

COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF NEWTON, KANSAS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

MAYOR

Kathy Valentine

VICE MAYOR

Leroy Koehn

COMMISSIONERS

**Barth Hagne
Rod Kreie
Glen Davis**

CITY MANAGER

Robert Myers

FINANCE DIRECTOR

Donna Pickman

Prepared by the Finance Office

CITY OF NEWTON, KANSAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

Year Ended December 31, 2018

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CITY OF NEWTON, KANSAS

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June 17, 2019

Robert D. Myers
*City Manager;
Senior Legal Counsel*

City Commission
City of Newton
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Dear Commissioners:

City administration is pleased to present to you the City of Newton, Kansas, Comprehensive Annual Financial Report for the period ended December 31, 2018. This document is a review of what occurred financially over the course of this past fiscal year and, in that respect, it is an analysis of our ability to manage our financial resources.

This Report reflects the continuing progress, through very intentional and dedicated efforts of the City Commission and City staff, to get the City on solid financial ground. By following sound financial principles and practices in the management of the taxpayer resources with which we are entrusted, and by being willing to face our challenges head on, we have continued to improve the City's overall financial condition, and we have again closed out another fiscal year in sound financial shape.

This document is a valuable resource as we continue to evaluate and make decisions regarding allocations of resources among our various municipal programs and services and to meet the needs and objectives of our citizens.

This report is the product of innumerable hours and much effort and dedication by Finance Director Donna Pickman and the excellent members of her Finance Department staff. Our various department heads and other city staff also dedicate significant time and effort to make such a comprehensive report possible. As always, this is a team effort.

Best regards,

Robert D. Myers
Newton City Manager and
Senior Legal Counsel

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Donna Pickman
Finance Director

June 17, 2019

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**TO THE CITIZENS OF THE CITY OF NEWTON, KANSAS
HONORABLE MAYOR AND CITY COMMISSIONERS**

Good financial management requires that we provide full disclosure of the results of the City's fiscal activities each year, and that we obtain independent verification of the accuracy of our statements. Additionally, Kansas statutes call for an annual audit of all funds of the City by independent certified public accountants. Pursuant to these requirements, we hereby issue the comprehensive annual financial report of the City of Newton for the fiscal year ended December 31, 2018. Responsibility for both the accuracy of the data presented, and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data presented is accurate in all material respects. It is presented in a manner designed to fairly set forth the financial position and results of the operations of the City, measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included. The Management Discussion and Analysis section also includes a narrative explanation, through the eye of management, on how the City has performed. The Management Discussion and Analysis begins on page 4 of this report.

The firm Berberich Trahan & Company, P.A. audited the City's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements are free from material misstatements. The independent audit involves examining, on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there is a reasonable basis for rendering unmodified opinions that the statements presented are in conformity with generally accepted accounting principles (GAAP) and fairly present the financial condition of the City.

The Reporting Entity and Its Services

All funds and entities related to the City of Newton are included in our annual financial report. The city provides a full range of services, which include emergency services (police, fire and emergency medical); environmental services (water supply and distribution, wastewater collection and treatment, and solid waste collection); public works functions (street maintenance, operation of an airport, parks, cemetery, planning, engineering, building inspection), and a variety of supportive administrative services.

The Newton Public Library, a separate legal entity, is reported as a discrete component unit. A Board, the appointees of which are approved by the City, governs the Library. The Library is not a separate taxing entity under State statutes and the City levies taxes for the Library operation, which represents a significant portion of its total revenues.

The Housing Authority of the City of Newton, Kansas, a separate legal entity, is reported as a discrete component unit. The Housing Authority is governed by a Board, the appointees of which are approved by the City. The City also has the ability to remove appointed Board members at will and override or modify decisions of the governing board. The Housing Authority is presented as a proprietary fund type. Separately issued financial statements are available from the Housing Authority.

The finances for the municipal golf course, conference center and water, sewer and sanitation utilities are shown as enterprise funds. In addition, the Newton Public Building Commission is shown as a blended component unit classified as an enterprise fund.

Profile of the City of Newton

Newton is located just 20 minutes north of Wichita, the largest city in Kansas. The city was incorporated in 1872 at the western terminal of the Atchison, Topeka and Santa Fe Railway and the railhead of the Chisholm Trail, a cattle trail that ended in Abilene (current Highway K-15 follows the Chisholm Trail's route). Thus, the history of Newton has always been tied to the railroad.

Newton, the Harvey County seat, offers an ideal family environment with affordable, quiet neighborhoods and an assortment of youth recreational activities. A drive through the heart of the community reveals a city with pride and vision. Historical buildings that have been adapted for modern commercial enterprises are sprinkled throughout the community. Visible signs of steady new growth are evidenced by the successful commerce taking hold in the community. Newton residents benefit from a lifestyle that values sound education, progressive health care and safe neighborhoods.

Newton area residents have access to full medical, dental and rehabilitative services close to home. Harvey County enjoys the third highest physician to resident ratio in the state. Newton Medical Center, a private, 103-bed, not-for-profit hospital, serves the community. With about 80 physicians and almost 794 employees, the medical center is a major employer in Harvey County. Newton Medical Center is one of the top 100 Rural and Community Hospitals in the United States in two designations, iVantage Health Analytics and Becker's Hospital Review.

The Newton school district, USD 373, serves more than 3,500 students in the Newton area. Annually, Newton High School graduates classes averaging approximately 400. USD 373 is the largest employer in Newton and the second largest employer in Harvey County with a work force of 852 employees and 600 FTE.

Economic Condition and Outlook

Newton, with a 2018 US Census bureau population estimate of 18,746 is located in the Wichita, Kansas, Metropolitan Area, approximately 20 miles north of Wichita itself. 833 building permits were issued in 2018 for \$15.4 million compared to \$19.4 million in 2017, a 20% decrease.

The City of Newton is actively involved in economic development through its partnership with Harvey County and six other local cities. These entities fund the Harvey County Economic Development Council, Inc. to provide economic development services for the area. The mission of the organization is:

To promote the social welfare and economic development of Harvey County; recruit industrial prospects for relocation and expansion in Harvey County; and engage in other programs and projects for promotion of local economic development.

Working as partners has allowed economies of scale in business and industrial development and recruitment, as well as the ability to acquire technical expertise and resources.

Major Initiatives

Prairie Fire Development Group

Construction started on a multi-family housing project in 2017, west of Walmart off Windward Drive. This project will include 62 units of two and three bedroom townhomes and triplexes. The units will include both affordable and market-rate units. Total project cost is estimated at \$10.5 million, with Prairie Fire to receive \$8.3 million in tax credits from the Kansas Housing Resources Corporation. A Rural Housing Incentive District (RHID) was established for this project to capture the newly generated property tax revenue for 15 years, to help the developer pay for eligible construction costs such as utilities, streets and development fees. This Complex was completed in 2018.

Cottonwood Crossing

Construction started on another multi-family housing project in 2017 at Southeast 24th Street and I-135. This project includes 42 units, consisting of 32 one- and two-bedroom apartments and 10 duplexes. A RHID was established for this project to capture the newly generated property tax revenue for 15 years to help the developer pay for eligible construction costs such as utilities, streets and development fees. The project was completed in 2018.

Weatherly Aircraft

An agricultural aircraft manufacturer, Weatherly Aircraft Company, announced its plans to locate its headquarters and assembly operation in Newton at the City/County Airport campus in December 2018. This company designs and builds aerial application planes for small grain farming. The company plans to add about 109 jobs in the next five years and over \$1 million in capital investment.

Park Electrochemical Corporation

Park Aerospace announced plans for a major expansion of its aerospace manufacturing development and design operations at Newton City/County Airport. In December 2018, the Newton City Commission and Harvey County Commission approved a development agreement with Park for an \$18.8 million expansion that will add 90,000 square feet of manufacturing and office space, essentially doubling its existing facility. The company plans to add 73 new full-time jobs over the next five years. The project is expected to break ground in the next six months and to be complete in early 2020.

Accounting System and Budgetary Control

The City's accounting records for general government operations are maintained on a modified accrual basis. Revenues are recorded when available and measurable, and expenditures are recorded when the services or goods are received or when the liabilities are incurred.

Accounting records for the City's utilities and other enterprises are maintained on the accrual basis. The City's basis of accounting in its various funds is explained in the notes to financial statements located in the financial section of this report

In developing and altering the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance against loss of assets from unauthorized use or disposition. In addition, the controls maintain reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within this framework. The administration believes that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Expenditures are authorized by a budget approved by the City Commission as required by Kansas statutes. The Kansas Cash Basis and Budget Laws require cash to be on hand before expenditure is authorized, that all expenditures are budgeted, and that the budget not exceed anticipated revenues including carry-forward balances.

General Obligation Bonded Debt

Large capital improvement projects for the City of Newton normally require long term financing through municipal bonds. It has been City policy to divide bond issues into ten, fifteen, and twenty-year final maturities based upon the expected useful life of the financed project. This enables the life of the asset to match the term of financing. The practical application of this policy has resulted in most issues being “front loaded.” Therefore, annual principal and interest payments are declining over time. This allows the primary financial burden of a project to be borne in its early years rather than deferring a financial burden to future taxpayers. Table I shows the City’s annual debt service requirements as of December 31, 2018 illustrating the concept noted above.

TABLE I
CITY OF NEWTON
GENERAL OBLIGATION BOND DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2018

| Year | Principal | Interest | Total |
|-------------|------------------|-----------------|--------------|
| 2019 | \$ 3,280,000 | \$ 1,286,101 | \$ 4,566,101 |
| 2020 | \$ 3,730,000 | \$ 1,223,743 | \$ 4,953,743 |
| 2021 | \$ 3,890,000 | \$ 1,119,048 | \$ 5,009,048 |
| 2022 | \$ 3,545,000 | \$ 1,027,098 | \$ 4,572,098 |
| 2023 | \$ 3,645,000 | \$ 914,308 | \$ 4,559,308 |
| 2024 | \$ 3,795,000 | \$ 797,455 | \$ 4,592,455 |
| 2025 | \$ 3,485,000 | \$ 694,688 | \$ 4,179,688 |
| 2026 | \$ 3,585,000 | \$ 589,793 | \$ 4,174,793 |
| 2027 | \$ 2,810,000 | \$ 472,155 | \$ 3,282,155 |
| 2028 | \$ 2,730,000 | \$ 375,415 | \$ 3,105,415 |

To provide perspective and monitor trends in indebtedness of the City, various debt ratios are calculated. Table II shows such ratios. It is instructive to note that the growth environment generates additional debt burdens upon the City, but the debt ratios are within a reasonable range. Net bonded debt per capita at \$1,484 and net bonded debt represents 23.33% of assessed value. It has been possible to finance improvements without jeopardizing these common indicators.

**TABLE II
CITY OF NEWTON
SELECTED DEBT RATIOS**

| Year End 12-31 | Net Direct Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Ratio of Net Bonded Debt to Estimated Actual Market Value | Net Bonded Debt Per Capita |
|---------------------------|-----------------------------------|---|--|---|
| 2008 | \$ 24,792,392 | 23.35% | 2.77% | \$ 1,370 |
| 2009 | \$ 26,242,997 | 23.38% | 2.78% | \$ 1,447 |
| 2010 | \$ 30,229,890 | 27.58% | 3.17% | \$ 1,667 |
| 2011 | \$ 28,151,767 | 25.47% | 3.46% | \$ 1,553 |
| 2012 | \$ 27,441,332 | 23.87% | 3.28% | \$ 1,434 |
| 2013 | \$ 27,884,239 | 24.25% | 3.29% | \$ 1,450 |
| 2014 | \$ 26,437,566 | 22.77% | 3.11% | \$ 1,378 |
| 2015 | \$ 25,870,675 | 22.09% | 3.00% | \$ 1,353 |
| 2016 | \$ 28,420,839 | 24.06% | 3.26% | \$ 1,479 |
| 2017 | \$ 26,681,662 | 22.43% | 3.03% | \$ 1,397 |
| 2018 | \$ 28,000,395 | 23.33% | 3.16% | \$ 1,484 |

Revenue Bonded Debt

Revenue bonds differ from general obligation bonds in that the full taxing power of the City is not pledged to their repayment. The revenue stream of the utility for which bonds are issued secures revenue bonds. In the case of industrial revenue bonds, the City has no direct responsibility for repayment of the bonds.

The city has used revenue-bonded debt for its water and wastewater utilities. A coverage ratio is required and maintained to assure investors of a sound operation.

General Government Services

Newton's general government services include public safety (police, fire, and emergency medical), law, administration, finance, streets, environmental, planning, engineering, building inspection, library, airport, park and cemetery. Such operations are accounted for in various funds shown in the financial report.

General government revenues are comprised of a wide variety of revenue sources that protect the City from a decline in any one element of its revenue stream, as illustrated below. The largest component is taxes, which account for just over half of all revenues. Of these taxes, the predominant components are property taxes, the two-percent countywide sales tax, and motor vehicle taxes. Property tax remains the largest single revenue source.

Charges for Services account for receipts individuals and businesses pay for part or all of City services received. In the General Fund, this is the second largest revenue source and accounts for 10% of revenues. Examples of services the City charges for include ambulance fees, administrative fees, rural fire services and rural ambulance services. Intergovernmental revenue is another significant segment and is comprised of grants and shared revenue from the State of Kansas determined by statutory formulas. The remaining revenue comes from a varied mix of sources. Revenues remain quite stable from year to year. The largest concentration of expenditures is Capital Outlay. This is due to several ongoing projects (Street, Water and Sewer additions, and Airport improvements). Sources of revenues and expenditures are graphically illustrated in the Management Discussion and Analysis in the Financial Section.

Utility Operations

Ownership and operation of the Water, Wastewater, and Sanitation departments continue to comprise three essential elements of the City's service component. Newton has been blessed with high quality supplies of groundwater from the Equus Beds aquifer, and the water requires very little treatment. Newton is the sole supplier of potable water to city residents and businesses. In addition, Newton is a partner in Public Wholesale Water Supply District No. 17 along with three other municipalities. Newton treats and distributes water from the District to these neighboring communities under separate contract with each municipality. The City is also the sole provider of residential refuse and recycling collection services.

The entire water production system is modern and generally in sound condition. Work to replace the ground level storage tank on West First Street has started, along with painting two elevated water towers.

Newton owns and operates a wastewater treatment plant permitted by the Kansas Department of Health and Environment. In the summer of 2016, a \$20 million upgrade to a Biological Nutrient Removal (BNR) plant was completed. This was funded through a low interest loan from KDHE and annual payments to the state are made from increased sewer rates.

The Newton solid waste department collects refuse and recyclable materials from residential customers in the City. Commercial service was abandoned as a separate operation, although commercial customers who can be serviced in the normal residential refuse and recycling collection process can opt for City service. Refuse is delivered to the Harvey County transfer station, where it is then hauled to a landfill out of the county. Recyclables are delivered to the Harvey County Recycling Center for processing.

To provide an example of the current user fee level, Newton residents can receive weekly trash collection, 500 cubic feet sanitary sewer service, and use 500 cubic feet of water for a total of \$131.99. This remains competitive with other communities in Kansas.

Airport

The Newton City-County Airport is a vital asset to the community. Jointly owned by the City of Newton and Harvey County, the Airport is operated by the City. The Newton City-County Airport (designated EWK) is located on approximately 800 acres two miles east of Newton, Kansas. Originally constructed as an auxiliary flight training facility for the U.S. Navy, the airport was converted to a municipal facility following World War II. The facility has a volunteer Aviation Advisory Commission that provides community input regarding the facility's operations to the two local governments.

The airport provides an "all weather" facility with two runways that can accommodate corporate business jets, multi-engine aircraft, and single-engine aircraft. Its primary runway, Runway 17/35, is 7,003 feet long, and its secondary runway, Runway 08/26 is 3,501 feet long. The field has on-site weather reporting, and its primary runway is equipped with an ILS approach, both of which provide access to the airport during most weather conditions.

The airport's primary function is to accommodate corporate/business activity. Companies such as Hawker-Beechcraft, Wells Fargo, Avcon Industries, and Hesston College use the facility daily. Other daily flying activities include pipeline inspections, flight training, and emergency medical flights. Local and State law enforcement use the airport on a weekly basis, as does the military. Other aviation activity at the airport consists of doctor transport, aerial advertising, aerial photography, and surveying. Numerous businesses operate at the airport. Avcon Industries, Midwest Aircraft, and Park Aircraft Technologies provide a variety of products and services. Hesston College provides flight instruction to student pilots. LifeTeam, a critical care air ambulance service, is headquartered at the airport, and has been caring for Kansans since 2001.

Cash Management

Effective cash management is recognized as essential to good fiscal management. The City's investments are designed and managed in a manner responsive to the public trust and consistent with statutory requirements. In priority order, the basic cash management philosophy of the City is:

1. Protect investment principal.
2. Maintain liquidity.
3. Maximize interest earnings.

Funds not needed in the short term are invested either in local financial institutions or in the Kansas Municipal Investment Pool. The City may only invest in Treasury bills, certificates of deposits, or the Pool.

The Kansas Municipal Investment Pool was created in 1992 to allow municipalities to invest funds with the Kansas State Treasurer, who subsequently invests in federal securities. The State of Kansas guarantees these funds. Prior to investing funds in the Pool, the City must offer funds to qualified local financial institutions. Rates by local institutions are compared to published rates established by the Pool. If local banks are willing to pay the same rate, funds must be invested locally.

Insurance

The City of Newton carries a wide variety of coverage for its diverse risks. In 1994, the City became a charter member of the Kansas Municipal Insurance Trust (KMIT), a Worker's Compensation insurance pool. Through a continuing affiliation in 2007, KMIT provides to the City extensive risk management services, including memoranda on current issues, training materials, and seminars designed to decrease claims. In addition to substantial premium savings compared to previous policies, the City receives excellent risk prevention services.

Independent Audit

State statutes require an annual audit of the books of accounts, financial records, and transactions of all administrative departments of the City by independent certified public accountants selected by the City Commission. The firm of Berberich Trahan & Company, P.A. began performing the City audit for the fiscal year 2015. Their opinion for the December 31, 2018 financial statements is included.

Administrative Official

Robert Myers was named City Manager for the City of Newton effective June 14, 2016. Donna Pickman was hired on July 24, 2017 as Finance Director.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Newton for its comprehensive annual financial report for the fiscal year ended December 31, 2017. The Certificate of Achievement is a prestigious national award-recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Newton has received a Certificate of Achievement for the last twenty-eight consecutive years (fiscal years ended 1989-2017). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgements

I sincerely appreciate the cooperation and dedicated efforts required of the many City personnel, both inside and outside of the Finance Office, for the presentation of this report. The citizens of the City of Newton are extraordinarily well served by all departments of the City who contributed to this annual financial report in their daily work throughout the year and their individual year-end tasks. I especially thank Assistant Finance Director, Lisa Marshall, for her dedication and hard work.

I express special appreciation to the City Commissioners and City Manager Robert Myers for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Newton's finances.

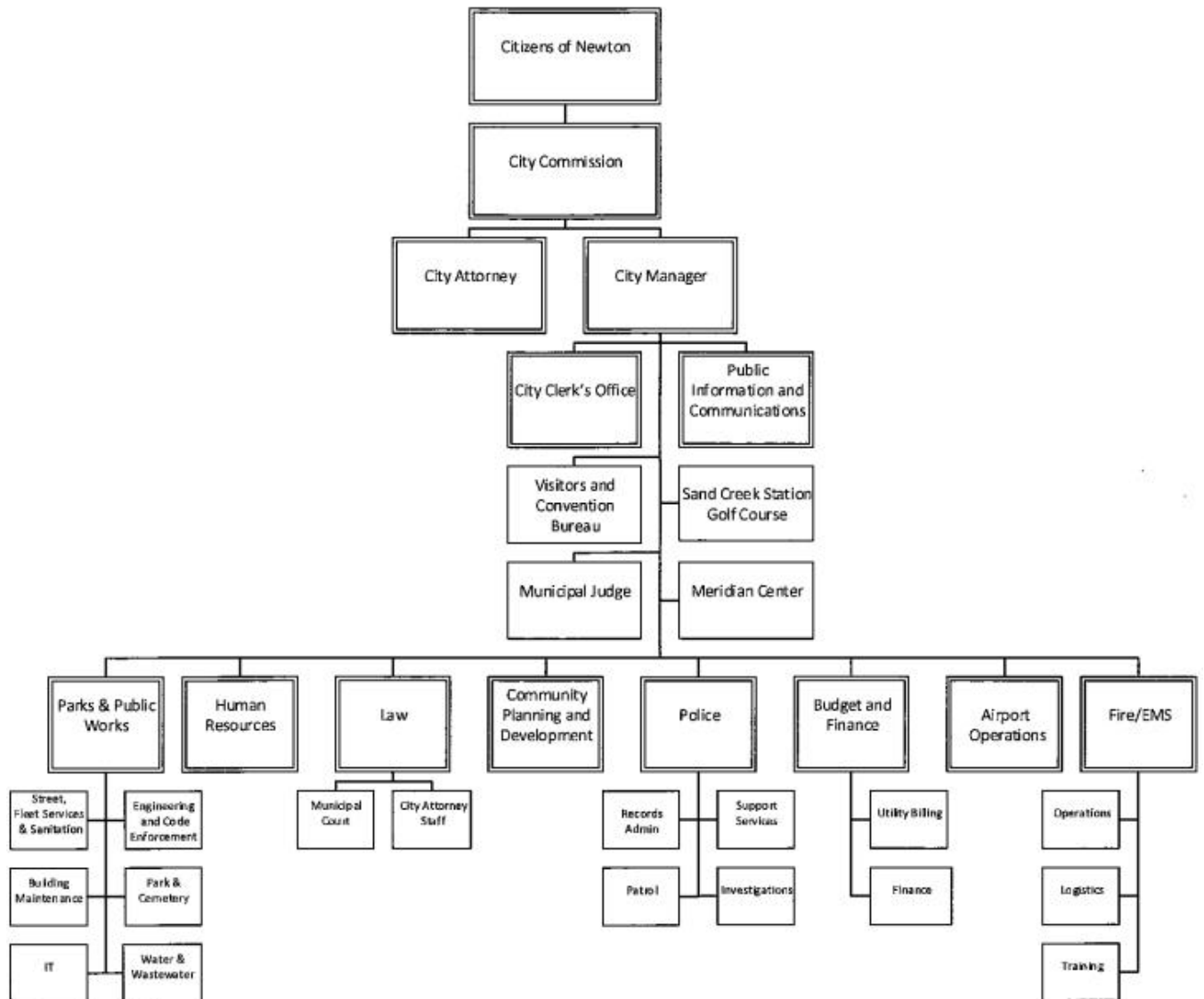
Respectfully,



Donna Pickman
Finance Director

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City of Newton Organization Chart



The Law Dept. is under the supervision of the City Attorney but is under the City Manager's authority
 Title VI Coordinator is the Public Works Director and the Civil Rights Coordinator is the HR Director

CITY OF NEWTON, KANSAS
LIST OF PRINCIPAL OFFICIALS

ELECTED CITY OFFICIALS

| <u>Name</u> | <u>Position</u> | <u>Term of Office</u> |
|-----------------|-----------------|---------------------------|
| Kathy Valentine | Mayor | April 2018 – January 2020 |
| | Commissioner | April 2015 – January 2021 |
| Leroy Koehn | Vice Mayor | April 2018 – January 2020 |
| | Commissioner | April 2013 – January 2021 |
| Barth Hague | Commissioner | April 2015 – January 2020 |
| Rod Kreie | Commissioner | April 2018 – January 2020 |
| Glen Davis | Commissioner | April 2011 – January 2020 |

ADMINISTRATIVE OFFICIALS

| <u>Name</u> | <u>Office</u> |
|--------------------|---|
| Robert D. Myers | City Manager & Senior Legal Counsel |
| Kelly Bergeron | Assistant City Manager/Development Director |
| Erin McDaniel | Director of Communication/PIO |
| Chris Towle | City Attorney |
| Denise R. Duerksen | City Clerk |
| Suzanne Loomis | Director of Public Works/City Engineer |
| Scott Metzler | Fire/EMS Chief |
| Eric Murphy | Chief of Police |
| Donna Pickman | Finance Director |
| Lisa Marshall | Assistant Finance Director |
| Debra Perbeck | Director of Human Resources |
| Brian Palmer | Director of Aviation |



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Newton
Kansas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

3630 SW Burlingame Road Topeka, Kansas 66611 | t: 785.234.3427 | toll-free: 800.530.5526 | f: 785.233.1768 | w: btandcocpa.com

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Commission
City of Newton, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newton, Kansas (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as 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 accounting principles generally accepted in the United States of America; 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 did not audit the financial statements of the Housing Authority of the City of Newton, Kansas (Housing Authority), which represent 59 percent, 61 percent, and 58 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and applicable provisions of the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Newton Public Library discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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 appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements have been restated to correct a misstatement from the prior year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules and statements listed under supplementary information in the accompanying table of contents and other information, including the introductory and statistical sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules and statements listed under supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate 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 the 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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's internal control over financial reporting and compliance.

Berberich Trahan + Co., P.A.

Topeka, Kansas
June 17, 2019

CITY OF NEWTON, KANSAS

Management's Discussion and Analysis

As management of the City of Newton, Kansas, we offer readers of the City of Newton's financial statements this narrative overview and analysis of the financial activities of the City of Newton for the year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-x of this report, and the City of Newton's financial statements, which follow this section beginning on page 14.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Newton exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$87,908,634. Of this amount \$29,394,359 (unrestricted net position) may be used to meet the government's ongoing obligations to the citizens and creditors.
- The City's total net position decreased 4.26% to \$87.9 million and unrestricted net position increased 10.81% to \$29.3 million as a result of this year's operations.
- At the end of 2018, the combined unassigned and assigned fund balance for the General Fund was \$9,757,788 or 49.48% of General Fund expenditures net of transfers. This is compared to \$8,863,449 or 58.69% of General Fund expenditures in 2017. The increase in the combined unassigned and assigned fund balance is due to the City's conscious effort to keep a tight rein on expenditures. This fund balance is within the Fund Balance Policy limits.
- The City of Newton's General Obligation (GO) Debt increased \$330,000 during 2018 to \$42,020,000. This is the net impact of both paying down of GO Debt and issuing new bonds in 2018 for \$3,615,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Newton's comprehensive annual financial report which includes the basic financial statements. The City's basic financial statements comprise three components. 1) Government-wide financial statements - consisting of *The Statement of Net Position* and the *Statement of Activities* which provide information about the activities of the City as a whole and present a more long-term view of the City's finances. 2) Fund financial statements that report the City's operations in more detail than the government-wide statements, by providing information about the City's most significant funds. 3) Notes to the financial statements. Other included statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. This report also contains other supplementary statistical and financial information in addition to the basic financial statements themselves.

Reporting the City as a Whole

The government-wide financial statements (pages 14-15 of this CAFR) are designed to provide readers with a broad overview of the City of Newton's finances, in a format similar to a private-sector business.

The Statement of Net Position and the Statement of Activities

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 past year's activities?" The *Statement of Net Position* and the *Statement of Activities* each report information about the City as a whole and about its activities in a way that helps answer this question. These statements include **all** assets, deferred outflows of resources, liabilities and deferred inflows of resources using the **accrual basis of accounting**, which is similar to the accounting methods used by most private-sector companies. All of the current year's revenues and expenses are taken into account as they are earned or incurred, regardless of when cash is received or paid.

These two statements report the City's **net position** and changes in them. You can think of the City's net position as the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources as one way to measure the City's financial health, or **financial position**. Over time, **increases or decreases** in the City's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads and other infrastructure, to assess the overall health of Newton.

The *Statement of Net Position* and the *Statement of Activities* distinguish functions of the City of Newton that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The City's governmental activities include general government, public safety, highways and street, community and economic development, and parks and recreation. Property taxes, transient guest taxes, sales taxes, and franchise fees finance most of these activities. The City's business-type activities include water, sewer, sanitation, and golf course. The City of Newton has three component units, the Newton Public Library (discrete), the Newton Public Building Commission (blended) and The Newton Housing Authority (discrete), which are all separate legal entities. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide detailed information about the most significant funds-not the City of Newton as a whole. Some funds are required to be established by State Law and by bond covenants. In addition, the City Commission establishes other funds to help control and manage money for particular purposes, or to demonstrate that Newton is complying with legal requirements for using certain taxes, grants, and other money. The City's three kind of funds; **governmental, proprietary and fiduciary** use different accounting approaches.

Fund Financial Statements

- *Governmental funds*--Most of the City's basic services are reported in its governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. These funds are reported using an accounting method called the *modified accrual* basis of accounting, which measures cash and other financial assets that can readily be converted to cash. With this method, the governmental fund statements provide a detailed short-term view of the city's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds (reported in the fund financial statements) in a reconciliation document following the fund financial statements, on pages 18 and 21.
- *Proprietary funds*--When the City charges for certain services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported using the *full accrual basis* of accounting, in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Activities*. The City of Newton maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. We use *internal service funds* to report activities provided through one fund for other City programs and activities--such as the City's Stores and Maintenance and Self Insurance Funds.
- *Fiduciary funds*-- The City is a trustee, or fiduciary, for certain amounts held on behalf of others. The City's fiduciary activities are reports in the *Statement of Fiduciary Net Position*. We exclude these activities from the City's other financial statements, because the city cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Newton, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$87,908,634 at the close of 2018, the most recent fiscal year. This represents a decrease of 4.26% as compared to the close of 2017.

By far the largest portion of the City of Newton's net position reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related outstanding debt used to construct or acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
City of Newton
Condensed Statement of Net Position
December 31, 2018

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|------------------------------------|--------------|-------------------------------------|--------------|---------------|--------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | \$32,068,957 | \$29,321,938 | \$22,254,149 | \$21,673,143 | \$ 54,323,106 | \$50,995,081 |
| Capital assets, non-depreciable | 7,795,826 | 7,091,017 | 1,411,728 | 1,449,329 | 9,207,554 | 8,540,346 |
| Capital assets, net of depreciation | 59,885,422 | 61,604,095 | 61,785,255 | 63,321,295 | 121,670,677 | 124,925,390 |
| Total Assets | 99,750,205 | 98,017,050 | 85,451,132 | 86,443,767 | 185,201,337 | 184,460,817 |
| Deferred Outflows of Resources | 3,524,385 | 3,619,849 | 1,128,960 | 1,250,735 | 4,653,345 | 4,870,584 |
| Long-term liabilities outstanding | 51,528,681 | 43,715,648 | 40,067,460 | 43,748,645 | 91,596,141 | 87,464,293 |
| Other liabilities | 1,626,638 | 1,464,394 | 657,739 | 724,487 | 2,284,377 | 2,188,881 |
| Total Liabilities | 53,155,319 | 45,180,042 | 40,725,199 | 44,473,132 | 93,880,518 | 89,653,174 |
| Deferred Inflows of Resources | 7,844,374 | 7,765,365 | 221,156 | 260,524 | 8,065,530 | 8,025,889 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 31,214,458 | 39,761,637 | 25,953,239 | 24,173,466 | 57,167,697 | 63,935,103 |
| Restricted | 1,346,578 | 1,500,683 | - | - | 1,009,022 | 1,500,683 |
| Unrestricted | 9,713,861 | 7,429,172 | 19,680,498 | 18,787,380 | 29,394,359 | 26,216,552 |
| Total Net Position | \$42,274,897 | \$48,691,492 | \$45,633,737 | \$42,960,846 | \$ 87,908,634 | \$91,652,338 |

An additional portion of the city's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$29,394,359 may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net position increased by \$3,177,807 or 10.81%.

At the end of the current fiscal year, the city is able to report positive balances in all categories of net position for governmental activities. The City's combined net position from governmental and business-type increased as described previously. This increase is reflected in the *Statement of Net Position* through *Statement of Activities*, on pages 14-15, respectively.

