

CITY OF NEWTON

NEWTON, KANSAS

Independent Auditor's Report

December 31, 2012

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**CITY OF NEWTON, KANSAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended December 31, 2012**  
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# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT

City Commission  
City of Newton, Kansas

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 as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprises 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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, 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 of Newton, Kansas, as of December 31, 2012, the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the general fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages A2–A10 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 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City Newton, Kansas's basic financial statements. The combining and individual nonmajor fund financial statements and the individual fund budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the individual fund budgetary comparison schedules 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 combining and individual nonmajor fund financial statements and the individual fund budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2013, on our consideration of the City of Newton, Kansas'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newton, Kansas's internal control over financial reporting and compliance.

*Knuessen, Monroe & Company, LLC*

Certified Public Accountants  
July 22, 2013

## MANAGEMENT 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, 2012. 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-xi of this report, and the City of Newton's financial statements, which follow this section beginning on page A-11.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Newton exceeded its liabilities at the close of the most recent fiscal year by \$77,454,953. Of this amount \$25,637,394 (unrestricted net assets) may be used to meet the government's ongoing obligations to the citizens and creditors.
- The City's total net assets increased 6.0% to \$77.4 million and unrestricted net assets decreased 10.9% to \$25.6 million as a result of this year's operations. The decrease in the unrestricted net assets is a result of now reporting certain business type activity assets as investments in capital assets net of related debt as opposed to unrestricted net assets.
- At the end of 2012, the unassigned fund balance for the General Fund was \$3,329,547 or 24.3% of General Fund expenditures. In 2012 the City adopted a Fund Balance Policy requiring the General Fund year end fund balance to be no less than 15% of actual expenditures. This fund balances is well within the Fund Balance Policy limits.
- The City of Newton's General Obligation Debt decreased \$1,840,000 during 2012 to \$44,040,000. The key factors were the scheduled pay off of previously issued debt and not issuing additional debt during 2012.

### 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 Assets* 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 statement. 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 A-11 to A-13 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 Assets 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 Assets* 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 and liabilities 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 assets** and changes in them. You can think of the City's net assets-the difference between assets and liabilities-as one way to measure the City's financial health, or **financial position**. Over time, **increases or decreases** in the City's net assets 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 Assets* 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 two component units, the Newton Public Library and the Newton Public Building Commission, which are both 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 Assets 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 A-16 and A-19.

- *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 Assets* 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 Assets*. 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 assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Newton, assets exceeded liabilities by \$77,454,953 at the close of 2012, the most recent fiscal year. This represents an increase of 6.0% as compared to the close of 2011.

By far the largest portion of the City of Newton's net assets 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 Assets**  
**December 31, 2012**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Current and other assets</b>	\$25,612,332	\$27,941,413	\$12,672,742	\$12,278,961	\$38,285,074	\$40,220,374
<b>Capital assets, non-depreciable</b>	23,233,204	16,429,203	3,551,318	2,670,277	26,784,522	19,099,480
<b>Capital assets, net of depreciation</b>	39,433,892	40,814,795	45,932,467	47,643,827	85,366,359	88,458,622
<b>Total Assets</b>	<u>88,279,428</u>	<u>85,185,411</u>	<u>62,156,527</u>	<u>62,593,065</u>	<u>150,435,955</u>	<u>147,778,476</u>
<b>Long-term liabilities outstanding</b>	38,656,861	40,135,197	23,987,731	25,124,421	62,644,592	65,259,618
<b>Other liabilities</b>	9,891,831	9,091,861	444,579	391,147	10,336,410	9,483,008
<b>Total Liabilities</b>	<u>48,548,692</u>	<u>49,227,058</u>	<u>24,432,310</u>	<u>25,515,568</u>	<u>72,981,002</u>	<u>74,742,626</u>
<b>Net Assets:</b>						
<b>Invested in capital assets, net of related debt</b>	24,482,456	17,177,822	25,496,054	25,189,683	49,978,510	42,367,505
<b>Restricted</b>	1,404,089	1,447,936	434,960	434,960	1,839,049	1,882,896
<b>Unrestricted</b>	13,844,191	17,332,595	11,793,203	11,452,854	25,637,394	28,785,449
<b>Total Net Assets</b>	<u>\$39,730,736</u>	<u>\$35,958,353</u>	<u>\$37,724,217</u>	<u>\$37,077,497</u>	<u>\$77,454,953</u>	<u>\$73,035,850</u>

An additional portion of the city's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$25,637,394 may be used to meet the government's ongoing obligations to citizens and creditors. The decrease in the unrestricted net assets is a result of now reporting certain business type activity assets as investments in capital assets net of related debt as opposed to unrestricted net assets.

At the end of the current fiscal year, the city is able to report positive balances in all categories of net assets for governmental activities. The City's combined net assets from governmental and business-type increased as described previously. This increase is reflected in the *Statement of Activities* and flows through the *Statement of Net Assets*, on pages A-12 to A-13 and A-11, respectively.

**Table 2**  
**City of Newton**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended December 31, 2012**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
<u>Program Revenues</u>						
Charges for services	\$ 4,137,405	\$ 3,720,484	\$ 13,739,252	\$ 13,698,075	\$ 17,876,657	\$ 17,418,559
Operating grants and contributions	593,861	763,260	-	-	593,861	763,260
Capital grants and contributions	4,369,812	5,587,278	145,000	665,429	4,514,812	6,252,707
<u>General Revenues</u>						
Property taxes and special assessments	6,012,857	6,056,147			6,012,857	6,056,147
Sales taxes	4,766,390	4,630,105			4,766,390	4,630,105
Franchise taxes	1,409,419	1,506,960			1,409,419	1,506,960
Other taxes	917,411	845,750			917,411	845,750
Intergovernmental, not restricted to specific programs	653,629	637,207			653,629	637,207
Interest income	9,952	8,726	77	122	10,029	8,848
Other	186,558	189,425	16,782	164,395	203,340	353,820
<b>Total Revenues</b>	<u>23,057,294</u>	<u>23,945,342</u>	<u>13,901,111</u>	<u>14,528,021</u>	<u>36,958,405</u>	<u>38,473,363</u>
<b>Expenses</b>						
General government	2,281,149	2,287,524			2,281,149	2,287,524
Public safety	8,400,567	8,307,481			8,400,567	8,307,481
Highway and streets	2,862,971	2,699,441			2,862,971	2,699,441
Culture and recreation	3,232,179	2,499,540			3,232,179	2,499,540
Airport	1,596,306	1,456,191			1,596,306	1,456,191
Public works	981,461	1,552,902			981,461	1,552,902
Interest and fiscal charges	1,576,424	1,703,997			1,576,424	1,703,997
Sewer			4,203,694	3,857,226	4,203,694	3,857,226
Sanitation			1,754,844	2,003,034	1,754,844	2,003,034
Waterworks			3,453,805	3,197,842	3,453,805	3,197,842
Golf Course			1,640,913	1,572,092	1,640,913	1,572,092
<b>Total Expenses</b>	<u>20,931,057</u>	<u>20,507,076</u>	<u>11,053,256</u>	<u>10,630,194</u>	<u>31,984,313</u>	<u>31,137,270</u>
Excess (Deficiency) before transfers	2,126,237	3,438,266	2,847,855	3,897,827	4,974,092	7,336,093
Transfers	2,112,029	1,407,046	(2,112,029)	(1,407,046)		
Change in Net Assets	<u>4,238,266</u>	<u>4,845,312</u>	<u>735,826</u>	<u>2,490,781</u>	<u>4,974,092</u>	<u>7,336,093</u>
Net Assets, Beginning of the Year						
As previously reported	35,958,353	34,925,865	37,077,497	30,773,892	73,035,850	65,699,757
Prior Period adjustment	(465,883)	(3,812,824)	(89,106)	3,812,824	(554,989)	0
As restated	<u>35,492,470</u>	<u>31,113,041</u>	<u>36,988,391</u>	<u>34,586,716</u>	<u>72,480,861</u>	<u>65,699,757</u>
Net Assets, End of the Year	<u>\$ 39,730,736</u>	<u>\$ 35,958,353</u>	<u>\$ 37,724,217</u>	<u>\$ 37,077,497</u>	<u>\$ 77,454,953</u>	<u>\$ 73,035,850</u>

