<u>1,325,638</u>	<u>4,637,300</u>
Cash balances end of year	<u>\$ 1,238,004</u>	<u>\$ 4,868,109</u>
Cash Basis Fund Balances		
Restricted for:		
Debt service	\$ 29,130	\$ --
Waste reduction	--	103,425
Closure and postclosure care	--	1,044,339
Unrestricted	<u>1,208,874</u>	<u>3,720,345</u>
Total cash basis fund balances	<u>\$ 1,238,004</u>	<u>\$ 4,868,109</u>

The accompanying notes are an integral part of these statements.

<u>Nonmajor Golf</u>	<u>Total</u>
\$ 324,160	\$ 4,569,476
<u>144,623</u>	<u>348,468</u>
468,783	4,917,944
<u>462,426</u>	<u>3,063,934</u>
<u>462,426</u>	<u>3,063,934</u>
6,357	1,854,010
--	29,292
--	328
--	37,743
--	( 347,265)
<u>( 36,715)</u>	<u>( 1,189,220)</u>
<u>( 36,715)</u>	<u>( 1,469,122)</u>
( 30,358)	384,888
<u>( 1,983)</u>	<u>( 274,054)</u>
( 32,341)	110,834
<u>( 21,932)</u>	<u>5,941,006</u>
<u><u>\$ ( 54,273)</u></u>	<u><u>\$ 6,051,840</u></u>
\$ --	\$ 29,130
--	103,425
--	1,044,339
<u>( 54,273)</u>	<u>4,874,946</u>
<u><u>\$ ( 54,273)</u></u>	<u><u>\$ 6,051,840</u></u>

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Newton is a political subdivision of the State of Iowa located in Jasper County. It was first incorporated in 1857 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. In addition to general government activities, the municipality owns and operates enterprises for sewer services, a regional landfill and a golf course.

A. Reporting Entity

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

Excluded Component Units

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Mid-Iowa Narcotics Enforcement, Jasper County Joint E911 Service Board, Jasper County Assessor's Conference Board and Jasper County Emergency Management Commission.

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Presentation

Government-wide Financial Statements

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

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Funds.

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

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

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

Fund Financial Statements

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

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

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

NOTE 3 - BONDS AND NOTES PAYABLE

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

Year Ending June 30,	General Obligation Notes & Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 2,440,000	\$ 653,939	\$ 260,000	\$ 81,643	\$ 2,700,000	\$ 735,582
2017	2,725,000	625,659	268,000	75,342	2,993,000	701,001
2018	2,820,000	436,355	275,000	68,853	3,095,000	505,208
2019	2,720,000	387,380	285,000	62,190	3,005,000	449,570
2020	2,625,000	338,760	294,000	55,277	2,919,000	394,037
2021 - 2025	12,345,000	895,308	1,303,000	167,638	13,648,000	1,062,946
2026 - 2030	515,000	12,875	481,000	28,530	996,000	41,405
	<u>\$ 26,190,000</u>	<u>\$ 3,350,276</u>	<u>\$ 3,166,000</u>	<u>\$ 539,473</u>	<u>\$ 29,356,000</u>	<u>\$ 3,889,749</u>

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,261,000 of sewer revenue notes issued in April, 2002, \$2,561,000 issued in April 2007 and \$469,000 issued in January 2010. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2023, 2027 and 2030, respectively. Annual principal and interest payments on the notes required approximately 45% of net receipts during the year. The total principal and interest remaining to be paid on the notes is \$3,705,473. For the current year, principal and interest paid and total customer net receipts were \$338,723 and \$751,252, respectively.

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

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

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

NOTE 4 - DEFEASANCE OF DEBT

On June 30, 2015, the City issued \$2.86 million in General Obligation Bonds with an average interest rate of 2.4 percent to advance refund \$2.72 million of outstanding 2009B Series bonds with an average interest rate of 5 percent. The net proceeds of \$2.82 million (after payment of \$38,570 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2009B Series bonds. As a result, \$2.72 million of the \$3.32 million of the 2009B Series bonds are considered to be defeased.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$140,000. The City completed the advance refunding to reduce its total debt service payments over the next 10 years by \$172,468 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$149,979.

NOTE 5 - IPERS PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 5 - IPERS PENSION PLAN - Continued

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%.

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 5 - IPERS PENSION PLAN - Continued

The City's contributions to IPERS for the year ended June 30, 2015 were \$338,837.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$2,194,743. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.068103%, which was an increase of 0.001795% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$159,128, \$440,388 and \$833,168 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00%
Salary increases (effective June 30, 2014)	4.00%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50% per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 5 - IPERS PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 4,147,451	\$ 2,194,743	\$ 546,456

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 5 - IPERS PENSION PLAN - Continued

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

NOTE 6 - MFPRSI PENSION PLAN

Plan Description - Municipal Fire and Police Retirement System of Iowa (MFPRSI) membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City of Newton are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at [www.mfprsi.org](http://www.mfprsi.org).

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66 percent of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2 percent for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50 percent surviving spouse benefit.

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 6 - MFPRSI PENSION PLAN - Continued

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. By electing to participate in DROP the member is signing a contract indicating the member will retire at the end of the selected DROP period. During the DROP period the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits - Disability coverage is broken down into two types, accidental and ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60 percent of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50 percent of the member's average final compensation, for those with 5 or more years of service, or the member's service retirement benefit calculation amount, and 25 percent of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50 percent of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40 percent of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50 percent of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased (escalated) annually in accordance with Chapter 411.6 of the Code of Iowa which states a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa as modified by act of the 1994 General Assembly, to establish compliance with the Federal Older Workers Benefit Protections Act, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2015.

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 6 - MFPRSI PENSION PLAN - Continued

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1 percent of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa the employer's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.41% for the year ended June 30, 2015.

The City's contributions to MFPRSI for the year ended June 30, 2015 was \$869,950.

If approved by the state legislature, state appropriation may further reduce the employer's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa therefore is considered to be a nonemployer contributing entity in accordance with the provisions of the Governmental Accounting Standards Board Statement No. 67 - Financial Reporting for Pension Plans, (GASB 67).

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2014.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City had a liability of \$3,861,535 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City's proportion was 1.065256% which was an increase of .0278% from its proportions measured as of June 30, 2013.