Table 2
City of Newton
Statement of Activities and Changes in Net Position
Year Ended December 31, 2018

| | Governmental | | Business-Type | | Total | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Activities | | Activities | | | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues | | | | | | |
| <u>Program Revenues</u> | | | | | | |
| Charges for services | \$ 4,722,270 | \$ 4,917,202 | \$ 15,959,497 | \$ 15,956,215 | \$ 20,681,767 | \$ 20,873,417 |
| Operating grants and contributions | 164,488 | 163,944 | - | - | 164,488 | 163,944 |
| Capital grants and contributions | 1,544,643 | 2,231,945 | 21,000 | 21,000 | 1,565,643 | 2,252,945 |
| <u>General Revenues</u> | | | | | | |
| Property taxes and special assessments | 8,126,788 | 7,493,054 | 118,927 | 150,452 | 8,245,715 | 7,643,506 |
| Sales taxes | 5,099,402 | 5,106,324 | | | 5,099,402 | 5,106,324 |
| Franchise taxes | 1,615,724 | 1,551,793 | | | 1,615,724 | 1,551,793 |
| Other taxes | - | - | | | - | - |
| Excise Taxes | 261,630 | 295,187 | | | 261,630 | 295,187 |
| Intergovernmental, not restricted to specific programs | - | - | | | - | - |
| Interest income | 387,944 | 158,132 | 4,423 | 2,043 | 392,367 | 160,175 |
| Other | 601,400 | 788,044 | 11,000 | 50,079 | 612,400 | 838,123 |
| Total Revenues | 22,524,289 | 22,705,625 | 16,114,847 | 16,179,789 | 38,639,136 | 38,885,414 |
| Expenses | | | | | | |
| General government | 12,778,534 | 5,620,468 | | | 12,778,534 | 5,620,468 |
| Public safety | 10,116,200 | 10,088,286 | | | 10,116,200 | 10,088,286 |
| Highway and streets | 5,093,585 | 3,800,765 | | | 5,093,585 | 3,800,765 |
| Culture and recreation | 1,174,557 | 1,171,821 | | | 1,174,557 | 1,171,821 |
| Airport | 1,232,950 | 1,206,993 | | | 1,232,950 | 1,206,993 |
| Public works | 0 | 0 | | | 0 | 0 |
| Interest and fiscal charges | 1,132,291 | 1,013,907 | | | 1,132,291 | 1,013,907 |
| Sewer | | | 4,501,081 | 5,324,984 | 4,501,081 | 5,324,984 |
| Sanitation | | | 1,374,701 | 1,554,284 | 1,374,701 | 1,554,284 |
| Waterworks | | | 2,942,407 | 3,120,146 | 2,942,407 | 3,120,146 |
| Golf Course | | | 1,470,516 | 1,426,127 | 1,470,516 | 1,426,127 |
| Public Building Commission | | | 347,820 | 324,963 | 347,820 | 324,963 |
| Total Expenses | 31,528,117 | 22,902,240 | 10,636,525 | 11,750,504 | 42,164,642 | 34,652,744 |
| Excess (Deficiency) before transfers | (9,003,828) | (196,615) | 5,478,322 | 4,429,285 | (3,525,506) | 4,232,670 |
| Transfers | 2,805,431 | 1,931,491 | (2,805,431) | (1,931,491) | 0 | 0 |
| Change in Net Assets | (6,198,397) | 1,734,876 | 2,672,891 | 2,497,794 | (3,525,506) | 4,232,670 |
| Net Position, Beginning of the Year | | | | | | |
| As previously reported | 48,691,492 | 47,521,997 | 42,960,846 | 40,506,473 | 91,652,338 | 88,028,470 |
| Prior Period adjustment | (218,198) | (565,381) | 0 | (43,421) | (218,198) | (608,802) |
| As restated | 48,473,294 | 46,956,616 | 42,960,846 | 40,463,052 | 91,434,140 | 87,419,668 |
| Net Position, End of the Year | \$ 42,274,897 | \$ 48,691,492 | \$ 45,633,737 | \$ 42,960,846 | \$ 87,908,634 | \$ 91,652,338 |

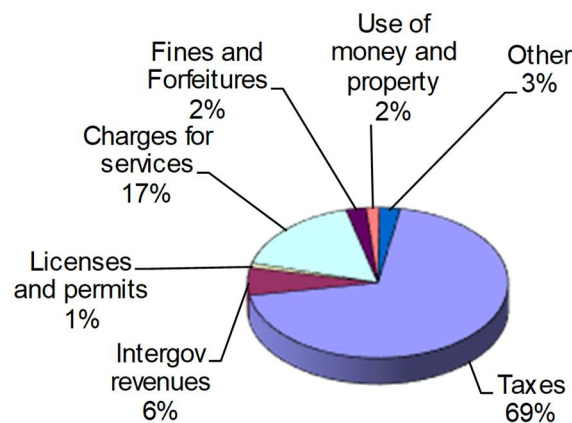
Governmental Activities

Table 3 presents the cost of the City's four largest governmental activities—general government; public safety; highway and streets, public works; and culture and recreation—as well as each activity's net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden that was placed on the City's taxpayers by each of these governmental functions.

Table 3
Net Cost of Governmental Activities

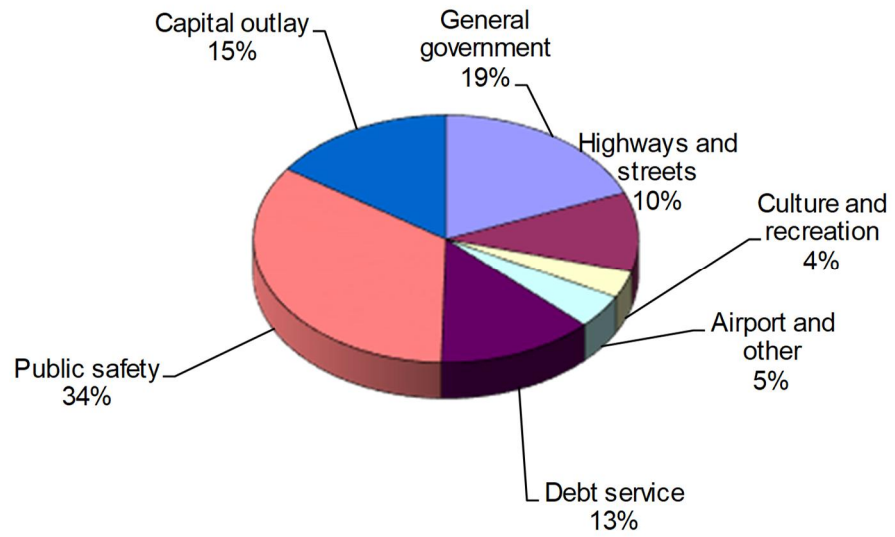
| | Total Cost of Services | Net Cost of Services |
|------------------------------------|-----------------------------------|---------------------------------|
| General government | \$ 12,778,534 | \$ 9,857,779 |
| Public safety | 10,116,200 | 9,227,818 |
| Highway & streets and public works | 5,093,585 | 3,788,076 |
| Culture and recreation | 1,174,557 | 1,153,795 |
| Totals | <u>\$ 29,162,876</u> | <u>\$ 24,027,468</u> |

Source of Revenue



- Property tax revenue increased \$711,953 or 4.39% for the year 2018 as compared to 2017. The increase is due to an increase in the City's 2018 assessed valuation and a 1 mill increase for 2018.
- For the most part, increases in expenses closely paralleled general economic inflation and growth in the demand for services.

Functional Expenses



Business-type Activities

Business-type activities increased the City's net position by \$2,672,891 to \$45,633,737 during 2018. Table 4 presents the cost of the City's four business-type activities and blended component unit--Sewer, Sanitation, Water and Golf Course and Public Building Commission—as well as each activity's net revenue (revenue generated by the activity less its total cost). This increase in net position is largely due to fees collected by utility customers for usage, new installations and asset additions.

Table 4
Net Revenue from Business-Type Activities

| | Total Cost of Activity | Net Revenue from Activity |
|----------------------------|-----------------------------------|--------------------------------------|
| Sewer | \$ 4,501,081 | \$ 3,326,831 |
| Sanitation | 1,374,701 | 711,611 |
| Waterworks | 2,942,407 | 1,698,786 |
| Golf Course | 1,470,516 | (399,345) |
| Public Building Commission | 347,820 | 6,089 |
| Totals | <u>\$ 10,636,525</u> | <u>\$ 5,343,972</u> |

- In 2014 the City began a mandated upgrade of the Wastewater Treatment Plant for estimated cost of \$24 million. The City Commission adopted a plant upgrade fee in 2014 to pay for the debt service for the upgrade. This project came in approximately \$4 million under budget upon completion. The fee established in 2014 will remain in effect for the City to utilize the excess funds in terms of interest savings and to reduce the debt service requirements in terms of years. As of December 31, 2018, an extra \$1,700,000, raised by this upgrade fee, has been paid toward the principal to reduce the debt service.
- The 2017-2021 Capital Improvement Plan is approximately \$35.4 million. The CIP is funded through a combination of City, State and Federal funds.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At December 31, 2018, the City's governmental funds reported combined fund balance of \$11,684,084, a \$3.1 million increase from 2017.

- The General Fund is the major operating and taxing fund for the City of Newton. The beginning total fund balance was \$9,263,946. In 2018, the ending balance was \$10,158,226 a \$894,280 or 9.65% increase over 2017. The increase in fund balance is within the assigned fund balance for capital asset acquisition. The City's Fund Balance Policy requires the General Fund unassigned fund balance to be 15% of expenditures. The current balance is within the policy limits.
- The Debt Service Fund reflected a decrease of (\$203,568). The Debt Service Fund balance at year end 2018 was \$2,070,034.

- The Capital Projects Fund accounts for major capital projects in Newton. In 2018, the City continued with projects funded from State and Federal sources. The fund reflects an ending balance of (\$2,359,356). This is compared to the 2017 balance of (\$4,821,009), with the negative ending balance being the result of the temporary cash reserve funding for ongoing projects. The ending balance is a reflection of reimbursable funds from State and Federal agencies that the City has yet to receive and issuance of long term debt which is planned for 2020, after several projects are completed.
- In Other Governmental Funds, the ending fund balance is 1,815,180, an decrease of \$81,823.

General Fund Budgetary Highlights

The General Fund actual revenues did not meet budgeted revenues by (\$2,065,835) for 2018. The actual 2018 expenditures were \$3,981,757 less than budgeted. In 2018 revenues exceeded expenditures by \$825,959, increasing fund balance in the General Fund.

- General Fund tax revenues, actual vs. budget, reflected a negative variance of \$219,641. The decrease was due to lower than budgeted revenues for sales tax.
- General Fund expenditures in 2018 were \$17,643,800 compared to \$18,445,286 in 2017. This reflects a 4.5% expenditure decrease. The City has made deliberate attempts to hold the line on spending.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the City had \$130,878,231 (net of depreciation) invested in a broad range of capital assets, including police and fire equipment, buildings, improvements, land, park facilities, golf course, and water and wastewater treatment facilities (see Table 5 below). This amount represents a net decrease (including additions and deletions) of (\$2,587,505). Construction in progress increased \$436,772, this increase is a result of ongoing street and airport construction projects which increased general infrastructure. Building and Improvements decreased (\$902,568). Machinery and Equipment decreased (\$35,004). Utility Service Lines decreased (\$904,337). These decreases can be attributed to depreciation expense. General Infrastructure had a net decrease of (\$1,412,804). Additional information of the City of Newton's capital assets can be found in Note 5, of the Notes to Financial Statements, on pages 53-56.

Table 5
City of Newton's Capital Assets
(net of depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------|--------------------------------|----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 6,535,805 | \$ 6,305,369 | \$ 1,082,579 | \$ 1,082,579 | \$ 7,618,384 | \$ 7,387,948 |
| Buildings and improvements | 18,590,265 | 19,305,100 | 36,845,924 | 37,033,657 | 55,436,189 | 56,338,757 |
| Machinery and equipment | 3,613,342 | 3,204,376 | 2,652,333 | 3,096,303 | 6,265,675 | 6,300,679 |
| General infrastructure | 37,681,815 | 39,094,619 | - | - | 37,681,815 | 39,094,619 |
| Utility service lines | - | - | 22,286,998 | 23,191,335 | 22,286,998 | 23,191,335 |
| Construction in progress | 1,260,021 | 785,648 | 329,149 | 366,750 | 1,589,170 | 1,152,398 |
| Total capital assets | <u>\$ 67,681,248</u> | <u>\$ 68,695,112</u> | <u>\$ 63,196,983</u> | <u>\$ 64,770,624</u> | <u>\$ 130,878,231</u> | <u>\$ 133,465,736</u> |

The City's five-year Capital Improvement Plan reflects appropriations for construction, improvements to, or acquisition of an additional \$35.4 million worth of capital assets for fiscal 2017 through 2021. Funding is budgeted to come from general obligation bonds, utility revenue bonds, state revolving fund loans and special benefit districts and other sources. The most significant projects include construction or enhancements of various streets, bridges, and traffic-ways, construction and enhancements to parks and athletic fields, airport facilities, water treatment and distribution system improvements, wastewater collection and treatment facilities and storm water drainage improvements.

Debt

At December 31, 2018, the City had total general obligation debt outstanding of \$42,020,000 backed by the full faith and credit of the government. The remainder of the City bonded debt represents revenue bonds. The City is obligated for \$19,715,760 of state revolving fund loans secured solely by specified revenue sources. Total City indebtedness as of December 31, 2018 is \$67,445,760.

Additional information of the City of Newton's long-term debt can be found in Note 5, of the Notes to Financial Statements, on pages 83-91.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Newton is the seat of Harvey County, within the Wichita Metropolitan Statistical Area (MSA). Wichita is one of 383 Metropolitan Statistical Areas (MSAs) in the nation. The Wichita MSA 2018 population was 637,578. The Harvey County 2018 population of 34,210 had a per capita personal income (PCPI) of \$40,521. This PCPI and was 83 percent of the state average, \$48,559, and 76 percent of the national average, \$53,658. The 2018 PCPI reflected an increase of 5 percent from 2017. The Harvey County Civilian Labor Force was 16,761 with an unemployment rate of 2.8%.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, 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 the Finance office, at the City of Newton, 201 E 6th Street, Newton, Kansas 67114.

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CITY OF NEWTON, KANSAS
STATEMENT OF NET POSITION

December 31, 2018

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|---------------|-------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total | Public Library | Housing Authority |
| Assets: | | | | | |
| Cash and investments | \$ 10,895,013 | \$ 19,379,358 | \$ 30,274,371 | \$ 2,167,606 | \$ 513,890 |
| Receivables: | | | | | |
| Property tax | 7,163,347 | - | 7,163,347 | - | - |
| Special assessment tax | 8,985,251 | - | 8,985,251 | - | - |
| Sales tax | 927,435 | - | 927,435 | - | - |
| Franchise tax | 131,816 | - | 131,816 | - | - |
| Accounts | 691,563 | 2,034,102 | 2,725,665 | - | 3,797 |
| Other | 2,343,169 | - | 2,343,169 | - | - |
| Internal balances | 246,267 | (246,267) | - | - | - |
| Prepaid items | 414,503 | 1,563 | 416,066 | - | 21,673 |
| Inventory | 155,399 | 126,253 | 281,652 | - | 4,075 |
| Restricted assets: | | | | | |
| Cash and investments | 115,194 | 959,140 | 1,074,334 | - | 38,091 |
| Capital assets: | | | | | |
| Capital assets not being depreciated | 7,795,826 | 1,411,728 | 9,207,554 | - | 379,347 |
| Other capital assets, net of depreciation | 59,885,422 | 61,785,255 | 121,670,677 | 124,990 | 2,346,887 |
| Total assets | 99,750,205 | 85,451,132 | 185,201,337 | 2,292,596 | 3,307,760 |
| Deferred outflows of resources: | | | | | |
| Deferred charge on refunding | 933,835 | 808,886 | 1,742,721 | - | - |
| Deferred outflows - OPEB | 87,485 | 4,659 | 92,144 | 1,750 | - |
| Deferred outflows - pension | 2,503,065 | 315,415 | 2,818,480 | 47,943 | 41,031 |
| Total deferred outflows of resources | 3,524,385 | 1,128,960 | 4,653,345 | 49,693 | 41,031 |
| Liabilities: | | | | | |
| Accounts payable | 525,878 | 156,696 | 682,574 | 90,680 | 36,131 |
| Accrued expenses | 526,086 | 90,132 | 616,218 | - | 47,427 |
| Accrued interest payable | 303,129 | 347,183 | 650,312 | - | - |
| Claims payable | 113,707 | - | 113,707 | - | - |
| Unearned revenues | 157,838 | 63,728 | 221,566 | - | 3,858 |
| Noncurrent liabilities: | | | | | |
| Due within one year | 3,063,732 | 3,116,862 | 6,180,594 | 9,393 | 7,633 |
| Due in more than one year | 48,464,949 | 36,950,598 | 85,415,547 | 269,385 | 208,158 |
| Total liabilities | 53,155,319 | 40,725,199 | 93,880,518 | 369,458 | 303,207 |
| Deferred inflows of resources: | | | | | |
| Deferred receivable - property taxes | 7,163,347 | - | 7,163,347 | - | - |
| Deferred inflows - OPEB | 35,245 | - | 35,245 | 800 | - |
| Deferred inflows - pension | 645,782 | 221,156 | 866,938 | 20,242 | 20,740 |
| Total deferred inflows of resources | 7,844,374 | 221,156 | 8,065,530 | 21,042 | 20,740 |
| Net position: | | | | | |
| Net investment in capital assets | 31,214,458 | 25,953,239 | 57,167,697 | 124,990 | 2,726,234 |
| Restricted for: | | | | | |
| Community development | 577,087 | - | 577,087 | - | 1,331 |
| Cemetery perpetual care - nonexpendable | 373,020 | - | 373,020 | - | - |
| Debt service | 51,905 | - | 51,905 | - | - |
| Airport | 34,736 | - | 34,736 | - | - |
| Law enforcement | 302,820 | - | 302,820 | - | - |
| Other | 7,010 | - | 7,010 | - | - |
| Unrestricted | 9,713,861 | 19,680,498 | 29,394,359 | 1,826,799 | 297,279 |
| Total net position | \$ 42,274,897 | \$ 45,633,737 | \$ 87,908,634 | \$ 1,951,789 | \$ 3,024,844 |

See accompanying notes to basic financial statements.

CITY OF NEWTON, KANSAS

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | Component Units | |
|--|---------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------|-----------------|-------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Public Library | Housing Authority |
| | | | | | Governmental Activities | Business-Type Activities | Total | | |
| Primary government: | | | | | | | | | |
| Governmental activities: | | | | | | | | | |
| General government | \$ 12,778,534 | \$ 2,821,681 | \$ 63,726 | \$ 35,348 | \$ (9,857,779) | \$ - | \$ (9,857,779) | \$ - | \$ - |
| Public safety | 10,116,200 | 623,596 | - | 264,786 | (9,227,818) | - | (9,227,818) | - | - |
| Highway and streets | 5,093,585 | 61,000 | - | 1,244,509 | (3,788,076) | - | (3,788,076) | - | - |
| Culture and recreation | 1,174,557 | - | 20,762 | - | (1,153,795) | - | (1,153,795) | - | - |
| Airport | 1,232,950 | 1,215,993 | 80,000 | - | 63,043 | - | 63,043 | - | - |
| Interest and fiscal charges | 1,132,291 | - | - | - | (1,132,291) | - | (1,132,291) | - | - |
| Total governmental activities | 31,528,117 | 4,722,270 | 164,488 | 1,544,643 | (25,096,716) | - | (25,096,716) | | |
| Business-type activities: | | | | | | | | | |
| Sewer | 4,501,081 | 7,806,912 | - | 21,000 | - | 3,326,831 | 3,326,831 | - | - |
| Sanitation | 1,374,701 | 2,086,312 | - | - | - | 711,611 | 711,611 | - | - |
| Waterworks | 2,942,407 | 4,641,193 | - | - | - | 1,698,786 | 1,698,786 | - | - |
| Golf course | 1,470,516 | 1,071,171 | - | - | - | (399,345) | (399,345) | - | - |
| Public building commission | 347,820 | 353,909 | - | - | - | 6,089 | 6,089 | - | - |
| Total business-type activities | 10,636,525 | 15,959,497 | - | 21,000 | - | 5,343,972 | 5,343,972 | | |
| Total primary government | \$ 42,164,642 | \$ 20,681,767 | \$ 164,488 | \$ 1,565,643 | (25,096,716) | 5,343,972 | (19,752,744) | - | - |
| Component units: | | | | | | | | | |
| Public Library | \$ 825,512 | \$ 17,834 | \$ 128,267 | \$ - | | | | (679,411) | - |
| Housing Authority | 1,323,451 | 413,928 | 547,199 | 130,547 | | | | - | (231,777) |
| Total component units | \$ 2,148,963 | \$ 431,762 | \$ 675,466 | \$ 130,547 | | | | (679,411) | (231,777) |
| General revenues: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Property taxes | | | | | 8,126,788 | 118,927 | 8,245,715 | 773,823 | - |
| Sales taxes | | | | | 5,099,402 | - | 5,099,402 | - | - |
| Franchise taxes | | | | | 1,615,724 | - | 1,615,724 | - | - |
| Excise taxes | | | | | 261,630 | - | 261,630 | - | - |
| Investment earnings | | | | | 387,944 | 4,423 | 392,367 | 16,933 | 1,426 |
| Other | | | | | 601,400 | - | 601,400 | - | 197,515 |
| Gain on disposals of capital assets | | | | | - | 11,000 | 11,000 | - | - |
| Transfers | | | | | 2,805,431 | (2,805,431) | - | - | - |
| Total general revenues and transfers | | | | | 18,898,319 | (2,671,081) | 16,227,238 | 790,756 | 198,941 |
| Change in net position | | | | | (6,198,397) | 2,672,891 | (3,525,506) | 111,345 | (32,836) |
| Net position, beginning of year as previously stated | | | | | 48,691,492 | 42,960,846 | 91,652,338 | 1,845,512 | 3,057,680 |
| Prior period adjustment | | | | | (218,198) | - | (218,198) | (5,068) | - |
| Net position, beginning of year as restated | | | | | 48,473,294 | 42,960,846 | 91,434,140 | 1,840,444 | 3,057,680 |
| Net position, end of year | | | | | \$ 42,274,897 | \$ 45,633,737 | \$ 87,908,634 | \$ 1,951,789 | \$ 3,024,844 |

See accompanying notes to basic financial statements.

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CITY OF NEWTON, KANSAS

BALANCE SHEET

GOVERNMENTAL FUNDS

December 31, 2018

| | General* |
|---|----------------------|
| Assets: | |
| Cash and investments | \$ 6,191,895 |
| Due from other funds | 2,773,267 |
| Receivables: | |
| Property tax | 5,554,470 |
| Special assessments | - |
| Sales tax | 927,435 |
| Franchise tax | 131,816 |
| Accounts receivable | 577,207 |
| Other | 35,351 |
| Inventory | 5,935 |
| Advances from other funds | - |
| Prepaid items | 394,503 |
| Restricted assets: | |
| Cash | - |
| Total assets | <u>\$ 16,591,879</u> |
| Liabilities: | |
| Accounts payable | \$ 261,927 |
| Accrued expenditures | 499,724 |
| Due to other funds | - |
| Unearned revenue | 117,532 |
| Total liabilities | <u>879,183</u> |
| Deferred inflows of resources: | |
| Unavailable revenue - property and special assessment taxes | 5,554,470 |
| Total deferred inflows of resources | <u>5,554,470</u> |
| Fund balances (deficit): | |
| Nonspendable: | |
| Prepaid items | 394,503 |
| Inventory | 5,935 |
| Restricted: | |
| Airport | - |
| Debt service | - |
| Community development | - |
| Perpetual care | - |
| Law enforcement | - |
| Other purposes | - |
| Assigned: | |
| Capital asset acquisition | 3,723,407 |
| Other purposes | 122,279 |
| Unassigned | 5,912,102 |
| Total fund balances | <u>10,158,226</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 16,591,879</u> |

* See the General Fund Combining Balance Sheet on pages 106 - 107.

See accompanying notes to basic financial statements.

| Major Funds | | Total Nonmajor Funds | Total Governmental Funds |
|----------------------|---------------------|-------------------------|-----------------------------|
| Bond & Interest | Capital Projects | | |
| \$ 355,575 | \$ - | \$ 1,266,034 | \$ 7,813,504 |
| - | - | - | 2,773,267 |
| 837,894 | - | 770,983 | 7,163,347 |
| 8,985,251 | - | - | 8,985,251 |
| - | - | - | 927,435 |
| - | - | - | 131,816 |
| - | - | 114,356 | 691,563 |
| 1,715,000 | 132,470 | 460,348 | 2,343,169 |
| - | - | 82,228 | 88,163 |
| - | 372,700 | - | 372,700 |
| - | - | - | 394,503 |
| - | - | 115,194 | 115,194 |
| <u>\$ 11,893,720</u> | <u>\$ 505,170</u> | <u>\$ 2,809,143</u> | <u>\$ 31,799,912</u> |
| \$ 541 | \$ 91,259 | \$ 163,287 | \$ 517,014 |
| - | - | 19,387 | 519,111 |
| - | 2,773,267 | - | 2,773,267 |
| - | - | 40,306 | 157,838 |
| <u>541</u> | <u>2,864,526</u> | <u>222,980</u> | <u>3,967,230</u> |
| 9,823,145 | - | 770,983 | 16,148,598 |
| <u>9,823,145</u> | <u>-</u> | <u>770,983</u> | <u>16,148,598</u> |
| - | - | - | 394,503 |
| - | - | 82,228 | 88,163 |
| - | - | 34,736 | 34,736 |
| 2,070,034 | - | - | 2,070,034 |
| - | 505,170 | 577,087 | 1,082,257 |
| - | - | 373,020 | 373,020 |
| - | - | 302,820 | 302,820 |
| - | - | 7,010 | 7,010 |
| - | - | 365,822 | 4,089,229 |
| - | - | 72,457 | 194,736 |
| - | (2,864,526) | - | 3,047,576 |
| <u>2,070,034</u> | <u>(2,359,356)</u> | <u>1,815,180</u> | <u>11,684,084</u> |
| <u>\$ 11,893,720</u> | <u>\$ 505,170</u> | <u>\$ 2,809,143</u> | <u>\$ 31,799,912</u> |

CITY OF NEWTON, KANSAS

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

December 31, 2018

| | | |
|---|------------------|----------------------|
| Total fund balances in Governmental Funds Balance Sheet | | \$ 11,684,084 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | | 67,681,248 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds. | | 8,985,251 |
| Deferred outflows represent a consumption of net position that applies to a future period and so will not be recognized as an expenditure of resources until then. | | |
| Deferred charge on refunding | 933,835 | |
| Deferred OPEB outflow | 87,485 | |
| Deferred pension outflow | <u>2,503,065</u> | 3,524,385 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, not reported as liabilities in the funds. | | (51,831,810) |
| Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. | | |
| Deferred OPEB inflow | (35,245) | |
| Deferred pension inflow | <u>(645,782)</u> | (681,027) |
| Internal service funds are used by the City to charge the cost of certain activities such as employee insurance and vehicle operating costs to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position. | | <u>2,912,766</u> |
| Net position of governmental activities | | <u>\$ 42,274,897</u> |

See accompanying notes to basic financial statements.

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CITY OF NEWTON, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

Year Ended December 31, 2018

| | General* |
|---|---------------|
| Revenues: | |
| Taxes: | |
| Property taxes | \$ 6,430,752 |
| Sales taxes | 5,099,402 |
| Franchise taxes | 1,615,724 |
| Excise taxes | - |
| Special assessments | - |
| Intergovernmental | 523,950 |
| Licenses and permits | 211,191 |
| Charges for services | 2,610,490 |
| Fines, forfeitures and penalties | 574,254 |
| Interest | 386,455 |
| Other | 98,832 |
| Total revenues | 17,551,050 |
| Expenditures: | |
| Current: | |
| General government | 4,289,082 |
| Public safety | 9,519,485 |
| Highway and streets | 2,894,550 |
| Culture and recreation | 987,674 |
| Airport | - |
| Capital outlay | 1,821,728 |
| Debt service: | |
| Principal | 140,756 |
| Interest | 67,754 |
| Fees and commissions | - |
| Total expenditures | 19,721,029 |
| Excess (deficiency) of revenues over (under) expenditures | (2,169,979) |
| Other financing sources (uses): | |
| Transfers in | 4,548,682 |
| Transfers out | (1,660,173) |
| Sale of capital assets | 175,750 |
| General obligation bonds issued | - |
| Premium from issuance of bonds | - |
| Total other financing sources (uses) | 3,064,259 |
| Net change in fund balances | 894,280 |
| Fund balances, beginning of year | 9,263,946 |
| Fund balances, end of year | \$ 10,158,226 |

* See the General Fund Combining Statement of Revenues, Expenditures and Changes in Fund Balances on pages 108 - 109.

See accompanying notes to basic financial statements.

| Major Funds | | Total Nonmajor Funds | Total Governmental Funds |
|--------------------|---------------------|-------------------------|-----------------------------|
| Bond & Interest | Capital Projects | | |
| \$ 804,357 | \$ - | \$ 891,679 | \$ 8,126,788 |
| - | - | - | 5,099,402 |
| - | - | - | 1,615,724 |
| - | - | 261,630 | 261,630 |
| 1,067,070 | - | - | 1,067,070 |
| 44,301 | 190,324 | 661,439 | 1,420,014 |
| - | - | - | 211,191 |
| - | 61,000 | 1,265,335 | 3,936,825 |
| - | - | - | 574,254 |
| - | - | 1,489 | 387,944 |
| 111,290 | 376,005 | 15,276 | 601,403 |
| 2,027,018 | 627,329 | 3,096,848 | 23,302,245 |
| - | - | 976,258 | 5,265,340 |
| - | - | 11,878 | 9,531,363 |
| - | - | - | 2,894,550 |
| - | - | - | 987,674 |
| - | - | 1,232,950 | 1,232,950 |
| - | 2,403,921 | 72,532 | 4,298,181 |
| 2,408,126 | - | - | 2,548,882 |
| 926,386 | - | - | 994,140 |
| 114,048 | - | - | 114,048 |
| 3,448,560 | 2,403,921 | 2,293,618 | 27,867,128 |
| (1,421,542) | (1,776,592) | 803,230 | (4,564,883) |
| 2,348,460 | 677,511 | 96,838 | 7,671,491 |
| (1,248,778) | - | (981,891) | (3,890,842) |
| - | - | - | 175,750 |
| 54,266 | 3,560,734 | - | 3,615,000 |
| 64,026 | - | - | 64,026 |
| 1,217,974 | 4,238,245 | (885,053) | 7,635,425 |
| (203,568) | 2,461,653 | (81,823) | 3,070,542 |
| 2,273,602 | (4,821,009) | 1,897,003 | 8,613,542 |
| \$ 2,070,034 | \$ (2,359,356) | \$ 1,815,180 | \$ 11,684,084 |

CITY OF NEWTON, KANSAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|-----------------------|
| Net change in fund balances - total governmental funds | \$ 3,070,542 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | (1,025,214) |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals, donations) is to decrease net position. | (31,884) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (777,953) |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | (7,533,315) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | 55,595 |
| Internal service funds are used by the City to charge the cost of certain activities such as employee insurance and vehicle operating costs to individual funds. The net revenue of the internal service funds is reported with governmental activities. | 43,832 |
| Change in net position of governmental activities | <u>\$ (6,198,397)</u> |

See accompanying notes to basic financial statements.