### Governmental Activities

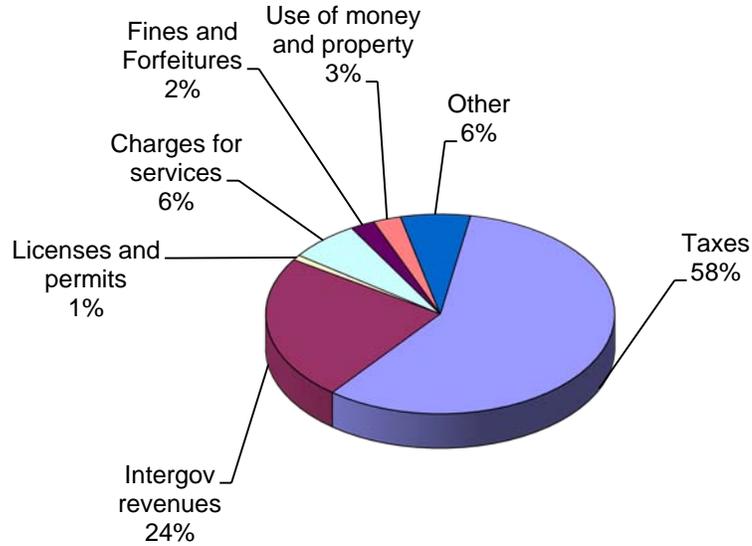
Table 3 presents the cost of the City's four largest governmental activities—general government; public safety; highway and streets, public works; and culture and recreation—as well as each activity's net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden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

**Table 3**  
**Net Cost of Governmental Activities**

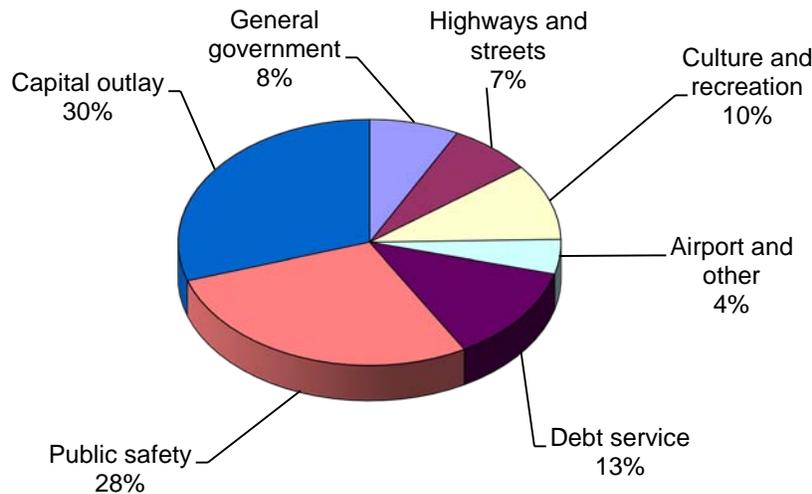
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government	\$ 2,281,149	\$ 1,920,524
Public safety	8,400,567	5,783,138
Highway & streets and public works	3,844,432	2,034,367
Culture and recreation	3,232,179	2,850,197
Totals	<u>\$ 17,758,327</u>	<u>\$ 12,588,226</u>

- Property taxes increased \$36,398 (0.6%) for the year 2012 as compared to 2011. The City Commission adopted a 1.4 mill increase in 2012.
- For the most part, increases in expenses closely paralleled general economic inflation and growth in the demand for services.

**Source of Revenue**



## Functional Expenses



## **Business-type Activities**

Business-type activities increased the City's net assets by \$735,826 to \$37,724,217 during 2012. Table 4 presents the cost of the City's four business-type activities--Sewer, Sanitation, Water and Golf Course—as well as each activity's net revenue (revenue generated by the activity less its total cost).

**Table 4**  
**Net Revenue from Business-Type Activities**

	<u>Total Cost of Activity</u>	<u>Net Revenue from Activity</u>
Sewer	\$ 4,203,694	\$ 1,155,028
Sanitation	1,754,844	(52,257)
Waterworks	3,453,805	1,921,867
Golf Course	1,640,913	(193,642)
Totals	<u>\$ 11,053,256</u>	<u>\$ 2,830,996</u>

- In 2008 the City Commission approved a rate increase in the water and sewer with new water rates taking effect with the April 15, 2008 billing and new sewer rates taking effect with the October 15, 2008 billing. Additionally in 2010, the City Commission approved incremental increases in water and sewer rates for subsequent years.
- The water rate increase is due to infrastructure requirements and the sewer rate increase is being driven by both growth demands and a series of federal and state mandates.
- Capital improvement costs over the next few years are estimated to be approximately \$9.5 million for water improvements and \$20.5 million for sewer improvements.
- In 2012, the City Commission revised Sanitation Fees to align with increasing cost of doing business.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

At December 31, 2012, the City's governmental funds reported combined fund balance of (\$236,737). The negative fund balance is the result of negative balances in the Street Capital Project and the Airport Capital Project Funds. These funds will be discussed below.

- The General Fund is the major operating and taxing fund for the City of Newton. The restated ending total fund balance was \$4,481,344. The total decrease was \$72,357 or 1.5%. In 2012 \$3,108,888 was adjusted out of the General Fund into Other Governmental Funds. These funds reflected reserves for equipment and capital outlays that are not solely intended for General Fund purposes. At the end of 2012, the unassigned fund balance for the General Fund was \$3,329,547 or 24.3% of General Fund expenditures. In 2012 the City adopted a Fund Balance Policy requiring the General Fund year end fund balance to be no less than 15% of actual expenditures. This fund balances is well within the Fund Balance Policy limits.
- The Debt Service Fund reflected a nominal decrease of \$33,872. The Debt Service Fund balance at year end 2012 was \$653,013. The Debt Service Fund revenues are derived from property taxes and Interfund transfers. In 2012 actual revenues and interfund transfers were kept at levels to meet actual expenditures in the fund. This resulted in the 2012 fund balance only increasing nominally.
- The Street Capital Projects Fund accounts for major street projects in Newton. In 2012, the City continued with projects funded from State and Federal. The fund reflects an ending balance of \$(6,508,606). The ending balance is a reflection of reimbursable funds from Federal and State grants that the City has yet to receive from the various granting agencies and issuance of long term debt. This is largely the result of timing of revenues.
- Airport Capital Project Fund. The Newton City/County Airport is part of an elite group of airports in the United States that began a master plan process in 2011. The Federal Aviation Administration provided \$444,422 to fund the master plan. The FAA also awarded the airport \$7.6 million to reconstruct the airport runway. The Airport Capital Projects Fund reflects an ending balance of \$(931,194). This negative balance is a reflection of timing of Federal grant reimbursements.
- In Other Governmental Funds, the ending fund balance is \$2,068,706. A \$3,108,888 adjustment was made to this fund from the General Fund for equipment and capital reserves that were previously reported in the General Fund.

### General Fund Budgetary Highlights

The General Fund actual revenues exceeded budgeted revenues by \$559,796 for 2012. The actual 2012 expenditures for the General Fund were \$637,214 less than budgeted. The primary reason for revenues exceeding expenditures in 2012 were a result of holding the line on spending. During 2012, the City took deliberate action to control spending levels.