For the year ended June 30, 2015 the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$293,010, \$1,060,033, and \$1,826,130 respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation	3.00%
Salary increases	4.50% to 15.11%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 6 - MFPRSI PENSION PLAN - Continued

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting equal to 2/12 of the 1971 GAM table and 10/12 of the 1994 GAB table with no projection of future mortality improvement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	7.0%	3.8%
Emerging Markets Debt	3.0	6.5
Domestic Equities	12.5	6.0
Master Limited Partnerships (MLP)	5.0	8.5
International Equities	12.5	7.0
<b>Core Investments</b>	40.0%	
<b>Tactical Asset Allocation</b>	35.0	6.0
<b>Private Equity</b>	15.0	9.8
Private Non-Core Real Estate	5.0	9.3
Private Core Real Estate	5.0	6.8
<b>Real Estate</b>	10.0	
Total	100.0%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at 9.40% of covered payroll and the City contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF NEWTON, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

NOTE 6 - MFPRSI PENSION PLAN - Continued

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent lower (6.5 percent) or 1-percent higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
City's proportionate share of the net pension liability	\$ 7,404,184	\$ 3,861,535	\$ 917,913

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at [www.mfprsi.org](http://www.mfprsi.org).

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

**Plan Description:** The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. There are 102 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

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

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

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

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

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

The following shows the components of the City's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 145,510
Interest on net OPEB obligation	10,246
Adjustment to annual required contribution	( 23,861)
Annual OPEB cost	131,895
Contributions made	26,395
Increase in net OPEB obligation	105,500
Net OPEB obligation beginning of year	537,783
Net OPEB obligation end of year	\$ 643,283

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the City contributed \$26,395 to the medical plan. Plan members eligible for benefits contributed \$64,121, or 71% of the premium costs.

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 130,357	16.59%	\$ 428,757
2014	132,319	17.60%	537,783
2015	131,895	20.01%	643,283

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$1,329,128, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,329,128. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,058,485 and the ratio of the UAAL to covered payroll was 21.9%. As of June 30, 2015, there were no trust fund assets.

CITY OF NEWTON, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

NOTE 7 - OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

Actuarial Methods and Assumptions

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

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

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

Mortality rates are from the 94 Group Annuity Mortality Table.

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

NOTE 8 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensatory time and vacation payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 760,000
Compensatory time	<u>26,000</u>
Total	<u>\$ 786,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

CITY OF NEWTON, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

NOTE 9 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 294,391
	Urban Renewal Tax Increment	209,287
	Enterprise:	
	Sewer	173,784
	Landfill	97,099
		<u>774,561</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Self Supported Municipal Improvement District	780
	Enterprise:	
	Sewer	233
	Landfill	955
	Golf	1,983
		<u>3,951</u>
Special Revenue:	Special Revenue:	
Employee Benefits	Local Option Sales Tax	461,565
	Urban Renewal Tax Increment	20,475
		<u>482,040</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	1,852,783
Capital Projects	Special Revenue:	
	Urban Renewal Tax Increment	86,477
		<u>86,477</u>
Total		<u>\$ 3,199,812</u>

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

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 10 - CLOSURE AND POSTCLOSURE CARE AND FINANCIAL ASSURANCE

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

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

These costs for the City have been estimated at \$4,302,200 for closure and \$1,620,000 for postclosure, for a total of \$5,922,200 as of June 30, 2015. The estimated remaining life of the landfill is 140 years, with approximately 35% of the landfill's capacity used at June 30, 2015.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The City has begun to accumulate resources to fund these costs and, at June 30, 2015, assets of \$1,044,339 are restricted for these purposes. They are reported as restricted cash basis fund balance in the Enterprise, Landfill fund in the Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Proprietary Funds.

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

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

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 11 - SOLID WASTE TONNAGE FEES RETAINED

The City has established an account for restricting and using solid waste tonnage fees retained by the City in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2015, the City had unspent tonnage fees of \$103,425.

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 727 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 has been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were approximately \$175,328.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

CITY OF NEWTON, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

NOTE 12 - RISK MANAGEMENT - Continued

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been disclosed in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

NOTE 13 - DEVELOPMENT AGREEMENTS

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

The total amount rebated during the year ended June 30, 2015 was \$876,383. The estimated outstanding balance of the agreements at June 30, 2015 is \$1,734,677.

These agreements are not a general obligation of the City. However, the agreements are subject to the constitutional debt limitation of the City, except for the amounts which require an annual appropriation by the City Council. The amount of the development agreements subject to the constitutional debt limit at June 30, 2015 is \$ - 0 - .

CITY OF NEWTON, IOWA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015

NOTE 14 - CONSTRUCTION COMMITMENTS

The City has entered into construction contracts totaling approximately \$4,320,000 for street, sidewalk, trail, airport, sanitary sewer, landfill and sewer improvements. As of June 30, 2015, approximately \$2,140,000 had been paid on the contracts. The remaining \$2,180,000 will be paid from existing funds as work on the projects progresses.

NOTE 15 - DEFICIT BALANCES

The City had deficit balances at June 30, 2015, as follows:

<u>Fund</u>	<u>Amount</u>
Special Revenue:	
Highway 14/5 12 Ave. W Tax Increment Financing	\$ 9,827
Speedway/Prairie Fire Tax Increment Financing	17,380
Self-Supported Municipal Improvement District	969
Enterprise:	
Golf	54,273

The deficit balances are the result of costs incurred prior to availability of funds. The deficit balance in the Special Revenue, Self-Supported Municipal Improvement district Fund will be eliminated through future property tax. The deficit in the Enterprise, Golf Fund will be eliminated through future receipts. The deficits in the Special Revenue, Highway 14/5 12 Avenue Tax Increment Financing and Speedway/Prairie Fire tax increment financing funds will be eliminated through future tax increment financing collections.

NOTE 16 - SUBSEQUENT EVENTS

On May 18, 2015, the City of Newton passed a resolution consenting to the sale of Skiff Medical Center (Medical Center), an enterprise fund of the City, to Mercy Professional Practice Associates (Mercy), an affiliate of Mercy Medical Center - Des Moines, an affiliate of Catholic Health Initiatives. In accordance with the asset purchase agreement (Agreement), dated May 20, 2015, Mercy will purchase all assets and assume all liabilities of the Medical Center, as well as agree to certain covenants, as defined in the agreement. The effective date of the agreement is July 1, 2015, at which time the Medical Center transferred to Mercy, the Medical Center began to operate as a non-governmental entity, and all employees of the Medical Center became employees of Mercy.