CITY OF NEWTON, KANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

Year Ended December 31, 2018

| | Original and Final Budgeted Amounts | Actual Amounts | Variance with Final Budget |
|---|--|-------------------|-------------------------------|
| Revenues and other sources: | | | |
| Property tax | \$ 6,275,942 | \$ 6,421,175 | \$ 145,233 |
| Sales tax | 5,530,000 | 5,099,402 | (430,598) |
| Franchise tax | 1,550,000 | 1,615,724 | 65,724 |
| PILOT | 665,321 | 620,256 | (45,065) |
| Intergovernmental | 52,000 | 488,602 | 436,602 |
| Licenses and permits | 201,300 | 211,191 | 9,891 |
| Charges for services | 2,254,600 | 2,145,442 | (109,158) |
| Fines and fees | 506,700 | 574,254 | 67,554 |
| Interest | 40,500 | 386,455 | 345,955 |
| Other | 44,550 | 56,431 | 11,881 |
| Transfers in | 3,414,681 | 850,827 | (2,563,854) |
| Total revenues and other sources | 20,535,594 | 18,469,759 | (2,065,835) |
| Expenditures and other uses: | | | |
| Current: | | | |
| General government | 4,039,624 | 3,500,050 | (539,574) |
| Public safety | 10,254,771 | 9,558,725 | (696,046) |
| Highway and streets | 3,111,381 | 2,948,550 | (162,831) |
| Parks and cemeteries | 1,296,461 | 987,674 | (308,787) |
| Principal | - | 107,349 | 107,349 |
| Interest | - | 1,452 | 1,452 |
| Transfers out | 2,923,320 | 540,000 | (2,383,320) |
| Total expenditures and other uses | 21,625,557 | 17,643,800 | (3,981,757) |
| Excess (deficiency) of revenues over (under) expenditures and other uses | (1,089,963) | 825,959 | 1,915,922 |
| Fund balances, beginning of year | 2,182,914 | 4,580,557 | 2,397,643 |
| Fund balances, end of year | \$ 1,092,951 | 5,406,516 | \$ 4,313,565 |
| Fund balances for budgeted funds included with the General Fund on GAAP basis financials: | | | |
| Meridian Center | | 68,250 | |
| Fund balances for non-budgeted funds included with the General Fund on GAAP basis financials: | | | |
| Meridian Center Special Reserve | | 65,000 | |
| Capital Improvement Reserve | | 1,921,217 | |
| Admin Contingency | | 895,053 | |
| Municipal Equipment Reserve | | 1,802,190 | |
| | | \$ 10,158,226 | |

See accompanying notes to basic financial statements.

CITY OF NEWTON, KANSAS

STATEMENT OF NET POSITION PROPRIETARY FUNDS

December 31, 2018

| | Sewer | Sanitation |
|--|---------------|--------------|
| Assets: | | |
| Current assets: | | |
| Cash and investments | \$ 10,574,083 | \$ 988,751 |
| Accounts receivable (net of allowance for uncollectibles) | 1,149,276 | 307,784 |
| Prepaid items | - | - |
| Inventory | - | - |
| Total current assets | 11,723,359 | 1,296,535 |
| Noncurrent assets: | | |
| Restricted cash | - | - |
| Advances from other funds | - | - |
| Capital assets: | | |
| Capital assets, net of accumulated depreciation | 42,486,335 | 434,823 |
| Total noncurrent assets | 42,486,335 | 434,823 |
| Total assets | 54,209,694 | 1,731,358 |
| Deferred outflows of resources: | | |
| Deferred charge on refunding | 417,296 | - |
| Deferred outflows - OPEB | 1,321 | 1,087 |
| Deferred outflows - pension | 123,150 | 64,394 |
| Total deferred outflows of resources | 541,767 | 65,481 |
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | 36,830 | 29,400 |
| Accrued expenses | 30,238 | 20,772 |
| Compensated absences | 17,496 | 12,803 |
| Unreported claims payable | - | - |
| Unearned revenue | - | - |
| Current portion of long-term debt | 1,736,463 | - |
| Accrued interest payable | 241,497 | - |
| Total current liabilities | 2,062,524 | 62,975 |
| Noncurrent liabilities: | | |
| Total OPEB liability | 24,217 | 20,828 |
| Net pension liability | 875,236 | 457,659 |
| State revolving fund loans payable | 16,974,863 | - |
| Advances to other funds | - | - |
| General obligation bonds, net | 8,664,161 | - |
| Total noncurrent liabilities | 26,538,477 | 478,487 |
| Total liabilities | 28,601,001 | 541,462 |
| Deferred inflows of resources: | | |
| Deferred inflows - pension | 86,347 | 45,151 |
| Net position: | | |
| Net investment in capital assets | 15,528,144 | 434,823 |
| Unrestricted | 10,535,969 | 775,403 |
| Total net position | \$ 26,064,113 | \$ 1,210,226 |
| Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service funds and the enterprise funds over time. | | |
| Net position of business-type activities | | |

See accompanying notes to basic financial statements.

| Business-Type Activities | | | | Governmental Activities |
|--------------------------|--------------|-------------------------------|---------------|----------------------------|
| Waterworks | Golf Course | Public Building Commission | Total | Internal Service Funds |
| \$ 7,566,583 | \$ 249,941 | \$ - | \$ 19,379,358 | \$ 3,081,509 |
| 577,042 | - | - | 2,034,102 | - |
| - | 1,563 | - | 1,563 | 20,000 |
| 67,491 | 58,762 | - | 126,253 | 67,236 |
| 8,211,116 | 310,266 | - | 21,541,276 | 3,168,745 |
| - | - | 959,140 | 959,140 | - |
| - | - | 3,978,400 | 3,978,400 | - |
| 10,703,477 | 7,176,479 | 2,395,869 | 63,196,983 | 575,558 |
| 10,703,477 | 7,176,479 | 7,333,409 | 68,134,523 | 575,558 |
| 18,914,593 | 7,486,745 | 7,333,409 | 89,675,799 | 3,744,303 |
| 21,370 | - | 370,220 | 808,886 | - |
| 2,251 | - | - | 4,659 | - |
| 127,871 | - | - | 315,415 | - |
| 151,492 | - | 370,220 | 1,128,960 | - |
| 63,510 | 26,956 | - | 156,696 | 8,867 |
| 31,730 | 7,392 | - | 90,132 | 6,975 |
| 32,130 | - | - | 62,429 | 6,994 |
| - | - | - | - | 113,707 |
| - | 63,728 | - | 63,728 | - |
| 502,970 | - | 815,000 | 3,054,433 | - |
| 50,457 | - | 55,229 | 347,183 | - |
| 680,797 | 98,076 | 870,229 | 3,774,601 | 136,543 |
| 38,369 | - | - | 83,414 | - |
| 908,792 | - | - | 2,241,687 | - |
| 1,398,235 | - | - | 18,373,098 | - |
| - | 3,978,400 | 372,700 | 4,351,100 | - |
| 2,693,238 | - | 4,895,000 | 16,252,399 | - |
| 5,038,634 | 3,978,400 | 5,267,700 | 41,301,698 | - |
| 5,719,431 | 4,076,476 | 6,137,929 | 45,076,299 | 136,543 |
| 89,658 | - | - | 221,156 | - |
| 6,130,404 | 3,198,079 | 661,789 | 25,953,239 | 575,558 |
| 7,126,592 | 212,190 | 903,911 | 19,554,065 | 3,032,202 |
| \$ 13,256,996 | \$ 3,410,269 | \$ 1,565,700 | 45,507,304 | \$ 3,607,760 |
| | | | 126,433 | |
| | | | \$ 45,633,737 | |

CITY OF NEWTON, KANSAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

Year Ended December 31, 2018

| | Sewer | Sanitation |
|--|---------------|--------------|
| Operating revenues: | | |
| Charges for sales and services | \$ 7,783,089 | \$ 2,056,465 |
| Miscellaneous | 23,823 | 29,847 |
| Total operating revenues | 7,806,912 | 2,086,312 |
| Operating expenses: | | |
| Personnel services | 892,748 | 586,429 |
| Contractual services | 572,798 | 293,195 |
| Commodities | 94,644 | 42,084 |
| Vehicle operating | 45,020 | 211,552 |
| Depreciation and amortization | 2,069,062 | 207,143 |
| Total operating expenses | 3,674,272 | 1,340,403 |
| Operating income (loss) | 4,132,640 | 745,909 |
| Nonoperating revenues (expenses): | | |
| Gain on disposal of property | 11,000 | - |
| Taxes | - | - |
| Interest income | - | - |
| Interest and fiscal charges | (812,222) | - |
| Total nonoperating revenues (expenses) | (801,222) | - |
| Income (loss) before capital contributions and transfers | 3,331,418 | 745,909 |
| Capital contributions | 562,579 | - |
| Transfers in | 970,866 | - |
| Transfers out | (3,228,572) | (470,521) |
| Change in net position | 1,636,291 | 275,388 |
| Total net position, beginning of year | 24,427,822 | 934,838 |
| Total net position, end of year | \$ 26,064,113 | \$ 1,210,226 |

Change in net position
Adjustment for the net effect of the current year activity between the internal service
funds and the enterprise funds.

Change in net position of business-type activities

See accompanying notes to basic financial statements.

| Business-Type Activities | | | | Governmental Activities |
|--------------------------|--------------|-------------------------------|---------------|----------------------------|
| Waterworks | Golf Course | Public Building Commission | Total | Internal Service Funds |
| \$ 4,614,333 | \$ 1,039,086 | \$ 353,909 | \$ 15,846,882 | \$ 3,705,607 |
| 26,860 | 32,085 | - | 112,615 | 19,623 |
| 4,641,193 | 1,071,171 | 353,909 | 15,959,497 | 3,725,230 |
| 1,085,124 | 545,925 | - | 3,110,226 | 3,091,839 |
| 1,095,228 | 316,407 | 1,854 | 2,279,482 | 234,806 |
| 97,033 | 291,410 | - | 525,171 | 524,085 |
| 67,740 | - | - | 324,312 | 28,499 |
| 429,533 | 292,839 | 139,067 | 3,137,644 | 64,433 |
| 2,774,658 | 1,446,581 | 140,921 | 9,376,835 | 3,943,662 |
| 1,866,535 | (375,410) | 212,988 | 6,582,662 | (218,432) |
| - | - | - | 11,000 | - |
| - | - | 118,927 | 118,927 | - |
| 1,507 | 23 | 2,893 | 4,423 | - |
| (148,287) | (23,935) | (206,899) | (1,191,343) | - |
| (146,780) | (23,912) | (85,079) | (1,056,993) | - |
| 1,719,755 | (399,322) | 127,909 | 5,525,669 | (218,432) |
| 110,052 | - | 468,754 | 1,141,385 | - |
| 284,912 | 760,000 | - | 2,015,778 | 176,620 |
| (1,845,685) | - | (396,816) | (5,941,594) | (31,453) |
| 269,034 | 360,678 | 199,847 | 2,741,238 | (73,265) |
| 12,987,962 | 3,049,591 | 1,365,853 | 42,766,066 | 3,681,025 |
| \$ 13,256,996 | \$ 3,410,269 | \$ 1,565,700 | \$ 45,507,304 | \$ 3,607,760 |
| | | | \$ 2,741,238 | |
| | | | (68,347) | |
| | | | \$ 2,672,891 | |

CITY OF NEWTON, KANSAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Year Ended December 31, 2018

| | Sewer | Sanitation |
|--|---------------|--------------|
| Cash flows from operating activities: | | |
| Receipts from customers | \$ 7,799,746 | \$ 2,078,230 |
| Payments to suppliers for goods and services | (721,053) | (537,402) |
| Payments to employees for services | (878,361) | (586,647) |
| Payments for health benefits | - | - |
| Net cash provided by (used for) operating activities | 6,200,332 | 954,181 |
| Cash flows from noncapital financing activities: | | |
| Transfers in | 970,866 | - |
| Transfers out | (3,228,572) | (470,521) |
| Net cash provided by (used for) noncapital financing activities | (2,257,706) | (470,521) |
| Cash flows from capital and related financing activities: | | |
| Proceeds from capital grants | 21,000 | - |
| Proceeds from sales of capital assets | 11,000 | - |
| Proceeds from taxes | - | - |
| Payments for capital assets | (226,408) | - |
| G.O. bond principal payments | (681,162) | - |
| Revolving loan principal payments | (1,760,360) | - |
| Receipts (payments) on advances to/from other funds | - | - |
| Interest and fees paid on capital debt | (834,464) | - |
| Net cash provided by (used for) capital and related financing activities | (3,470,394) | - |
| Cash flows from investing activities: | | |
| Interest received | - | - |
| Net increase (decrease) in cash and cash equivalents | 472,232 | 483,660 |
| Cash and cash equivalents, beginning of year | 10,101,851 | 505,091 |
| Cash and cash equivalents, end of year | \$ 10,574,083 | \$ 988,751 |

(Continued)

| Business-Type Activities | | | | Governmental Activities |
|--------------------------|--------------|-------------------------------|---------------|----------------------------|
| Waterworks | Golf Course | Public Building Commission | Total | Internal Service Funds |
| \$ 4,669,813 | \$ 1,051,866 | \$ 353,909 | \$ 15,953,564 | \$ 3,725,230 |
| (1,250,141) | (584,090) | (1,854) | (3,094,540) | (809,908) |
| (1,011,995) | (544,916) | - | (3,021,919) | (222,188) |
| - | - | - | - | (2,888,006) |
| 2,407,677 | (77,140) | 352,055 | 9,837,105 | (194,872) |
| 284,912 | 760,000 | - | 2,015,778 | 176,620 |
| (1,845,685) | - | (396,816) | (5,941,594) | (31,453) |
| (1,560,773) | 760,000 | (396,816) | (3,925,816) | 145,167 |
| - | - | - | 21,000 | - |
| - | - | - | 11,000 | - |
| - | - | 118,927 | 118,927 | - |
| (207,142) | (10,069) | - | (443,619) | (58,914) |
| (195,712) | - | (790,000) | (1,666,874) | - |
| (349,311) | - | - | (2,109,671) | - |
| - | (600,000) | 972,700 | 372,700 | - |
| (158,968) | (23,935) | (161,262) | (1,178,629) | - |
| (911,133) | (634,004) | 140,365 | (4,875,166) | (58,914) |
| 1,507 | 23 | 2,893 | 4,423 | - |
| (62,722) | 48,879 | 98,497 | 1,040,546 | (108,619) |
| 7,629,305 | 201,062 | 860,643 | 19,297,952 | 3,190,128 |
| \$ 7,566,583 | \$ 249,941 | \$ 959,140 | \$ 20,338,498 | \$ 3,081,509 |

CITY OF NEWTON, KANSAS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (Continued)

Year Ended December 31, 2018

| | Sewer | Sanitation |
|---|---------------------|-------------------|
| Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: | | |
| Operating income (loss) | \$ 4,132,640 | \$ 745,909 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation and amortization | 2,069,062 | 207,143 |
| Changes in: | | |
| Accounts receivable | (7,166) | (8,081) |
| Inventories | - | - |
| Prepaid expenses | - | - |
| Accounts payable | (8,591) | 9,428 |
| Accrued expenses | (19,750) | (4,239) |
| Compensated absences | (276) | (2,538) |
| Total OPEB liability | 1,670 | 1,496 |
| Net pension liability | 36,563 | 6,733 |
| Deferred outflows pension | 14,025 | 9,361 |
| Deferred outflows OPEB | (448) | (402) |
| Deferred inflows pension | (17,397) | (10,629) |
| Unearned revenue | - | - |
| Claims payable | - | - |
| Net cash provided by (used for) operating activities | <u>\$ 6,200,332</u> | <u>\$ 954,181</u> |

Noncash capital financing activities:

Contributions of capital assets of \$ 541,579, \$ 110,052, and \$ 468,754 were received in the sewer fund, waterworks fund, and public building commission respectively, from other governmental funds.

See accompanying notes to basic financial statements.

| Business-Type Activities | | | | Governmental Activities |
|--------------------------|--------------------|-------------------------------|---------------------|----------------------------|
| Waterworks | Golf Course | Public Building Commission | Total | Internal Service Funds |
| \$ 1,866,535 | \$ (375,410) | \$ 212,988 | \$ 6,582,662 | \$ (218,432) |
| 429,533 | 292,839 | 139,067 | 3,137,644 | 64,433 |
| 28,620 | - | - | 13,373 | - |
| 768 | 898 | - | 1,666 | 13,072 |
| - | 3,455 | - | 3,455 | (20,000) |
| 9,092 | 19,374 | - | 29,303 | - |
| (16,049) | 1,009 | - | (39,029) | (16,203) |
| 510 | - | - | (2,304) | - |
| 2,777 | - | - | 5,943 | - |
| 92,303 | - | - | 135,599 | - |
| 5,676 | - | - | 29,062 | - |
| (746) | - | - | (1,596) | - |
| (11,342) | - | - | (39,368) | - |
| - | (19,305) | - | (19,305) | - |
| - | - | - | - | (17,742) |
| <u>\$ 2,407,677</u> | <u>\$ (77,140)</u> | <u>\$ 352,055</u> | <u>\$ 9,837,105</u> | <u>\$ (194,872)</u> |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2018

1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Newton, Kansas (the City) was originally incorporated in 1871 under the laws of the State of Kansas. The City operates under a commission-manager form of government and provides services to its citizens in the areas of public safety, public works, community planning and development, water, wastewater and sanitation utilities, recreation, cultural and social assistance and municipal facilities.

Accounting principles generally accepted in the United States of America require that these financial statements present the City of Newton (the primary government) and its component units. The component units described below are included in the City's reporting entity because of their operational significance or financial relationships with the City.

Discretely Presented Component Units. The Newton Public Library, although a separate legal entity, is reported as a discrete component unit. The Library is governed by a Board, the appointees of which are approved by the City. The Library is not a separate taxing entity under State statutes and the City levies taxes for the Library operation, which represents a significant portion of its total revenues. The Library is presented as a governmental fund type. Separately issued financial statements for the Library are not available.

The Housing Authority of the City of Newton, Kansas, although a separate legal entity, is reported as a discrete component unit. The Housing Authority is governed by a Board, the appointees of which are approved by the City. The City also has the ability to remove appointed Board members at will and override or modify decisions of the governing board. The Housing Authority is presented as a proprietary fund type. Separately issued financial statements are available from the Housing Authority.

Blended Component Unit. The Newton Public Building Commission (NPBC) was formed under Kansas statutes during 2005 to provide debt financing for City facilities. The NPBC is a separate legal entity, governed by a Board which is appointed by the City Commission. The NPBC is included as a blended component unit because the NPBC's debt is repayable almost entirely from the City's resources. The financial statements of the NPBC have been included within the City's reporting entity as a proprietary fund. Separately issued financial statements for the NPBC are not available.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are generally considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 60-day availability period is used for revenue recognition for all governmental funds revenues except property taxes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Property taxes, sales taxes, franchise taxes, interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. While property taxes receivable are shown on the balance sheet as current assets of the City, they are not recognized as revenue at year end because statutory provisions prohibit their use until the year for which they were raised and budgeted. Instead, they are offset by unavailable revenue accounts.

CITY OF NEWTON, KANSAS
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The bond and interest fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The capital projects fund accounts for the acquisition and construction of city streets and other significant capital projects through capital grant funding and issuance of general obligation debt.

The City reports the following major proprietary funds:

The sewer fund accounts for the operation and maintenance activities of the City's wastewater collection and treatment systems.

The sanitation fund accounts for the operations of the City's trash collection and recycling utility.

The waterworks fund accounts for the operation and maintenance activities of the City's water distribution system.

The golf course fund accounts for the activities of the Sand Creek Station Golf Course.

The Newton Public Building Commission (NPBC) fund accounts for the activities of the NPBC blended component unit which provides financing for certain public buildings and facilities in the City.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the City reports the following fund types:

The internal service funds account for the financing of goods and services provided by one fund to other funds of the City on a cost reimbursement basis and to account for the City's self-insurance activities relating to employee health coverage.

The permanent fund account is used to account for the activities of the City's cemetery and mausoleum activities. The resources of this fund are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the cemetery program.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pooled Cash and Investments

Cash and investments of the individual funds are combined to form a pool that is managed by the Director of Finance. Each fund's equity in the pool is included in "deposits and investments" in the financial statements. These pooled deposits and investments consist of operating accounts and non-negotiable certificates of deposit which are recorded at cost because they are not affected by market rate changes. The City also has funds invested in the Kansas Municipal Investment Pool (MIP) which is overseen by the State of Kansas. The fair value of the City's position in the MIP is the same as the pool value of the shares. Investment earnings, including interest income, are allocated based on management discretion and upon their average daily equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund.

Cash Flows Statement

For purposes of the cash flow statement, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records a trade accounts receivable allowance based on percentages of collection estimated from the aging of the accounts receivable. At December 31, 2018, management has determined that no allowance for uncollectible receivables is necessary.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds unavailable revenue is reported as follows:

| | |
|---|----------------------|
| General fund property tax receivable | \$ 5,554,470 |
| Bond and interest fund property tax receivable | 837,894 |
| Bond and interest fund special assessments receivable | 8,985,251 |
| Nonmajor governmental fund property tax receivable | <u>770,983</u> |
| | <u>\$ 16,148,598</u> |

Property Taxes

In accordance with governing State statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities in the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are a lien on the property and are recorded as taxes receivable with a corresponding amount recorded as unavailable revenue on the balance sheet of the appropriate funds. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Special Assessments

In accordance with State statutes, projects financed in part by special assessments are financed through issuance of general obligation bonds of the City and are retired from the bond and interest fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the bond and interest fund. The special assessments receivable are not recorded as revenue in the fund financial statements when levied against the respective property owners as such amounts are not available as a resource to finance current year operations.

Restricted Assets

Restricted cash is set aside in the community development fund for community development programs and in the NPBC for debt service.

Inventories

Inventories that benefit future periods are recorded as expenditures or expenses as consumed. Inventories are stated at cost, as determined by the first-in, first-out method.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City capitalizes purchases of assets with a cost of \$ 1,000 or more and an estimated useful life in excess of one year. All costs of land are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

| | |
|-----------------------------------|---------------|
| Buildings | 30 – 50 years |
| Improvements other than buildings | 15 – 30 years |
| General infrastructure | 30 – 50 years |
| Machinery | 5 – 15 years |
| Office equipment and furniture | 5 – 12 years |
| Water treatment plant | 30 years |
| Water and sewer mains | 30 – 50 years |

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has several items that qualify for reporting in this category. One item, deferred charge on refunding, is reported in the government-wide and proprietary fund statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two items are deferred outflows for pension and other postemployment benefits (OPEB) reported in the government-wide and proprietary fund statements of net position. See Notes 6 and 8 for more information on the deferred outflows for the pension and OPEB.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. One item, *unavailable revenue/deferred receivable*, is reported in the governmental funds balance sheet and the governmental activities in the government-wide statement of net position. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. Governmental activities report a deferred receivable only from property taxes. The other two items are deferred inflows for pension and other postemployment benefits (OPEB). See Notes 6 and 8 for more information on the deferred inflows for the pension and OPEB.

Compensated Absences

The City's policies regarding vacation and sick leave permit employees to accumulate a maximum of 10 to 18 days of vacation leave (depending on the number of years of continuous service) and a maximum accumulation of 90 days sick leave. Policies require the cancellation of accumulated sick leave on the date of employment termination. All vacation leave is accrued when incurred in the government-wide and proprietary fund financial statements. In the governmental fund financial statements, a liability is accrued when it has matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts and refunding differences are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS's fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. KPERS investments are reported at fair value.

Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2018, fund balances for governmental funds are made up of the following:

Nonspendable fund balances – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balances – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Fund Balances (Continued)

Committed fund balances – includes amounts that can be used only for specific purposes determined by a formal action of the City Commission. The City Commission is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances approved through a majority vote by a quorum of the Commission.

Assigned fund balances – includes amounts the City intends to use for a specific purpose that is neither restricted nor committed as directed by the City Commission.

Unassigned fund balance – is the residual classification for the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Commission has provided otherwise in its commitment or assignment actions.

The City has established a minimum fund balance policy for maintaining fund balances in governmental funds. The City strives to maintain a minimum unassigned fund balance of at least 15% of budgeted annual expenditures in the General fund.

Concentrations of Credit Risk

Credit is extended to citizens for special assessments levied by the City for capital improvements. These special assessments are secured by liens on the related properties. Unsecured credit is extended to customers for water fees, sewer fees, and charges for certain other services.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pending Governmental Accounting Standards Board Statements

At December 31, 2018, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities, with the focus of the criteria on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund. The requirements of this statement are effective for periods beginning after December 15, 2018.

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for periods beginning after December 15, 2019.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Pending Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, improves information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90, *Major Equity Interests*, improves consistency and comparability of reporting a government's majority equity interest in a legally separate organization, and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. Provisions of this statement are effective for financial statements for the City's year ending December 31, 2019.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Prior Period Adjustment

Beginning net position for the primary government and the Library on the statement of activities was restated to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The effect of this restatement on the primary government's and the Library's beginning net position was a decrease of \$ 218,198 and \$ 5,068, respectively, in governmental activities, which resulted from the OPEB liability being increased by the same amount. There was no effect on current or prior-year revenues or expenditures as a result of this adjustment.

2 - Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balances – total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$ 51,831,810 difference are as follows:

| | |
|---|-------------------------------|
| General obligation bonds payable | \$ (30,267,744) |
| Plus: Issuance premiums | (792,886) |
| Guaranteed industrial revenue bonds | (6,339,995) |
| Accrued interest payable | (303,129) |
| Compensated absences | (490,431) |
| Total OPEB liability | (1,104,831) |
| Net pension liability | <u>(12,532,794)</u> |
| Net adjustment to decrease fund balances - total governmental funds to arrive at net position - governmental activities | <u><u>\$ (51,831,810)</u></u> |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 1,025,214 difference are as follows:

| | |
|--|------------------------------|
| Capital outlay | \$ 2,146,945 |
| Depreciation expense | <u>(3,172,159)</u> |
| Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position of governmental activities | <u><u>\$ (1,025,214)</u></u> |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$ 7,533,315 difference are as follows:

Principal repayments:

| | |
|--|--------------|
| General obligation bonds | \$ 2,408,126 |
| Guaranteed industrial revenue bonds | 33,407 |
| Capital leases | 107,349 |
| Amortization of deferred charge on refunding | (96,160) |
| Amortization of bond premiums | 66,391 |

Debt issued:

| | |
|-------------------------------------|-----------------|
| General obligation bonds | (3,615,000) |
| Guaranteed industrial revenue bonds | (6,373,402) |
| Bond premiums | <u>(64,026)</u> |

| | |
|--|------------------------------|
| Net adjustment to decrease net change in fund balances - total governmental funds to arrive at change in net position of governmental activities | <u><u>\$ (7,533,315)</u></u> |
|--|------------------------------|

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2 - Reconciliation of Government-Wide and Fund Financial Statements (Continued)

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$ 55,595 difference are as follows:

| | | |
|---|----|----------------------|
| Compensated absences | \$ | 47,074 |
| Accrued interest | | 5,666 |
| Total OPEB liability | | (26,330) |
| Pension contributions | | <u>29,185</u> |
| Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net position of governmental activities | \$ | <u><u>55,595</u></u> |

3 - Stewardship, Compliance and Accountability

Budgetary Information

Applicable Kansas statutes require an annual operating budget be legally adopted for the general fund, special revenue funds (unless exempted by a specific statute), debt service funds and proprietary funds. A legal operating budget is not prepared for the capital projects fund, capital improvement reserve fund, admin contingency fund, municipal equipment reserve fund, Meridian Center special reserve fund, community development fund, airport/library capital improvement fund, golf course fund, stores and maintenance fund, and airport/library municipal equipment reserve fund. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments evidenced by documents such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

3 - Stewardship, Compliance and Accountability (Continued)

Budgetary Information (Continued)

The statutes provide for the following sequence and timetable in adoption of budgets:

- a. Preparation of budget for the succeeding calendar year on or before August 1st.
- b. Publication in a local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
- c. Public hearing on or before August 15 but at least ten days after publication of notice of hearing.
- d. Adoption of final budget on or before August 25th.

Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures in an individual fund. The legal level of budgetary control is the fund level. Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City. All unencumbered appropriations lapse at the end of the year. Encumbered appropriations are not reappropriated in the ensuing year's budget but are carried forward until liquidated or cancelled. Kansas statutes permit original budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish, in the local newspaper, a notice of public hearing to amend the budget. At least ten days after publication, a public hearing is held and the governing body may amend the budget at that time. There were no budget amendments for 2018.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. Kansas statutes require that deposits of the City be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts, and must be assigned for the benefit of the City. At year-end, the carrying amount of the City's deposits was \$ 2,557,047 and the bank balance totaled \$ 2,691,733. Of the bank balance, \$ 353,275 was secured by federal deposit insurance and \$ 2,338,458 was collateralized by pledged securities held under joint custody receipts issued by third party banks in the City's name. The Library and the Housing Authority's deposits were not exposed to custodial credit risk.

Investments

As of December 31, 2018, the City had the following investments:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Maturity</u> | <u>Rating</u> |
|----------------------------------|-----------------------|-----------------|---------------|
| Kansas Municipal Investment Pool | \$28,791,658 | < 1 year | Not Rated |

Credit Risk

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments (Continued)

Investments (Continued)

Concentrations of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. As noted in the schedule above, the City's investments as of December 31, 2018 consisted entirely of amounts held by the State's municipal investment pool.

Custodial Credit Risk

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2018, the City has invested \$ 28,791,658 in the State's municipal investment pool. The City is not exposed to custodial credit risk.