- General Fund revenues, actual vs. budget, reflected a positive variance of \$354,218 in taxes and a positive variance of \$36,334 in fines and forfeitures. Transfers In reflected a positive variance of \$154,290.
- General Fund expenditures in 2012 were \$15,648,425 compared to \$14,294,994 in 2011. This reflects a 9.4% expenditure increase. In 2010 and 2011 the City scaled back equipment reserves as a short term measure to address budgetary shortfalls. The City management plan for equipment reserve transfers is to make up the shortfall over a three year period beginning in 2012 and ending in 2014. This also accounts for the increase in 2012 expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2012, the City had \$112,150,881 (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 increase (including additions and deletions) of \$4,592,779. During 2012 there was a decrease of \$920,451 in General Infrastructure, decrease of \$771,096 in Utility Service and an increase of \$7,685,042 in Construction in Progress. These amounts represent expenses for the Kansas Logistics Park, hotel and conference center. Construction in progress remains at a higher level which indicates the City's desire to pursue an aggressive capital improvements program. Additional information of the City of Newton's capital assets can be found in Note 4, of the Notes to Financial Statements, on pages A-38 to A-39.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 3,896,880	\$ 3,896,880	\$ 1,082,579	\$ 1,082,579	\$ 4,979,459	\$ 4,979,459
Buildings and improvements	10,616,985	11,091,040	13,614,771	14,376,854	24,231,756	\$ 25,467,894
Machinery and equipment	2,745,545	2,731,942	2,964,091	3,142,272	5,709,636	\$ 5,874,214
General infrastructure	26,071,362	26,991,813			26,071,362	\$ 26,991,813
Utility service lines			29,353,605	30,124,701	29,353,605	\$ 30,124,701
Construction in progress	19,336,324	12,532,323	2,468,739	1,587,698	21,805,063	\$ 14,120,021
Total capital assets	<u>\$ 62,667,096</u>	<u>\$ 57,243,998</u>	<u>\$ 49,483,785</u>	<u>\$ 50,314,104</u>	<u>\$ 112,150,881</u>	<u>\$ 107,558,102</u>

The City's five-year Capital Improvement Plan reflects appropriations for construction, improvements to, or acquisition of an additional \$60 million worth of capital assets for fiscal 2012 through 2016. 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, 2012, the City had total bonded debt outstanding of \$44,040,000 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 a Kansas Department of Transportation Revolving Loan of \$473,907 which is also backed by the full faith and credit of the government. The City is obligated for \$10,446,809 of state revolving fund loans secured solely by specified revenue sources. This reflects \$5.9 million debt for the rehabilitation of the water treatment plant. In addition the City has a Golf Course Capital Lease obligation for \$7,510,000 payable from specific revenue sources.

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 A-41 to A-46.

## **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 366 Metropolitan Statistical Areas (MSAs) in the nation. The Wichita MSA 2010 population of 624,099, ranked 84<sup>th</sup> in the nation. In 2010 Harvey County with a population of 34,684 had a per capita personal income (PCPI) of \$36,300. This PCPI ranked 49th in the state and was 93 percent of the state average, \$38,977, and 91 percent of the national average, \$39,937. The 2010 PCPI reflected an increase of 0.8 percent from 2009. The 2009-2010 state change was 1.8 percent and the national change was 2.8 percent. In 2000 the PCPI of Harvey County was \$25,969 and ranked 23rd in the state. The 2000-2010 compound annual growth rate of PCPI was 3.4 percent. The compound annual growth rate for the state was 3.2 percent and for the nation was 2.8 percent. The Harvey County Civilian Labor Force was 17,837 with an unemployment rate of 5.7%

The Kansas Logistics Park, located in Newton, Kansas, is ideally situated to provide manufacturers an ideal location from which to serve the wind energy industry. The goal of the park is to facilitate growth in the wind industry by providing a valuable resource in overcoming the high costs of logistics and manufacturing. The Kansas Logistics Park is located between interstates 35 and 135 and provides access to two Class 1 carriers as well as the WATCO short line railroads. The central location enables original equipment manufacturers and suppliers to minimize the burden of supplying the large components into the heart of the nation's wind resources. Tindall Corporation will construct a new precast, pre-stressed manufacturing facility at the Kansas Logistics Park, which will be dedicated to the manufacture of the company's new concrete wind tower base system. The 150,000 – 200,000-sq.-ft., state-of-the-art facility will be the company's sixth and largest and at full capacity will have more than 400 employees. The 132-foot concrete and steel cable tower designed to increase the height of wind turbines. The prototype has been completed and unveiled during the American Wind Energy Association conference and exhibition. The Atlas CTB is more than 140 feet in height, made from staves of concrete which weigh in at 100,000 pounds. The tower contains more than 13 miles of steel cable and six miles of conduit.

The General Fund is the major operating and taxing fund for the City of Newton. The restated ending total fund balance was \$4,481,344. The total decrease was \$72,357 or 1.5%. In 2012 \$3,108,888 was adjusted out of the General Fund into Other Governmental Funds. These funds reflected reserves for equipment and capital outlays that are not solely intended for General Fund purposes.

At the end of 2012, the unassigned fund balance for the General Fund was \$3,329,547 or 24.3% of General Fund expenditures. In 2012 the City adopted a Fund Balance Policy requiring the General Fund year end fund balance to be no less than 15% of actual expenditures. This fund balances is well within the Fund Balance Policy limits

## **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 Office of Assistant City Manager for Budget and Finance, at the City of Newton, 201 E 6<sup>th</sup> Street, Newton, Kansas 67114.

**CITY OF NEWTON, KANSAS**  
**STATEMENT OF NET ASSETS**  
**December 31, 2012**

	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>	Component <u>Units</u>
<b>ASSETS</b>				
Cash and investments	\$ 4,284,015	6,775,701	11,059,716	1,221,794
Due from other funds	-	3,438,965	3,438,965	-
Receivables:				
Property taxes	5,271,518	-	5,271,518	-
Special assessment taxes	11,913,638	-	11,913,638	-
Sales tax	399,697	-	399,697	-
Franchise taxes	172,094	-	172,094	-
Accounts	287,725	1,694,134	1,981,859	-
Capital lease	-	-	-	6,822,800
Other	2,340,008	-	2,340,008	-
Internal balances	(177,059)	177,059	-	-
Prepaid items	18,044	2,257	20,301	-
Inventory	175,187	105,733	280,920	-
Restricted assets:				
Cash and investments	327,898	434,960	762,858	1,213,055
Other assets and deferred charges:				
Bond issue costs, net of amortization	599,567	3,933	603,500	162,831
Joint venture investment	-	40,000	40,000	-
Capital assets:				
Capital assets not being depreciated	23,233,204	3,551,318	26,784,522	-
Other capital assets, net of depreciation	39,433,892	45,932,467	85,366,359	1,971,732
Total Assets	<u>88,279,428</u>	<u>62,156,527</u>	<u>150,435,955</u>	<u>11,392,212</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	367,444	235,802	603,246	-
Due to other funds	3,438,965	-	3,438,965	-
Accrued interest expense	435,000	115,300	550,300	104,399
Claims payable	55,000	-	55,000	-
Unearned revenues	5,595,422	93,477	5,688,899	-
Noncurrent liabilities				
Due within one year	2,165,351	1,481,372	3,646,723	505,000
Due in more than one year	36,491,510	22,506,359	58,997,869	8,652,300
Total Liabilities	<u>48,548,692</u>	<u>24,432,310</u>	<u>72,981,002</u>	<u>9,261,699</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	24,482,456	25,496,054	49,978,510	(362,768)
Restricted for:				
Community development	377,836	-	377,836	-
Cemetery perpetual care	320,953	-	320,953	-
Debt service	653,013	434,960	1,087,973	1,271,486
Other purposes	52,287	-	52,287	-
Unrestricted	13,844,191	11,793,203	25,637,394	1,221,794
Total Net Assets	<u>\$ 39,730,736</u>	<u>37,724,217</u>	<u>77,454,953</u>	<u>2,130,512</u>