The City has evaluated all subsequent events through December 28, 2015, the date the financial statements were available to be issued.

\* \* \*

OTHER INFORMATION

CITY OF NEWTON, IOWA  
 BUDGETARY COMPARISON SCHEDULE  
 OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
 BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL  
 FUNDS AND PROPRIETARY FUNDS  
 OTHER INFORMATION

Year ended June 30, 2015

	<u>Cash Basis</u>		<u>(Unaudited)</u> <u>GAAP Basis</u>
	<u>Governmental</u> <u>Funds Actual</u>	<u>Proprietary</u> <u>Funds Actual</u> <u>(Excluding</u> <u>Skiff Medical</u> <u>Center)</u>	<u>Skiff Medical</u> <u>Center</u> <u>Actual</u>
Receipts:			
Property tax	\$ 6,917,971	\$ --	\$ --
Tax increment financing	2,444,811	--	--
Other city tax	341,759	--	--
Licenses and permits	323,716	--	--
Use of money and property	123,333	67,035	( 247,020)
Intergovernmental	3,686,731	328	--
Charges for service	1,730,308	4,569,476	36,670,992
Special assessments	18,911	--	--
Miscellaneous	873,919	348,468	--
Total receipts	<u>16,461,459</u>	<u>4,985,307</u>	<u>36,423,972</u>
Disbursements:			
Public safety	6,618,231	--	--
Public works	3,063,416	--	--
Culture and recreation	1,975,189	--	--
Community and economic development	2,604,430	--	--
General government	1,279,714	--	--
Debt service	2,729,522	--	--
Capital projects	1,564,457	--	--
Business type activities	--	4,600,419	36,733,292
Total disbursements	<u>19,834,959</u>	<u>4,600,419</u>	<u>36,733,292</u>
Excess (deficiency) of receipts over (under) disbursements	( 3,373,500)	384,888	( 309,320)
Other financing sources (uses), net	<u>7,148,387</u>	<u>( 274,054)</u>	<u>73,740</u>
Excess (deficiency) of receipts and other financing sources over (under) disburse- ments and other financing uses	3,774,887	110,834	( 235,580)
Balances beginning of year	<u>10,417,504</u>	<u>5,941,006</u>	<u>3,970,872</u>
Balances end of year	<u>\$ 14,192,391</u>	<u>\$ 6,051,840</u>	<u>\$ 3,735,292</u>

See accompanying independent auditor's report.

(Unaudited)				
GAAP Basis				
Component Unit				
Newton				
Municipal				
Waterworks				
Actual	Total	Budgeted Amounts		Final to Total Variance
		Original	Final	
\$ --	\$ 6,917,971	\$ 6,928,889	\$ 6,928,889	\$ ( 10,918)
--	2,444,811	2,341,576	2,341,576	103,235
--	341,759	1,762,895	1,762,895	( 1,421,136)
--	323,716	314,500	314,500	9,216
--	( 56,652)	164,160	164,160	( 220,812)
--	3,687,059	4,057,313	4,057,313	( 370,254)
2,779,928	45,750,704	42,505,212	42,505,212	3,245,492
--	18,911	5,000	5,000	13,911
709,910	1,932,297	640,543	640,543	1,291,754
<u>3,489,838</u>	<u>61,360,576</u>	<u>58,720,088</u>	<u>58,720,088</u>	<u>2,640,488</u>
--	6,618,231	6,519,416	6,744,416	126,185
--	3,063,416	3,099,030	3,372,030	308,614
--	1,975,189	2,135,659	2,156,491	181,302
--	2,604,430	1,281,545	2,826,545	222,115
--	1,279,714	1,299,619	1,359,619	79,905
--	2,729,522	2,625,694	2,935,694	206,172
--	1,564,457	4,107,000	4,107,000	2,542,543
2,663,407	43,997,118	45,076,307	48,221,169	4,224,051
<u>2,663,407</u>	<u>63,832,077</u>	<u>66,144,270</u>	<u>71,722,964</u>	<u>7,890,887</u>
826,431	( 2,471,501)	( 7,424,182)	( 13,002,876)	10,531,375
<u>--</u>	<u>6,948,073</u>	<u>2,422,000</u>	<u>12,462,000</u>	<u>( 5,513,927)</u>
826,431	4,476,572	( 5,002,182)	( 540,876)	5,017,448
<u>4,026,058</u>	<u>24,355,440</u>	<u>13,502,858</u>	<u>21,291,181</u>	<u>3,064,259</u>
<u>\$ 4,852,489</u>	<u>\$ 28,832,012</u>	<u>\$ 8,500,676</u>	<u>\$ 20,750,305</u>	<u>\$ 8,081,707</u>

CITY OF NEWTON, IOWA  
NOTES TO OTHER INFORMATION -  
BUDGETARY REPORTING

June 30, 2015

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis, except as noted below, following required public notice and hearing for all funds. The City's budget includes the Skiff Medical Center, a city department, and the Newton Municipal Waterworks, a component unit, neither of which is included in the City's financial statements because each uses a financial reporting framework which differs from the framework used by the City. Skiff Medical Center budgets on the cash basis and the Newton Municipal Waterworks budgets on the GAAP basis. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements/expenses known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements/expenses required to be budgeted include disbursements/expenses for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Funds, and Enterprise Funds. Although the budget document presents function disbursements/expenses by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements/expenses by \$5,578,694. The budget amendments are reflected in the final budgeted amounts.

CITY OF NEWTON, IOWA  
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST FISCAL YEAR\*  
 OTHER INFORMATION

	2015
City's proportion of the net pension liability	0.068103%
City's proportionate share of the net pension liability	\$ 2,195,000
City's covered-employee payroll:	\$ 3606,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.87%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

\* The amounts presented for each fiscal year were determined as of June 30, 2014.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Note: Amounts are rounded.

See accompanying independent auditor's report.