The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers. The fair value of the City's position in the municipal investment pool is substantially the same as the value of the pool shares.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates, but state statutes do establish a two-year limitation on investment maturities. In practice, the City does not exceed a one year maturity when investing idle funds. The City is not exposed to significant interest rate risk.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments (Continued)

Investments (Continued)

Fair Value Measurement – The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City's investment in the Kansas Municipal Investment Pool was valued using net asset value. Investments that are measured at net asset value are not classified in the fair value hierarchy.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Capital Assets

Capital asset activity of the primary government for the year ended December 31, 2018 was as follows:

| | Beginning Balance | Increase | Decrease | Transfers | Ending Balance |
|---|----------------------|--------------|-------------|-----------|-------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 6,305,369 | \$ 230,436 | \$ - | \$ - | \$ 6,535,805 |
| Construction in progress | 785,648 | 477,373 | (3,000) | - | 1,260,021 |
| Total capital assets not being depreciated | 7,091,017 | 707,809 | (3,000) | - | 7,795,826 |
| Capital assets being depreciated: | | | | | |
| Buildings and structures | 29,284,308 | 68,973 | (44,309) | - | 29,308,972 |
| General infrastructure | 55,243,154 | 10,000 | - | - | 55,253,154 |
| Equipment | 12,743,429 | 1,403,296 | (1,154,900) | (82,787) | 12,909,038 |
| Total capital assets being depreciated | 97,270,891 | 1,482,269 | (1,199,209) | (82,787) | 97,471,164 |
| Less accumulated depreciation for: | | | | | |
| Buildings and structures | (9,979,208) | (783,808) | 44,309 | - | (10,718,707) |
| General infrastructure | (16,148,535) | (1,422,804) | - | - | (17,571,339) |
| Equipment | (9,539,053) | (965,547) | 1,126,117 | 82,787 | (9,295,696) |
| Total accumulated depreciation | (35,666,796) | (3,172,159) | 1,170,426 | 82,787 | (37,585,742) |
| Total capital assets being depreciated, net | 61,604,095 | (1,689,890) | (28,783) | - | 59,885,422 |
| Governmental activities capital assets, net | \$ 68,695,112 | \$ (982,081) | \$ (31,783) | \$ - | \$ 67,681,248 |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Capital Assets (Continued)

| | Beginning Balance | Increase | Decrease | Transfers | Ending Balance |
|--|----------------------|--------------|--------------|-----------|-------------------|
| Business-type activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,082,579 | \$ - | \$ - | \$ - | \$ 1,082,579 |
| Construction in progress | 366,750 | 774,885 | (812,486) | - | 329,149 |
| Total capital assets not being depreciated | 1,449,329 | 774,885 | (812,486) | - | 1,411,728 |
| Capital assets being depreciated: | | | | | |
| Buildings and improvements | 48,456,570 | 1,354,827 | (12,000) | - | 49,799,397 |
| Equipment | 9,730,726 | 137,787 | (26,731) | 82,787 | 9,924,569 |
| Utility service lines and infrastructure | 46,012,164 | 108,990 | - | - | 46,121,154 |
| Total capital assets being depreciated | 104,199,460 | 1,601,604 | (38,731) | 82,787 | 105,845,120 |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | (11,422,913) | (1,542,560) | 12,000 | - | (12,953,473) |
| Equipment | (6,634,423) | (581,757) | 26,731 | (82,787) | (7,272,236) |
| Utility service lines and infrastructure | (22,820,829) | (1,013,327) | - | - | (23,834,156) |
| Total accumulated depreciation | (40,878,165) | (3,137,644) | 38,731 | (82,787) | (44,059,865) |
| Total capital assets being depreciated, net | 63,321,295 | (1,536,040) | - | - | 61,785,255 |
| Business-type activities capital assets, net | \$ 64,770,624 | \$ (761,155) | \$ (812,486) | \$ - | \$ 63,196,983 |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Capital Assets (Continued)

Discretely Presented Component Units

Capital asset activity of the discretely presented component units for the year ended December 31, 2018 was as follows:

| | Beginning Balance | Increase | Decrease | Transfers | Ending Balance |
|---|----------------------|--------------------|---------------------|-------------|---------------------|
| Newton Public Library: | | | | | |
| Capital assets being depreciated: | | | | | |
| Equipment | \$ 922,995 | \$ 114,208 | \$ (121,651) | \$ - | \$ 915,552 |
| Less accumulated depreciation | (786,858) | (125,355) | 121,651 | - | (790,562) |
| Library capital assets, net | <u>\$ 136,137</u> | <u>\$ (11,147)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 124,990</u> |
| Housing Authority: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 119,300 | \$ - | \$ - | \$ - | \$ 119,300 |
| Construction in progress | 384,511 | 130,547 | (255,011) | - | 260,047 |
| Total capital assets not being depreciated | <u>503,811</u> | <u>130,547</u> | <u>(255,011)</u> | <u>-</u> | <u>379,347</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 7,609,006 | 255,011 | - | - | 7,864,017 |
| Equipment - dwelling | 453,442 | 399 | - | - | 453,841 |
| Equipment - administration | 196,914 | 5,105 | - | - | 202,019 |
| Total capital assets being depreciated | <u>8,259,362</u> | <u>260,515</u> | <u>-</u> | <u>-</u> | <u>8,519,877</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | 5,277,030 | 291,582 | - | - | 5,568,612 |
| Equipment - dwelling | 374,234 | 55,592 | - | - | 429,826 |
| Equipment - administration | 163,895 | 10,657 | - | - | 174,552 |
| Total accumulated depreciation | <u>5,815,159</u> | <u>357,831</u> | <u>-</u> | <u>-</u> | <u>6,172,990</u> |
| Total capital assets being depreciated, net | <u>2,444,203</u> | <u>(97,316)</u> | <u>-</u> | <u>-</u> | <u>2,346,887</u> |
| Housing Authority capital assets, net | <u>\$ 2,948,014</u> | <u>\$ 33,231</u> | <u>\$ (255,011)</u> | <u>\$ -</u> | <u>\$ 2,726,234</u> |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

| | |
|------------------------|------------|
| General government | \$ 998,803 |
| Public safety | 671,081 |
| Highway and streets | 1,327,162 |
| Culture and recreation | 175,113 |
| | <hr/> |

| | |
|--|--------------------------|
| Total depreciation expense - governmental activities | <hr/> <hr/> \$ 3,172,159 |
|--|--------------------------|

Business-type activities:

| | |
|-----------------------------------|--------------|
| Sewer | \$ 2,069,062 |
| Sanitation | 207,143 |
| Waterworks | 429,533 |
| Golf course | 292,839 |
| Newton Public Building Commission | 139,067 |
| | <hr/> |

| | |
|---|--------------------------|
| Total depreciation expense - business-type activities | <hr/> <hr/> \$ 3,137,644 |
|---|--------------------------|

Component units:

| | |
|-----------------------|------------------------|
| Newton Public Library | <hr/> <hr/> \$ 125,355 |
| Housing Authority | <hr/> <hr/> \$ 357,831 |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan

General Information About the Pension Plan

Description of Pension Plan. The City, the Library and the Housing Authority participate in a cost-sharing multiple-employer defined benefit pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides pension benefits to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public employees, which includes:
 - State/School employees
 - Local employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the City are included in both the Local and Police and Firemen employee groups.

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at www.kpers.org.

Benefits Provided. Benefits are established by statute and may only be changed by the Kansas Legislature. Member employees (except police and firemen) with ten or more years of credited service may retire as early as age 55 (police and firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 points (police and firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

General Information About the Pension Plan (Continued)

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. K.S.A. 74-4975 establishes the Police and Firemen (KP&F) member-employee contribution rate at 7.15% of covered salary. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

General Information About the Pension Plan (Continued)

State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation for each of the three state-wide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. KPERS is funded on an actuarial reserve basis.

For KPERS fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll for the KPERS fiscal year ended June 30, 2018.

The actuarially determined employer contribution rate (not including the 1.0% contribution rate for the Death and Disability Program) and the statutory contribution rate were 8.39% for KPERS and 20.09% for KP&F for the year ended December 31, 2018. Contributions to the Pension Plan from the City were \$ 504,211 for KPERS and \$ 1,045,685 for KP&F for the year ended December 31, 2018. Contributions from the Library for KPERS were \$ 28,573 for the year ended December 31, 2018. Contributions from the Housing Authority for KPERS were \$ 20,509 for the year ended June 30, 2018.

Summary of Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the City reported a total net pension liability of \$ 14,774,481 (\$ 4,660,471 for KPERS and \$ 10,114,010 for KP&F), and the Library reported a liability of \$ 264,109 for KPERS for their proportionate share of the KPERS collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2018, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018.

At June 30, 2018, the Housing Authority reported a liability of \$ 208,158 for KPERS for its proportionate share of the KPERS collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2017, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

Summary of Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The City's proportion of the collective net pension liability was based on the ratio of the City's actual contributions to KPERS and KP&F, relative to the total employer and nonemployer contributions of the Local group and Police and Firemen group within KPERS for the KPERS fiscal year ended June 30, 2018. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2018, the City's proportion for KPERS was 0.334374%, which was an increase of 0.001417% from its proportion measured as of June 30, 2017. At June 30, 2018, the City's proportion for KP&F was 1.051132%, which was an increase of 0.022109% from its proportion measured as of June 30, 2017. At June 30, 2018, the Library's proportion for KPERS was 0.018949%, which is an increase of 0.000642% from its proportion measured as of June 30, 2017.

At June 30, 2018, the Housing Authority's proportion for KPERS was 0.014371%, which was a decrease of 0.000604% from its proportion measured as of June 30, 2017.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

Summary of Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended December 31, 2018, the City recognized total pension expense of \$ 1,691,287, \$ 340,594 for KPERS and \$ 1,350,693 for KP&F, and \$ 23,509 for the Library. For the year ended June 30, 2018, the Housing Authority recognized pension expense of \$ 16,062. At December 31, 2018, the City and the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | City | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$ 634,820 | \$ 178,785 |
| Net difference between projected and actual earnings on pension plan investments | 372,242 | - |
| Changes of assumptions | 734,415 | 50,358 |
| Changes in proportionate share | 256,947 | 637,795 |
| City contributions subsequent to measurement date | 820,056 | - |
| Total | <u>\$ 2,818,480</u> | <u>\$ 866,938</u> |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

Summary of Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

| | Library | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$ 954 | \$ 7,484 |
| Net difference between projected and actual earnings on pension plan investments | 6,179 | - |
| Changes of assumptions | 11,437 | 1,272 |
| Changes in proportionate share | 14,692 | 11,486 |
| Library contributions subsequent to measurement date | 14,681 | - |
| Total | <u>\$ 47,943</u> | <u>\$ 20,242</u> |

At June 30, 2018, the Housing Authority reported deferred outflows of resources and deferred inflow of resources related to pensions from the following sources:

| | Housing Authority | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | \$ 1,007 | \$ 7,198 |
| Net difference between projected and actual earnings on pension plan investments | 6,529 | - |
| Changes of assumptions | 11,210 | 1,522 |
| Changes in proportionate share | - | 12,020 |
| Housing Authority contributions subsequent to measurement date | 22,285 | - |
| Total | <u>\$ 41,031</u> | <u>\$ 20,740</u> |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

Summary of Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The \$ 820,056 for the City, \$ 14,681 for the Library, and \$ 22,285 for the Housing Authority reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2019 for the City and the year ended June 30, 2019 for the Housing Authority. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | Year Ended December 31 | | Year Ended June 30 |
|------|------------------------|------------------|-----------------------|
| | City | Library | Housing Authority |
| 2019 | \$ 750,368 | \$ 10,607 | \$ (4,252) |
| 2020 | 398,635 | 5,833 | 4,044 |
| 2021 | (120,722) | (4,016) | 2,168 |
| 2022 | 80,350 | 264 | (3,938) |
| 2023 | 22,855 | 332 | (16) |
| | <u>\$ 1,131,486</u> | <u>\$ 13,020</u> | <u>\$ (1,994)</u> |

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2017 and 2016 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | 2017 | 2016 |
|---|-----------------------|-----------------------|
| Price inflation | 2.75 percent | 2.75 percent |
| Wage inflation | 3.00 percent | 3.00 percent |
| Salary increases, including price inflation | 3.50 to 12.00 percent | 3.50 to 12.00 percent |
| Long-term rate of return net of investment expense, and including price inflation | 7.75 percent | 7.75 percent |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

Summary of Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Mortality rates were based on the RP-2014 Mortality Tables, as appropriate, with adjustments for mortality improvements based on different membership groups.

The actuarial assumptions used in the December 31, 2017 and December 31, 2016 valuations were based on the results of actuarial experience studies conducted for the three year periods ending December 31, 2015 and December 31, 2013, respectively.

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 of return (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. Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocations as of the most recent experience study, dated November 18, 2016 are summarized in the following tables:

| Asset Class | June 30, 2018 | |
|------------------|-------------------|--|
| | Target Allocation | Long-Term Expected Real Rate of Return |
| Global equity | 47% | 6.85% |
| Fixed income | 13% | 1.25% |
| Yield driven | 8% | 6.55% |
| Real return | 11% | 1.71% |
| Real estate | 11% | 5.05% |
| Private equity | 8% | 9.85% |
| Cash equivalents | 2% | (0.25%) |
| Total | 100% | |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

Summary of Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

| Asset Class | June 30, 2017 | |
|------------------------|-------------------|--|
| | Target Allocation | Long-Term Expected Real Rate of Return |
| Global equity | 47% | 6.85% |
| Fixed income | 13% | 1.25% |
| Yield driven | 8% | 6.55% |
| Real return | 11% | 1.71% |
| Real estate | 11% | 5.05% |
| Alternatives | 8% | 9.85% |
| Short-term investments | 2% | (0.25%) |
| Total | 100% | |

Discount rate. The discount rate used by KPERS to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993 and subsequent legislation, the employer contribution rates certified by the KPERS Board of Trustees for this group may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for KP&F. Future employer contribution rates were also modeled for KP&F assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for KP&F. Future employer contribution rates were also modeled for KP&F, assuming all actuarial assumptions are met in future years. 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, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

Summary of Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the City's proportionate share of the collective net pension liability to changes in the discount rate. The following presents the City's and Library's proportionate share of the collective net pension liability calculated using the discount rate of 7.75% as well as what the proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|------------------------|----------------------------------|------------------------|
| City's KPERS proportionate share of the collective net pension liability | \$ 6,835,261 | \$ 4,660,471 | \$ 2,822,578 |
| City's KP&F proportionate share of the collective net pension liability | 14,414,475 | 10,114,010 | 6,513,572 |
| Library's KPERS proportionate share of the collective net pension liability | 387,355 | 264,109 | 159,956 |

The following presents the Housing Authority's proportionate share of the collective net pension liability calculated using the discount rate of 7.75% as well as what the proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|---|------------------------|----------------------------------|------------------------|
| Housing Authority's KPERS proportionate share of the collective net pension liability | \$ 299,792 | \$ 208,158 | \$ 130,913 |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

Summary of Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Pension plan fiduciary net position. Detailed information about the Pension Plan's fiduciary net position is available in the separately issued KPERS financial report.

7 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Assets of the plan, valued at current market prices, are held in trust for the benefit of the participants.

All amounts of compensation deferred under the plan as well as earnings attributable to those amounts, are solely the property of the participant employees. Accordingly, the assets and related liabilities for the plan are not recorded in the accompanying financial statements.

8 - Other Postemployment Benefits

Health Insurance

Plan Description, Benefits Provided and Contributions. The City provides postemployment health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). The benefits are provided through a single employer defined benefit postemployment healthcare plan administered by the City. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. The medical insurance benefit provides the same coverage for retirees and their dependents as for active employees and their dependents. The benefit is available for selection at retirement and is extended to retirees and their dependents until the individuals become eligible for Medicare at age 65. A retiring employee who waives continuing participation in the City's health insurance program at the time of retirement is not eligible to participate at a later date. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The plan does not issue a stand-alone financial report.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Benefits (Continued)

Health Insurance (Continued)

Kansas statutes, which may be amended by the state legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125 percent of the premium cost for other similarly situated employees. The City requires participating retirees to contribute 100 percent of the blended premium cost of active employees to maintain coverage. In 2018, retired plan members receiving benefits contributed \$ 83,356 to the plan and the City contributed \$ 40,740.

Employees Covered by Benefit Terms. At December 31, 2018, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Active plan members | 201 |
| Inactive employees or beneficiary currently receiving benefits | <u>12</u> |
| | <u>213</u> |

Total OPEB Liability

The City's total OPEB liability of \$ 996,588 was measured as of December 31, 2018 and was determined by an actuarial valuation performed as of January 1, 2019.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Benefits

Health Insurance (Continued)

Total OPEB Liability (Continued)

Actuarial Assumption and Other Inputs. The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|--|
| Discount rate | 3.68 percent |
| Salary increases | 3.00 percent per year |
| Healthcare cost trend rates | 6.50 percent for 2019, decreasing 0.5 percent for year 2, then decreasing 0.25 percent per year through year 8, to an ultimate rate of 4.50 percent for 2026. |
| Retirees' share of benefit-related costs | A reduction applies for up to 36 months (not to exceed retiree age 65) from the later of January 1, 2017 or commencement of retiree coverage. After the 36 months retirees may continue coverage by paying the group plan premium. |
| Actuarial cost method | Entry Age Normal - Level Percent-of-Pay |

The discount rate was based on the average of the S&P Municipal Bond 20 Year High Grade and Fidelity GO AA-20 Year published yields.

Mortality rates were based on the Society of Actuaries RPH-2014 Adjusted to 2006 Total Data Headcount-weighted Mortality table with Scale MP-2017 Full Generational Improvement and the Society of Actuaries RPH-2014 adjusted to 2006 Disabled Retiree Headcount-weighted Mortality with MP-2017 Full Generational Improvement.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Benefits (Continued)

Health Insurance (Continued)

Changes in the Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|--|---------------------------------|
| Balance at December 31, 2017 | \$ 925,420 |
| Changes for the year: | |
| Service cost | 56,079 |
| Interest | 31,141 |
| Changes of benefit terms | - |
| Differences between expected and actual experience | - |
| Changes in assumptions or other inputs | 24,688 |
| Employer contribution (benefit payments) | <u>(40,740)</u> |
| Net changes | <u>71,168</u> |
| Balance at December 31, 2018 | <u><u>\$ 996,588</u></u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 3.24 percent in 2017 to 3.68 percent in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.68 percent) or 1-percentage-point higher (4.68 percent) than the current discount rate:

| | <u>1% Decrease (2.68%)</u> | <u>Discount Rate (3.68%)</u> | <u>1% Increase (4.68%)</u> |
|----------------------|--------------------------------|----------------------------------|--------------------------------|
| Total OPEB liability | \$ 1,101,392 | \$ 996,588 | \$ 902,723 |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Benefits (Continued)

Health Insurance (Continued)

Changes in the Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease (5.5%) | Healthcare Cost Trend Rates (6.5%) | 1% Increase (7.5%) |
|----------------------|-----------------------|---|-----------------------|
| Total OPEB liability | \$ 870,316 | \$ 996,588 | \$ 1,148,781 |

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended December 31, 2018, the City recognized OPEB expense of \$ 52,058. At December 31, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources |
|--|--------------------------------------|
| Changes in assumptions or other inputs | \$ 62,059 |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Benefits (Continued)

Health Insurance (Continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ended December 31,</u> | |
|------------------------------------|-------------------------|
| 2019 | \$ 5,578 |
| 2020 | 5,578 |
| 2021 | 5,578 |
| 2022 | 5,578 |
| 2023 | 5,578 |
| 2024 and Therafter | <u>34,169</u> |
| | <u><u>\$ 62,059</u></u> |

Disability Benefits and Life Insurance

Plan Description, Benefits Provided and Contributions. The City and the Library participate in a multiple-employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Employer contributions are established and may be amended by state statute. Members are not required to contribute. Employer contributions paid for benefits as they came due during the fiscal year ended December 31, 2018 totaled \$ 17,824 and \$ 0 for the City and the Library, respectively.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Benefits (Continued)

Disability Benefits and Life Insurance (Continued)

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60 percent of the member's monthly compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Benefits (Continued)

Disability Benefits and Life Insurance (Continued)

Employees Covered by Benefit Terms. As of the valuation date of December 31, 2017, the following employees were covered by the benefit terms.

City

| | |
|--|------------|
| Active plan members | 115 |
| Inactive employees or beneficiary currently receiving benefits | <u>2</u> |
| | <u>117</u> |

Library

| | |
|--|----------|
| Active plan members | 9 |
| Inactive employees or beneficiary currently receiving benefits | <u>0</u> |
| | <u>9</u> |

Total OPEB Liability

The total OPEB liability for the City and the Library of \$ 191,657 and \$ 5,276, respectively, was measured as of June 30, 2018 and was determined by an actuarial valuation performed as of December 31, 2017.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Benefits (Continued)

Disability Benefits and Life Insurance (Continued)

Total OPEB Liability (Continued)

Actuarial Assumptions and Other Inputs. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-------------------------|--|
| Discount rate | 3.87 percent |
| Implicit inflation rate | 2.75 percent |
| Mortality rates | Local Males: 90% of RP-2014 M Total Dataset +2 Local Females: 90% of RP-2014 F Total Dataset +1 Generational mortality improvements were projected for future years using MP-2018. |
| Salary increases | 3.50 percent (composed of 2.75 percent inflation and 0.75 percent productivity) |
| Payroll growth | 3.00 percent |
| Actuarial cost method | Entry Age Normal |

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Benefits (Continued)

Disability Benefits and Life Insurance (Continued)

Total OPEB Liability (Continued)

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted for the period July 1, 2014 through June 30, 2016.

Changes and items of impact relative to the prior valuation were as follows.

1. The discount rate was updated in accordance with the requirements of GASB 75.
2. The mortality projection scale was updated to the most recent table published by the Society of Actuaries.

Changes in the Total OPEB Liability

| | Total OPEB Liability | |
|---|----------------------|----------|
| | City | Library |
| Balance at December 31, 2017 | \$ 213,507 | \$ 4,882 |
| Changes for the year: | | |
| Service cost | 22,512 | 895 |
| Interest | 8,134 | 207 |
| Changes in economic/demographic gains or losses | (32,663) | (613) |
| Changes in assumptions or other inputs | (2,009) | (95) |
| Benefit payments | (17,824) | - |
| Net changes | (21,850) | 394 |
| Balance at December 31, 2018 | \$ 191,657 | \$ 5,276 |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Benefits (Continued)

Disability Benefits and Life Insurance (Continued)

Changes in the Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City and the Library, as well as what the City and the Library's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current discount rate:

| | City | | |
|----------------------|------------------------|--------------------------|------------------------|
| | 1% Decrease (2.87%) | Discount Rate (3.87%) | 1% Increase (4.87%) |
| Total OPEB liability | \$ 198,259 | \$ 191,657 | \$ 184,665 |
| | Library | | |
| | 1% Decrease (2.87%) | Discount Rate (3.87%) | 1% Increase (4.87%) |
| Total OPEB liability | \$ 5,603 | \$ 5,276 | \$ 4,946 |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Benefits (Continued)

Disability Benefits and Life Insurance (Continued)

Changes in the Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following represents the total OPEB liability of the City and the Library as well as what the City and the Library's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | City | | |
|----------------------|-------------|------------|-------------|
| | Healthcare | | |
| | Cost Trend | | |
| | 1% Decrease | Rates | 1% Increase |
| Total OPEB liability | \$ 191,657 | \$ 191,657 | \$ 191,657 |

| | Library | | |
|----------------------|-------------|----------|-------------|
| | Healthcare | | |
| | Cost Trend | | |
| | 1% Decrease | Rates | 1% Increase |
| Total OPEB liability | \$ 5,276 | \$ 5,276 | \$ 5,276 |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Benefits (Continued)

Disability Benefits and Life Insurance (Continued)

OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the City and the Library recognized OPEB expense of \$ 26,528 and \$ 1,008, respectively. At December 31, 2018, the City and the Library reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | City | |
|---|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes in assumptions or other inputs | \$ - | \$ (5,953) |
| Differences between expected and actual experience | - | (29,292) |
| Benefit payments subsequent to the measurement date | 30,085 | - |
| | <u>\$ 30,085</u> | <u>\$ (35,245)</u> |

| | Library | |
|---|--------------------------------------|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources - Library |
| Changes in assumptions or other inputs | \$ - | \$ (250) |
| Differences between expected and actual experience | - | (550) |
| Benefit payments subsequent to the measurement date | 1,750 | - |
| | <u>\$ 1,750</u> | <u>\$ (800)</u> |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Other Postemployment Benefits (Continued)

Disability Benefits and Life Insurance (Continued)

OPEB Expense, Deferred Outflows and Deferred Inflows of Resources Related to OPEB (Continued)

The deferred outflows of resources related to the benefit payments subsequent to the measurement date totaling \$ 30,085 and \$ 1,750 for the City and the Library, respectively, consists of payments made to KPERS for benefits and administrative costs and will be recognized as a reduction in the total OPEB liability during the year ended December 31, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ended December 31,</u> | |
|------------------------------------|--------------------|
| 2019 | \$ (4,118) |
| 2020 | (4,118) |
| 2021 | (4,118) |
| 2022 | (4,118) |
| 2023 | (4,118) |
| 2024 and Therafter | <u>(14,655)</u> |
| | <u>\$ (35,245)</u> |

| <u>Year Ended December 31,</u> | |
|------------------------------------|-----------------|
| 2019 | \$ (94) |
| 2020 | (94) |
| 2021 | (94) |
| 2022 | (94) |
| 2023 | (94) |
| 2024 and Therafter | <u>(330)</u> |
| | <u>\$ (800)</u> |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9 - Risk Management and Claims

The City is exposed to various risks of loss related to torts; damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

Property, Liability and Employee Life Insurance

Losses under these programs are covered by commercial insurance policies, subject to deductibles in some cases. There have been no significant reductions in insurance coverage for these programs and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation Coverage

The City is a member of the Kansas Municipal Insurance Trust Workers' Compensation Pool (the Pool) for purposes of workers' compensation coverage. This program is similar to commercial insurance coverage because the Pool is liable for all claims. The City contributes to the Pool at the beginning of each coverage period based on experience and payroll factors. The City records a liability for estimated additional contributions that may be incurred because of adjustments made by the Pool. The cost of this workers' compensation coverage is charged to City funds based on payroll expenditures.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

9 - Risk Management and Claims (Continued)

Employee Health Care Benefits

During the year ended December 31, 2018, employees of the City were covered by the City of Newton Medical Benefits Plan (the Plan). Under the Plan, the City retains a significant portion of the risk of loss for employee health benefits. Claims are paid by a third-party administrator acting on behalf of the City. The administrative contract between the City and the third-party administrator is renewable annually. Administrative fees and stop-loss premiums are included in the contractual provisions.

The City is protected against catastrophic loss by stop-loss coverage carried through a commercial insurance carrier. Stop-loss coverage is in effect for individual claims exceeding \$ 75,000 and for aggregate loss, which is based on a factor determined monthly by the insurer.

The risk management activities under the Plan are recorded in the Health Benefit Risk Management Fund. Using the actuarial method, the City charges the cost of estimated benefits to funds in relation to personal services expenditures. An estimated liability is recorded for claims against the Plan that have been incurred but not yet reported at year end. The following represents the changes in the liability for unreported claims under the plan for 2018 and 2017:

| | 2018 | 2017 |
|--------------------------------|-------------|-------------|
| Liability balance, beginning | \$ 132,554 | \$ 45,193 |
| Health benefit claims incurred | 2,870,264 | 2,875,076 |
| Add premiums and fees | 184,564 | 184,923 |
| Total costs incurred | 3,187,382 | 3,105,192 |
| Less claims paid | (2,889,111) | (2,787,715) |
| Less premiums and fees paid | (184,564) | (184,923) |
| Liability balance, ending | \$ 113,707 | \$ 132,554 |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2018:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|----------------------|---------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 29,060,870 | \$ 3,615,000 | \$ 2,408,126 | \$ 30,267,744 | \$ 2,383,229 |
| Plus deferred amounts: | | | | | |
| Issuance premiums | 795,251 | 64,026 | 66,391 | 792,886 | - |
| Guaranteed industrial revenue bonds | - | 6,373,402 | 33,407 | 6,339,995 | 190,072 |
| Capital leases payable | 107,349 | - | 107,349 | - | - |
| Compensated absences | 537,505 | 490,431 | 537,505 | 490,431 | 490,431 |
| Total OPEB liability | 847,949 | 312,044 | 55,162 | 1,104,831 | - |
| Net pension liability | 12,366,724 | 166,070 | - | 12,532,794 | - |
| Governmental activities long-term liabilities | <u>\$ 43,715,648</u> | <u>\$ 11,020,973</u> | <u>\$ 3,207,940</u> | <u>\$ 51,528,681</u> | <u>\$ 3,063,732</u> |
| | | | | | |
| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
| Business-type activities: | | | | | |
| General obligation bonds | \$ 12,629,130 | \$ - | \$ 876,874 | \$ 11,752,256 | \$ 896,771 |
| NPBC revenue bonds | 6,500,000 | - | 790,000 | 5,710,000 | 815,000 |
| Plus (less) deferred amounts: | | | | | |
| Issuance premiums | 545,792 | - | 43,878 | 501,914 | - |
| KDHE revolving loans payable | 21,825,431 | - | 2,109,671 | 19,715,760 | 1,342,662 |
| Compensated absences | 64,733 | 62,429 | 64,733 | 62,429 | 62,429 |
| Total OPEB liability | 77,471 | 9,345 | 3,402 | 83,414 | - |
| Net pension liability | 2,106,088 | 135,599 | - | 2,241,687 | - |
| Business-type activities long-term liabilities | <u>\$ 43,748,645</u> | <u>\$ 207,373</u> | <u>\$ 3,888,558</u> | <u>\$ 40,067,460</u> | <u>\$ 3,116,862</u> |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|-----------------|------------------|-------------------|------------------------|
| Newton Public Library: | | | | | |
| Compensated absences | \$ 11,109 | \$ - | \$ 1,716 | \$ 9,393 | \$ 9,393 |
| Net pension liability | 265,169 | - | 1,060 | 264,109 | - |
| Total OPEB liability | <u>5,068</u> | <u>208</u> | <u>-</u> | <u>5,276</u> | <u>-</u> |
| Library long-term liabilities | <u>\$ 281,346</u> | <u>\$ 208</u> | <u>\$ 2,776</u> | <u>\$ 278,778</u> | <u>\$ 9,393</u> |
| | | | | | |
| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
| Newton Housing Authority: | | | | | |
| Compensated absences | \$ 13,238 | \$ 7,633 | \$ 13,238 | \$ 7,633 | \$ 7,633 |
| Net pension liability | <u>231,668</u> | <u>-</u> | <u>23,510</u> | <u>208,158</u> | <u>-</u> |
| Newton Housing Authority long-term liabilities | <u>\$ 244,906</u> | <u>\$ 7,633</u> | <u>\$ 36,748</u> | <u>\$ 215,791</u> | <u>\$ 7,633</u> |

For the governmental activities, compensated absences, net pension liability, and the total OPEB liability are generally liquidated by the general fund and the airport fund.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds

At December 31, 2018, the outstanding general obligation bonds consisted of the following:

| | Interest Rates | Outstanding 12/31/18 | Original Amount |
|---|-------------------|-------------------------|--------------------|
| Airport refunding, 2004-B | 5.250-6.000% | \$ 225,000 | \$ 515,000 |
| Internal improvements, 2006-A | 3.800-5.000 | 385,000 | 9,515,000 |
| Internal improvements, 2009 | 3.000-5.000 | 290,000 | 6,815,000 |
| Internal improvements/refunding, 2010-A | 2.000-4.000 | 3,890,000 | 7,800,000 |
| Taxable GO bonds, 2010-B | 4.500-6.250 | 1,715,000 | 2,000,000 |
| Internal improvement, 2010-C | 2.000-4.375 | 2,160,000 | 2,935,000 |
| GO Refunding, 2012-A | 2.000-2.100 | 2,165,000 | 3,570,000 |
| Internal improvements/refunding, 2013-A | 2.000-4.000 | 8,615,000 | 9,595,000 |
| Internal improvements, 2015-B | 2.000-3.100 | 925,000 | 1,130,000 |
| Internal improvements, 2015-C | 3.000 | 2,570,000 | 2,570,000 |
| Internal improvements, 2015-D | 2.000-3.000 | 2,090,000 | 2,500,000 |
| GO Refunding, 2016-A | 1.500-4.000 | 13,375,000 | 13,425,000 |
| Internal improvements, 2018-A | 3.000-4.000 | 2,125,000 | 2,125,000 |
| Taxable GO bonds, 2018-B | 3.000-4.100 | 1,490,000 | 1,490,000 |
| | | <u>\$ 42,020,000</u> | |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

General Obligation Bonds (Continued)

Remaining debt service requirements for general obligation bonds will be paid from the bond and interest fund with future property tax revenues, special assessment taxes, and enterprise funds. A portion of the general obligation bond principal represents special assessment debt with government commitment to pay the principal and interest if the special assessments are not paid by the applicable property owners. Annual debt service requirements to maturity for general obligation bonds are as follows:

| | Governmental activities | | Business-type activities | |
|-----------|----------------------------|---------------------|-----------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2019 | \$ 2,383,229 | \$ 944,384 | \$ 896,771 | \$ 341,717 |
| 2020 | 2,672,176 | 907,457 | 1,057,825 | 316,285 |
| 2021 | 2,779,212 | 830,618 | 1,110,788 | 288,430 |
| 2022 | 2,494,938 | 765,826 | 1,050,062 | 261,272 |
| 2023 | 2,564,800 | 686,222 | 1,080,200 | 228,085 |
| 2024-2028 | 11,442,014 | 2,246,383 | 4,962,986 | 683,122 |
| 2029-2033 | 4,164,627 | 701,570 | 1,305,373 | 167,825 |
| 2034-2038 | 1,766,748 | 172,807 | 288,251 | 17,480 |
| | <u>\$ 30,267,744</u> | <u>\$ 7,255,267</u> | <u>\$ 11,752,256</u> | <u>\$ 2,304,216</u> |

Defeased Debt

The City has defeased certain general obligation bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2018, \$ 3,565,000 of the bonds that are considered defeased remain outstanding.

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

Water Fund Revolving Loans

The City has four loans with the Kansas Department of Health and Environment (KDHE) to provide funding for City waterworks improvements.