The accompanying notes are an integral part of this statement

**CITY OF NEWTON, KANSAS**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2012**

<u>Functions/Programs</u>	Program Revenues			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 2,281,149	360,625	-	-
Public safety	8,400,567	1,875,450	593,861	148,118
Highway and streets	2,862,971	2,744	-	1,807,321
Culture and recreation	3,232,179	371,008	-	10,974
Airport	1,596,306	1,527,578	-	2,403,399
Public works	981,461	-	-	-
Interest and fiscal charges	1,576,424	-	-	-
Total Governmental Activities	20,931,057	4,137,405	593,861	4,369,812
Business Type Activities:				
Sewer	4,203,694	5,358,722	-	-
Sanitation	1,754,844	1,702,587	-	-
Waterworks	3,453,805	5,375,672	-	-
Golf Course	1,640,913	1,302,271	-	145,000
Total Business Type Activities	11,053,256	13,739,252	-	145,000
Total Primary Government	\$ 31,984,313	17,876,657	593,861	4,514,812
<b>Component Units:</b>				
Public Library System	\$ 722,228	18,904	-	-
Public Building Commission	511,808	-	328,127	475,000
Total Component Units	\$ 1,234,036	18,904	328,127	475,000

General Revenues

Taxes:

Property taxes and special assessments

Sales tax

Franchise taxes

Other

Property tax payments from the City of Newton

Intergovernmental, not restricted to specific programs

Investment earnings

Other

Transfers

Change in Net Assets

Net Assets, Beginning of the Year

As previously reported

Prior period adjustment (Note 2)

As restated

Net Assets, End of the Year

The accompanying notes are an integral part of this statement

Net (Expenses) Revenues and  
Changes in Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Totals</u>	<u>Component Units</u>
(1,920,524)	-	(1,920,524)	-
(5,783,138)	-	(5,783,138)	-
(1,052,906)	-	(1,052,906)	-
(2,850,197)	-	(2,850,197)	-
2,334,671	-	2,334,671	-
(981,461)	-	(981,461)	-
(1,576,424)	-	(1,576,424)	-
<u>(11,829,979)</u>	<u>-</u>	<u>(11,829,979)</u>	<u>-</u>
-	1,155,028	1,155,028	-
-	(52,257)	(52,257)	-
-	1,921,867	1,921,867	-
<u>-</u>	<u>(193,642)</u>	<u>(193,642)</u>	<u>-</u>
<u>-</u>	<u>2,830,996</u>	<u>2,830,996</u>	<u>-</u>
<u>(11,829,979)</u>	<u>2,830,996</u>	<u>(8,998,983)</u>	<u>-</u>
-	-	-	(703,324)
<u>-</u>	<u>-</u>	<u>-</u>	<u>291,319</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(412,005)</u>
6,012,857	-	6,012,857	-
4,766,390	-	4,766,390	-
1,409,419	-	1,409,419	-
917,411	-	917,411	-
-	-	-	693,976
653,629	-	653,629	122,193
9,952	77	10,029	7,452
186,558	16,782	203,340	61,514
<u>2,112,029</u>	<u>(2,112,029)</u>	<u>-</u>	<u>-</u>
<u>16,068,245</u>	<u>(2,095,170)</u>	<u>13,973,075</u>	<u>885,135</u>
<u>4,238,266</u>	<u>735,826</u>	<u>4,974,092</u>	<u>473,130</u>
35,958,353	37,077,497	73,035,850	1,657,382
(465,883)	(89,106)	(554,989)	-
<u>35,492,470</u>	<u>36,988,391</u>	<u>72,480,861</u>	<u>1,657,382</u>
<u>\$ 39,730,736</u>	<u>37,724,217</u>	<u>77,454,953</u>	<u>2,130,512</u>

**CITY OF NEWTON, KANSAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**December 31, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Street Capital Projects</u>
<b>ASSETS</b>			
Cash and investments	\$ 1,151,797	653,013	-
Due from other funds	2,864,138	-	-
Receivables:			
Property tax	4,000,428	510,830	-
Special assessments	-	11,913,638	-
Sales tax	399,697	-	-
Franchise tax	172,094	-	-
Accounts receivable	287,725	-	-
Other	22,701	2,000,000	-
Inventory	-	-	-
Prepaid expenditures	18,044	-	-
Restricted Assets:			
Cash	-	-	-
Total assets	<u>\$ 8,916,624</u>	<u>15,077,481</u>	<u>-</u>
<b>LIABILITIES AND FUND BALANCE (DEFICITS)</b>			
Liabilities			
Accounts payable	\$ 339,358	-	-
Due to other funds	-	-	6,508,606
Deferred revenue	<u>4,095,922</u>	<u>14,424,468</u>	<u>-</u>
Total liabilities	<u>4,435,280</u>	<u>14,424,468</u>	<u>6,508,606</u>
Fund Balance (deficit)			
Nonspendable:			
Prepaid items	18,044	-	-
Inventory	-	-	-
Restricted for:			
Debt service	-	653,013	-
Community development	-	-	-
Perpetual care	-	-	-
Law enforcement	-	-	-
Committed to:			
Outstanding encumbrances	-	-	-
Assigned to:			
Capital asset acquisition	1,133,753	-	-
Other purposes	-	-	-
Unassigned	<u>3,329,547</u>	<u>-</u>	<u>(6,508,606)</u>
Total fund balance	<u>4,481,344</u>	<u>653,013</u>	<u>(6,508,606)</u>
Total liabilities and fund balance	<u>\$ 8,916,624</u>	<u>15,077,481</u>	<u>-</u>

The accompanying notes are an integral part of this statement

<u>Airport Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Government Funds</u>
-	456,335	2,261,145
	3,475,544	6,339,682
-	760,260	5,271,518
-	-	11,913,638
-	-	399,697
-	-	172,094
-	-	287,725
-	317,307	2,340,008
-	79,067	79,067
-	-	18,044
-	327,898	327,898
-	<u>5,416,411</u>	<u>29,410,516</u>
-	20,188	359,546
931,194	2,338,847	9,778,647
-	<u>988,670</u>	<u>19,509,060</u>
931,194	<u>3,347,705</u>	<u>29,647,253</u>
-	-	18,044
-	79,067	79,067
-	-	653,013
-	377,836	377,836
-	320,953	320,953
-	52,287	52,287
-	-	-
-	3,475,544	4,609,297
-	111,331	111,331
(931,194)	<u>(2,348,312)</u>	<u>(6,458,565)</u>
(931,194)	<u>2,068,706</u>	<u>(236,737)</u>
-	<u>5,416,411</u>	<u>29,410,516</u>

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**CITY OF NEWTON, KANSAS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**December 31, 2012**

<b>Total Fund Balance - Governmental Funds</b>		\$	(236,737)
Amounts reported for governmental activities in the statement of net assets are different because:			
Special assessments are not considered available to liquidate liabilities of the current period, and are deferred in the funds. However, they are properly recognized as revenue in the entity-wide statements as soon as the related improvement has been completed.			11,913,638
Developer loans receivable are not considered available to liquidate liabilities of the current period, and are deferred in the funds. However, they have been recognized as a reduction in expenses in the entity-wide statements.			2,000,000
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			
Cost	\$ 86,534,132		
Accumulated depreciation	<u>(23,867,036)</u>		62,667,096
General obligation bond discounts and other issue costs are not available to finance current period expenditures and, therefore are not reported in funds.			599,567
Long-term liabilities are not due and payable in the current period and therefore, not reported as liabilities in the funds.			
General obligation bonds payable	(25,633,240)		
Special assessments bonds payable	(11,913,638)		
Deferred GO debt refunding costs, net	325,833		
KDOT revolving loan payable	(473,907)		
Bond issue premiums, net	(489,688)		
Accrued interest payable on bonds	(435,000)		
Compensated absences	<u>(472,221)</u>		(39,091,861)
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 assets.			
Net assets of internal service funds	2,731,900		
Less property assets and long-term liabilities reported above	(675,808)		
Less amount to business type activities	<u>(177,059)</u>		<u>1,879,033</u>
<b>Total Net Assets - Governmental Funds</b>		<b>\$</b>	<b><u>39,730,736</u></b>