CITY OF NEWTON, IOWA  
 SCHEDULE OF CITY CONTRIBUTIONS  
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST 10 FISCAL YEARS

OTHER INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 339,000	\$ 322,000	\$ 305,000	\$ 280,000
Contributions in relation to the statutorily required contribution	<u>( 339,000)</u>	<u>( 322,000)</u>	<u>( 305,000)</u>	<u>( 280,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 3,790,000	\$ 3,606,000	\$ 3,520,000	\$ 3,470,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 237,000	\$ 223,000	\$ 212,000	\$ 204,000	\$ 182,000	\$ 168,000
<u>( 237,000)</u>	<u>( 223,000)</u>	<u>( 212,000)</u>	<u>( 204,000)</u>	<u>( 182,000)</u>	<u>( 168,000)</u>
<u>\$ --</u>					
\$ 3,410,000	\$ 3,360,000	\$ 3,338,000	\$ 3,370,000	\$ 3,164,000	\$ 2,920,000
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

CITY OF NEWTON, IOWA  
NOTES TO OTHER INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

(continued next page)

CITY OF NEWTON, IOWA

NOTES TO OTHER INFORMATION - PENSION LIABILITY - Continued

YEAR ENDED JUNE 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

\* \* \*

See accompanying independent auditor's report.

CITY OF NEWTON, IOWA

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY

MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA  
LAST FISCAL YEAR\*

OTHER INFORMATION

	<u>2015</u>
City's proportion of the net pension liability	1.065256%
City's proportionate share of the net pension liability	\$ 3,862,000
City's covered-employee payroll:	\$ 2,815,000
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	137.19%
Plan fiduciary net position as a percentage of the total pension liability	86.27%

\* The amounts presented for each fiscal year were determined as of June 30,

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Note: Amounts are rounded.

See accompanying independent auditor's report.

CITY OF NEWTON, IOWA  
SCHEDULE OF CITY CONTRIBUTIONS  
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA  
LAST 10 FISCAL YEARS  
OTHER INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 870,000	\$ 848,000	\$ 738,000	\$ 700,000
Contributions in relation to the statutorily required contribution	<u>( 870,000)</u>	<u>( 848,000)</u>	<u>( 738,000)</u>	<u>( 700,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered-employee payroll	\$ 2,861,000	\$ 2,815,000	\$ 2,825,000	\$ 2,827,000
Contributions as a percentage of covered-employee payroll	30.41%	30.12%	26.12%	24.76%

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 511,000	\$ 444,000	\$ 520,000	\$ 648,000	\$ 706,000	\$ 735,000
<u>( 511,000)</u>	<u>( 444,000)</u>	<u>( 520,000)</u>	<u>( 648,000)</u>	<u>( 706,000)</u>	<u>( 735,000)</u>
<u>\$ --</u>					
\$ 2,570,000	\$ 2,612,000	\$ 2,775,000	\$ 2,545,000	\$ 2,544,000	\$ 2,605,000
19.90%	17.00%	18.75%	25.48%	27.75%	28.21%

CITY OF NEWTON, IOWA  
NOTES TO OTHER INFORMATION - PENSION LIABILITY  
YEAR ENDED JUNE 30, 2015

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

See accompanying independent auditor's report.

CITY OF NEWTON

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

Other Information

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
2010	July 1, 2009	--	\$ 1,240	\$ 1,240	0.0%	\$ 5,517	22.48%
2011	July 1, 2009	--	1,259	1,259	0.0%	5,593	22.51%
2012	July 1, 2009	--	1,275	1,275	0.0%	5,625	22.66%
2013	July 1, 2012	--	1,315	1,315	0.0%	5,775	22.78%
2014	July 1, 2012	--	1,302	1,302	0.0%	5,899	22.07%
2015	July 1, 2012	--	1,329	1,329	0.0%	6,058	21.9%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF NEWTON, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2015

	Special Revenue			
	Road Use	Local Option Sales Tax	Self Supported Municipal Improvement District	Hometown Rewards
Receipts:				
Property tax	\$ --	\$ --	\$ 11,809	\$ --
Other City tax	--	--	634	--
Intergovernmental	1,586,149	1,318,757	--	--
Miscellaneous	--	--	--	17,536
Total receipts	<u>1,586,149</u>	<u>1,318,757</u>	<u>12,443</u>	<u>17,536</u>
Disbursements:				
Operating:				
Public safety	--	405,596	--	--
Public works	1,253,959	20,000	--	--
Culture and recreation	--	431,596	--	--
Community and economic development	--	--	8,770	10,437
Total disbursements	<u>1,253,959</u>	<u>857,192</u>	<u>8,770</u>	<u>10,437</u>
Excess (deficiency) of receipts over (under) disbursements	332,190	461,565	3,673	7,099
Other financing sources (uses):				
Proceeds from sale of assets	--	--	--	--
Transfers in	3,951	--	--	--
Transfers out	<u>( 294,391)</u>	<u>( 461,565)</u>	<u>( 780)</u>	<u>--</u>
Total other financing sources (uses)	<u>( 290,440)</u>	<u>( 461,565)</u>	<u>( 780)</u>	<u>--</u>
Net change in cash balances	41,750	--	2,893	7,099
Cash balances beginning of year	<u>392,223</u>	<u>--</u>	<u>( 3,862)</u>	<u>--</u>
Cash balances end of year	<u>\$ 433,973</u>	<u>\$ --</u>	<u>\$( 969)</u>	<u>\$ 7,099</u>

(continued next page)

<u>Permanent</u>		
<u>Cemetery Perpetual Care</u>	<u>Fred Maytag Park Endowment</u>	<u>Total</u>
\$     --	\$     --	\$    11,809
--	--	634
--	--	2,904,906
--	--	17,536
<u>          --</u>	<u>          --</u>	<u>  2,934,885</u>
--	--	405,596
--	--	1,273,959
--	--	431,596
<u>          --</u>	<u>          --</u>	<u>      19,207</u>
<u>          --</u>	<u>          --</u>	<u>  2,130,358</u>
--	--	804,527
6,650	--	6,650
--	--	3,951
<u>          --</u>	<u>          --</u>	<u>(  756,736)</u>
<u>      6,650</u>	<u>          --</u>	<u>(  746,135)</u>
6,650	--	58,392
<u>  256,312</u>	<u>  233,320</u>	<u>  877,993</u>
<u>\$  262,962</u>	<u>\$  233,320</u>	<u>\$  936,385</u>

CITY OF NEWTON, IOWA  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2015

	Special Revenue			
	Road Use	Local Option Sales Tax	Self Supported Municipal Improvement District	Hometown Rewards
Cash Basis Fund Balances				
Nonspendable:				
Cemetery perpetual care	\$ --	\$ --	\$ --	\$ --
Park endowment	--	--	--	--
Restricted for:				
Streets	433,973	--	--	--
Unassigned	--		( 969)	7,099
Total cash basis fund balances	\$ 433,973	\$ --	\$( 969)	\$ 7,099

See accompanying independent auditor's report.