Terms of the individual loans are as follows:

| <u>Year of Inception</u> | <u>Interest Rate</u> | <u>Term</u> | <u>Outstanding December 31, 2018</u> |
|------------------------------|----------------------|-------------|--|
| 1999 | 4.17% | 20 years | \$ 74,889 |
| 2002 | 4.17% | 20 years | 143,967 |
| 2009 | 3.37% | 20 years | 1,091,207 |
| 2009 | 3.75% | 20 years | 374,942 |
| | | | <u>\$ 1,685,005</u> |

Future principal payments on the Waterworks revolving loans are scheduled as follows:

| | |
|-----------|---------------------|
| 2019 | \$ 286,769 |
| 2020 | 162,475 |
| 2021 | 121,277 |
| 2022 | 125,522 |
| 2023 | 129,917 |
| 2024-2028 | 721,090 |
| 2029 | 137,955 |
| | <u>\$ 1,685,005</u> |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

Sewer Fund Revolving Loans

The City has three loans with KDHE to provide funding for the City wastewater treatment improvements. Terms of the individual loans are as follows:

| <u>Year of Inception</u> | <u>Interest Rate</u> | <u>Term</u> | <u>Outstanding December 31, 2018</u> |
|------------------------------|----------------------|-------------|--|
| 2002 | 3.03% | 20 years | \$ 277,051 |
| 2008 | 2.85% | 20 years | 4,358,030 |
| 2014 | 2.83% | 20 years | 13,395,674 |
| | | | <u>\$ 18,030,755</u> |

Future principal payments on these loans are scheduled as follows:

| | |
|-----------|----------------------|
| 2019 | \$ 1,055,893 |
| 2020 | 1,086,190 |
| 2021 | 1,117,356 |
| 2022 | 1,149,417 |
| 2023 | 1,107,770 |
| 2024-2028 | 6,032,068 |
| 2029-2033 | 4,991,831 |
| 2034-2035 | 1,490,230 |
| | <u>\$ 18,030,755</u> |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

Revenue Bonds

The NPBC has issued revenue bonds to finance athletic field improvements and to construct the Sand Creek Station Golf Course. At December 31, 2018, the outstanding NPBC revenue bonds consisted of the following:

| | Interest Rates | Outstanding 12/31/18 | Original Amount |
|-------------------|-------------------|-------------------------|--------------------|
| Series 2004 | 4.36% | \$ 1,315,000 | \$ 2,685,000 |
| 2012 Refunding | 2.00-2.40% | 4,395,000 | 5,915,000 |
| Principal balance | | <u>\$ 5,710,000</u> | |

Debt service requirement to maturity for revenue bonds are as follows:

| | Principal | Interest | Total |
|-----------|---------------------|-------------------|---------------------|
| 2019 | \$ 815,000 | \$ 141,080 | \$ 956,080 |
| 2020 | 855,000 | 119,955 | 974,955 |
| 2021 | 855,000 | 98,076 | 953,076 |
| 2022 | 850,000 | 75,581 | 925,581 |
| 2023 | 855,000 | 52,062 | 907,062 |
| 2024-2025 | 1,480,000 | 34,765 | 1,514,765 |
| | <u>\$ 5,710,000</u> | <u>\$ 521,519</u> | <u>\$ 6,231,519</u> |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

10 - Long-Term Debt (Continued)

Capital Lease

The City entered into a lease agreement as lessee for financing the acquisition of equipment. This lease agreement qualified as a capital lease and therefore was recorded at the present value of the future minimum lease payments as of the inception date. The lease was paid in full during 2018.

Asset:

| | |
|-------------------------------|--------------------|
| Golf carts | \$ 214,107 |
| Less accumulated depreciation | <u>(214,107)</u> |
| Net book value | <u><u>\$ -</u></u> |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

11 - Nonexchange Financial Guarantee of Industrial Revenue Bonds

In 2014, the City issued Industrial Revenue Bonds (IRB) to fund a facility for a local Company and the facility was leased to the Harvey County Economic Development Council (EDC), a Kansas not-for-profit corporation. The EDC was obligated to sublease the facility to the Company in exchange for rental payments and the EDC agreed to remit all rental payments received from the Company to the City to satisfy the financial obligations of the EDC. The City agreed to assist the EDC in meeting its financial obligations for payment of the rental payments under the lease as the Company's presence in the City was to be of significant economic benefit to the City, its citizens and the surrounding communities. The City made periodic economic development grants to the EDC in amounts necessary to provide the difference between the rent received from the Company and the amount of rent required to pay the debt service requirements on the IRB's. In 2018, the local Company incurred financial difficulty, and was not able to make the required minimum payments. The City was forced to intervene and became responsible for all of the future monthly debt service payments beginning with the December 1, 2018 payment. The City made payments of \$395,533 under this agreement in 2018. The IRB's have an outstanding principal balance of \$ 6,339,995 at December 31, 2018 and have a final maturity date of June 1, 2036. Future debt service requirements are as follows:

| | Principal | Interest |
|-----------|---------------------|---------------------|
| 2019 | \$ 190,072 | \$ 358,331 |
| 2020 | 220,121 | 378,136 |
| 2021 | 234,280 | 363,977 |
| 2022 | 249,349 | 348,908 |
| 2023 | 265,388 | 332,869 |
| 2024-2028 | 1,606,039 | 1,385,245 |
| 2029-2033 | 2,193,416 | 797,869 |
| 2034-2038 | 1,381,330 | 114,312 |
| | <u>\$ 6,339,995</u> | <u>\$ 4,079,647</u> |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

12 - Commitments and Contingencies

Litigation – The City is a defendant in various lawsuits. Although the outcomes of these lawsuits are not presently determinable, in the opinion of the City Attorney, the resolution of these matters will not have a material adverse effect on the City’s financial statements.

Federal Grants – In the normal course of operation, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for cash expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year-end are not accounted for as expenditures and liabilities, but, rather, as restricted, committed, or assigned fund balance. At December 31, 2018, the City had no recorded encumbrances in budgeted governmental funds.

13 - Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2018, five City-issued Industrial Revenue bond issues were outstanding with a total balance of \$ 17,571,969

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

14 - Joint Venture - Public Wholesale Water Supply District No. 17

During 1997, the City of Newton entered into an agreement with the cities of Halstead, North Newton and Sedgwick to form the Public Wholesale Water Supply District No. 17 (the District). The purpose of the District is to secure an additional water supply for sale to member cities and other potential customers. The City of Newton has contributed \$ 40,000 in capital to the District. As there is no explicit, measurable equity interest for the City, the City has not recorded an asset related to this joint venture.

During 2001, the District completed construction of the water distribution system and began selling water to member cities. In order to purchase water rights and construct the water distribution system, the District obtained a low interest loan through the Kansas Rural Water Finance Authority. In the event that the District terminates or otherwise fails to meet debt service requirements of this loan, the member cities are required to tender their share of the deficiency based on percentages specified in the organization agreement.

Separate financial statements for the District can be obtained from the District's office located at City of Newton administration building (201 East Sixth, Newton, Kansas 67114-0426).

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

15 - Interfund Transfers

Interfund transfers reflect the flow of resources from one fund to another fund, generally from the fund in which resources are received to the fund where resources will be expended. The City uses transfers from business activities to provide support for general government, and to provide funding from government activities for specific capital needs. Transfers for the year were as follows:

| Transfers out | Transfers in | | | | | | | | Total |
|------------------------|---------------------|---------------------|-------------------|-----------------------|-------------------|-------------------|-------------------|------------------------|---------------------|
| | General | Bond & Interest | Capital Projects | Nonmajor Governmental | Sewer | Waterworks | Golf Course | Internal Service Funds | |
| General | \$ - | \$ 753,587 | \$ 146,586 | \$ - | \$ - | \$ - | \$ 760,000 | \$ - | \$ 1,660,173 |
| Bond & Interest | - | - | - | - | 963,866 | 284,912 | - | - | 1,248,778 |
| Nonmajor governmental | 709,293 | 203,698 | - | 41,900 | 7,000 | - | - | 20,000 | 981,891 |
| Sewer | 1,954,275 | 1,102,440 | 92,009 | 18,200 | - | - | - | 61,648 | 3,228,572 |
| Waterworks | 1,416,464 | 288,735 | 42,100 | 36,738 | - | - | - | 61,648 | 1,845,685 |
| PBC | - | - | 396,816 | - | - | - | - | - | 396,816 |
| Sanitation | 437,197 | - | - | - | - | - | - | 33,324 | 470,521 |
| Internal Service Funds | 31,453 | - | - | - | - | - | - | - | 31,453 |
| | <u>\$ 4,548,682</u> | <u>\$ 2,348,460</u> | <u>\$ 677,511</u> | <u>\$ 96,838</u> | <u>\$ 970,866</u> | <u>\$ 284,912</u> | <u>\$ 760,000</u> | <u>\$ 176,620</u> | <u>\$ 9,863,889</u> |

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

16 - Interfund Receivable/Payable

Advances from/to Other Funds

During 2005, the City entered into an agreement with the Newton Public Building Commission (NPBC) to provide funding for the Sand Creek Station Golf Course which was completed during 2006. Under the agreement, the City will make lease payments equal to the NPBC debt incurred to acquire, improve and equip the course. An equal amount was recorded on the NPBC's financial statements when the course assets were transferred to the City, and recorded in the golf course fund. The required minimum lease payments, based on the NPBC's debt requirements, are as follows:

| | |
|-------------------------------------|----------------------------|
| 2019 | \$ 722,670 |
| 2020 | 734,720 |
| 2021 | 706,670 |
| 2022 | 673,658 |
| 2023 | 645,385 |
| 2024-2027 | <u>1,249,098</u> |
| | 4,732,201 |
| Less portion attributed to interest | <u>(753,801)</u> |
| | <u><u>\$ 3,978,400</u></u> |

During 2018, NPBC entered into an agreement with the City to provide funding for the Centennial Park Restroom and Concession Project which was completed during 2018. Under the agreement, NPBC will make lease payments equal to the expense incurred by the City to complete the project. The outstanding balance of the advance was \$ 372,700 at December 31, 2018

CITY OF NEWTON, KANSAS

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

16 - Interfund Receivable/Payable (Continued)

Due to/from Other Funds

Interfund receivables and payable are recorded to eliminate negative cash balances in capital project and other funds prior to the issuance of permanent long-term financing. At December 31, 2018, the interfund balances consisted of the following:

| | Due from other funds | Due to other funds |
|------------------|-------------------------|-----------------------|
| General fund | \$ 2,773,267 | \$ - |
| Capital projects | - | (2,773,267) |
| | <u>\$ 2,773,267</u> | <u>\$ (2,773,267)</u> |

17 - Tax Abatements

The City of Newton and Harvey County enter into property tax abatement agreements with local businesses for the purpose of attracting businesses within their jurisdictions. For the fiscal year ended December 31, 2018, abated property taxes that impacted the City totaled \$ 1,164,665, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

- A property tax abatement to a foam manufacturer. The City's portion of the abatement amounted to \$ 173,437.
- A property tax abatement to a developer and manufacturer of advanced composite materials for aircraft and space. The City's portion of the abatement amounted to \$ 809,649.

18 - Subsequent Events

The City has evaluated subsequent events through the date of the independent auditor's report, which is the date that the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NEWTON, KANSAS

Schedule of the City's Proportionate Share of the Collective Net Pension Liability Kansas Public Employees Retirement System Last Five Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---------------|---------------|---------------|---------------|---------------|
| City's proportion of the collective net pension liability | | | | | |
| KPERS | 0.334374% | 0.332957% | 0.367572% | 0.364582% | 0.361789% |
| KP&F | 1.051132% | 1.029023% | 1.083101% | 1.102692% | 1.097784% |
| City's proportionate share of the collective net pension liability | \$ 14,774,481 | \$ 14,472,812 | \$ 15,745,894 | \$ 12,793,964 | \$ 11,652,675 |
| City's covered payroll | \$ 11,336,340 | \$ 11,039,244 | \$ 11,415,983 | \$ 11,109,928 | \$ 10,815,790 |
| City's proportionate share of the collective net pension liability as a percentage of its covered payroll | 130% | 131% | 138% | 115% | 108% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.88% | 67.12% | 65.10% | 64.95% | 66.60% |

* GASB 68 requires presentation of 10 years. Data was not available prior to fiscal year 2014.

CITY OF NEWTON, KANSAS

NEWTON PUBLIC LIBRARY

Schedule of the Library's Proportionate Share of the Collective Net Pension Liability
Kansas Public Employees Retirement System
Last Five Fiscal Years*

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------------|------------|------------|------------|------------|
| Library's proportion of the collective net pension liability | | | | | |
| KPERS | 0.018949% | 0.018307% | 0.019479% | 0.018471% | 0.018727% |
| Library's proportionate share of the collective net pension liability | \$ 264,109 | \$ 265,169 | \$ 301,346 | \$ 242,532 | \$ 230,494 |
| Library's covered payroll | \$ 339,130 | \$ 324,491 | \$ 333,636 | \$ 308,532 | \$ 307,672 |
| Library's proportionate share of the collective net pension liability as a percentage of its covered payroll | 78% | 82% | 90% | 79% | 75% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.88% | 67.12% | 65.10% | 64.95% | 66.60% |

* GASB 68 requires presentation of 10 years. Data was not available prior to fiscal year 2014.

CITY OF NEWTON, KANSAS

NEWTON HOUSING AUTHORITY

Schedule of the Housing Authority's Proportionate Share of the Collective Net Pension Liability
Kansas Public Employees Retirement System
Last Four Fiscal Years*

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|-------------|-------------|
| Housing Authority's proportion of the collective net pension liability KPERS | 0.014371% | 0.014975% | 0.014994% | 0.154300% |
| Housing Authority's proportionate share of the collective net pension liability | \$ 208,158 | \$ 231,668 | \$ 196,878 | \$ 189,914 |
| Housing Authority's covered payroll | \$ 254,956 | \$ 256,721 | \$ 250,357 | \$ 253,669 |
| Housing Authority's proportionate share of the collective net pension liability as a percentage of its covered payroll | 82% | 90% | 79% | 75% |
| Plan fiduciary net position as a percentage of the total pension liability | 67.12% | 65.10% | 64.95% | 66.60% |

* GASB 68 requires presentation of 10 years. Data was not available prior to fiscal year 2015.

CITY OF NEWTON, KANSAS

Schedule of the City's Contributions Kansas Public Employees Retirement System Last Ten Fiscal Years

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|--------------|---------------|
| KPERS contractually required contributions | \$ 504,211 | \$ 520,799 | \$ 580,045 | \$ 587,308 | \$ 527,224 | \$ 465,230 | \$ 406,455 | \$ 368,665 | \$ 322,084 | \$ 299,247 |
| KP&F contractually required contributions | 1,045,685 | 1,014,326 | 1,050,678 | 1,097,368 | 996,198 | 847,528 | 772,158 | 669,651 | 563,465 | 584,659 |
| Contributions in relation to the contractually required contribution | (1,549,896) | (1,535,125) | (1,630,723) | (1,684,676) | (1,523,424) | (1,312,756) | (1,178,735) | (1,038,497) | (885,535) | (883,914) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (2)</u> | <u>\$ 2</u> | <u>\$ (122)</u> | <u>\$ (181)</u> | <u>\$ 14</u> | <u>\$ (8)</u> |
| City's covered payroll | \$ 11,396,824 | \$ 11,186,375 | \$ 11,297,360 | \$ 11,284,441 | \$ 10,912,626 | \$ 10,670,233 | \$ 10,158,147 | \$ 9,816,398 | \$ 9,497,096 | \$ 9,635,302 |
| Contributions as a percentage of covered payroll | 13.6% | 13.7% | 14.4% | 14.9% | 14.0% | 12.3% | 11.6% | 10.6% | 9.3% | 9.2% |

CITY OF NEWTON, KANSAS

NEWTON PUBLIC LIBRARY

Schedule of the Library's Contributions Kansas Public Employees Retirement System Last Ten Fiscal Years

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contributions | \$ 28,573 | \$ 28,049 | \$ 29,496 | \$ 31,136 | \$ 27,191 | \$ 23,944 | \$ 21,752 | \$ 18,973 | \$ 17,049 | \$ 15,197 |
| Contributions in relation to the contractually required contribution | <u>(28,573)</u> | <u>(28,049)</u> | <u>(29,496)</u> | <u>(31,136)</u> | <u>(27,191)</u> | <u>(23,944)</u> | <u>(21,752)</u> | <u>(18,973)</u> | <u>(17,049)</u> | <u>(15,197)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Library's covered payroll | \$ 342,698 | \$ 331,552 | \$ 322,340 | \$ 328,439 | \$ 307,591 | \$ 301,556 | \$ 296,349 | \$ 278,833 | \$ 277,675 | \$ 269,112 |
| Contributions as a percentage of covered payroll | 8.3% | 8.5% | 9.2% | 9.5% | 8.8% | 7.9% | 7.3% | 6.8% | 6.1% | 5.6% |

CITY OF NEWTON, KANSAS

NEWTON HOUSING AUTHORITY

Schedule of the Housing Authority's Contributions
Kansas Public Employees Retirement System
Last Four Fiscal Years*

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-----------------|-----------------|-----------------|-----------------|
| Contractually required contributions | \$ 20,509 | \$ 22,478 | \$ 23,954 | \$ 22,930 |
| Contributions in relation to the contractually required contribution | <u>(20,509)</u> | <u>(22,478)</u> | <u>(23,954)</u> | <u>(22,930)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Housing Authority's covered payroll | \$ 243,398 | \$ 254,966 | \$ 256,721 | \$ 250,357 |
| Contributions as a percentage of covered payroll | 8.4% | 8.8% | 9.3% | 9.2% |

* GASB 68 requires presentation of 10 years. Data was not available prior to fiscal year 2015.

CITY OF NEWTON, KANSAS

Schedule of Changes in the City's Total OPEB Liability and Related Ratios Health Insurance

Last Two Fiscal Years*

| | 2018 | 2017 |
|--|-------------------|-------------------|
| Total OPEB liability: | | |
| Service cost | \$ 56,079 | \$ 48,339 |
| Interest | 31,141 | 32,745 |
| Changes of assumptions | 24,688 | 46,595 |
| Benefit payments | (40,740) | (49,613) |
| Net change in total OPEB liability | 71,168 | 78,066 |
| Total OPEB liability, beginning | 925,420 | 847,354 |
| Total OPEB liability, ending | <u>\$ 996,588</u> | <u>\$ 925,420</u> |
| Covered payroll | \$ 10,554,613 | \$ 10,554,613 |
| City's total OPEB liability as a percentage of covered payroll | 9.44% | 8.77% |

Notes to Schedule:

Changes of assumptions :

- The assumed mortality was updated to reflect the Society of Actuaries RPH-2014 Adjusted to 2006 White Collar Headcount-weighted Mortality table with MP-2018 Full Generational Improvement.
- The retiree contribution premiums and fixed cost (admin fees and stop-loss premiums) were updated.
- The discount rate was changed from 3.24% to 3.68% for the end of year measurement.

*GASB 75 requires the presentation of 10 years. Data was not available prior to fiscal year 2017. Therefore, 10 years of data is unavailable.

CITY OF NEWTON, KANSAS

Schedule of Changes in the City's Total OPEB Liability and Related Ratios Disability Benefits and Life Insurance

Last Two Fiscal Years*

| | 2018 | 2017 |
|--|-------------------|-------------------|
| Total OPEB liability: | | |
| Service cost | \$ 22,512 | \$ 23,703 |
| Interest | 8,134 | 6,215 |
| Changes of economic/demographic gains or losses | (32,663) | - |
| Changes of assumptions | (2,009) | (5,231) |
| Benefit payments | (17,824) | (10,958) |
| Net change in total OPEB liability | (21,850) | 13,729 |
| Total OPEB liability, beginning | 213,507 | 199,778 |
| Total OPEB liability, ending | <u>\$ 191,657</u> | <u>\$ 213,507</u> |
| Covered payroll | \$ 5,784,433 | \$ 5,665,109 |
| City's total OPEB liability as a percentage of covered payroll | 3.31% | 3.77% |

Notes to Schedule:

Changes of assumptions:

- The discount rate was increased from 3.58% to 3.87% in accordance with the requirements of GASB 75.
- The mortality projection scale was updated to the most recent table published by the Society of Actuaries.

*GASB 75 requires the presentation of 10 years. Data was not available prior to fiscal year 2017. Therefore, 10 years of data is unavailable.

CITY OF NEWTON, KANSAS

NEWTON PUBLIC LIBRARY

Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Disability Benefits and Life Insurance

Last Two Fiscal Years*

| | 2018 | 2017 |
|--|-----------------|-----------------|
| Total OPEB liability: | | |
| Service cost | \$ 895 | \$ 967 |
| Interest | 207 | 141 |
| Changes of economic/demographic gains or losses | (613) | - |
| Changes of assumptions | (95) | (21) |
| Benefit payments | - | - |
| Net change in total OPEB liability | 394 | 1,087 |
| Total OPEB liability, beginning | 4,882 | 3,795 |
| Total OPEB liability, ending | <u>\$ 5,276</u> | <u>\$ 4,882</u> |
| Covered payroll | \$ 331,551 | \$ 321,340 |
| City's total OPEB liability as a percentage of covered payroll | 1.59% | 1.52% |

Notes to Schedule:

Changes of assumptions:

- The discount rate was increased from 3.58% to 3.87% in accordance with the requirements of GASB 75.
- The mortality projection scale was updated to the most recent table published by the Society of Actuaries.

*GASB 75 requires the presentation of 10 years. Data was not available prior to fiscal year 2017. Therefore, 10 years of data is unavailable.

OTHER SUPPLEMENTARY INFORMATION

CITY OF NEWTON, KANSAS
COMBINING BALANCE SHEET

GENERAL FUND

December 31, 2018

| | General | Capital Improvement Reserve |
|---|----------------------|--------------------------------|
| Assets: | | |
| Cash and investments | \$ 1,381,841 | \$ 1,923,435 |
| Due from other funds | 2,773,267 | - |
| Receivables: | | |
| Property tax | 5,554,470 | - |
| Sales tax | 927,435 | - |
| Franchise tax | 131,816 | - |
| Accounts receivable | 556,700 | - |
| Other | 35,351 | - |
| Inventory | - | - |
| Prepaid items | 389,467 | - |
| Total assets | <u>\$ 11,750,347</u> | <u>\$ 1,923,435</u> |
| Liabilities: | | |
| Accounts payable | \$ 193,993 | \$ 2,218 |
| Accrued expenditures | 494,918 | - |
| Unearned revenue | 100,450 | - |
| Total liabilities | <u>789,361</u> | <u>2,218</u> |
| Deferred inflows of resources: | | |
| Unavailable revenue - property and special assessment taxes | 5,554,470 | - |
| Total deferred inflows of resources | <u>5,554,470</u> | <u>-</u> |
| Fund balances: | | |
| Nonspendable: | | |
| Prepaid items | 389,467 | - |
| Inventory | - | - |
| Assigned: | | |
| Capital asset acquisition | - | 1,921,217 |
| Other purposes | - | - |
| Unassigned | 5,017,049 | - |
| Total fund balances | <u>5,406,516</u> | <u>1,921,217</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 11,750,347</u> | <u>\$ 1,923,435</u> |

| Admin Contingency | Municipal Equipment Reserve | Meridian Center | Meridian Center Special Reserve | Total General Fund |
|----------------------|--------------------------------|--------------------|------------------------------------|-----------------------|
| \$ 895,053 | \$ 1,851,527 | \$ 75,039 | \$ 65,000 | \$ 6,191,895 |
| - | - | - | - | 2,773,267 |
| - | - | - | - | 5,554,470 |
| - | - | - | - | 927,435 |
| - | - | - | - | 131,816 |
| - | - | 20,507 | - | 577,207 |
| - | - | - | - | 35,351 |
| - | - | 5,935 | - | 5,935 |
| - | - | 5,036 | - | 394,503 |
| <u>\$ 895,053</u> | <u>\$ 1,851,527</u> | <u>\$ 106,517</u> | <u>\$ 65,000</u> | <u>\$ 16,591,879</u> |
| \$ - | \$ 49,337 | \$ 16,379 | \$ - | \$ 261,927 |
| - | - | 4,806 | - | 499,724 |
| - | - | 17,082 | - | 117,532 |
| <u>-</u> | <u>49,337</u> | <u>38,267</u> | <u>-</u> | <u>879,183</u> |
| - | - | - | - | 5,554,470 |
| - | - | - | - | 5,554,470 |
| - | - | 5,036 | - | 394,503 |
| - | - | 5,935 | - | 5,935 |
| - | 1,802,190 | - | - | 3,723,407 |
| - | - | 57,279 | 65,000 | 122,279 |
| <u>895,053</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,912,102</u> |
| <u>895,053</u> | <u>1,802,190</u> | <u>68,250</u> | <u>65,000</u> | <u>10,158,226</u> |
| <u>\$ 895,053</u> | <u>\$ 1,851,527</u> | <u>\$ 106,517</u> | <u>\$ 65,000</u> | <u>\$ 16,591,879</u> |

CITY OF NEWTON, KANSAS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND

Year Ended December 31, 2018

| | General |
|---|----------------------------|
| Revenues: | |
| Taxes: | |
| Property taxes | \$ 6,421,175 |
| Sales taxes | 5,099,402 |
| Franchise taxes | 1,615,724 |
| Intergovernmental | 488,602 |
| Licenses and permits | 211,191 |
| Charges for services | 2,145,442 |
| Fines, forfeitures and penalties | 574,254 |
| Interest | 386,455 |
| Other | 56,431 |
| Total revenues | <u>16,998,676</u> |
| Expenditures: | |
| Current: | |
| General government | 3,500,050 |
| Public safety | 9,519,485 |
| Highway and streets | 2,894,550 |
| Culture and recreation | 987,674 |
| Capital outlay | 93,240 |
| Debt service: | |
| Principal | 107,349 |
| Interest | 1,452 |
| Total expenditures | <u>17,103,800</u> |
| Excess (deficiency) of revenues over (under) expenditures | (105,124) |
| Other financing sources (uses): | |
| Transfers in | 1,471,083 |
| Transfers out | (540,000) |
| Sales of capital assets | - |
| Total other financing sources (uses) | <u>931,083</u> |
| Net change in fund balances | 825,959 |
| Fund balances, beginning of year | <u>4,580,557</u> |
| Fund balances, end of year | <u><u>\$ 5,406,516</u></u> |

| Capital Improvement Reserve | Admin Contingency | Municipal Equipment Reserve | Meridian Center | Meridian Center Special Reserve | Total General Fund |
|--------------------------------|----------------------|--------------------------------|--------------------|------------------------------------|-----------------------|
| \$ 9,577 | \$ - | \$ - | \$ - | \$ - | \$ 6,430,752 |
| - | - | - | - | - | 5,099,402 |
| - | - | - | - | - | 1,615,724 |
| - | - | 35,348 | - | - | 523,950 |
| - | - | - | - | - | 211,191 |
| - | - | - | 465,048 | - | 2,610,490 |
| - | - | - | - | - | 574,254 |
| - | - | - | - | - | 386,455 |
| 11,915 | - | 23,115 | 7,371 | - | 98,832 |
| 21,492 | - | 58,463 | 472,419 | - | 17,551,050 |
| 228,598 | - | 4,470 | 555,964 | - | 4,289,082 |
| - | - | - | - | - | 9,519,485 |
| - | - | - | - | - | 2,894,550 |
| - | - | - | - | - | 987,674 |
| 372,642 | - | 1,355,846 | - | - | 1,821,728 |
| 33,407 | - | - | - | - | 140,756 |
| 66,302 | - | - | - | - | 67,754 |
| 700,949 | - | 1,360,316 | 555,964 | - | 19,721,029 |
| (679,457) | - | (1,301,853) | (83,545) | - | (2,169,979) |
| 1,774,879 | - | 1,212,720 | 75,000 | 15,000 | 4,548,682 |
| (1,120,173) | - | - | - | - | (1,660,173) |
| - | - | 175,750 | - | - | 175,750 |
| 654,706 | - | 1,388,470 | 75,000 | 15,000 | 3,064,259 |
| (24,751) | - | 86,617 | (8,545) | 15,000 | 894,280 |
| 1,945,968 | 895,053 | 1,715,573 | 76,795 | 50,000 | 9,263,946 |
| \$ 1,921,217 | \$ 895,053 | \$ 1,802,190 | \$ 68,250 | \$ 65,000 | \$ 10,158,226 |

CITY OF NEWTON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL

MERIDIAN CENTER

Year Ended December 31, 2018

| | Budget | Actual | Variance with Final Budget |
|---|------------|------------|----------------------------------|
| Revenues and other sources: | | | |
| Charges for services | \$ 657,516 | \$ 465,048 | \$ (192,468) |
| Other | - | 7,371 | 7,371 |
| Transfers in | - | 75,000 | 75,000 |
| Total revenues and other sources | 657,516 | 547,419 | (110,097) |
| Expenditures and other uses: | | | |
| Personnel services | 382,147 | 267,198 | (114,949) |
| Contractual services | 209,146 | 204,527 | (4,619) |
| Commodities | 97,120 | 84,239 | (12,881) |
| Total expenditures and other uses | 688,413 | 555,964 | (132,449) |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other uses | (30,897) | (8,545) | 22,352 |
| Fund balances, beginning of year | 119,158 | 76,795 | (42,363) |
| Fund balances, end of year | \$ 88,261 | \$ 68,250 | \$ (20,011) |

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CITY OF NEWTON, KANSAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

December 31, 2018

| | Special Revenue Funds | | | | |
|--|-----------------------|--------------------------|-------------------------------|--------------------|----------------------|
| | Airport | Community Development | Special Alcohol Program | Special Highway | Special Liability |
| Assets: | | | | | |
| Cash and investments | \$ 139,020 | \$ - | \$ - | \$ - | \$ 7,010 |
| Receivables: | | | | | |
| Property tax | 69,225 | - | - | - | 21,800 |
| Accounts receivable | 114,356 | - | - | - | - |
| Other | - | 460,348 | - | - | - |
| Inventory | 82,228 | - | - | - | - |
| Restricted assets: | | | | | |
| Cash | - | 115,194 | - | - | - |
| Total assets | <u>\$ 404,829</u> | <u>\$ 575,542</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 28,810</u> |
| Liabilities: | | | | | |
| Accounts payable | \$ 160,888 | \$ - | \$ - | \$ - | \$ - |
| Accrued expenditures | 17,446 | - | - | - | - |
| Unearned revenue | 40,306 | - | - | - | - |
| Total liabilities | <u>218,640</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred inflows of resources: | | | | | |
| Unavailable revenues - property and special assessment taxes | 69,225 | - | - | - | 21,800 |
| Total deferred inflows of resources | <u>69,225</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>21,800</u> |
| Fund balances: | | | | | |
| Nonspendable: | | | | | |
| Inventory | 82,228 | - | - | - | - |
| Restricted: | | | | | |
| Airport | 34,736 | - | - | - | - |
| Community development | - | 575,542 | - | - | - |
| Perpetual care | - | - | - | - | - |
| Law enforcement | - | - | - | - | - |
| Other purposes | - | - | - | - | 7,010 |
| Assigned: | | | | | |
| Capital asset acquisition | - | - | - | - | - |
| Other purposes | - | - | - | - | - |
| Total fund balances | <u>116,964</u> | <u>575,542</u> | <u>-</u> | <u>-</u> | <u>7,010</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 404,829</u> | <u>\$ 575,542</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 28,810</u> |

| Special Revenue Funds | | | | | | Permanent Fund | |
|----------------------------------|--------------------------------------|---|--|----------------------------|-------------------|-------------------------|---------------------|
| Special Parks & Recreation | Tourism & Convention Promotion | Airport/Library Capital Improvement Fund | Airport/Library Municipal Equipment Reserve | Special Law Enforcement | Library | Cemetery & Mausoleum | Total |
| \$ - | \$ 3,821 | \$ 120,790 | \$ 245,032 | \$ 303,120 | \$ 72,457 | \$ 374,784 | \$ 1,266,034 |
| - | - | - | - | - | 679,958 | - | 770,983 |
| - | - | - | - | - | - | - | 114,356 |
| - | - | - | - | - | - | - | 460,348 |
| - | - | - | - | - | - | - | 82,228 |
| - | - | - | - | - | - | - | 115,194 |
| <u>\$ -</u> | <u>\$ 3,821</u> | <u>\$ 120,790</u> | <u>\$ 245,032</u> | <u>\$ 303,120</u> | <u>\$ 752,415</u> | <u>\$ 374,784</u> | <u>\$ 2,809,143</u> |
| \$ - | \$ 335 | \$ - | \$ - | \$ 300 | \$ - | \$ 1,764 | \$ 163,287 |
| - | 1,941 | - | - | - | - | - | 19,387 |
| - | - | - | - | - | - | - | 40,306 |
| - | 2,276 | - | - | 300 | - | 1,764 | 222,980 |
| - | - | - | - | - | 679,958 | - | 770,983 |
| - | - | - | - | - | 679,958 | - | 770,983 |
| - | - | - | - | - | - | - | 82,228 |
| - | - | - | - | - | - | - | 34,736 |
| - | 1,545 | - | - | - | - | - | 577,087 |
| - | - | - | - | - | - | 373,020 | 373,020 |
| - | - | - | - | 302,820 | - | - | 302,820 |
| - | - | - | - | - | - | - | 7,010 |
| - | - | 120,790 | 245,032 | - | - | - | 365,822 |
| - | - | - | - | - | 72,457 | - | 72,457 |
| - | 1,545 | 120,790 | 245,032 | 302,820 | 72,457 | 373,020 | 1,815,180 |
| <u>\$ -</u> | <u>\$ 3,821</u> | <u>\$ 120,790</u> | <u>\$ 245,032</u> | <u>\$ 303,120</u> | <u>\$ 752,415</u> | <u>\$ 374,784</u> | <u>\$ 2,809,143</u> |