The accompanying notes are an integral part of this statement

**CITY OF NEWTON, KANSAS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS**

**Year ended December 31, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Street Capital Projects</u>	<u>Airport Capital Projects</u>
Revenues:				
Taxes and special assessments	\$ 11,121,291	1,540,288	-	-
Intergovernmental	611,954	33,877	1,807,321	2,403,399
Licenses and permits	198,712	-	-	-
Charges for services	1,557,363	-	-	-
Fines, forfeitures and penalties	536,584	-	-	-
Use of money and property	25,220	-	-	-
Other	42,424	186,572	-	-
Total revenues	<u>14,093,548</u>	<u>1,760,737</u>	<u>1,807,321</u>	<u>2,403,399</u>
Expenditures:				
Current:				
General government	2,076,746	-	-	-
Public safety	7,975,673	-	-	-
Highway and streets	1,992,332	-	-	-
Culture and recreation	1,559,914	-	-	-
Airport	-	-	-	-
Capital outlay	41,714	-	3,477,822	2,839,783
Debt service:	-			
Principal	-	1,942,355	-	-
Interest	-	1,573,325	-	-
Fees & commissions	-	65,689	-	-
Total expenditures	<u>13,646,379</u>	<u>3,581,369</u>	<u>3,477,822</u>	<u>2,839,783</u>
Excess (deficiency) of revenues				
Over (under) expenditures	<u>447,169</u>	<u>(1,820,632)</u>	<u>(1,670,501)</u>	<u>(436,384)</u>
Other financing sources (uses):				
Proceeds of refunding bonds	-	3,570,000	-	-
Transfers in	1,659,290	1,794,046	-	-
Payment to refunding bond escrow agent	-	(3,577,286)	-	-
Transfers out	<u>(2,178,816)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(519,526)</u>	<u>1,786,760</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(72,357)</u>	<u>(33,872)</u>	<u>(1,670,501)</u>	<u>(436,384)</u>
Fund balance, beginning of the year				
As originally reported	7,662,589	686,885	(4,838,105)	(494,810)
Prior period adjustment	<u>(3,108,888)</u>	<u>-</u>	<u>-</u>	<u>-</u>
As restated	<u>4,553,701</u>	<u>686,885</u>	<u>(4,838,105)</u>	<u>(494,810)</u>
Fund balance, end of the year	<u>\$ 4,481,344</u>	<u>653,013</u>	<u>(6,508,606)</u>	<u>(931,194)</u>

The accompanying notes are an integral part of this statement

Other Governmental <u>Funds</u>	Total Government <u>Funds</u>
1,116,998	13,778,577
760,751	5,617,302
-	198,712
-	1,557,363
-	536,584
589,106	614,326
<u>1,304,704</u>	<u>1,533,700</u>
<u>3,771,559</u>	<u>23,836,564</u>
70,115	2,146,861
31,937	8,007,610
-	1,992,332
1,296,266	2,856,180
1,282,929	1,282,929
2,174,062	8,533,381
-	1,942,355
-	1,573,325
-	65,689
<u>4,855,309</u>	<u>28,400,662</u>
<u>(1,083,750)</u>	<u>(4,564,098)</u>
-	3,570,000
3,368,636	6,821,972
-	(3,577,286)
<u>(2,531,127)</u>	<u>(4,709,943)</u>
<u>837,509</u>	<u>2,104,743</u>
<u>(246,241)</u>	<u>(2,459,355)</u>
(793,941)	2,222,618
<u>3,108,888</u>	<u>-</u>
<u>2,314,947</u>	<u>2,222,618</u>
<u>2,068,706</u>	<u>(236,737)</u>

**CITY OF NEWTON, KANSAS**

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

**Year ended December 31, 2012**

**Net Change in Fund Balance - Total Governmental Funds** \$ (2,459,355)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures	7,551,920
Depreciation expense	(2,118,600)

In the statement of activities, gains and losses from the sale of property assets are reported net of accumulated depreciation. In the funds statements, only the proceeds from sale are reported as a revenue source. Changes in net assets differ by the remaining basis of assets sold or disposed.

(31,596)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General obligation bonds, including special assessment bonds	1,942,355
--	-----------

In the statement of activities, interest is accreted on outstanding bonds, in the governmental funds an interest expenditure is reported when due.

Premiums and issue costs amortized to interest expense in the current year	9,614
Current year bond issue costs recorded as expenditure fund statements	60,262
Current year bond issue premiums recorded as revenue in the fund statements	(75,175)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used. The net change in compensated absences is reported on the statement of activities.

57,165

Special assessments are not considered available to liquidate liabilities of the current period, and accordingly, are deferred in the governmental funds. They are properly recognized as revenue in the statement of activities as soon as the related improvement has been completed.

(672,500)

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 revenues and expenses of internal service funds are included in governmental activities in the statement of net assets.

(25,824)

**Changes in Net Assets - Governmental Activities** \$ 4,238,266

The accompanying notes are an integral part of this statement

**CITY OF NEWTON, KANSAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		With Final <u>Budget</u>
Revenues and other sources:				
Taxes	\$ 10,990,769	10,990,769	11,344,987	354,218
Intergovernmental	422,000	422,000	438,564	16,564
Licenses and permits	181,600	181,600	198,712	17,112
Charges for services	1,527,283	1,527,283	1,503,050	(24,233)
Fines, forfeitures and penalties	500,250	500,250	536,584	36,334
Use of money	20,300	20,300	25,961	5,661
Other	42,575	42,575	42,425	(150)
Transfers in	<u>2,055,000</u>	<u>2,055,000</u>	<u>2,209,290</u>	<u>154,290</u>
Total revenues and other sources	<u>15,739,777</u>	<u>15,739,777</u>	<u>16,299,573</u>	<u>559,796</u>
Expenditures and other uses:				
Current:				
General government	2,484,836	2,484,836	1,793,309	691,527
Public safety	8,230,537	8,230,537	7,796,879	433,658
Highway and streets	2,031,233	2,031,233	1,989,332	41,901
Parks and cemeteries	1,080,755	1,080,755	1,559,349	(478,594)
Capital outlay	81,268	81,268	30,740	50,528
Transfers out	<u>2,377,037</u>	<u>2,377,037</u>	<u>2,478,816</u>	<u>(101,779)</u>
Total expenditures and other uses	<u>16,285,666</u>	<u>16,285,666</u>	<u>15,648,425</u>	<u>637,241</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	(545,889)	(545,889)	651,148	1,197,037
Budgetary fund balance, beginning	<u>960,123</u>	<u>960,123</u>	<u>1,796,181</u>	<u>836,058</u>
Budgetary fund balance, ending	<u>\$ 414,234</u>	<u>414,234</u>	<u>2,447,329</u>	<u>2,033,095</u>

**Budget-to-GAAP Reconciliation**

Sources/inflows of resources

Actual budgetary basis revenues and other sources	\$ 16,299,573
Differences - budget-to-GAAP	
Revenue included in special revenue funds for budgetary reporting	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(2,209,290)
Grant revenues reported as reimbursements for budget purposes	173,390
Accrued revenue is included in revenues for financial reporting purposes but are not inflows of budgetary resources	<u>(170,125)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 14,093,548</u>

Uses/outflows of resources

Actual budgetary basis expenditures and other uses	\$ 15,648,425
Differences - budget-to-GAAP	
Expenditures included in special revenue funds for budgetary reporting	10,974
Transfers to other funds are outflows of budget resources but are not expenditures for financial reporting purposes	(2,478,816)
Grant revenues reported as reimbursements for budget purposes	173,390
Prepaid expenditures are included as expenditures for budget purposes but not for financial reporting purposes	253,485
Encumbrances are included as expenditures for budget purposes but not for financial reporting purposes	<u>38,921</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 13,646,379</u>