<u>Permanent</u>		
<u>Cemetery Perpetual Care</u>	<u>Fred Maytag Park Endowment</u>	<u>Total</u>
\$ 262,962	\$ --	\$ 262,962
--	233,320	233,320
--	--	433,973
<u>--</u>	<u>--</u>	<u>6,130</u>
<u>\$ 262,962</u>	<u>\$ 233,320</u>	<u>\$ 936,385</u>

CITY OF NEWTON, IOWA  
SCHEDULE OF INDEBTEDNESS  
Year ended June 30, 2015

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Notes and Bonds:			
2009B G.O. Urban Renewal Refunding Bonds	August 25, 2009	1.25 - 5.15%	\$ 6,300,000
2010A G.O. Urban Renewal Refunding Bonds	December 30, 2010	0.75 - 2.60%	3,095,000
2010B G.O. Urban Renewal Refunding Bonds	December 30, 2010	.50 - 1.45%	515,000
2012 G.O. Corporate Refunding Bonds	June 27, 2012	1.00 - 2.25%	9,385,000
2014A G.O. Urban Renewal Bonds	June 18, 2014	2.00 - 2.90%	4,330,000
2014B G.O. Urban Renewal Bonds	June 18, 2014	2.00 - 2.15%	2,525,000
2015A G.O. Urban Renewal Bonds	June 30, 2015	2.00 - 2.95%	4,790,000
2015B G.O. Urban Renewal Bonds	June 30, 2015	2.00 - 3.00%	4,705,000
Total General Obligation Notes and Bonds			
Revenue Notes:			
2002 Sewer Revenue Capital Loan	April 3, 2002	1.75%	2,261,000
2007 Sewer Revenue Capital Loan	April 5, 2007	3.00%	2,561,000
2010 Sewer Revenue Capital Loan	January 13, 2010	3.00%	469,000
Total Revenue Notes			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 3,605,000	\$ --	\$3,005,000	\$ 600,000	\$ 171,744	\$ 13,433
1,580,000	--	440,000	1,140,000	29,780	1,950
100,000	--	100,000	--	1,450	--
9,385,000	--	805,000	8,580,000	142,240	11,182
4,330,000	--	325,000	4,005,000	89,251	7,265
2,525,000	--	155,000	2,370,000	49,023	4,029
--	4,790,000	--	4,790,000	--	8,668
<u>--</u>	<u>4,705,000</u>	<u>--</u>	<u>4,705,000</u>	<u>--</u>	<u>7,968</u>
<u>\$21,525,000</u>	<u>\$9,495,000</u>	<u>\$4,830,000</u>	<u>\$ 26,190,000</u>	<u>\$ 483,488</u>	<u>\$ 54,495</u>
\$ 1,183,000	\$ --	\$ 116,000	\$ 1,067,000	\$ 20,703	\$ 1,556
1,837,000	--	116,000	1,721,000	55,110	4,302
<u>397,000</u>	<u>--</u>	<u>19,000</u>	<u>378,000</u>	<u>11,910</u>	<u>945</u>
<u>\$ 3,417,000</u>	<u>\$ --</u>	<u>\$ 251,000</u>	<u>\$ 3,166,000</u>	<u>\$ 87,723</u>	<u>\$ 6,803</u>

CITY OF NEWTON, IOWA  
BOND AND NOTE MATURITIES  
June 30, 2015

Year ending June 30,	General Obligation Bonds and Notes					
	2009B Urban Renewal Refunding Bonds		2010A Urban Renewal Refunding Bonds		2012 Corporate Refunding Bonds	
	Issued August 25, 2009		Issued December 30, 2010		Issued June 27, 2012	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	4.10%	\$ 295,000	1.75%	\$ 450,000	1.00%	\$ 810,000
2017	4.30%	305,000	2.00%	265,000	1.00%	820,000
2018		--	2.30%	275,000	1.00%	825,000
2019		--	2.60%	150,000	1.20%	835,000
2020		--		--	1.45%	845,000
2021		--		--	1.65%	860,000
2022		--		--	1.80%	870,000
2023		--		--	2.00%	885,000
2024		--		--	2.10%	905,000
2025		--		--	2.25%	925,000
2026		--		--		--
		<u>\$ 600,000</u>		<u>\$1,140,000</u>		<u>\$8,580,000</u>

Year ending June 30,	Sewer Revenue Notes			
	2002 Sewer Refunding Notes		2007 Sewer Refunding Notes	
	Issued April 3, 2002		Issued April 5, 2007	
	Interest Rates	Amount	Interest Rates	Amount
2016	1.75%	\$ 120,000	3.00%	\$ 120,000
2017	1.75%	124,000	3.00%	123,000
2018	1.75%	127,000	3.00%	127,000
2019	1.75%	131,000	3.00%	132,000
2020	1.75%	135,000	3.00%	136,000
2021	1.75%	139,000	3.00%	140,000
2022	1.75%	143,000	3.00%	145,000
2023	1.75%	148,000	3.00%	150,000
2024		--	3.00%	154,000
2025		--	3.00%	159,000
2026		--	3.00%	165,000
2027		--	3.00%	170,000
2028		--		--
2029		--		--
2030		--		--
			<u>\$1,067,000</u>	<u>\$1,721,000</u>

General Obligation Bonds and Notes								
2014A Urban Renewal Bonds Issued June 18, 2014		2014B Urban Renewal Bonds Issued June 18, 2014		2015A Urban Renewal Bonds Issued June 30, 2015		2015B Urban Renewal Bonds Issued June 30, 2015		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2.00%	\$ 495,000	2.00%	\$ 150,000	2.00%	\$ 80,000	2.00%	\$ 160,000	\$ 2,440,000
2.00%	555,000	2.00%	275,000	2.00%	190,000	2.00%	315,000	2,725,000
2.00%	585,000	2.00%	255,000	2.00%	555,000	2.00%	325,000	2,820,000
2.00%	655,000	2.00%	150,000	2.00%	535,000	2.00%	395,000	2,720,000
2.10%	655,000	2.00%	155,000	2.00%	540,000	2.00%	430,000	2,625,000
2.45%	480,000	2.00%	165,000	2.20%	550,000	2.00%	520,000	2,575,000
2.70%	480,000	2.00%	175,000	2.40%	565,000	3.00%	490,000	2,580,000
2.90%	100,000	2.00%	410,000	2.60%	575,000	2.00%	590,000	2,560,000
--	--	2.15%	635,000	2.80%	590,000	2.25%	335,000	2,465,000
--	--	--	--	2.95%	610,000	2.25%	630,000	2,165,000
--	--	--	--	--	--	2.50%	515,000	515,000
	<u>\$4,005,000</u>		<u>\$2,370,000</u>		<u>\$4,790,000</u>		<u>\$4,705,000</u>	<u>\$ 26,190,000</u>