CITY OF NEWTON, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2018

| | Special Revenue Funds | | | | |
|--|-----------------------|--------------------------|-------------------------------|--------------------|----------------------|
| | Airport | Community Development | Special Alcohol Program | Special Highway | Special Liability |
| Revenues: | | | | | |
| Taxes: | | | | | |
| Property taxes | \$ 82,952 | \$ - | \$ - | \$ - | \$ 24,574 |
| Excise taxes | - | - | - | - | - |
| Intergovernmental | 82,123 | - | 20,762 | 516,510 | 669 |
| Charges for services | 1,215,993 | - | - | - | - |
| Interest | - | 1,489 | - | - | - |
| Other | 9,838 | - | - | - | - |
| Total revenues | 1,390,906 | 1,489 | 20,762 | 516,510 | 25,243 |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | - | - | 20,762 | - | 85,600 |
| Public safety | - | - | - | - | - |
| Airport | 1,232,950 | - | - | - | - |
| Capital outlay | - | - | - | - | - |
| Total expenditures | 1,232,950 | - | 20,762 | - | 85,600 |
| Excess (deficiency) of revenues over (under) expenditures | 157,956 | 1,489 | - | 516,510 | (60,357) |
| Other financing sources (uses): | | | | | |
| Transfers in | - | - | - | - | 54,938 |
| Transfers out | (252,598) | - | - | (516,510) | - |
| Total other financing sources (uses) | (252,598) | - | - | (516,510) | 54,938 |
| Net change in fund balances | (94,642) | 1,489 | - | - | (5,419) |
| Fund balances, beginning of year | 211,606 | 574,053 | - | - | 12,429 |
| Fund balances, end of year | \$ 116,964 | \$ 575,542 | \$ - | \$ - | \$ 7,010 |

| Special Revenue Funds | | | | | | Permanent Fund | |
|----------------------------|--------------------------------|--|---|-------------------------|------------|----------------------|--------------|
| Special Parks & Recreation | Tourism & Convention Promotion | Airport/Library Capital Improvement Fund | Airport/Library Municipal Equipment Reserve | Special Law Enforcement | Library | Cemetery & Mausoleum | Total |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 784,153 | \$ - | \$ 891,679 |
| - | 261,630 | - | - | - | - | - | 261,630 |
| 20,762 | - | - | - | - | 20,613 | - | 661,439 |
| - | - | - | - | 49,342 | - | - | 1,265,335 |
| - | - | - | - | - | - | - | 1,489 |
| - | - | - | - | - | - | 5,438 | 15,276 |
| 20,762 | 261,630 | - | - | 49,342 | 804,766 | 5,438 | 3,096,848 |
| - | 88,064 | - | - | 8,009 | 773,823 | - | 976,258 |
| - | - | - | - | 11,878 | - | - | 11,878 |
| - | - | - | - | - | - | - | 1,232,950 |
| - | - | 15,430 | 51,502 | 5,600 | - | - | 72,532 |
| - | 88,064 | 15,430 | 51,502 | 25,487 | 773,823 | - | 2,293,618 |
| 20,762 | 173,566 | (15,430) | (51,502) | 23,855 | 30,943 | 5,438 | 803,230 |
| - | - | - | 41,900 | - | - | - | 96,838 |
| (20,762) | (172,021) | - | (20,000) | - | - | - | (981,891) |
| (20,762) | (172,021) | - | 21,900 | - | - | - | (885,053) |
| - | 1,545 | (15,430) | (29,602) | 23,855 | 30,943 | 5,438 | (81,823) |
| - | - | 136,220 | 274,634 | 278,965 | 41,514 | 367,582 | 1,897,003 |
| \$ - | \$ 1,545 | \$ 120,790 | \$ 245,032 | \$ 302,820 | \$ 72,457 | \$ 373,020 | \$ 1,815,180 |

CITY OF NEWTON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

AIRPORT FUND

Year Ended December 31, 2018

| | Budget | Actual | Variance with Final Budget |
|---|-----------|------------|----------------------------------|
| Revenues and other sources: | | | |
| Property taxes | \$ 81,253 | \$ 82,952 | \$ 1,699 |
| Intergovernmental | 80,000 | 82,123 | 2,123 |
| Fuel sales and rentals | 1,349,900 | 1,215,993 | (133,907) |
| Other | 27,500 | 9,838 | (17,662) |
| Total revenues and other sources | 1,538,653 | 1,390,906 | (147,747) |
| Expenditures and other uses: | | | |
| Personnel services | 481,076 | 481,348 | 272 |
| Contractual services | 232,950 | 226,102 | (6,848) |
| Commodities | 549,700 | 525,500 | (24,200) |
| Transfers out | 252,598 | 252,598 | - |
| Total expenditures and other uses | 1,516,324 | 1,485,548 | (30,776) |
| Excess (deficiency) of revenues over (under) expenditures and other uses | 22,329 | (94,642) | (116,971) |
| Fund balances, beginning of year | 57,471 | 211,606 | 154,135 |
| Fund balances, end of year | \$ 79,800 | \$ 116,964 | \$ 37,164 |

CITY OF NEWTON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

SPECIAL ALCOHOL FUND

Year Ended December 31, 2018

| | Budget | Actual | Variance with Final Budget |
|---|-----------|-----------|----------------------------------|
| Revenues and other sources: | | | |
| Liquor tax | \$ 22,000 | \$ 20,762 | \$ (1,238) |
| Expenditures and other uses: | | | |
| Contractual services | 22,000 | 20,762 | (1,238) |
| Excess (deficiency) of revenues over (under) expenditures and other uses | - | - | - |
| Fund balances, beginning of year | - | - | - |
| Fund balances, end of year | \$ - | \$ - | \$ - |

CITY OF NEWTON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

SPECIAL HIGHWAY FUND

Year Ended December 31, 2018

| | Budget | Actual | Variance with Final Budget |
|---|-------------|-------------|----------------------------------|
| Revenues and other sources: | | | |
| Intergovernmental | \$ 525,000 | \$ 516,510 | \$ (8,490) |
| Expenditures and other uses: | | | |
| Transfers out | 525,000 | 516,510 | (8,490) |
| Excess (deficiency) of revenues over (under) expenditures and other uses | - | - | - |
| Fund balances, beginning of year | - | - | - |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF NEWTON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

SPECIAL LIABILITY FUND

Year Ended December 31, 2018

| | Budget | Actual | Variance with Final Budget |
|---|-----------|-----------|----------------------------------|
| Revenues and other sources: | | | |
| Property taxes | \$ 24,307 | \$ 24,574 | \$ 267 |
| Intergovernmental | - | 669 | 669 |
| Transfers in | 54,938 | 54,938 | - |
| Total revenues and other sources | 79,245 | 80,181 | 936 |
| Expenditures and other uses: | | | |
| Contractual services | 85,600 | 85,600 | - |
| Excess (deficiency) of revenues over (under) expenditures and other uses | (6,355) | (5,419) | 936 |
| Fund balances, beginning of year | 10,855 | 12,429 | 1,574 |
| Fund balances, end of year | \$ 4,500 | \$ 7,010 | \$ 2,510 |

CITY OF NEWTON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

SPECIAL PARKS AND RECREATION FUND

Year Ended December 31, 2018

| | Budget | Actual | Variance with Final Budget |
|---|-------------|-------------|----------------------------------|
| Revenues and other sources: | | | |
| Liquor tax | \$ 22,000 | \$ 20,762 | \$ (1,238) |
| Expenditures and other uses: | | | |
| Transfers out | 22,000 | 20,762 | (1,238) |
| Excess (deficiency) of revenues over (under) expenditures and other uses | - | - | - |
| Fund balances, beginning of year | - | - | - |
| Fund balances, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF NEWTON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

TOURISM & CONVENTION PROMOTION FUND

Year Ended December 31, 2018

| | Budget | Actual | Variance with Final Budget |
|---|------------|------------|----------------------------------|
| Revenues and other sources: | | | |
| Transient guest tax | \$ 322,800 | \$ 261,630 | \$ (61,170) |
| Expenditures and other uses: | | | |
| Tourism/Conventions | 94,662 | 88,064 | (6,598) |
| Transfers out | 228,138 | 172,021 | (56,117) |
| Total expenditures and other uses | 322,800 | 260,085 | (62,715) |
| Excess (deficiency) of revenues over (under) expenditures and other uses | - | 1,545 | 1,545 |
| Fund balances, beginning of year | - | - | - |
| Fund balances, end of year | \$ - | \$ 1,545 | \$ 1,545 |

CITY OF NEWTON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

SPECIAL LAW ENFORCEMENT FUND

Year Ended December 31, 2018

| | Budget | Actual | Variance with Final Budget |
|---|------------|------------|----------------------------------|
| Revenues and other sources: | | | |
| Forfeitures and other | \$ 92,500 | \$ 49,342 | \$ (43,158) |
| Expenditures and other uses: | | | |
| Commodities and other | 90,000 | - | (90,000) |
| Capital outlay | 25,000 | 25,487 | 487 |
| Total expenditures and other uses | 115,000 | 25,487 | (89,513) |
| Excess (deficiency) of revenues over (under) expenditures and other uses | (22,500) | 23,855 | 46,355 |
| Fund balances, beginning of year | 255,879 | 278,965 | 23,086 |
| Fund balances, end of year | \$ 233,379 | \$ 302,820 | \$ 69,441 |

CITY OF NEWTON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

LIBRARY FUND

Year Ended December 31, 2018

| | Budget | Actual | Variance with Final Budget |
|---|------------|------------|----------------------------------|
| Revenues and other sources: | | | |
| Property taxes | \$ 765,244 | \$ 784,153 | \$ 18,909 |
| Intergovernmental | - | 20,613 | 20,613 |
| Total revenues and other sources | 765,244 | 804,766 | 39,522 |
| Expenditures and other uses: | | | |
| Appropriations to Library | 773,823 | 773,823 | - |
| Excess (deficiency) of revenues over (under) expenditures and other uses | (8,579) | 30,943 | 39,522 |
| Fund balances, beginning of year | 47,270 | 41,514 | (5,756) |
| Fund balances, end of year | \$ 38,691 | \$ 72,457 | \$ 33,766 |

CITY OF NEWTON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

CEMETERY AND MAUSOLEUM FUND

Year Ended December 31, 2018

| | Budget | Actual | Variance with Final Budget |
|---|-------------------|-------------------|----------------------------------|
| Revenues and other sources: | | | |
| Sale of cemetery lots | \$ 10,500 | \$ 5,438 | \$ (5,062) |
| Expenditures and other uses: | | | |
| Capital outlay | 20,000 | - | (20,000) |
| Excess (deficiency) of revenues over (under) expenditures and other uses | (9,500) | 5,438 | 14,938 |
| Fund balances, beginning of year | 283,621 | 367,582 | 83,961 |
| Fund balances, end of year | <u>\$ 274,121</u> | <u>\$ 373,020</u> | <u>\$ 98,899</u> |

CITY OF NEWTON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

BOND & INTEREST FUND

Year Ended December 31, 2018

| | Budget | Actual | Variance with Final Budget |
|---|------------|--------------|----------------------------------|
| Revenues and other sources: | | | |
| Property taxes | \$ 793,796 | \$ 804,357 | \$ 10,561 |
| Sales taxes | | - | - |
| Special assessments | 1,095,970 | 1,067,070 | (28,900) |
| Intergovernmental and other | 990,575 | 155,591 | (834,984) |
| General obligation bonds issued | - | 54,266 | 54,266 |
| Premium from issuance of bonds | - | 64,026 | 64,026 |
| Transfers in | 1,594,873 | 2,348,460 | 753,587 |
| Total revenues and other sources | 4,475,214 | 4,493,770 | 18,556 |
| Expenditures and other uses: | | | |
| Debt service: | | | |
| Principal | 3,285,000 | 2,408,126 | (876,874) |
| Interest | 1,298,290 | 926,386 | (371,904) |
| Projected future debt | 116,397 | - | (116,397) |
| Fees and commissions | - | 114,048 | 114,048 |
| Transfers out | - | 1,248,778 | 1,248,778 |
| Total expenditures and other uses | 4,699,687 | 4,697,338 | (2,349) |
| Excess (deficiency) of revenues and other sources over (under) expenditures and other uses | (224,473) | (203,568) | 20,905 |
| Fund balances, beginning of year | 350,537 | 2,273,602 | 1,923,065 |
| Fund balances, end of year | \$ 126,064 | \$ 2,070,034 | \$ 1,943,970 |

CITY OF NEWTON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

SEWER FUND

Year Ended December 31, 2018

| | Budget | Actual | Variance with Final Budget |
|---|--------------|--------------|----------------------------------|
| Revenues and other sources: | | | |
| Service fees | \$ 7,731,095 | \$ 7,783,089 | \$ 51,994 |
| Capital grants | - | 21,000 | 21,000 |
| Transfers in | - | 970,866 | 970,866 |
| Other | 12,000 | 23,823 | 11,823 |
| Total revenues and other sources | 7,743,095 | 8,798,778 | 1,055,683 |
| Expenditures and other uses: | | | |
| Personnel services | 1,055,822 | 878,361 | (177,461) |
| Contractual services | 1,726,644 | 433,134 | (1,293,510) |
| Commodities | 118,050 | 94,644 | (23,406) |
| Vehicle operating | 59,000 | 45,020 | (13,980) |
| Capital outlay | 163,000 | 226,408 | 63,408 |
| Projected debt service | 275,000 | 3,275,986 | 3,000,986 |
| Transfers out | 5,288,755 | 3,228,572 | (2,060,183) |
| Total expenditures and other uses | 8,686,271 | 8,182,125 | (504,146) |
| Excess (deficiency) of revenues over (under) expenditures and other uses | (943,176) | 616,653 | 1,559,829 |
| Fund balances, beginning of year | 1,573,719 | 1,958,808 | 385,089 |
| Fund balances, end of year | \$ 630,543 | \$ 2,575,461 | \$ 1,944,918 |

CITY OF NEWTON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

SANITATION FUND

Year Ended December 31, 2018

| | Budget | Actual | Variance with Final Budget |
|---|--------------|--------------|----------------------------------|
| Revenues and other sources: | | | |
| Refuse collection | \$ 2,123,694 | \$ 2,056,465 | \$ (67,229) |
| Other | 76,200 | 29,847 | (46,353) |
| Total revenues and other sources | 2,199,894 | 2,086,312 | (113,582) |
| Expenditures and other uses: | | | |
| Personnel services | 656,117 | 586,647 | (69,470) |
| Contractual services | 472,889 | 293,195 | (179,694) |
| Commodities | 19,585 | 42,084 | 22,499 |
| Vehicle operating | 235,695 | 211,552 | (24,143) |
| Transfers out | 533,803 | 470,521 | (63,282) |
| Total expenditures and other uses | 1,918,089 | 1,603,999 | (314,090) |
| Excess (deficiency) of revenues over (under) expenditures and other uses | 281,805 | 482,313 | 200,508 |
| Fund balances, beginning of year | 496,879 | 1,833,208 | 1,336,329 |
| Fund balances, end of year | \$ 778,684 | \$ 2,315,521 | \$ 1,536,837 |

CITY OF NEWTON, KANSAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

WATERWORKS FUND

Year Ended December 31, 2018

| | Budget | Actual | Variance with Final Budget |
|---|--------------|--------------|----------------------------------|
| Revenues and other sources: | | | |
| Service fees | \$ 4,872,000 | \$ 4,614,333 | \$ (257,667) |
| Interest | 300 | 1,507 | 1,207 |
| Other | 39,000 | 26,860 | (12,140) |
| Transfers in | - | 284,912 | 284,912 |
| Total revenues and other sources | 4,911,300 | 4,927,612 | 16,312 |
| Expenditures and other uses: | | | |
| Personnel services | 1,126,655 | 1,011,995 | (114,660) |
| Contractual services | 1,490,117 | 1,085,368 | (404,749) |
| Commodities | 108,200 | 97,033 | (11,167) |
| Vehicle operating | 136,648 | 67,740 | (68,908) |
| Capital outlay | 90,000 | 207,142 | 117,142 |
| Projected debt service | 186,565 | 703,991 | 517,426 |
| Transfers out | 2,257,181 | 1,845,685 | (411,496) |
| Total expenditures and other uses | 5,395,366 | 5,018,954 | (376,412) |
| Excess (deficiency) of revenues over (under) expenditures and other uses | (484,066) | (91,342) | 392,724 |
| Fund balances, beginning of year | 2,515,766 | 3,432,314 | 916,548 |
| Fund balances, end of year | \$ 2,031,700 | \$ 3,340,972 | \$ 1,309,272 |

CITY OF NEWTON, KANSAS

COMBINING STATEMENT OF NET POSITION - INTERNAL SERVICE FUNDS

December 31, 2018

| | Health Benefits Risk Management | Stores and Maintenance | Total |
|---|---------------------------------------|---------------------------|--------------|
| Assets: | | | |
| Current assets: | | | |
| Cash and investments | \$ 2,435,387 | \$ 646,122 | \$ 3,081,509 |
| Prepaid items | 20,000 | - | 20,000 |
| Inventories | - | 67,236 | 67,236 |
| Total current assets | 2,455,387 | 713,358 | 3,168,745 |
| Capital assets: | | | |
| Capital assets, net of accumulated depreciation | - | 575,558 | 575,558 |
| Total assets | 2,455,387 | 1,288,916 | 3,744,303 |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | 1,717 | 7,150 | 8,867 |
| Accrued expenses | - | 6,975 | 6,975 |
| Compensated absences | - | 6,994 | 6,994 |
| Unreported claims payable | 113,707 | - | 113,707 |
| Total current liabilities | 115,424 | 21,119 | 136,543 |
| Net position: | | | |
| Net investment in capital assets | - | 575,558 | 575,558 |
| Unrestricted | 2,339,963 | 692,239 | 3,032,202 |
| Total net position | \$ 2,339,963 | \$ 1,267,797 | \$ 3,607,760 |

CITY OF NEWTON, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - INTERNAL SERVICE FUNDS

Year Ended December 31, 2018

| | Health Benefits Risk Management | Stores and Maintenance | Total |
|---------------------------------|---------------------------------------|---------------------------|--------------|
| Operating revenues: | | | |
| Charges for services | \$ 2,969,155 | \$ 736,452 | \$ 3,705,607 |
| Miscellaneous | - | 19,623 | 19,623 |
| Total revenues | 2,969,155 | 756,075 | 3,725,230 |
| Operating expenses: | | | |
| Personnel services | 2,870,264 | 221,575 | 3,091,839 |
| Contractual services | 184,561 | 50,245 | 234,806 |
| Commodities | - | 524,085 | 524,085 |
| Vehicle operating | - | 28,499 | 28,499 |
| Depreciation and amortization | - | 64,433 | 64,433 |
| Total expenses | 3,054,825 | 888,837 | 3,943,662 |
| Operating loss | (85,670) | (132,762) | (218,432) |
| Transfers: | | | |
| Transfers out | - | (31,453) | (31,453) |
| Transfers in | - | 176,620 | 176,620 |
| Change in net position | (85,670) | 12,405 | (73,265) |
| Net position, beginning of year | 2,425,633 | 1,255,392 | 3,681,025 |
| Net position, end of year | \$ 2,339,963 | \$ 1,267,797 | \$ 3,607,760 |

CITY OF NEWTON, KANSAS

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS

Year Ended December 31, 2018

| | Health Benefits Risk Management | Stores and Maintenance | Total |
|--|---------------------------------------|---------------------------|--------------|
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 2,969,155 | \$ 756,075 | \$ 3,725,230 |
| Cash payments to suppliers for goods and services | (204,561) | (605,347) | (809,908) |
| Cash payments to employees for services | - | (222,188) | (222,188) |
| Cash payments for employee health benefits | (2,888,006) | - | (2,888,006) |
| Net cash used in operating activities | (123,412) | (71,460) | (194,872) |
| Cash flows from non-capital financing activities: | | | |
| Transfers in | - | 176,620 | 176,620 |
| Transfers out | - | (31,453) | (31,453) |
| Net cash used in non-capital financing activities | - | 145,167 | 145,167 |
| Cash flows from capital and related financing activities: | | | |
| Payments for capital assets | - | (58,914) | (58,914) |
| Net increase (decrease) in cash | (123,412) | 14,793 | (108,619) |
| Cash, beginning of year | 2,558,799 | 631,329 | 3,190,128 |
| Cash, end of year | \$ 2,435,387 | \$ 646,122 | \$ 3,081,509 |

(Continued)

CITY OF NEWTON, KANSAS

COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
(Continued)

Year Ended December 31, 2018

| | Health Benefits Risk Management | Stores and Maintenance | Total |
|---|---------------------------------------|---------------------------|---------------------|
| Reconciliation of operating loss to net cash used in operating activities: | | | |
| Operating loss | \$ (85,670) | \$ (132,762) | \$ (218,432) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | | |
| Depreciation and amortization | - | 64,433 | 64,433 |
| Changes in operating assets and liabilities: | | | |
| Inventories | - | 13,072 | 13,072 |
| Prepaid items | (20,000) | - | (20,000) |
| Accounts payable and accrued expenses | - | (16,203) | (16,203) |
| Claims payable | (17,742) | - | (17,742) |
| Net cash used in operating activities | <u>\$ (123,412)</u> | <u>\$ (71,460)</u> | <u>\$ (194,872)</u> |

CITY OF NEWTON, KANSAS

COMPONENT UNIT FUND FINANCIAL STATEMENTS - NEWTON PUBLIC LIBRARY

BALANCE SHEET

December 31, 2018

| | |
|-------------------------------|---------------------------------|
| Assets: | |
| Cash | <u><u>\$ 2,167,606</u></u> |
| Liabilities: | |
| Accounts payable | \$ 90,680 |
| Fund balance: | |
| Assigned for library services | <u> 2,076,926</u> |
| | <u><u>\$ 2,167,606</u></u> |

CITY OF NEWTON, KANSAS

COMPONENT UNIT FUND FINANCIAL STATEMENTS - NEWTON PUBLIC LIBRARY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended December 31, 2018

| | |
|----------------------------|--------------------|
| Revenues: | |
| Taxes | \$ 773,823 |
| Intergovernmental | 88,189 |
| Fines and fees | 17,834 |
| Interest | 16,933 |
| Other | 40,078 |
| | <hr/> |
| | 936,857 |
| | <hr/> |
| Expenditures: | |
| Personal services | 510,378 |
| Contractual services | 34,231 |
| Commodities | 98,884 |
| Capital outlay | 178,704 |
| | <hr/> |
| | 822,197 |
| | <hr/> |
| Revenues over expenditures | 114,660 |
| Fund balances, beginning | <hr/> 1,962,266 |
| Fund balances, ending | <hr/> \$ 2,076,926 |

STATISTICAL SECTION

This part of the City of Newton comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements and note disclosures says about the City's overall financial health.

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|--|-------------|
| Financial Trends | |
| These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 134 |
| Revenue Capacity | |
| These schedules contain information to help the reader assess the City's most significant local revenue source, property tax. | 145 |
| Debt Capacity | |
| These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | 148 |
| Demographic and Economic Information | |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. | 155 |
| Operating Information | |
| These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the government provides and the activities it performs. | 157 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Newton, Kansas
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | |
|---|---------------|---------------|---------------|
| | 2009 | 2010 | 2011 |
| Governmental Activities | | | |
| Net investment in capital assets | \$ 11,370,123 | \$ 8,065,986 | \$ 17,177,822 |
| Restricted | 758,491 | 1,079,641 | 1,447,936 |
| Unrestricted | 20,409,741 | 25,780,238 | 17,332,595 |
| Total Governmental Activities Net Position | 32,538,355 | 34,925,865 | 35,958,353 |
| Business-Type Activities | | | |
| Net investment in capital assets | 21,643,440 | 23,129,580 | 25,189,683 |
| Restricted | 722,620 | 722,620 | 434,960 |
| Unrestricted | 4,755,132 | 6,921,692 | 11,452,854 |
| Total Business-Type Activities Net Position | 27,121,192 | 30,773,892 | 37,077,497 |
| Primary Government | | | |
| Net investment in capital assets | 33,013,563 | 31,195,566 | 42,367,505 |
| Restricted | 1,481,111 | 1,802,261 | 1,882,896 |
| Unrestricted | 25,164,873 | 32,701,930 | 28,785,449 |
| Total Primary Government Net Position | \$ 59,659,547 | \$ 65,699,757 | \$ 73,035,850 |

| Fiscal Year | | | | | | |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| \$ 24,482,456 | \$ 26,838,054 | \$ 29,883,633 | \$ 36,686,376 | \$ 38,764,600 | \$ 39,761,637 | \$ 31,214,458 |
| 1,404,089 | 1,536,715 | 1,362,548 | 1,439,323 | 1,933,865 | 1,500,683 | 1,346,578 |
| 13,844,191 | 17,093,475 | 16,219,976 | 13,795,417 | 6,823,532 | 7,429,172 | 9,713,861 |
| 39,730,736 | 45,468,244 | 47,466,157 | 51,921,116 | 47,521,997 | 48,691,492 | 42,274,897 |
| 25,496,054 | 24,448,242 | 27,620,849 | 20,602,178 | 22,489,495 | 24,173,466 | 25,953,239 |
| 434,960 | 434,960 | 434,960 | - | - | - | - |
| 11,793,203 | 14,308,166 | 14,007,071 | 13,789,024 | 18,016,978 | 18,787,380 | 19,680,498 |
| 37,724,217 | 39,191,368 | 42,062,880 | 34,391,202 | 40,506,473 | 42,960,846 | 45,633,737 |
| 49,978,510 | 51,286,296 | 57,504,482 | 57,288,554 | 61,254,095 | 63,935,103 | 57,167,697 |
| 1,839,049 | 1,971,675 | 1,797,508 | 1,439,323 | 1,933,865 | 1,500,683 | 1,346,578 |
| 25,637,394 | 31,401,641 | 30,227,047 | 27,584,441 | 24,840,510 | 26,216,552 | 29,394,359 |
| \$ 77,454,953 | \$ 84,659,612 | \$ 89,529,037 | \$ 86,312,318 | \$ 88,028,470 | \$ 91,652,338 | \$ 87,908,634 |

City of Newton, Kansas
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | |
|---|----------------------|----------------------|----------------------|
| | 2009 | 2010 | 2011 |
| Expenses | | | |
| Governmental Activities: | | | |
| General Government | \$ 3,001,203 | \$ 2,167,870 | \$ 2,276,104 |
| Public Safety | 7,385,400 | 7,769,057 | 8,307,481 |
| Highway and streets | 3,089,610 | 2,802,687 | 2,699,441 |
| Culture and recreation | 2,583,307 | 2,646,482 | 2,499,540 |
| Airport | 1,260,266 | 1,372,921 | 1,456,191 |
| Public works | 1,132,492 | 2,646,245 | 1,552,902 |
| Interest and fiscal charges | 1,596,989 | 1,722,934 | 1,703,997 |
| Total Governmental Activities Expenses | <u>20,049,267</u> | <u>21,128,196</u> | <u>20,495,656</u> |
| Business-Type Activities: | | | |
| Sewer | 3,604,222 | 3,729,441 | 2,003,034 |
| Sanitation | 1,600,729 | 1,606,497 | 3,197,842 |
| Waterworks | 3,087,158 | 2,959,375 | 3,857,226 |
| Golf Course | 1,768,219 | 1,637,964 | 1,572,092 |
| Public Building Commission | - | - | - |
| Total Business-Type Activities Expenses | <u>10,060,328</u> | <u>9,933,277</u> | <u>10,630,194</u> |
| Total Primary Government Expenses | <u>\$ 30,109,595</u> | <u>\$ 31,061,473</u> | <u>\$ 31,125,850</u> |
| Program Revenues | | | |
| Governmental Activities | | | |
| Charges for Services: | | | |
| General Government | \$ 538,560 | \$ 566,687 | \$ 363,343 |
| Public Safety | 1,689,492 | 1,624,146 | 1,786,737 |
| Highway and streets | 31,683 | 61,702 | 37,186 |
| Culture and recreation | 57,080 | 64,185 | 1,325,439 |
| Airport | 1,131,187 | 1,365,827 | 207,779 |
| Operating Grants and Contributions | 587,884 | 717,940 | 763,260 |
| Capital Grants and Contributions | 913,188 | 1,396,592 | 5,587,278 |
| Total Governmental Activities | <u>4,949,074</u> | <u>5,797,079</u> | <u>10,071,022</u> |
| Business-Type Activities: | | | |
| Charges for Services: | | | |
| Sewer | 4,420,380 | 5,080,057 | 5,412,145 |
| Sanitation | 1,634,082 | 1,647,499 | 1,643,185 |
| Waterworks | 3,949,283 | 4,751,841 | 5,403,826 |
| Golf Course | 1,296,501 | 1,244,278 | 1,238,919 |
| Public Building Commission | - | - | - |
| Capital Grants and Contributions | 1,002,689 | 2,596,053 | 665,429 |
| Total Business-Type Activities | <u>12,302,935</u> | <u>15,319,728</u> | <u>14,363,504</u> |
| Total Primary Government Program Revenues | <u>\$ 17,252,009</u> | <u>\$ 21,116,807</u> | <u>\$ 24,434,526</u> |

| Fiscal Year | | | | | | |
|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| \$ 2,281,149 | \$ 2,288,726 | \$ 2,748,317 | \$ 5,174,403 | \$ 5,783,528 | \$ 5,620,468 | \$ 12,778,534 |
| 8,400,567 | 8,646,918 | 9,091,977 | 9,303,375 | 9,505,060 | 10,088,286 | 10,116,200 |
| 2,862,971 | 3,032,939 | 3,123,553 | 3,648,390 | 4,282,409 | 3,800,765 | 5,093,585 |
| 3,232,179 | 3,419,439 | 3,301,952 | 1,579,483 | 1,234,521 | 1,171,821 | 1,174,557 |
| 1,596,306 | 1,552,477 | 2,037,345 | 1,087,037 | 1,102,985 | 1,206,993 | 1,232,950 |
| 981,461 | 1,864,153 | 1,768,709 | - | - | - | - |
| 1,576,424 | 1,538,070 | 1,455,266 | 1,132,419 | 1,105,739 | 1,013,907 | 1,132,291 |
| 20,931,057 | 22,342,722 | 23,527,119 | 21,925,107 | 23,014,242 | 22,902,240 | 31,528,117 |
| 4,203,694 | 4,281,556 | 4,497,867 | 4,637,153 | 4,998,558 | 5,324,984 | 4,501,081 |
| 1,754,844 | 1,712,657 | 1,719,060 | 1,513,093 | 1,527,086 | 1,554,284 | 1,374,701 |
| 3,453,805 | 3,337,612 | 3,626,523 | 3,508,579 | 3,391,266 | 3,120,146 | 2,942,407 |
| 1,640,913 | 1,567,606 | 1,810,959 | 1,528,489 | 1,473,942 | 1,426,127 | 1,470,516 |
| - | - | - | 562,527 | 368,853 | 324,963 | 347,820 |
| 11,053,256 | 10,899,431 | 11,654,409 | 11,749,841 | 11,759,705 | 11,750,504 | 10,636,525 |
| \$ 31,984,313 | \$ 33,242,153 | \$ 35,181,528 | \$ 33,674,948 | \$ 34,773,947 | \$ 34,652,744 | \$ 42,164,642 |
| \$ 360,625 | \$ 363,047 | \$ 309,320 | \$ 2,368,777 | \$ 2,705,182 | \$ 2,942,043 | \$ 2,821,681 |
| 1,875,450 | 1,918,658 | 1,839,673 | 747,634 | 741,231 | 563,183 | 623,596 |
| 2,744 | 16,460 | 17,054 | 239,518 | 74,030 | 77,080 | 61,000 |
| 371,008 | 325,775 | 363,347 | - | - | - | - |
| 1,527,578 | 1,461,068 | 1,782,788 | 1,209,220 | 1,239,584 | 1,334,896 | 1,215,993 |
| 593,861 | 642,795 | 632,319 | 322,763 | 174,911 | 163,944 | 164,488 |
| 4,369,812 | 5,828,963 | 2,586,491 | 897,434 | 930,216 | 2,231,945 | 1,544,643 |
| 9,101,078 | 10,556,766 | 7,530,992 | 5,785,346 | 5,865,154 | 7,313,091 | 6,431,401 |
| 5,358,722 | 5,728,875 | 8,253,518 | 8,423,449 | 7,884,133 | 7,793,529 | 7,806,912 |
| 1,702,587 | 1,758,369 | 1,886,439 | 1,951,091 | 1,960,966 | 2,050,712 | 2,086,312 |
| 5,375,672 | 4,719,479 | 4,866,859 | 4,891,503 | 4,591,259 | 4,738,762 | 4,641,193 |
| 1,302,271 | 1,158,457 | 1,212,284 | 1,169,398 | 1,059,336 | 1,023,682 | 1,071,171 |
| - | - | - | 336,594 | 345,633 | 349,530 | 353,909 |
| 145,000 | 889,233 | 669,107 | 21,000 | 21,000 | 21,000 | 21,000 |
| 13,884,252 | 14,254,413 | 16,888,207 | 16,793,035 | 15,862,327 | 15,977,215 | 15,980,497 |
| \$ 22,985,330 | \$ 24,811,179 | \$ 24,419,199 | \$ 22,578,381 | \$ 21,727,481 | \$ 23,290,306 | \$ 22,411,898 |