The accompanying notes are an integral part of this statement

**CITY OF NEWTON, KANSAS**  
**BALANCE SHEET - PROPRIETARY FUNDS**

December 31, 2012

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Sewer	Sanitation	Waterworks	Golf Course	Total	
<b>ASSETS</b>						
Current assets						
Cash, including investments	\$ 2,119,251	118,199	3,926,621	611,630	6,775,701	2,022,870
Due from other funds	3,438,965	-	-	-	3,438,965	-
Accounts receivable	913,255	214,968	557,276	8,635	1,694,134	-
Inventories	-	-	42,789	62,944	105,733	96,120
Prepaid expenses	-	-	-	2,257	2,257	-
Total current assets	6,471,471	333,167	4,526,686	685,466	12,016,790	2,118,990
Noncurrent assets						
Restricted cash	260,960	-	174,000	-	434,960	-
Joint venture investment	-	-	40,000	-	40,000	-
Bond issue costs, net of amortization	-	-	3,933	-	3,933	-
Capital assets						
Property, plant and equipment, net of accumulated depreciation	28,659,922	412,542	11,900,383	8,510,938	49,483,785	681,819
Total noncurrent assets	28,920,882	412,542	12,118,316	8,510,938	49,962,678	681,819
Total assets	\$ 35,392,353	745,709	16,645,002	9,196,404	61,979,468	2,800,809
<b>LIABILITIES AND FUND EQUITY</b>						
Current liabilities						
Accounts payable	\$ 58,890	42,207	50,679	26,405	178,181	7,898
Compensated absences	15,447	15,719	26,455	-	57,621	6,011
Unreported claims payable	-	-	-	-	-	55,000
Deferred Revenue	-	-	-	93,477	93,477	-
Current portion of long-term debt	672,779	-	413,593	395,000	1,481,372	-
Accrued interest expense	59,800	-	55,500	-	115,300	-
Total current liabilities	806,916	57,926	546,227	514,882	1,925,951	68,909
Noncurrent liabilities						
State revolving fund loans payable	6,512,218	-	3,302,890	-	9,815,108	-
Lease payable to Public Building Commission	-	-	-	6,427,800	6,427,800	-
Revenue bonds payable	-	-	115,000	-	115,000	-
General obligation bonds	5,785,136	-	363,315	-	6,148,451	-
Total noncurrent liabilities	12,297,354	-	3,781,205	6,427,800	22,506,359	-
Total liabilities	13,104,270	57,926	4,327,432	6,942,682	24,432,310	68,909
<b>FUND EQUITY</b>						
Invested in capital assets, net of related debt	15,689,789	412,542	7,705,585	1,688,138	25,496,054	681,819
Restricted for debt service	260,960	-	174,000	-	434,960	-
Unrestricted	6,337,334	275,241	4,437,985	565,584	11,616,144	2,050,081
Total fund equity	22,288,083	687,783	12,317,570	2,253,722	37,547,158	2,731,900
Total liabilities and fund equity	\$ 35,392,353	745,709	16,645,002	9,196,404	61,979,468	2,800,809

Fund equity per fund statements	\$37,547,158
Amounts reported for business-type activities in the statement of net assets are different because certain internal service assets/liabilities are included with business-type activities	177,059
Net assets of business-type activities	\$37,724,217

The accompanying notes are an integral part of this statement

**CITY OF NEWTON, KANSAS**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND EQUITY**  
**- PROPRIETARY FUNDS**

**Year Ended December 31, 2012**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Sewer	Sanitation	Waterworks	Golf Course	Total	
Operating revenues:						
Charges for goods and services	\$ 5,333,266	1,677,790	5,287,727	1,294,126	13,592,909	3,263,120
Other	25,456	24,797	87,945	8,145	146,343	-
Total operating revenues	<u>5,358,722</u>	<u>1,702,587</u>	<u>5,375,672</u>	<u>1,302,271</u>	<u>13,739,252</u>	<u>3,263,120</u>
Operating expenses:						
Personal services	1,432,601	954,151	1,415,652	661,880	4,464,284	2,024,085
Contractual services	820,457	365,925	1,279,005	459,065	2,924,452	706,518
Commodities	66,248	68,685	102,025	188,818	425,776	581,459
Vehicle operating	82,494	232,530	63,615	-	378,639	37,672
Depreciation and amortization	1,278,007	120,035	371,492	278,350	2,047,884	46,833
Total operating expenses	<u>3,679,807</u>	<u>1,741,326</u>	<u>3,231,789</u>	<u>1,588,113</u>	<u>10,241,035</u>	<u>3,396,567</u>
Operating income	1,678,915	(38,739)	2,143,883	(285,842)	3,498,217	(133,447)
Non-operating revenues (expenses):						
Gain (loss) on disposal of property	15,528	276	978	-	16,782	-
Interest income	-	-	32	45	77	-
Interest expense	(476,100)	-	(175,698)	(52,800)	(704,598)	-
Income before capital contributions and transfers	<u>1,218,343</u>	<u>(38,463)</u>	<u>1,969,195</u>	<u>(338,597)</u>	<u>2,810,478</u>	<u>(133,447)</u>
Capital contributions	-	-	-	145,000	145,000	-
Transfers in	7,000	-	-	-	7,000	116,620
Transfers out	(1,376,336)	(83,324)	(775,989)	-	(2,235,649)	-
Change in fund equity	<u>(150,993)</u>	<u>(121,787)</u>	<u>1,193,206</u>	<u>(193,597)</u>	<u>726,829</u>	<u>(16,827)</u>
Fund equity, beginning of the year						
As originally reported	22,468,439	834,695	11,158,982	2,447,319	36,909,435	2,760,256
Prior period adjustment	(29,363)	(25,125)	(34,618)	-	(89,106)	(11,529)
As corrected	<u>22,439,076</u>	<u>809,570</u>	<u>11,124,364</u>	<u>2,447,319</u>	<u>36,820,329</u>	<u>2,748,727</u>
Fund equity, end of the year	<u>\$ 22,288,083</u>	<u>687,783</u>	<u>12,317,570</u>	<u>2,253,722</u>	<u>37,547,158</u>	<u>2,731,900</u>
					\$ 726,829	
					8,997	
					<u>\$ 735,826</u>	

The accompanying notes are an integral part of this statement

**CITY OF NEWTON, KANSAS**  
**STATEMENT OF CASH FLOWS**  
**- PROPRIETARY FUNDS**  
**Year Ended December 31, 2012**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	<u>Sewer</u>	<u>Sanitation</u>	<u>Waterworks</u>	<u>Golf Course</u>	<u>Total</u>	
Cash flows from operating activities:						
Cash received from customers	\$ 5,313,587	1,692,857	5,252,792	1,288,579	13,547,815	3,263,120
Cash payments to suppliers for goods and services	(956,307)	(707,178)	(1,452,574)	(652,860)	(3,768,919)	(1,339,469)
Cash payments to employees for services	(1,438,722)	(958,018)	(1,416,457)	(659,531)	(4,472,728)	(182,799)
Cash payments for health benefits	-	-	-	-	-	(1,800,129)
Other operating revenues	25,456	-	87,945	-	113,401	-
Net cash provided by operating activities	<u>2,944,014</u>	<u>27,661</u>	<u>2,471,706</u>	<u>(23,812)</u>	<u>5,419,569</u>	<u>(59,277)</u>
Cash flows from non-capital financing activities:						
Transfers in	7,000	-	-	-	7,000	116,620
Transfers out	(1,376,336)	(83,324)	(775,989)	-	(2,235,649)	-
Due to (from) other funds	(947,952)	-	-	-	(947,952)	-
Net cash used for non-capital financing activities	<u>(2,317,288)</u>	<u>(83,324)</u>	<u>(775,989)</u>	<u>-</u>	<u>(3,176,601)</u>	<u>116,620</u>
Cash flows from capital and related financing activities:						
Proceeds from selling capital assets	18,528	3,450	2,650	-	24,628	-
Payments for capital assets	(484,379)	(200,665)	(522,408)	(17,959)	(1,225,411)	(68,207)
Long-term debt payments:						
Principal paid	(647,738)	-	(396,752)	-	(1,044,490)	-
Interest and fees paid	(479,500)	-	(179,932)	-	(659,432)	-
Net cash used for capital and related financing activities	<u>(1,593,089)</u>	<u>(197,215)</u>	<u>(1,096,442)</u>	<u>(17,959)</u>	<u>(2,904,705)</u>	<u>(68,207)</u>
Cash flows from investing activities:						
Interest income received	-	-	32	45	77	-
Net cash from investing activities	<u>-</u>	<u>-</u>	<u>32</u>	<u>45</u>	<u>77</u>	<u>-</u>
Net increase (decrease) in cash	(966,363)	(252,878)	599,307	(41,726)	(661,660)	(10,864)
Cash, beginning of the year	<u>3,346,574</u>	<u>371,077</u>	<u>3,501,314</u>	<u>653,356</u>	<u>7,872,321</u>	<u>2,033,734</u>
Cash, end of the year	<u>\$ 2,380,211</u>	<u>118,199</u>	<u>4,100,621</u>	<u>611,630</u>	<u>7,210,661</u>	<u>2,022,870</u>