Sewer Revenue Notes

2010 Sewer Refunding Notes Issued January 13, 2010		
Interest Rates	Amount	Total
3.00%	\$ 20,000	\$ 260,000
3.00%	21,000	268,000
3.00%	21,000	275,000
3.00%	22,000	285,000
3.00%	23,000	294,000
3.00%	23,000	302,000
3.00%	24,000	312,000
3.00%	25,000	323,000
3.00%	26,000	180,000
3.00%	27,000	186,000
3.00%	28,000	193,000
3.00%	28,000	198,000
3.00%	29,000	29,000
3.00%	30,000	30,000
3.00%	31,000	31,000
	<u>\$ 378,000</u>	<u>\$ 3,166,000</u>

CITY OF NEWTON, IOWA  
SCHEDULE OF RECEIPTS BY SOURCE AND  
DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
For the Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Receipts:				
Property tax	\$ 6,917,971	\$ 6,793,884	\$ 6,646,452	\$ 6,495,477
Tax increment financing	2,444,811	2,717,402	2,560,585	2,909,173
Other city tax	341,759	1,746,337	1,604,454	1,707,571
Licenses and permits	323,716	299,981	307,552	275,515
Use of money and property	123,333	113,561	116,361	93,264
Intergovernmental	3,686,731	2,441,344	2,440,079	2,367,894
Charges for service	1,730,308	1,828,431	1,845,139	1,797,054
Special assessments	18,911	22,316	22,014	18,308
Miscellaneous	<u>873,919</u>	<u>727,280</u>	<u>594,484</u>	<u>596,567</u>
Total	<u>\$ 16,461,459</u>	<u>\$ 16,690,536</u>	<u>\$ 16,137,120</u>	<u>\$ 16,260,823</u>
Disbursements:				
Operating:				
Public safety	\$ 6,618,231	\$ 6,429,196	\$ 6,353,118	\$ 5,717,661
Public works	3,063,416	2,728,791	2,707,209	2,558,601
Health and social services	--	--	--	153,374
Culture and recreation	1,975,189	1,994,009	1,875,748	1,917,021
Community and economic development	2,604,430	1,417,245	2,421,712	2,405,218
General government	1,279,714	1,203,719	1,112,059	1,102,944
Debt service	2,729,522	4,006,361	2,137,456	2,357,739
Capital projects	<u>1,564,457</u>	<u>520,188</u>	<u>297,887</u>	<u>810,310</u>
Total	<u>\$ 19,834,959</u>	<u>\$ 18,299,509</u>	<u>\$ 16,905,189</u>	<u>\$ 17,022,868</u>

See accompanying independent auditor's report.

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

# **COMPLIANCE SECTION**

## COMMENTS AND RECOMMENDATIONS

# Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

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

To the Honorable Mayor and  
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Newton, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 28, 2015. Our report expressed adverse and unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Newton's internal control over financial reporting (internal control) to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Newton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Newton's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and  
Members of the City Council

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 15-I-A.

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 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.

### **Responses to Findings**

The City of Newton's responses to findings identified in our audit are described in the accompanying schedule of findings and responses. The City of Newton's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Atlantic, Iowa  
December 28, 2015

CITY OF NEWTON, IOWA  
Schedule of Findings and Responses  
Year ended June 30, 2015

PART I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

15-I-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

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

Conclusion: Response accepted.

\* \* \*

CITY OF NEWTON, IOWA  
Schedule of Findings and Responses  
Year ended June 30, 2015

PART II: Other Findings Related to Statutory Reporting

15-II-A Certified Budget: Disbursements during the year ended June 30, 2015 did not exceed the amounts budgeted.

15-II-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

15-II-C Travel Expense: No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

15-II-D Business Transactions: In accordance with Chapter 362.5(10) of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented conflicts of interest.

15-II-E 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.

15-II-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

15-II-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.

15-II-H Revenue Bonds and Notes: No instances of non-compliance with the revenue bond and note resolutions were noted.

15-II-I Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

15-II-J Solid Waste Fees Retainage: No instances of non-compliance with the solid waste fees used in accordance with the provisions of Chapter 455B.310 of the Code of Iowa were noted.

CITY OF NEWTON, IOWA  
Schedule of Findings and Responses  
Year ended June 30, 2015

PART II: Other Findings Related to Statutory Reporting - Continued

15-II-K Financial Assurance: The City has met the closure and postclosure care financial assurance requirements issued by the Iowa Department of Natural Resources by complying with the local government financial test as specified in Iowa Administrative Code Chapter 567-113.14(6)(f).

15-II-L Financial Condition: The City had deficit balances in the following funds at June 30, 2015:

Special Revenue:		
Self-Supported Municipal Improvement District	\$	969
Highway 14/5 12 Ave. W Tax Increment Financing		9,827
Speedway/Prairie Fire Tax Increment Financing		17,380
Enterprise:		
Golf		54,273

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

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

Conclusion: Response accepted.