City of Newton, Kansas
Changes in Net Position
Last Ten Fiscal Years (Continued)
(accrual basis of accounting)

| | Fiscal Year | | |
|--|-----------------------|-----------------------|-----------------------|
| | 2009 | 2010 | 2011 |
| Net (Expense) Revenue | | | |
| Governmental Activities | \$(15,100,193) | \$(15,331,117) | \$(10,424,634) |
| Business-Type Activities: | 2,248,778 | 5,386,451 | 3,733,310 |
| Total Primary Government Net Expense | <u>\$(12,851,415)</u> | <u>\$ (9,944,666)</u> | <u>\$ (6,691,324)</u> |
| General revenues: | | | |
| Governmental Activities: | | | |
| Taxes | | | |
| Property taxes and special assessments | \$ 7,136,817 | \$ 8,494,152 | \$ 6,056,147 |
| Sales tax | 4,352,846 | 4,368,038 | 4,630,105 |
| Franchise taxes | 1,396,197 | 1,456,492 | 1,506,960 |
| Excise taxes | - | - | - |
| Other | 666,139 | 766,619 | 845,750 |
| Intergovernmental, not restricted to specific programs | 1,108,286 | 638,118 | 637,207 |
| Investment earnings | 39,718 | 27,106 | 8,726 |
| Gain (Loss) on sale of property | 78,130 | (12,915) | (11,420) |
| Other | 67,899 | 95,412 | 189,425 |
| Transfers in (out) | 1,576,178 | 1,885,605 | 1,407,046 |
| Total governmental activities | <u>16,422,210</u> | <u>17,718,627</u> | <u>15,269,946</u> |
| Business-Type Activities | | | |
| Property Taxes | - | - | - |
| Investment earnings | 516 | 441 | 122 |
| Gain (Loss) on sale of property | (6,171) | - | - |
| Other | 90,078 | 151,413 | 164,395 |
| Transfers in (out) | (1,576,178) | (1,885,605) | (1,407,046) |
| Total Business-Type Activities | <u>(1,491,755)</u> | <u>(1,733,751)</u> | <u>(1,242,529)</u> |
| Total Primary Government | <u>\$ 14,930,455</u> | <u>\$ 15,984,876</u> | <u>\$ 14,027,417</u> |
| Change in Net Position | | | |
| Governmental Activities: | \$ 1,322,017 | \$ 2,387,510 | \$ 4,845,312 |
| Business-Type Activities | <u>757,023</u> | <u>3,652,700</u> | <u>2,490,781</u> |
| Total Primary Government | <u>\$ 2,079,040</u> | <u>\$ 6,040,210</u> | <u>\$ 7,336,093</u> |

| Fiscal Year | | | | | | |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| \$(11,829,979) | \$(11,785,956) | \$(15,996,127) | \$(16,139,761) | \$(17,149,088) | \$(15,589,149) | \$(25,096,716) |
| 2,830,996 | 3,354,982 | 5,233,798 | 5,043,194 | 4,102,622 | 4,226,711 | 5,343,972 |
| <u>\$ (8,998,983)</u> | <u>\$ (8,430,974)</u> | <u>\$(10,762,329)</u> | <u>\$(11,096,567)</u> | <u>\$(13,046,466)</u> | <u>\$(11,362,438)</u> | <u>\$(19,752,744)</u> |
| | | | | | | |
| \$ 6,012,857 | \$ 7,896,230 | \$ 7,010,541 | \$ 6,937,340 | \$ 6,971,421 | \$ 7,493,054 | \$ 8,126,788 |
| 4,766,390 | 4,822,064 | 5,084,012 | 5,122,782 | 5,209,627 | 5,106,324 | 5,099,402 |
| 1,409,419 | 1,533,637 | 1,641,767 | 1,533,036 | 1,549,594 | 1,551,793 | 1,615,724 |
| - | - | - | 333,362 | 229,487 | 295,187 | 261,630 |
| 917,411 | 907,779 | 1,050,347 | 1,142,945 | 568,864 | 788,044 | - |
| 653,629 | 630,322 | 643,094 | - | - | - | - |
| 9,952 | 8,873 | 7,665 | 8,664 | 31,836 | 158,132 | 387,944 |
| - | - | - | - | - | - | - |
| 186,558 | 436,256 | 194,311 | - | - | - | 601,400 |
| 2,112,029 | 1,887,870 | 2,362,303 | 6,518,537 | 2,232,376 | 1,931,491 | 2,805,431 |
| <u>16,068,245</u> | <u>18,123,031</u> | <u>17,994,040</u> | <u>21,596,666</u> | <u>16,793,205</u> | <u>17,324,025</u> | <u>18,898,319</u> |
| | | | | | | |
| - | - | - | 21,030 | 88,918 | 150,452 | 118,927 |
| 77 | 39 | 17 | 743 | 968 | 2,043 | 4,423 |
| - | - | - | - | 55,810 | 50,079 | 11,000 |
| 16,782 | - | - | - | - | - | - |
| <u>(2,112,029)</u> | <u>(1,887,870)</u> | <u>(2,362,303)</u> | <u>(6,518,537)</u> | <u>(2,232,376)</u> | <u>(1,931,491)</u> | <u>(2,805,431)</u> |
| <u>(2,095,170)</u> | <u>(1,887,831)</u> | <u>(2,362,286)</u> | <u>(6,496,764)</u> | <u>(2,086,680)</u> | <u>(1,728,917)</u> | <u>(2,671,081)</u> |
| <u>\$ 13,973,075</u> | <u>\$ 16,235,200</u> | <u>\$ 15,631,754</u> | <u>\$ 15,099,902</u> | <u>\$ 14,706,525</u> | <u>\$ 15,595,108</u> | <u>\$ 16,227,238</u> |
| | | | | | | |
| \$ 4,238,266 | \$ 6,337,075 | \$ 1,997,913 | \$ 5,456,905 | \$ (355,883) | \$ 1,734,876 | \$ (6,198,397) |
| 735,826 | 1,467,151 | 2,871,512 | (1,453,570) | 2,015,942 | 2,497,794 | 2,672,891 |
| <u>\$ 4,974,092</u> | <u>\$ 7,804,226</u> | <u>\$ 4,869,425</u> | <u>\$ 4,003,335</u> | <u>\$ 1,660,059</u> | <u>\$ 4,232,670</u> | <u>\$ (3,525,506)</u> |

City of Newton, Kansas
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | |
|-------------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| | 2009 | 2010 | 2011 | 2012 |
| General Fund | | | | |
| Nonspendable | \$ - | \$ - | \$ 271,529 | \$ 18,044 |
| Restricted | - | - | - | - |
| Committed | - | - | 38,921 | - |
| Assigned | - | - | 4,503,615 | 1,133,753 |
| Unassigned | - | - | 2,848,524 | 3,329,547 |
| Reserved | 102,598 | 352,362 | - | - |
| Unreserved | <u>2,129,318</u> | <u>2,085,292</u> | <u>-</u> | <u>-</u> |
| Total General Fund | <u>\$ 2,231,916</u> | <u>\$ 2,437,654</u> | <u>\$ 7,662,589</u> | <u>\$ 4,481,344</u> |
| All Other Governmental Funds | | | | |
| Nonspendable | - | - | 87,044 | 79,067 |
| Restricted | - | - | 1,447,936 | 1,404,089 |
| Committed | - | - | - | - |
| Assigned | - | - | 89,934 | 3,586,875 |
| Unassigned | - | - | (7,064,885) | (9,788,112) |
| Reserved | 655,893 | 727,279 | - | - |
| Unreserved, reported in: | | | | |
| Special revenue funds | 9,524,832 | 10,275,339 | - | - |
| Debt service fund | 1,402,184 | 657,228 | - | - |
| Capital project funds | <u>(5,307,944)</u> | <u>(4,274,585)</u> | <u>-</u> | <u>-</u> |
| Total all other governmental funds | <u>\$ 6,274,965</u> | <u>\$ 7,385,261</u> | <u>\$ (5,439,971)</u> | <u>\$ (4,718,081)</u> |

NOTE: The City implemented presenting fund balance classifications in aggregate for Year(s) 2011 and forward.

| Fiscal Year | | | | | |
|-----------------------|-----------------------|---------------------|---------------------|---------------------|----------------------|
| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| \$ 474,245 | \$ 469,527 | \$ 81,134 | \$ 378,184 | \$ 400,497 | \$ 400,438 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 4,116,323 | 4,186,079 | 2,648,047 | 2,956,891 | 3,776,145 | 3,845,686 |
| 2,273,622 | 2,669,488 | 4,618,705 | 4,086,247 | 5,087,304 | 5,912,102 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 6,864,190</u> | <u>\$ 7,325,094</u> | <u>\$ 7,347,886</u> | <u>\$ 7,421,322</u> | <u>\$ 9,263,946</u> | <u>\$ 10,158,226</u> |
| 64,971 | 70,986 | 2,580,236 | 2,346,965 | 2,161,678 | 82,228 |
| 1,536,715 | 1,362,548 | 1,634,223 | 1,933,865 | 1,809,478 | 3,869,877 |
| - | - | - | - | - | - |
| 787,481 | 736,906 | 529,656 | 489,123 | 464,797 | 438,279 |
| (6,521,063) | (7,904,689) | (110,924) | (5,769,877) | (5,086,357) | (2,864,526) |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ (4,131,896)</u> | <u>\$ (5,734,249)</u> | <u>\$ 4,633,191</u> | <u>\$ (999,924)</u> | <u>\$ (650,404)</u> | <u>\$ 1,525,858</u> |

City of Newton, Kansas
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | |
|--|---------------------|---------------------|-----------------------|
| | 2009 | 2010 | 2011 |
| Revenues: | | | |
| Taxes and special assessments | \$ 12,666,299 | \$ 12,617,601 | \$ 13,655,762 |
| Intergovernmental | 2,509,358 | 2,529,759 | 6,987,745 |
| Licenses and permits | 183,729 | 200,034 | 174,624 |
| Charges for services | 1,625,323 | 1,624,996 | 1,520,957 |
| Fines, forfeitures and penalties | 507,763 | 491,690 | 545,865 |
| Use of money and property | 584,084 | 556,689 | 544,786 |
| Other | 978,812 | 1,192,747 | 2,242,380 |
| Total revenues | 19,055,368 | 19,213,516 | 25,672,119 |
| Expenditures: | | | |
| Current: | | | |
| General government | 1,892,707 | 1,967,920 | 2,053,338 |
| Public safety | 7,183,946 | 7,307,075 | 7,786,992 |
| Highway and streets | 1,901,983 | 1,922,936 | 1,808,089 |
| Culture and recreation | 2,346,361 | 2,410,394 | 2,244,375 |
| Airport | 1,034,837 | 1,122,594 | 1,137,235 |
| Capital outlay | 6,350,984 | 10,806,397 | 11,901,665 |
| Debt service: | | | |
| Principal | 1,476,798 | 1,637,825 | 1,908,264 |
| Interest | 1,588,698 | 1,494,407 | 1,718,438 |
| Fees and commissions | 166,899 | 54,024 | 1,634 |
| Total expenditures | 23,943,213 | 28,723,592 | 30,560,030 |
| Excess (deficiency) of revenues over (under) expenditures | (4,887,845) | (9,510,076) | (4,887,911) |
| Other financing sources (uses): | | | |
| Proceeds from general obligation bonds | 3,929,749 | 12,735,000 | - |
| Proceeds of refunding bonds | (950,000) | (3,794,495) | - |
| Proceeds of sales of capital assets | - | - | - |
| Transfers in | 5,049,392 | 6,482,950 | 6,362,279 |
| Premium on general obligation bonds issued | - | - | - |
| Payment to refunding bond escrow agent | - | - | - |
| Transfers out | (3,461,214) | (4,597,345) | (4,955,203) |
| Total other financing sources (uses) | 4,567,927 | 10,826,110 | 1,407,076 |
| Net change in fund balances | \$ (319,918) | \$ 1,316,034 | \$ (3,480,835) |
| Debt service as a percentage of noncapital expenditures | 15.16% | 13.86% | 17.94% |

| Fiscal Year | | | | | | |
|----------------|---------------|----------------|---------------|----------------|---------------|---------------|
| 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| \$ 13,778,577 | \$ 14,429,226 | \$ 15,540,667 | \$ 15,007,865 | \$ 15,052,285 | \$ 15,480,760 | \$ 16,170,614 |
| 5,617,302 | 7,102,080 | 3,197,923 | 1,005,734 | 1,111,259 | 2,359,315 | 1,420,014 |
| 198,712 | 156,468 | 174,173 | 218,416 | 188,896 | 268,272 | 211,191 |
| 1,557,363 | 1,660,051 | 1,454,223 | 3,599,100 | 4,015,948 | 4,135,203 | 3,936,825 |
| 536,584 | 534,836 | 592,416 | 747,634 | 555,184 | 513,727 | 574,254 |
| 614,326 | 885,909 | 924,512 | 8,664 | 31,836 | 158,132 | 387,944 |
| 1,533,700 | 1,371,728 | 1,392,824 | 1,142,945 | 568,866 | 788,043 | 601,403 |
| 23,836,564 | 26,140,298 | 23,276,738 | 21,730,358 | 21,524,274 | 23,703,452 | 23,302,245 |
| 2,146,861 | 2,167,088 | 2,582,772 | 3,806,879 | 4,611,452 | 4,345,450 | 5,265,340 |
| 8,007,610 | 8,471,230 | 8,710,352 | 9,163,587 | 8,967,108 | 9,030,689 | 9,531,363 |
| 1,992,332 | 2,170,059 | 2,161,912 | 2,363,275 | 2,573,365 | 2,366,007 | 2,894,550 |
| 2,856,180 | 3,065,122 | 2,898,249 | 1,124,950 | 1,035,743 | 966,463 | 987,674 |
| 1,282,929 | 1,260,621 | 1,542,993 | 1,087,037 | 1,102,985 | 1,206,993 | 1,232,950 |
| 8,533,381 | 6,900,796 | 5,066,359 | 15,525,043 | 5,090,535 | 2,402,131 | 4,298,181 |
| 1,942,355 | 2,165,351 | 2,319,928 | 1,964,548 | 2,131,737 | 2,435,808 | 2,548,882 |
| 1,573,325 | 1,474,474 | 1,496,978 | 1,156,818 | 1,034,633 | 1,010,773 | 994,140 |
| 65,689 | 1,185 | 947 | 109,385 | 109,560 | 179 | 114,048 |
| 28,400,662 | 27,675,926 | 26,780,490 | 36,301,522 | 26,657,118 | 23,764,493 | 27,867,128 |
| (4,564,098) | (1,535,628) | (3,503,752) | (14,571,164) | (5,132,844) | (61,041) | (4,564,883) |
| - | 2,635,553 | - | 5,407,691 | - | - | 3,615,000 |
| 3,570,000 | 5,225,000 | - | - | 7,259,704 | - | - |
| - | - | - | 90,000 | 58,405 | 62,705 | 175,750 |
| 6,821,972 | 4,902,531 | 4,537,230 | 19,955,741 | 7,404,021 | 6,394,896 | 7,671,491 |
| - | - | - | - | 565,412 | - | 64,026 |
| (3,577,286) | (5,243,764) | - | - | (7,735,899) | - | - |
| (4,709,943) | (3,014,661) | (2,174,927) | (4,313,221) | (3,935,242) | (4,204,416) | (3,890,842) |
| 2,104,743 | 4,504,659 | 2,362,303 | 21,140,211 | 3,616,401 | 2,253,185 | 7,635,425 |
| \$ (2,459,355) | \$ 2,969,031 | \$ (1,141,449) | \$ 6,569,047 | \$ (1,516,443) | \$ 2,192,144 | \$ 3,070,542 |
| 16.86% | 16.08% | 16.25% | 10.08% | 13.47% | 15.55% | 13.78% |

City of Newton, Kansas
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| <u>Fiscal Year</u> | <u>Property Tax</u> | <u>Motor Vehicle Tax</u> | <u>Sales Tax</u> | <u>Transient Guest Tax</u> | <u>Franchise Taxes</u> | <u>Special Assessments</u> | <u>Total</u> |
|---------------------------|----------------------------|---------------------------------|-------------------------|-----------------------------------|-------------------------------|-----------------------------------|---------------------|
| 2009 | \$ 4,655,227 | \$ 702,089 | \$ 4,437,603 | \$ 110,727 | \$ 1,346,359 | \$ 950,553 | \$ 12,202,558 |
| 2010 | 4,551,890 | 667,943 | 4,351,084 | 111,881 | 1,464,740 | 894,666 | 12,042,204 |
| 2011 | 4,794,804 | 669,619 | 4,608,437 | 137,042 | 1,523,616 | 1,148,640 | 12,882,158 |
| 2012 | 4,944,986 | 665,351 | 4,766,389 | 198,593 | 1,431,604 | 1,090,213 | 13,097,136 |
| 2013 | 5,180,522 | 698,981 | 4,846,036 | 222,327 | 1,555,840 | 1,174,714 | 13,678,421 |
| 2014 | 5,783,604 | 715,810 | 5,084,012 | 219,953 | 1,663,360 | 1,220,746 | 14,687,485 |
| 2015 | 6,117,926 | 819,414 | 5,122,782 | 333,362 | 1,533,036 | 1,081,345 | 15,007,865 |
| 2016 | 6,129,332 | 842,089 | 5,209,627 | 229,487 | 1,549,594 | 1,092,156 | 15,052,286 |
| 2017 | 6,654,191 | 838,864 | 5,106,324 | 295,189 | 1,551,793 | 1,034,403 | 15,480,764 |
| 2018 | 7,184,820 | 941,968 | 5,099,402 | 261,630 | 1,615,724 | 1,067,070 | 16,170,614 |
| Change 2009-2018 | 54.3% | 34.2% | 14.9% | 136.3% | 22.1% | 12.3% | 32.5% |

City of Newton, Kansas
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Real Property</u> | <u>Personal Property</u> | <u>Motor Vehicle</u> | <u>Total</u> | <u>Total Direct Tax Rate</u> | <u>Estimated Actual Value</u> | <u>Assessed Value as a Percentage of Actual Value</u> |
|--------------------|----------------------|--------------------------|----------------------|----------------|------------------------------|-------------------------------|---|
| 2009 | \$ 99,212,444 | \$ 10,378,844 | \$ 17,604,906 | \$ 127,196,194 | \$ 43.157 | \$ 953,948,530 | 13.33% |
| 2010 | 100,464,702 | 10,067,614 | 16,698,797 | 127,231,113 | 43.880 | 814,509,706 | 15.62% |
| 2011 | 105,090,889 | 9,866,440 | 16,765,853 | 131,723,182 | 45.540 | 837,160,394 | 15.73% |
| 2012 | 105,430,488 | 9,548,769 | 16,685,086 | 131,664,343 | 45.849 | 847,031,257 | 15.54% |
| 2013 | 106,607,455 | 9,516,129 | 16,974,048 | 133,097,632 | 51.114 | 851,446,896 | 15.63% |
| 2014 | 108,681,175 | 8,459,719 | 17,144,189 | 134,285,083 | 52.096 | 861,683,717 | 15.58% |
| 2015 | 109,184,983 | 8,918,542 | 17,557,227 | 135,660,752 | 52.091 | 870,900,047 | 15.58% |
| 2016 | 110,136,068 | 8,797,562 | 17,745,559 | 136,679,189 | 57.121 | 881,164,701 | 15.51% |
| 2017 | 111,244,972 | 8,766,296 | 17,682,215 | 137,693,483 | 60.326 | 885,807,281 | 15.54% |
| 2018 | 111,511,358 | 9,124,296 | 18,180,252 | 138,815,906 | 62.509 | 893,278,237 | 15.54% |

Source: Harvey County Clerk

The assessed value of each class is calculated by varying percentages of appraised or market value. The range varies from 11.5% for residential to 33% for public utilities.

n/a: Information not available.

Property Tax Levies and Collections
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Taxes Levied for the Fiscal Year</u> | <u>Collected within the Fiscal Year</u> | | <u>Collections in Subsequent Years</u> | <u>Total Collections to Date</u> | |
|--------------------|---|---|---------------------------|--|----------------------------------|---------------------------|
| | | <u>Amount</u> | <u>Percentage of Levy</u> | | <u>Amount</u> | <u>Percentage of Levy</u> |
| 2009 | \$ 5,929,400 | \$ 5,477,485 | 92.38% | \$ 231,394 | \$ 5,708,879 | 96.28% |
| 2010 | 5,777,500 | 5,320,419 | 92.09% | 233,297 | 5,553,717 | 96.13% |
| 2011 | 6,123,178 | 5,728,981 | 93.56% | 206,704 | 5,935,685 | 96.94% |
| 2012 | 6,436,611 | 5,949,668 | 92.43% | 202,331 | 6,152,000 | 95.58% |
| 2013 | 6,488,404 | 6,163,075 | 94.99% | 127,091 | 6,290,165 | 96.94% |
| 2014 | 7,194,203 | 6,850,152 | 95.22% | 121,197 | 6,971,349 | 96.90% |
| 2015 | 7,451,137 | 7,102,109 | 95.32% | 108,867 | 7,210,976 | 96.78% |
| 2016 | 7,503,461 | 7,163,158 | 95.46% | 125,991 | 7,289,150 | 97.14% |
| 2017 | 8,127,835 | 7,912,242 | 97.35% | 41,269 | 7,953,511 | 97.86% |
| 2018 | 8,613,339 | 8,184,191 | 95.02% | - | 8,184,191 | 95.02% |

Source: Harvey County Clerk & City Financial's

** Fiscal year refers to Budget year. Tax levy is set in November of prior year.*

City of Newton, Kansas
Direct and Overlapping Property Tax Rates
(Per \$1,000 of assessed value)
Last Ten Fiscal Years

| Tax Year | City of Newton | | | | | | Other Overlapping Governments | | | | Grand Total |
|---------------------|-------------------------|-------------------------|----------------|----------------------------------|------------------------------|---------------|---------------------------------------|--------------------------|----------------------------|--|------------------------|
| | General Fund | Airport Fund | Library | Bond and Interest | Special Liability | Total | School District No 373 | Harvey County | State of Kansas | Sand Creek Watershed District | |
| 2009 | 33.589 | 0.767 | 5.569 | 3.137 | 0.095 | 43.157 | 62.373 | 27.875 | 1.500 | 0.270 | 135.175 |
| 2010 | 34.265 | 0.760 | 5.583 | 3.201 | 0.071 | 43.880 | 64.722 | 28.771 | 1.500 | 0.266 | 139.139 |
| 2011 | 34.552 | 0.731 | 5.608 | 4.413 | 0.236 | 45.540 | 65.098 | 31.316 | 1.500 | 0.257 | 143.711 |
| 2012 | 34.793 | 0.731 | 5.646 | 4.443 | 0.236 | 45.849 | 65.407 | 31.449 | 1.500 | 0.255 | 144.460 |
| 2013 | 42.704 | 0.656 | 5.674 | 1.843 | 0.237 | 51.114 | 65.005 | 35.586 | 1.500 | 0.254 | 153.459 |
| 2014 | 43.739 | 0.647 | 5.708 | 1.873 | 0.129 | 52.096 | 60.478 | 36.238 | 1.500 | 0.257 | 150.569 |
| 2015 | 41.849 | 0.647 | 5.675 | 3.920 | - | 52.091 | 63.061 | 38.817 | 1.500 | 0.256 | 155.725 |
| 2016 | 45.622 | 0.698 | 5.809 | 4.833 | 0.159 | 57.121 | 62.786 | 41.358 | 1.500 | 0.256 | 163.021 |
| 2017 | 47.615 | 0.593 | 5.758 | 6.173 | 0.187 | 60.326 | 63.139 | 41.937 | 1.500 | 0.259 | 167.161 |
| 2018 | 48.467 | 0.605 | 5.934 | 7.312 | 0.191 | 62.509 | 63.820 | 42.275 | 1.500 | 0.264 | 170.368 |

Note: Tax Year is year in which tax is levied. Collections are received in the year following.

Source: Harvey County Clerk

City of Newton, Kansas
Principal Property Taxpayers
Current Year and Nine Years Ago

| Taxpayer | 2018 | | | 2009 | | |
|--------------------------------|------------------------|------|--|------------------------|------|--|
| | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Walmart Stores | 2,045,280 | 2 | 1.70% | 2,253,255 | 1 | 2.06% |
| Dillon Companies | 969,581 | 5 | 0.80% | 1,678,893 | 2 | 1.53% |
| KG&E-A Westar Energy Co | 3,132,322 | 1 | 2.60% | 1,553,231 | 3 | 1.42% |
| Newton Healthcare Corp | | | | 1,400,123 | 4 | 1.28% |
| Kansas Gas Service | 1,425,972 | 3 | 1.18% | 1,366,330 | 5 | 1.25% |
| Southwestern Bell | | | | 1,200,958 | 6 | 1.10% |
| Norcraft Company | 965,090 | 6 | 0.80% | 1,163,965 | 7 | 1.06% |
| Burlington Northern | 1,376,799 | 4 | 1.14% | 694,727 | 8 | 0.63% |
| B & G Hospitality | 632,784 | 10 | 0.52% | | | |
| Dillon Real Estate Co Inc | 668,733 | 9 | 0.55% | | | |
| Bunting Magnetics | | | | 522,512 | 9 | 0.48% |
| Chisholm Trail Shopping Center | | | | 471,675 | 10 | 0.43% |
| Cargill, Inc. | 900,790 | 7 | 0.75% | | | |
| Broadway Hospitality | 786,677 | 8 | 0.65% | | | |
| Charles Newell | | | | | | |
| Total | \$ 12,904,028 | | 10.70% | \$ 12,305,669 | | 11.24% |
| Total Assessed Value | \$ 120,635,654 | | | \$ 109,591,288 | | |

Source: Harvey County Clerk

City of Newton, Kansas

Legal Debt Margin Information

Last Ten Fiscal years

| | Fiscal Year | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Debt Limit | \$ 38,158,858 | \$ 38,169,334 | \$ 39,516,955 | \$ 39,499,303 | \$ 40,097,806 | \$ 40,234,483 | \$ 40,574,314 | \$ 41,003,757 | \$ 41,561,162 | \$ 41,495,361 |
| Total net debt applicable to limit | 24,840,813 | 29,572,662 | 28,151,767 | 27,441,332 | 27,884,239 | 26,437,566 | 25,870,675 | 28,420,839 | 26,369,868 | 28,000,395 |
| Legal debt margin | \$ 13,318,045 | \$ 8,596,672 | \$ 11,365,188 | \$ 12,057,971 | \$ 12,213,567 | \$ 13,796,917 | \$ 14,703,639 | \$ 12,582,918 | \$ 15,191,294 | \$ 13,494,966 |
| Total net debt applicable to the limit as a percentage of debt limit | 65.10% | 77.48% | 71.24% | 69.47% | 69.54% | 65.71% | 63.76% | 69.31% | 63.45% | 67.48% |

Legal Debt Margin Calculation for Fiscal Year 2018

| | |
|--|----------------|
| Total assessed value | \$ 138,317,869 |
| Debt limit (30% of total assessed value) | \$ 41,495,361 |
| Debt applicable to limit: | |
| General obligation bonds | 28,052,300 |
| Less: Amount set aside for repayment of general obligation debt | 51,905 |
| Total net debt applicable to limit | 28,000,395 |
| Legal debt margin | \$ 13,494,966 |

Note: Per Kansas Statutes Annotated ("K.S.A.") Section 10-308, "The authorized and outstanding bonded indebtedness of any city shall not exceed 30% of the assessed valuation of the city." K.S.A. Section 10-309 allows for certain exceptions to calculating the legal debt limit.

City of Newton, Kansas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | | | | Business-Type Activities | | | Total Primary Government ^d | Percentage of Personal Income ^c | Per Capita ^b |
|----------------|--------------------------------|---------------------------|-------------------|---|--------------------------------|--|--------------------------------|------------------|--------------------|---|--|----------------------------|
| | General Obligation Bonds | KDOT Revolving Loan | Capital Leases | Guaranteed Industrial Revenue Bonds | Special Assessment Bonds | | General Obligation Bonds | Revenue Bonds | Revolving Loans | | | |
| 2009 | \$ 22,983,656 | \$ 738,455 | \$ - | \$ - | \$ 10,735,238 | | \$ 8,618,245 | \$ 7,310,000 | \$ 9,429,921 | \$ 59,815,515 | 7.92% | \$3,299 |
| 2010 | 28,144,817 | 653,565 | - | - | 13,202,938 | | 8,057,162 | 7,115,000 | 12,198,671 | 69,372,153 | 9.73% | \$3,826 |
| 2011 | 26,914,614 | 565,424 | - | - | 12,586,138 | | 7,152,284 | 6,915,000 | 11,057,137 | 65,190,597 | 9.10% | \$3,407 |
| 2012 | 25,797,095 | 473,907 | - | - | 11,913,638 | | 6,718,122 | 6,822,800 | 10,446,809 | 62,172,371 | 8.45% | \$3,233 |
| 2013 | 26,269,353 | 378,885 | - | - | 12,644,120 | | 8,275,286 | 7,115,000 | 9,815,108 | 64,497,752 | 8.25% | \$3,361 |
| 2014 | 24,752,345 | 280,223 | 197,077 | - | 11,890,120 | | 7,746,553 | 6,660,000 | 15,606,145 | 67,132,463 | 8.31% | \$3,511 |
| 2015 | 21,643,264 | 177,783 | 169,669 | - | 11,859,320 | | 14,319,440 | 7,966,150 | 25,337,587 | 81,473,213 | 9.65% | \$4,240 |
| 2016 | 21,493,800 | 71,419 | 138,958 | - | 10,761,033 | | 14,121,030 | 7,225,575 | 24,180,652 | 77,992,467 | 10.64% | \$4,082 |
| 2017 | 20,092,917 | - | 107,349 | - | 9,763,204 | | 13,174,922 | 6,500,000 | 21,825,431 | 71,463,823 | 9.87% | \$3,787 |
| 2018 | 22,289,104 | - | - | 6,339,995 | 8,771,526 | | 12,254,170 | 5,710,000 | 19,715,760 | 75,080,555 | 9.88% | \$4,005 |

Note: Details regarding the City's outstanding debt can be found in the Notes on pages 83 - 90 and in the Statistical Section on pages 140 - 146.