The accompanying notes are an integral part of this statement

**CITY OF NEWTON, KANSAS**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**- PROPRIETARY FUNDS**  
**Year Ended December 31, 2012**

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Sewer	Sanitation	Waterworks	Golf Course		
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 1,678,915	(38,739)	2,143,883	(285,842)	3,498,217	(133,447)
Adjustments to reconcile operating income to net cash:						
Depreciation and amortization	1,278,007	120,035	371,492	278,350	2,047,884	46,833
Changes in operating assets and liabilities:						
Accounts receivable	(19,679)	(9,730)	(34,935)	(8,531)	(72,875)	-
Inventories	-	-	(11,298)	(14,444)	(25,742)	(16,144)
Prepaid expenses	-	-	-	(1,841)	(1,841)	-
Accounts payable and accrued expenses	6,771	(43,905)	2,564	8,496	(26,074)	(2,519)
Claims payable	-	-	-	-	-	46,000
Total adjustments	<u>1,265,099</u>	<u>66,400</u>	<u>327,823</u>	<u>262,030</u>	<u>1,921,352</u>	<u>74,170</u>
Net cash provided by (used in) operating activities	<u>\$ 2,944,014</u>	<u>27,661</u>	<u>2,471,706</u>	<u>(23,812)</u>	<u>5,419,569</u>	<u>(59,277)</u>
<b>NONCASH FINANCING ACTIVITIES</b>						
Long-term debt retirements through capital contributions	\$ -	-	-	(145,000)	(145,000)	-
Increase in long-term debt through advance refunding transaction	-	-	-	740,000	740,000	-
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>595,000</u>	<u>595,000</u>	<u>-</u>

The accompanying notes are an integral part of this statement

**CITY OF NEWTON, KANSAS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**- POLICE & FIRE PENSION FUND**  
**December 31, 2012**

<b>ASSETS</b>	
Cash and investments	<u>\$ 95,162</u>
<b>LIABILITIES</b>	<u>\$ -</u>
<b>NET ASSETS</b>	
Held in trust for employee pension benefits	<u>\$ 95,162</u>

The accompanying notes are an integral part of this statement

**CITY OF NEWTON, KANSAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**- POLICE & FIRE PENSION FUND**  
**Year Ended December 31, 2012**

Additions:	
Employer contributions:	
Police	\$ -
Fire	<u>-</u>
	<u>-</u>
Investment income:	
Interest earned	<u>25</u>
Total additions	<u>25</u>
Deductions:	
Benefits paid	<u>4,703</u>
Total deductions	<u>4,703</u>
Net increase (decrease)	(4,678)
Net assets held in trust for pension benefits	
Beginning of the year	<u>99,840</u>
End of the year	<u><u>\$ 95,162</u></u>

The accompanying notes are an integral part of this statement

**CITY OF NEWTON, KANSAS**  
**COMBINING STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**December 31, 2012**

	<u>Public Library System</u>	<u>Public Building Commission</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 1,221,794	-	1,221,794
Restricted assets:			
Cash and investments	-	1,213,055	1,213,055
Other Receivables:			
Capital lease receivable - City of Newton	-	6,822,800	6,822,800
Deferred charges:			
Bond issue costs	-	162,831	162,831
Capital assets:			
Other capital assets, net of depreciation	<u>76,222</u>	<u>1,895,510</u>	<u>1,971,732</u>
Total Assets	<u>1,298,016</u>	<u>10,094,196</u>	<u>11,392,212</u>
<b>LIABILITIES</b>			
Accounts payable	-	-	-
Accrued interest expense	-	104,399	104,399
Noncurrent liabilities:			
Due within one year	-	505,000	505,000
Due in more than one year	<u>-</u>	<u>8,652,300</u>	<u>8,652,300</u>
Total Liabilities	<u>-</u>	<u>9,261,699</u>	<u>9,261,699</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	76,222	(438,990)	(362,768)
Restricted for:			
Debt service	-	1,271,486	1,271,486
Unrestricted	<u>1,221,794</u>	<u>-</u>	<u>1,221,794</u>
<b>Total Net Assets</b>	<u>\$ 1,298,016</u>	<u>832,496</u>	<u>2,130,512</u>

The accompanying notes are an integral part of this statement

**CITY OF NEWTON, KANSAS  
COMBINING STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Public Library <u>System</u>	Public Building <u>Commission</u>	<u>Total</u>
<b>Program expenses</b>			
Personal services	\$ 420,374	-	420,374
Contractual services	84,369	-	84,369
Commodities	173,495	1,827	175,322
Interest and fiscal charges	-	346,719	346,719
Depreciation	<u>43,990</u>	<u>163,262</u>	<u>207,252</u>
Total program expenses	<u>722,228</u>	<u>511,808</u>	<u>1,234,036</u>
<b>Program revenues</b>			
Capital grants and contributions	-	475,000	475,000
Operating lease payments from other governments	-	328,127	328,127
Charges for services	<u>18,904</u>	-	<u>18,904</u>
Total program revenues	<u>18,904</u>	<u>803,127</u>	<u>822,031</u>
Net program (expense) revenue	<u>(703,324)</u>	<u>291,319</u>	<u>(412,005)</u>
<b>General Revenues</b>			
Property tax from the City of Newton	693,976	-	693,976
Intergovernmental	66,856	55,337	122,193
Interest	6,127	1,325	7,452
Other	<u>33,939</u>	<u>27,575</u>	<u>61,514</u>
Total general revenues	<u>800,898</u>	<u>84,237</u>	<u>885,135</u>
Increase (decrease) in net assets	97,574	375,556	473,130
<b>Net assets, beginning of the year</b>	<u>1,200,442</u>	<u>456,940</u>	<u>1,657,382</u>
<b>Net assets, end of the year</b>	<u>\$ 1,298,016</u>	<u>832,496</u>	<u>2,130,512</u>

The accompanying notes are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The City of Newton 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 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 component unit because of the City's ability to impose its will on Commission operations.

Separate financial statements of the component units are not issued.

Related Organization - Newton Housing Authority is a related organization that is not included in the financial reporting entity. The Authority was created to administer public housing programs authorized by the United States Housing Act of 1937, as amended. Revenues consist of housing assistance payments from the U.S. Department of Housing and Urban Development and rent received from eligible low income tenants.

Government-wide and Fund Financial Statements - The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component unit. The effects of nearly all interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported discretely from the legally separate component unit for which the 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 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 as general revenues.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and fiduciary fund 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 revenue in the year for which they are levied. Grants and similar items are recognized as a revenue as soon as all eligible requirements imposed by the provider have been met.