\* \* \*

# **STATISTICAL SECTION**

CITY OF NEWTON  
TAX INCREMENT FINANCING FUND - SCHEDULE OF CASH RECEIPTS  
DISBURSEMENTS AND CASH BALANCE  
INCEPTION TO JUNE 30, 2015

<b>Operating Receipts</b>	
Bond Proceeds	\$ 31,724,268
Interest on Investments	183,952
sale of Property	1,195,701
Property Taxes	31,271,330
Intergovernmental	10,970,834
Miscellaneous	1,833,854
	<hr/>
	<hr/>
<b>Operating Disbursements</b>	
Property acquisition and improvement	9,694,844
Property demolition	966,390
Economic Development grants	19,463,530
Legal and administrative	1,474,644
Property Taxes	97,338
Relocation	47,050
Contractual Services	5,000
Operating Supplies	15,139
Structures	62,756
Refunds	4,790,765
Revenue bond principal	5,074,852
Revenue Bond interest	896,194
Street Improvements	1,242,670
City Hall site improvements	550,127
Private Development improvements	462,406
Skiff Medical Center	280,000
Manufactured Gas Plant	3,253
Lighting and landscaping	431,730
Storage yard	578,063
Payment to other agencies	610,369
	<hr/>
	<hr/>
Operating receipts over operating disbursements	30,432,819
<b>Other transactions:</b>	
Transfer to Debt Service Fund - bond interest	(26,278,953)
Transfer to General Fund - economic development	(3,945,167)
Transfer to Central Business District	(2,500)
Transfer to Employee Benefits Fund	(159,022)
Transfer to Capital Projects Fund	(909,709)
Transfer to Sewer Fund	(547,555)
Interfund Loan	1,876,639
	<hr/>
Cash and investment balance at June 30, 2015	<hr/> <hr/>

Note: During the 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  
COMPARISON OF ENTERPRISE FUNDS CHARGES FOR  
SERVICE RECEIPTS

Year Ended June 30	Sewer	Landfill	Golf	Parking
2006	2,201,492	1,004,324	347,108	78,449
2007	2,173,973	1,050,974	327,866	75,824
2008	2,144,742	1,257,373	396,034	67,195
2009	1,955,306	1,310,509	485,479	-
2010	1,792,379	1,443,700	482,920	-
2011	1,777,277	1,333,719	407,474	-
2012	2,074,418	1,314,130	353,937	-
2013	2,546,212	1,516,748	305,269	-
2014	2,556,779	1,465,029	359,853	-
2015	2,648,707	1,596,609	324,160	-

**CITY OF NEWTON**  
**COMPARATIVE TOTAL AND PER CAPITA FUNCTION DISBURSEMENTS**

Year Ended	Population	Public Safety Disbursements		Public Works Disbursements		Health and Social Services Disbursements		Culture & Recreation Disbursements		Community and Economic Development Disbursements	
		Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita	Total	Per Capita
<u>June 30</u>	<u>Per Census</u>										
2006	15,579*	\$ 5,164,297	\$ 331.49	\$ 2,140,871	\$ 137.42	\$ 14,721	\$ 0.94	\$ 1,490,716	\$ 95.69	\$ 7,686,675	\$ 493.40
2007	15,579*	\$ 5,189,928	\$ 333.14	\$ 2,191,174	\$ 140.65	\$ 12,898	\$ 0.83	\$ 1,549,961	\$ 99.49	\$ 8,346,277	\$ 535.74
2008	15,579*	\$ 5,258,043	\$ 337.51	\$ 2,571,150	\$ 165.04	\$ 12,464	\$ 0.80	\$ 1,753,157	\$ 112.53	\$ 3,465,451	\$ 222.44
2009	15,579*	\$ 5,464,580	\$ 350.77	\$ 2,556,561	\$ 164.10	\$ 12,032	\$ 0.77	\$ 1,809,924	\$ 116.18	\$ 618,532	\$ 39.70
2010	15,579*	\$ 5,127,611	\$ 329.14	\$ 2,422,659	\$ 155.51	\$ 267,944	\$ 17.20	\$ 1,696,648	\$ 108.91	\$ 4,465,669	\$ 286.65
2011	15,254**	\$ 5,414,879	\$ 354.98	\$ 2,410,052	\$ 157.99	\$ 12,083	\$ 0.79	\$ 1,961,802	\$ 128.61	\$ 737,224	\$ 48.33
2012	15,254**	\$ 5,717,661	\$ 374.83	\$ 2,558,601	\$ 167.73	\$ 153,374	\$ 10.05	\$ 1,917,021	\$ 125.67	\$ 2,405,218	\$ 157.68
2013	15,254**	\$ 6,353,118	\$ 416.49	\$ 2,707,209	\$ 177.48	\$ -	\$ -	\$ 1,875,748	\$ 122.97	\$ 2,421,712	\$ 158.76
2014	15,254**	\$ 6,429,196	\$ 421.48	\$ 2,728,791	\$ 178.89	\$ -	\$ -	\$ 1,994,009	\$ 130.72	\$ 1,417,245	\$ 92.91
2015	15,254**	\$ 6,618,231	\$ 433.87	\$ 3,063,416	\$ 200.83	\$ -	\$ -	\$ 1,975,189	\$ 129.49	\$ 2,604,430	\$ 170.74

\* 2000 census figures

\*\*2010 census figures

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

See accompanying independent auditor's report.

Table 3

General Government Disbursements		Debt Service Disbursements		Capital Projects Disbursements		Business Type Activities Disbursements		Total Disbursements	
<u>Total</u>	<u>Per Capita</u>	<u>Total</u>	<u>Per Capita</u>	<u>Total</u>	<u>Per Capita</u>	<u>Total</u>	<u>Per Capita</u>	<u>Total</u>	<u>Per Capita</u>
\$ 1,180,160	\$ 75.75	\$ 3,569,991	\$ 229.15	\$ 1,092,201	\$ 70.11	\$ 3,178,050	\$ 204.00	\$ 25,517,682	\$ 1,637.95
\$ 1,147,004	\$ 73.63	\$ 3,025,150	\$ 194.18	\$ 546,850	\$ 35.10	\$ 4,549,073	\$ 292.00	\$ 26,558,315	\$ 1,704.75
\$ 1,331,350	\$ 85.46	\$ 2,711,173	\$ 174.03	\$ 430,141	\$ 27.61	\$ 5,469,044	\$ 351.05	\$ 23,001,973	\$ 1,476.47
\$ 1,257,096	\$ 80.69	\$ 2,161,937	\$ 138.77	\$ 4,118,643	\$ 264.37	\$ 3,273,083	\$ 210.10	\$ 21,272,388	\$ 1,365.45
\$ 1,149,508	\$ 73.79	\$ 2,190,835	\$ 140.63	\$ 3,864,984	\$ 248.09	\$ 3,639,947	\$ 233.64	\$ 24,825,805	\$ 1,593.54
\$ 1,555,017	\$ 101.94	\$ 5,914,670	\$ 387.75	\$ 3,620,110	\$ 237.32	\$ 39,733,332	\$ 2,604.78	\$ 61,359,169	\$ 4,022.50
1,102,944	\$ 72.31	\$ 2,357,739	\$ 154.57	\$ 810,310	\$ 53.12	\$ 39,634,526	\$ 2,598.30	\$ 56,657,394	\$ 3,714.26
1,112,059	\$ 72.90	\$ 2,137,456	\$ 140.12	\$ 297,887	\$ 19.53	\$ 3,760,471	\$ 246.52	\$ 20,665,660	\$ 1,354.77
\$ 1,203,719	\$ 78.91	\$ 4,006,361	\$ 262.64	\$ 520,188	\$ 34.10	\$ 3,188,334	\$ 209.02	\$ 21,487,843	\$ 1,408.67
\$ 1,279,714	\$ 83.89	\$ 2,729,522	\$ 178.94	\$ 1,564,457	\$ 102.56	\$ 3,063,934	\$ 200.86	\$ 22,898,893	\$ 1,501.17