^a See Page 145 for taxable property value data.

^b Per Capita is based on net general obligation bonds.

^c See page 155 for personal income and population data.

^d Includes general bonded debt, other governmental activities debt, and business-type activities debt.

City of Newton, Kansas
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

| Fiscal Year | General Obligation Bonds | Resources Restricted for Debt Service | Net General Obligation Bonds | Taxable Value | Percentage of Estimated Actual Taxable Value of Property | Per Capita |
|------------------------|---|--|---|--------------------------|---|-----------------------|
| 2009 | \$ 31,601,901 | \$ - | \$ 31,601,901 | \$ 953,948,530 | 3.31% | \$ 1,743 |
| 2010 | 36,201,979 | - | 36,201,979 | 814,509,706 | 4.44% | 1,996 |
| 2011 | 34,066,898 | 686,885 | 33,380,013 | 837,160,394 | 3.99% | 1,781 |
| 2012 | 32,515,217 | 653,013 | 31,862,204 | 847,031,257 | 3.76% | 1,691 |
| 2013 | 34,544,639 | 763,775 | 33,780,864 | 851,446,896 | 3.97% | 1,800 |
| 2014 | 32,498,898 | 528,849 | 31,970,049 | 861,683,717 | 3.71% | 1,700 |
| 2015 | 35,962,704 | 376,705 | 35,585,999 | 870,900,047 | 4.09% | 1,871 |
| 2016 | 35,614,830 | 574,253 | 35,040,577 | 881,164,701 | 3.98% | 1,864 |
| 2017 | 33,267,839 | 149,807 | 33,118,032 | 885,807,281 | 3.74% | 1,763 |
| 2018 | 34,543,274 | 51,905 | 34,491,369 | 893,278,237 | 3.86% | 1,843 |

City of Newton, Kansas
Direct and Overlapping Governmental Activities Debt
As of December 31, 2018

| | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-----------------------------|--|--|
| Unified School District No. 373 | \$ 32,361,690 | 73.68% | \$ 23,844,093 |
| Harvey County | <u>3,085,000</u> | <u>39.61%</u> | <u>1,221,969</u> |
| | 35,446,690 | | 25,066,062 |
| Direct debt, City of Newton: | | | |
| General obligation bonds | <u>31,060,630</u> | <u>100.00%</u> | <u>31,060,630</u> |
| Total direct and overlapping debt | <u><u>\$ 66,507,320</u></u> | <u><u>84.39%</u></u> | <u><u>\$ 56,126,692</u></u> |

Source: Harvey Co Clerk, Notes to Financial Statements under Long-Term Debt

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments. The percentage applicable is estimated by determining the portion of another governmental unit's taxable assessed value that is within the boundaries of the city and divide this by each unit's total taxable assessed value.

City of Newton, Kansas

Pledged-Revenue Coverage

Last Ten Fiscal Years

| Fiscal Year | Water & Sewer Revenue | | | | | | KDHE Revolving Loans | | | Total Revenue Coverage ² | Special Assessment Bonds | | | |
|----------------|-------------------------------|--------------------------------|-----------------------------|------------|-----------|-----------------------|------------------------------------|------------|--------------------------------------|---|------------------------------------|------------|-----------------------|--|
| | Utility Service Charges | Less: Expenses ¹ | Net Available Revenue | Bonds | | | Debt Service (Next Fiscal Year) | | Special Assessment Collections | | Debt Service (Next Fiscal Year) | | | |
| | | | | Principal | Interest | Coverage ² | Principal | Interest | | | Principal | Interest | Coverage ² | |
| | | | | | | | | | | | | | | |
| 2009 | \$ 8,459,718 | \$ 4,863,014 | \$ 3,596,704 | \$ 320,000 | \$ 60,778 | 9.45 | \$ 478,378 | \$ 284,192 | 3.15 | \$ 950,553 | \$ 467,300 | \$ 408,101 | 1.09 | |
| 2010 | 9,957,831 | 4,533,391 | 5,424,440 | 340,000 | 43,685 | 14.14 | 602,992 | 493,861 | 3.66 | 894,666 | 616,800 | 539,175 | 0.77 | |
| 2011 | 10,963,722 | 4,839,833 | 6,123,889 | 105,000 | 19,800 | 49.07 | 610,328 | 347,650 | 5.66 | 1,148,640 | 672,500 | 507,058 | 0.97 | |
| 2012 | 10,734,426 | 5,284,176 | 5,450,250 | 110,000 | 13,500 | 44.13 | 631,701 | 326,276 | 5.04 | 1,090,213 | 682,500 | 428,397 | 0.98 | |
| 2013 | 10,448,371 | 5,317,554 | 5,130,817 | 115,000 | 6,900 | 42.09 | 653,112 | 304,865 | 4.75 | 1,174,714 | 754,000 | 487,108 | 0.95 | |
| 2014 | 13,120,387 | 5,609,635 | 7,510,752 | - | - | n/a | 675,270 | 282,707 | 7.84 | 1,220,746 | 749,500 | 444,276 | 1.02 | |
| 2015 | 13,314,952 | 5,136,897 | 8,178,055 | - | - | n/a | 698,202 | 236,377 | 8.75 | 1,081,345 | 772,000 | 421,762 | 0.91 | |
| 2016 | 12,475,392 | 5,212,188 | 7,263,204 | - | - | n/a | 2,355,221 | 617,608 | 2.44 | 1,092,156 | 683,753 | 254,328 | 1.16 | |
| 2017 | 12,532,291 | 4,850,505 | 7,681,786 | - | - | n/a | 1,408,680 | 568,861 | 3.88 | 1,034,403 | 703,562 | 229,347 | 1.11 | |
| 2018 | 12,448,105 | 3,950,335 | 8,497,770 | - | - | n/a | 1,342,662 | 510,596 | 4.59 | 1,067,070 | 700,711 | 209,361 | 1.17 | |

Note: Details regarding the city's outstanding debt can be found in the notes on pages 83 - 90 and pages 148-153.

1 - Expenses do not include depreciation.

2 - The City maintains Net Revenues in the Combined Utility in an amount which will be not less than 125% of the amount required to be paid for debt service, on bonds or Permitted Loans, by the City in the next succeeding fiscal year.

City of Newton, Kansas
Schedule of Bonded Indebtedness by Category
As of December 31, 2018

| Type of Debt | Date of Issue | Final Maturity | Interest Rates % | Original Principal Amount | Principal Outstanding 1/1/2018 | Issued | Retired | Refunded | Principal Outstanding 12/31/2018 |
|---------------------------------------|---------------------|-------------------|------------------------|---------------------------------|--------------------------------------|------------------|------------------|----------|--|
| General Obligation: | | | | | | | | | |
| Airport Improvements | 09-01-04 | 09-01-24 | 5.25-6.00 | 515,000 | 255,000 | - | 30,000 | - | 225,000 |
| Int Imp/Airport/Water/Sewer | 11-01-06 | 09-01-26 | 3.80-5.00 | 9,515,000 | 935,000 | - | 550,000 | - | 385,000 |
| Int Imp/Airport/Water/Sewer | 04-28-08 | 09-01-28 | 4.55-6.00 | 12,600,000 | 600,000 | - | 600,000 | - | - |
| Int Imp/Airport/Street | 04-28-08 | 09-01-28 | 4.55-6.00 | 710,000 | 95,000 | - | 95,000 | - | - |
| Int Imp/Airport/Street | 07-01-09 | 09-01-28 | 3.00-5.00 | 6,815,000 | 565,000 | - | 275,000 | - | 290,000 |
| Int Imp/Refunding | 07-15-10 | 09-01-30 | 2.00-4.25 | 7,800,000 | 4,450,000 | - | 560,000 | - | 3,890,000 |
| Taxable GO Bonds | 12-01-10 | 12-01-30 | 4.50-6.25 | 2,000,000 | 1,815,000 | - | 100,000 | - | 1,715,000 |
| Improvements/Conf Center | 12-15-10 | 12-01-30 | 2.00-4.375 | 2,935,000 | 2,300,000 | - | 140,000 | - | 2,160,000 |
| Int Imp/Water/Sewer/Refunding | 09-01-12 | 09-01-24 | 2.00-2.10 | 3,570,000 | 2,495,000 | - | 330,000 | - | 2,165,000 |
| Int Imp/Water/Sewer/Refunding | 03-26-13 | 09-01-33 | 2.00-2.10 | 9,595,000 | 8,860,000 | - | 245,000 | - | 8,615,000 |
| Improvements/Land Purchase | 10-30-15 | 09-01-26 | 2.00-3.10 | 1,130,000 | 1,030,000 | - | 105,000 | - | 925,000 |
| Int Imp/Airport/Street/Water | 12-18-15 | 09-01-36 | 3.00 | 2,570,000 | 2,570,000 | - | - | - | 2,570,000 |
| Internal Improvements | 12-30-15 | 09-01-27 | 2.00-3.00 | 2,500,000 | 2,295,000 | - | 205,000 | - | 2,090,000 |
| Int Imp/Refunding | 08-25-16 | 09-01-29 | 2.00-2.50 | 13,425,000 | 13,425,000 | - | 50,000 | - | 13,375,000 |
| Internal Improvements | 12-05-18 | 09-01-38 | 3.00-4.00 | 2,125,000 | - | 2,125,000 | - | - | 2,125,000 |
| Internal Improvements | 12-05-18 | 09-01-33 | 3.00-4.00 | 1,490,000 | - | 1,490,000 | - | - | 1,490,000 |
| Total General Obligation Bonds | | | | <u>79,295,000</u> | <u>41,690,000</u> | <u>3,615,000</u> | <u>3,285,000</u> | <u>-</u> | <u>42,020,000</u> |
| Other: | | | | | | | | | |
| Kansas Public Water Supply | 02-01-99 | 02-01-19 | 4.17 | 2,086,456 | 220,109 | - | 145,220 | - | 74,889 |
| Kansas Public Water Supply | 03-14-02 | 02-01-20 | 4.14 | 1,231,922 | 238,673 | - | 94,706 | - | 143,967 |
| Kansas Water Pollution Control | 11-09-01 | 09-01-20 | 3.03 | 1,207,034 | 341,261 | - | 64,210 | - | 277,051 |
| Kansas Water Pollution Control | 09-30-08 | 03-01-30 | 2.85 | 9,000,000 | 4,691,012 | - | 332,981 | - | 4,358,031 |
| Kansas Public Water Supply | 08-01-09 | 08-01-29 | 3.75 | 651,533 | 403,601 | - | 28,660 | - | 374,941 |
| Kansas Public Water Supply | 08-17-09 | 02-01-30 | 3.37 | 2,011,842 | 1,171,932 | - | 80,725 | - | 1,091,207 |
| Kansas Water Pollution Control | 11-01-13 | 03-01-35 | 2.83 | 16,850,860 | 14,758,842 | - | 1,363,168 | - | 13,395,674 |
| Total Other | | | | <u>33,039,647</u> | <u>21,825,430</u> | <u>-</u> | <u>2,109,670</u> | <u>-</u> | <u>19,715,760</u> |
| Total Indebtedness | | | | <u>112,334,647</u> | <u>63,515,430</u> | <u>3,615,000</u> | <u>5,394,670</u> | <u>-</u> | <u>61,735,760</u> |

City of Newton, Kansas
Schedule of Industrial Revenue Bonds by Obligor *
As of December 31, 2018

| <u>Obligated Entity or Purpose</u> | <u>Series</u> | <u>Issue Date</u> | <u>Final Maturity</u> | <u>Original Principal Amount</u> | <u>Principal Outstanding 1/1/2018</u> | <u>Issued</u> | <u>Retired</u> | <u>Principal Outstanding 12/31/2018</u> |
|--|---------------|-----------------------|---------------------------|--|---|---------------|------------------|---|
| CPT Enterprises, Inc. | 1999-A | 09/09/99 | 09/09/19 | \$ 1,500,000 | \$ 241,062 | \$ - | \$ 134,070 | \$ 106,992 |
| Newton Healthcare Corp. | 2003 | 10/01/03 | 10/01/18 | 4,800,000 | 485,000 | - | 485,000 | - |
| Newton Healthcare Corp. | 2008 | 08/21/08 | 11/15/24 | 11,385,000 | 5,925,000 | - | 740,000 | 5,185,000 |
| JRW Investment L.L.C. | 2011 | 07/08/11 | 12/31/21 | 800,000 | 361,367 | - | 81,390 | 279,977 |
| YMCA | 2015 | 06/04/15 | 06/30/22 | 16,000,000 | 15,000,000 | - | 3,000,000 | 12,000,000 |
| | | | | <u>\$ 34,485,000</u> | <u>22,012,429</u> | <u>-</u> | <u>4,440,460</u> | <u>17,571,969</u> |

Note:

* Issuance of these industrial revenue bonds is authorized by KSA 12 - 1740 et seq. KSA 12 - 1743 states in pertinent part "...The principal and interest of said bonds shall be payable solely and only from the special fund herein provided for such payments, and said bonds shall not in any respect be a general obligation of such city, nor shall they be payable in any manner by taxation..."

City of Newton, Kansas
Demographic and Economic Statistics
Last Ten Fiscal Years

| Fiscal Year | Population (1) | Personal Income (2) | Per Capita Personal Income (2) | School District 373 Enrollment (3) | Unemployment Rate % (4) |
|------------------------|---------------------------|------------------------------------|---|---|--|
| 2009 | 18,133 | \$755,710,908 | \$41,676 | 3,717 | 8.70% |
| 2010 | 18,133 | 712,844,496 | 39,312 | 3,639 | 6.00% |
| 2011 | 19,132 | 716,378,608 | 37,444 | 3,712 | 5.70% |
| 2012 | 19,230 | 735,624,420 | 38,254 | 3,770 | 4.80% |
| 2013 | 19,189 | 782,182,018 | 40,762 | 3,746 | 4.10% |
| 2014 | 19,120 | 808,317,120 | 42,276 | 3,749 | 3.70% |
| 2015 | 19,216 | 844,658,496 | 43,956 | 3,700 | 3.70% |
| 2016 | 19,105 | 733,039,745 | 38,369 | 3,646 | 4.40% |
| 2017 | 18,869 | 723,890,316 | 38,364 | 3,539 | 3.40% |
| 2018 | 18,746 | 759,606,666 | 40,521 | 3,497 | 2.80% |

Sources:

(1) Population estimates are taken from the Kansas Division of the Budget.

(2) Bureau of Economic Analysis, for Harvey County, Kansas

(3) School District 373 enrollment only. Private schools are not included.

(4) Harvey County Economic Development Council, Inc.

City of Newton, Kansas
Principal Employers
Current Year and Nine Years Ago

| Employer * | 2018 | | | 2009 | | |
|------------------------------|------------------|-------------|---|------------------|-------------|---|
| | Employees | Rank | Percentage of Total Employment | Employees | Rank | Percentage of Total Employment |
| Unified School District #373 | 852 | 1 | 5.2% | 850 | 1 | 4.9% |
| Newton Medical Center | 794 | 2 | 4.9% | 560 | 2 | 3.2% |
| BNSF Railway Company | 380 | 4 | 2.3% | 380 | 4 | 2.2% |
| Wal-Mart | 271 | 5 | 1.7% | 377 | 3 | 2.2% |
| Norcraft Industries | 595 | 3 | 3.7% | 306 | 5 | 1.8% |
| Prairie View Hospital | 252 | 6 | 1.5% | 285 | 6 | 1.6% |
| Dillons Stores | 243 | 7 | 1.5% | 258 | 7 | 1.5% |
| City of Newton | 206 | 9 | 1.3% | 198 | 8 | 1.1% |
| Asbury Park | | | | 193 | 9 | 1.1% |
| Harvey County | 175 | 10 | 1.1% | 166 | 10 | 1.0% |
| ResCare Kansas | 209 | 8 | 1.3% | | | |
| Total | 3,977 | | 24.5% | 3,573 | | 20.6% |

Note:

* "Largest Private Sector Employers" were listed prior to 2005.

Source:

Harvey County Economic Development Council, Inc.

City of Newton, Kansas
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

| <u>Function/Program</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Government | | | | | | | | | | |
| Administration | 16 | 17 | 17 | 17 | 19 | 17 | 17 | 16 | 17 | 15 |
| Park and Cemetery | 16 | 14 | 13 | 13 | 13 | 12 | 14 | 13 | 13 | 13 |
| Law Department | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 2 | 2 | 2 |
| Municipal Court | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Information Technology | - | - | - | - | - | 2 | 2 | 2 | 1 | 1 |
| Historic Preservation Planner | - | - | - | - | - | 1 | 1 | - | - | - |
| Convention Visitors Bureau | - | - | - | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public Safety | | | | | | | | | | |
| Fire/EMS | 49 | 50 | 49 | 49 | 48 | 49 | 49 | 48 | 50 | 51 |
| Police | 43 | 40 | 38 | 38 | 37 | 38 | 38 | 40 | 42 | 41 |
| Public Works | | | | | | | | | | |
| Engineering | 9 | 8 | 8 | 8 | 8 | 9 | 8 | 8 | 8 | 9 |
| Facility Operations | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 4 | 4 | 4 |
| Street Division | 18 | 17 | 18 | 18 | 16 | 17 | 16 | 17 | 17 | 15 |
| Shop Services | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 |
| Water | 15 | 14 | 14 | 14 | 14 | 14 | 13 | 13 | 13 | 13 |
| Wastewater | 8 | 10 | 11 | 11 | 11 | 10 | 10 | 12 | 12 | 11 |
| Sanitation | 12 | 12 | 10 | 10 | 10 | 8 | 8 | 8 | 7 | 8 |
| Airport | 5 | 4 | 4 | 5 | 5 | 5 | 6 | 5 | 6 | 6 |
| Total | <u>205</u> | <u>200</u> | <u>197</u> | <u>199</u> | <u>197</u> | <u>198</u> | <u>198</u> | <u>197</u> | <u>201</u> | <u>198</u> |

Source: *City of Newton Human Resource Department*

City of Newton, Kansas
Operating Indicators by Function/Program
Last Ten Fiscal Years

| <u>Function/Program</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Fire | | | | | | | | | | |
| Emergency Medical Service calls | 2,703 | 2,683 | 2,796 | 2,828 | 2,923 | 3,095 | 3,081 | 3,198 | 3,211 | 3,189 |
| Fire calls | 539 | 539 | 587 | 605 | 555 | 562 | 567 | 586 | 535 | 477 |
| Fire inspections | 434 | 304 | 710 | 701 | 823 | 807 | 763 | 39 | 826 | 811 |
| Police | | | | | | | | | | |
| Total calls | 39,776 | 39,084 | 39,573 | 42,023 | 40,588 | 41,905 | 41,234 | 33,283 | 27,475 | 25,971 |
| Reported crimes | 1,276 | 1,088 | 987 | 1,339 | 1,510 | 1,163 | 1,449 | 1,430 | 1,444 | 1,356 |
| Adult arrests | 2,027 | 1,832 | 1,747 | 1,793 | 2,107 | 1,951 | 2,071 | 1,660 | 1,911 | 1,874 |
| Juvenile arrests | 363 | 252 | 208 | 190 | 169 | 216 | 239 | 249 | 341 | 342 |
| Engineering Division | | | | | | | | | | |
| New dwelling starts | 26 | 20 | 15 | 24 | 16 | 12 | 17 | 21 | 116 | 11 |
| Environmental caseload | 1,007 | 853 | 1,004 | 1,046 | 869 | 1,211 | 1,103 | 913 | 930 | 1,077 |
| Water | | | | | | | | | | |
| Number of customers | 7,683 | 7,689 | 7,703 | 7,704 | 7,706 | 7,719 | 7,760 | 7,756 | 7,764 | 7,854 |
| Annual Consumption <i>(thousands of cubic feet)</i> | 95,305 | 100,285 | 112,335 | 105,994 | 87,394 | 86,695 | 82,834 | 73,892 | 75,079 | 79,940 |
| Street | | | | | | | | | | |
| Miles of streets overlayed or resurfaced | 1.80 | 0.80 | 2.98 | 1.75 | 2.91 | 1.95 | 0.91 | 1.07 | 1.15 | 0.25 |
| Square yards of streets sealed | 150,998 | 175,217 | 114,800 | 159,821 | 117,055 | 132,440 | 190,767 | 202,256 | 129,399 | 155,091 |
| Sanitation | | | | | | | | | | |
| Tonnage landfilled | 5,027 | 4,761 | 4,580 | 4,521 | 4,598 | 4,583 | 4,778 | 4,881 | 4,806 | 4,837 |
| Tonnage recycled <i>(Recycling began in 2001)</i> | 1,647 | 1,643 | 1,577 | 1,786 | 1,750 | 1,691 | 1,636 | 1,590 | 1,537 | 1,535 |

Source: Various city departments

City of Newton, Kansas
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

| <u>Function/Program</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Area of City (<i>acres</i>) | 8,050.62 | 8,376.72 | 8,532.22 | 9,131.28 | 9,131.28 | 9,134.42 | 9,312.37 | 9,343.62 | 9,346.71 | 9,385.01 |
| Fire/EMS | | | | | | | | | | |
| Stations | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Firefighter/EMTs | 45 | 45 | 44 | 45 | 45 | 46 | 46 | 45 | 45 | 44 |
| Police | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Police officers | 33 | 32 | 31 | 31 | 31 | 32 | 32 | 35 | 35 | 35 |
| Street Division | | | | | | | | | | |
| Miles of City streets - paved | 25.88 | 26.20 | 28.03 | 28.13 | 28.13 | 28.16 | 28.89 | 29.51 | 29.85 | 29.85 |
| Miles of City streets - blacktop | 90.94 | 90.81 | 93.64 | 93.64 | 93.65 | 93.64 | 93.05 | 92.49 | 92.49 | 92.60 |
| Miles of City streets - gravel | 9.15 | 9.15 | 9.32 | 9.32 | 9.32 | 9.32 | 9.32 | 9.32 | 9.32 | 9.21 |
| Miles of City streets - unimproved | 13.49 | 14.62 | 14.31 | 14.21 | 14.21 | 14.18 | 14.04 | 14.75 | 14.41 | 14.53 |
| Street employees | 16 | 17 | 18 | 18 | 16 | 17 | 16 | 17 | 17 | 15 |
| Water | | | | | | | | | | |
| Water mains (<i>miles</i>) | 153.85 | 154.66 | 154.98 | 155.17 | 156.12 | 156.24 | 156.82 | 156.98 | 157.37 | 157.37 |
| Wastewater | | | | | | | | | | |
| Sanitary sewer (<i>miles</i>) | 117.36 | 119.45 | 120.03 | 120.26 | 121.10 | 121.26 | 121.63 | 121.70 | 122.35 | 122.78 |
| Storm water sewer (<i>miles</i>) | 18.99 | 19.08 | 19.64 | 19.72 | 19.72 | 19.72 | 20.12 | 20.59 | 20.92 | 20.96 |

Source: Various city departments



CITY DATA REPORT
NEWTON, KANSAS
For Year Ending: 12/31/2018

1. STREETS

| | |
|--|--------------|
| A. Total miles of streets (center line), as of December 31, 2018 | 146.19 miles |
| B. Miles of streets paved, curbed & guttered in 2018 | 0.11 miles |
| C. Streets annexed in 2018 | 0.00 miles |
| D. Miles of different types of street surface | |
| 1. Paved (concrete) | 29.85 miles |
| 2. Blacktop (various types of bases) | 92.60 miles |
| 3. Gravel / Sand | 9.21 miles |
| 4. Unimproved | 14.53 miles |

2. STREET MAINTENANCE

| | |
|---|------------|
| A. Miles of streets overlayed or resurfaced in 2018 | 0.25 miles |
| B. Square Yards of streets sealed in 2018 | 155,091 SY |

3. SANITARY SEWER

| | |
|---|--------------|
| A. Total miles of Sanitary Sewer, as of December 31, 2018 | 122.78 miles |
| B. Miles of Sanitary Sewer constructed in 2018 | 0.43 miles |
| C. Total Sanitary Sewer Manholes as of December 31, 2018 | 2,443 |
| D. Sanitary Sewer Manholes constructed in 2018 | 3 |

4. STORM WATER SEWER

| | |
|--|-------------|
| A. Total miles of Storm Water Sewer, as of December 31, 2018 | 20.96 miles |
| B. Miles of Storm Water Sewer constructed in 2018 | 0.04 miles |

5. WATER LINES

| | |
|---|--------------|
| A. Total miles of Water lines, as of December 31, 2018 | 157.37 miles |
| B. Miles of Water Transmission lines, as of December 31, 2018 | 19.76 miles |
| C. Miles of Water Distribution lines, as of December 31, 2018 | 137.61 miles |
| D. Miles of Water lines constructed in 2018 | 0.00 miles |
| E. Miles of Water lines acquired in 2018 | 0.00 miles |
| F. Total Fire Hydrants as of December 31, 2018 | 882 |
| G. Fire Hydrants constructed in 2018 | 0 |

6. AREA OF CITY OF NEWTON

| | |
|---|----------------|
| A. Total acres, as of December 31, 2018 | 9,385.01 acres |
| B. Acres annexed in 2018 | 38.30 acres |
| C. Acres de-annexed in 2018 | 0.00 acres |

7. SUBDIVISIONS

- A. Plat or PUD
 - 1. JS Mitch Properties Amended PUD
 - 2. Rolling Hills 6th Addition
 - 3. Sand Creek Station 3rd Addition
 - 4. Suderman Addition
- B. New Subdivision Development (Construction)
 - 1. Rolling Hills 6th Addition (Grading Improvement)
- C. New Phase of Existing Subdivision
 - 1. Autumn Glen 4th Addition (Sewer and SWS Extension)



CITY DATA REPORT
NEWTON, KANSAS
For Year Ending: 12/31/2018

7. SUBDIVISIONS (cont.)

- D. Capital Improvement Projects
 - 1. Centennial Park Restroom & Concession Building
 - 2. Centennial Park Drainage
 - 3. Centennial Sewer Extension/Lift Station
 - 4. Centennial Parking Lot
 - 5. 14th Street Paving: Kansas Ave to new parking lot
 - 6. Slate Creek Reconstruction: Old Main to Plum
 - 7. Airport Taxiway C Rehabilitation
- E. Miscellaneous Projects
 - 1. Warkentin House Painting

8. BUILDING CONSTRUCTION PERMITS

| | | | |
|---|-----|----|------------|
| A. Total new single residence permits 2018 | 11 | \$ | 2,401,610 |
| B. Multiple dwelling units | | | |
| 1. Total number of dwelling units | 0 | \$ | - |
| C. Total single and multiple dwelling units | 11 | \$ | 2,401,610 |
| D. Total permits issued in 2018 | 833 | \$ | 15,468,964 |

9. PARKS

- A. Total acres of Parks in City of Newton 291.99 acres
- B. Individual Parks (Name, Area, Date acquired)

| <u>Park</u> | <u>Location</u> | <u>Type</u> | <u>Acreage</u> | <u>Year Established</u> |
|------------------------|--|--------------|----------------|-------------------------|
| 1. Therman | 7 th & Poplar | School | 3.71 | 1875 |
| 2. Military | Broadway & Oak | Community | 3.71 | 1871 |
| 3. Athletic | 1 st & W. Side Sand Creek | Community | 38.99 | 1897 |
| | Lot 5 & 6, Moore Addition | Community | 0.13 | 1963 |
| 4. Washington | Pine & Washington Road (@ Slate Creek) | Community | 9.43 | 1937 |
| 5. Parkview Heights | NE Side 5 th & Pine, N Side Creek | Linear | 1.68 | 1941 |
| 6. Havens | 12 th & Oak | Neighborhood | 0.88 | 1950 |
| 7. Park Place | W. Side Sand Creek (between 5 th & Broadway) | Linear | 0.64 | 1950 |
| 8. Blaine | East 4 th - Cemetery (both sides creek to Blaine) | Linear | 1.33 | 1959 |
| 9. Greenwood Cemetery | Between 1 st & 5 th , Sherman & 1-135 | Community | 62.00 | 1871 |
| 10. Rodeo Grounds | West 1 st to Sand Creek (Creek to Grandview) | Community | 13.00 | 1960 |
| | Lots 1 & 3, BL. 5 Fairfield Distr. | Community | 0.43 | 1961 |
| 11. Caperland | In Housing Addition (E. of 1-135, N. of Broadway) West 380 feet | Neighborhood | 1.79 | 1963 |
| 12. Ash Street | 10 th & Ash | Neighborhood | 4.55 | 1964 |
| 13. Bi-Centennial | NE Corner 14 th & Kansas | Community | 59.35 | 1971 |
| 14. East Centennial | Area E. of Centennial Park | Community | 51.60 | 1979 |
| 15. West Centennial | W. Side of Kansas, Sledding Hill | Community | 5.45 | |
| 16. Okerberg | W. part B1.44 @ Rec Center | Neighborhood | 3.71 | 1974 |
| 17. Mid-town Arboretum | NW Corner 8 th & Main | Neighborhood | 1.38 | 1977 |
| 18. Depot Park | SE Corner 5 th & Main | Pocket | 0.18 | 1978 |
| 19. Plum-Brook | Plum & Brookside, N. of Cherry Hills | Neighborhood | 2.10 | 1981 |
| 20. Quail Creek | Block 2, Quail Creek Estates 3 rd Addition | Neighborhood | 1.78 | 1985 |



CITY DATA REPORT
NEWTON, KANSAS
For Year Ending: 12.31.2018

9. PARKS (cont.)

B. Individual Parks (Name, Area, Date acquired) (cont.)

| <u>Park</u> | <u>Location</u> | <u>Type</u> | <u>Acreage</u> | <u>Year Established</u> |
|------------------|---|--------------|----------------|-------------------------|
| 21. Veazey | N. of 14 th @ Oak, side Sand Creek | Pocket | 1.35 | 1987 |
| 22. Sherman | SE Corner 12 th & Sherman | Neighborhood | 2.75 | 1981 |
| 23. Roosevelt | SE Corner Broadway & Magnolia | Neighborhood | 2.15 | 2007 |
| 24. Lincoln Park | Elm & West 6 th Streets | Neighborhood | 0.63 | 2002 |
| 25. Springlake | 110 Springlake Dr | Neighborhood | 12.00 | 2009 |

| | |
|---|------------|
| C. Total miles of Bike-Hike Path | 6.96 miles |
| Miles of Bike-Hike Path constructed in 2018 | 0.00 miles |

10. ELEVATIONS AT VARIOUS POINTS

- A. At the south side of the Main Street entrance to the old Post Office Building, and in the stone step, a standard disk, "X21 1934", Elevation 1451.710.
- B. In the stone base of the West wall of the Atchison, Topeka and Santa Fe Railway Station, 17 1/2 feet north of the southwest corner of the building, and 14 inches above the Main Street sidewalk. A standard disk, stamped "Newton 1934", elevation 1447.976.
- C. Newton Municipal Airport - highest point of runway 8-26 1533.46.

11. GEODETIC LOCATION

- A. Service Center
- | | |
|-----------|----------------------|
| Latitude | 38 degrees 01' 53.2" |
| Longitude | 97 degrees 20' 08" |
- B. Newton Municipal Airport
- | | |
|-----------|----------------------|
| Latitude | 38 degrees 03' 19.2" |
| Longitude | 97 degrees 16' 38" |

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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**

The Honorable Mayor and City Council
City of Newton, Kansas:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newton, Kansas (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 17, 2019. Our report includes a reference to other auditors who audited the financial statements of the Housing Authority of the City of Newton, Kansas (the Housing Authority), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Newton Public Library were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City'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.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 results 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.

Berwick Trahan + Co., P.A.

Topeka, Kansas
June 17, 2019