Table 4

CITY OF NEWTON  
COMPARATIVE PROPERTY TAX RECEIPTS BY FUND

Year Ended June 30	General Fund	Special** Revenue Funds	Debt Service Fund
2006 *	\$ 3,640,718	\$ 1,753,991	\$ 944,354
2007 *	4,433,214	1,820,874	1,339,772
2008 *	4,507,293	2,113,039	1,085,183
2009 *	4,242,797	2,007,008	923,579
2010 *	4,545,913	2,152,614	933,277
2011 *	4,915,611	2,189,531	915,377
2012	3,669,772	2,037,155	788,550
2013	3,845,539	2,228,337	572,577
2014	3,850,520	2,383,477	555,274
2015	3,749,275	2,461,295	695,592

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

CITY OF NEWTON  
COMPARATIVE PROPERTY TAX LEVIES AND COLLECTIONS

<u>Year Ended June 30</u>	<u>Collection Year Ended June 30</u>	<u>Total Property Tax Levy</u>	<u>Current Property Tax Collections</u>
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
2010	2011	6,434,266	6,293,014
2011	2012	6,536,879	6,493,334
2012	2013	6,832,774	6,645,488
2013	2014	6,942,281	6,789,263
2014	2015	7,108,466	7,117,076

See accompanying independent auditor's report.

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>
116.88%	1,387	1,860,065	9,092,148
100.03%	1,756	2,036,141	8,022,227
98.77%	3,768	1,891,542	7,385,151
100.11%	3,862	2,242,523	8,194,283
97.80%	583	1,347,281	7,640,878
99.33%	2,143	2,909,173	9,404,650
97.26%	965	2,560,584	9,207,037
97.80%	8	2,717,401	9,506,672
100.12%	2,048	2,444,811	9,563,935

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

Levy Year	Collection Year Ended June 30	Levy for			
		Newton School District	City of Newton	Jasper County	Area Schools
2005	2006	16.78900	15.95000	9.16450	0.68408
2006	2007	16.91412	16.63000	9.24852	0.68688
2007	2008	16.48184	15.79100	9.17034	0.60276
2008	2009	16.73813	15.65673	9.29114	0.84695
2009	2010	16.56630	15.65613	8.99696	0.56778
2010	2011	16.72645	15.34596	8.38776	0.56008
2011	2012	16.23768	15.30305	8.62582	0.59018
2012	2013	15.96319	14.99630	7.66830	0.58466
2013	2014	15.15308	14.66304	7.23964	0.68147
2014	2015	14.71796	15.80911	7.63891	0.65599

See accompanying independent auditor's report.

Table 6

<u>Extension Council</u>	<u>County Assessor</u>	<u>Tuberculosis Eradication</u>	<u>Total</u>	<u>Percent of City of Newton Levy to Total Levy</u>
0.14902	0.34677	0.00400	43.08737	37.02%
0.16251	0.38972	0.00400	44.03575	37.76%
0.15230	0.38173	0.00350	42.58347	37.08%
0.17218	0.40747	0.00350	43.11610	36.31%
0.17240	0.40625	0.00300	42.36882	36.95%
0.17318	0.42448	0.00340	41.62131	36.87%
0.16758	0.41948	0.00320	41.34699	37.01%
0.16027	0.39701	0.00330	39.77303	37.70%
0.15695	0.39051	0.00000	38.28469	38.30%
0.18436	0.27962	0.00330	39.28925	40.24%

Table 7

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

Date	Population Per Census	Taxable Value (Agriculture Land Included)	General Obligation Bonded Debt	Ratio of General Obligation Bonded Debt to Taxable Value	General Obligation Bonded Debt Per Capita
6/30/2006	15,579*	426,286,988	24,042,419	0.056400	1,543.26
6/30/2007	15,579*	422,991,842	26,133,084	0.061782	1,677.46
6/30/2008	15,579*	436,831,194	26,569,030	0.060822	1,705.44
6/30/2009	15,579*	401,742,086	25,169,852	0.062652	1,615.63
6/30/2010	15,579*	415,904,928	25,611,616	0.061580	1,643.98
6/30/2011	15,254**	454,143,296	24,303,000	0.053514	1,593.22
6/30/2012	15,254**	510,841,569	28,090,000 (2)	0.054988	1,841.48
6/30/2013	15,254**	536,167,609	26,860,000 (2)	0.050096	1,760.85
6/30/2014	15,254**	544,823,839	21,525,000	0.039508	1,411.11
6/30/2015	15,254**	524,874,705	26,190,000	0.049898	1,716.93

\* 2000 census figures

\*\* 2010 census figures

(1) Includes capital loan notes and bonds payable.

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

Table 8

CITY OF NEWTON, IOWA  
SEWER FUND DATA  
JUNE 30, 2015

Sewer customers served at June 30, 2015 6,231

Sewer rates in effect at June 30, 2015

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

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

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

CITY OF NEWTON, IOWA  
 MISCELLANEOUS STATISTICAL DATA  
 JUNE 30, 2015

Ten Largest Employers in Jasper County

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

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

Name (2)	Business Activity
Iowa Speedway LLC	Iowa Speedway
Sir Properties Trust	TPI Wind Blades
Lincoln Investors	Trinity Towers Manufacturing Plant/Industrial/Warehouse
Wesley Retirement Services	Retirement Residences
Wal-Mart, Inc.	Retail
Hy-Vee Corporation	Food Retailer
Newton Enterprises	Plastics/Office Complex
Newton Village, Inc.	Retirement Residences
Love's Travel Stop	Convenience store/ gas station
Newton Lodge and Suites, LLC	Hotel

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

(2) Source - Jasper County Geographic Information System