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 considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to changes in compensated absences, are recorded only when the payment is due.

Property and sales taxes, franchise taxes, licenses and fees and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current year. Property taxes and special assessments receivable not due in the current year are not susceptible to accrual and are recorded as deferred revenue. All other revenue items are considered to be measurable and available when cash is received.

Fund Equity - Beginning with fiscal year 2011, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—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 or resolutions approved by the City Commission.

Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority.

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 unreserved 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.

The following major governmental funds are reported:

The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, including special assessments which are general obligations of the City.

Airport Capital Project Fund is used to account for financial resources to be used in the reconstruction of airport runways and other airport capital improvements. Major revenue sources for these projects are federal FAA grants, and general obligation bonds.

Street Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital improvements relating to the construction of city streets through capital grant funding and issuance of general obligation debt.

The following major enterprise funds are reported:

The Sewer Fund accounts for the operation and maintenance of the City's sewer system, including the wastewater treatment facility and sewer infrastructure.

The Sanitation Fund accounts for the operations of the City's trash collection and recycling utility.

The Water Fund accounts for operation of the water utility, providing an adequate, quality supply of water to the City.

The Golf Course Fund accounts for the activities of the Sand Creek Station Golf Course. The course was completed and began operations as a public course during the summer of 2006.

The City also reports the following additional fund types:

Internal Service Funds are used to 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 Pension Trust Fund is used to account for the activities of the City's Police and Fire Pension fund which was established in 1947 to provide benefits for police and fire personnel who retired prior to the City's participation in the State of Kansas Public Employees Retirement System. This plan will end with the deaths of the few remaining beneficiaries of the plan.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments have the option of following subsequent private-sector guidance for their business-type activities, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or fees, (2) operating grants and contributions, and (3) capital grants and contributions, including contribution through special assessment financing. Internally dedicated resources and all taxes are reported as general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' ongoing operations. Operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting these criteria are reported as non-operating revenues and expenses.

Cash and Investments - State statutes authorize the City to invest in temporary notes and no-fund warrants of the City, time deposits, United States Treasury bills or notes, bonds of municipalities of the State of Kansas, repurchase agreements, and the Kansas Municipal Investment Pool.

Cash resources of the individual funds are combined to form a pool of cash and temporary investments, which is managed by the Director of Finance. The pool has the general characteristics of demand deposit accounts, in that, each fund may deposit additional cash at any time and also may withdraw cash at any time without prior notice or penalty. Investments of the pool consist entirely of certificates of deposit and funds held in the Kansas Municipal Investment Pool. All investments are reported at their fair values which is identical to original cost.

Each fund type's portion of the pool is displayed on the combined balance sheet as cash and investments. Earnings of the pool are allocated to the investing fund, unless specifically designated. Investments are stated at cost, which is the equivalent of fair value for all investments held during 2012.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes Receivable - 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 within 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 deferred 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.

Intergovernmental and Other Revenues - Recognized State-shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes and, consequently, for revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Federal and State grant aid is reported as revenue when the related reimbursable expenditures are incurred. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

Licenses, fees, fines, forfeitures, charges for services and other revenues are generally not susceptible to accrual and are recorded when received in cash.

Proprietary Fund Revenues - Revenue is recorded in proprietary funds as billed to customers on a cycle basis. Residential and commercial customers are billed monthly. Within the City's utility funds, an estimated amount has been recorded for services rendered but not yet billed at the close of the year.

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.

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.

Restricted Assets - Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Certain assets of special revenue funds are classified as restricted assets on the balance sheet because their use is limited by applicable grant agreements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at cost or estimates of original cost and gifts at fair value at the date of the gift. The City capitalizes purchases of assets with a cost of \$1,000 or more and an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

Depreciation of property, plant and equipment is calculated using the straight-line method over the following estimated useful lives:

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

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 date of employment termination. The liability for accrued vacation leave of the governmental fund types is only recorded in the government-wide statements, representing the City's commitment to fund such costs from future operations. Proprietary fund types accrue vacation leave benefits in both the government-wide and fund financial statements. The liability is based on current salary costs and the vested portion of accumulated benefits.

Cash Flows - For purposes of the statement of cash flows, the City considers all investments by funds in the City's cash and investment pool (including restricted assets) to be a cash equivalent.

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 certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Principles - The City is required by State statute to adopt annual budgets for the general fund, special revenue funds, debt service fund, enterprise funds, and internal service funds (unless specifically exempted by statute) on or before August 25 for the ensuing year. Specific funds exempted from legally adopted budgetary requirements include:

<u>Special Revenue Funds</u>	<u>Internal Service Funds</u>
Community Development	Health Benefits Risk Management

Controls over spending in funds which are not subject to legal budgets are maintained by the use of internal spending limits established by management. Total expenditures by a fund constitute the legal level of control. Expenditures may not exceed appropriations at this level. Management may transfer appropriations between budget lines within the same fund without approval of the governing body.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State statutes permit original budgets to be increased for “...previously unbudgeted increases in revenue other than ad valorem property taxes.” The City must first publish a Notice of Hearing to amend the budget. Ten days after publication, a Public Hearing is held and the governing body may amend the budget at that time. Budgetary data in the financial statements represent the original budgeted amounts for all funds.

Budgetary Basis of Accounting - Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the year, except for capital project funds which are carried forward until such time as the project is completed or terminated. Encumbered appropriations at year end are carried forward. For budgetary purposes, revenues are recognized on a cash basis in budgeted governmental fund types and not on the modified accrual basis as required by generally accepted accounting principles. Accordingly, the actual data presented in the budgetary comparison statements differs from the data presented in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

2. PRIOR PERIOD ADJUSTMENTS

Reclassification of governmental funds – The City adopted GASB Statement No. 54 during the fiscal year ended December 31, 2011. The Statement clarifies the definitions of various types of governmental funds. During the year ended December 31, 2012, the City has reclassified a portion of restricted equity to nonmajor capital improvement funds (the Capital Improvement and Municipal Equipment Funds).

The following schedule summarizes these adjustments to beginning fund equity within the governmental fund statements, the government wide statements are not affected:

	<u>General</u>	<u>Other Governmental</u>
Beginning fund equity, as previously reported	\$ 7,662,589	(793,941)
Prior period adjustment to correct beginning equity		
Capital Improvement Fund	(2,147,868)	2,147,868
Municipal Equipment Fund	(961,020)	961,020
Ending fund equity, as restated	<u>\$ 4,553,701</u>	<u>2,314,947</u>

Correction to Compensated Absences – Due to changes in the City’s policy for accrual and carryover of vacation time earned, the balance of accrued compensated absence was understated by \$554,989, at December 31, 2011.

City of Newton, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

2. PRIOR PERIOD ADJUSTMENTS (Continued)

The following schedule summarizes the effects on the government wide financial statements:

	<u>Governmental Activities</u>	<u>Business Activities</u>
Beginning net assets, as previously reported	\$ 35,958,353	37,077,497
Prior period adjustment to correct beginning equity		
Correction to beginning compensated absences	<u>(465,883)</u>	<u>(89,106)</u>
Ending net assets, as corrected	<u>\$ 35,492,470</u>	<u>36,988,391</u>

3. DEPOSITS AND INVESTMENTS

As of December 31, 2012, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity - Less than 1 Year</u>	<u>Rating</u>
Kansas Municipal Investment Pool	\$ 8,053,661	8,053,661	S&P AA Af / S1+

K.S.A. 9-1401 establishes the depositories which may be used by the Government. The statute requires banks eligible to hold the Government's funds have a main or branch bank in the county in which the Government 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. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Government'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. The rating of the City's investments is noted above.

Concentration of credit risk

State statutes place no limit on the amount the Government 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, 2012, consisted entirely of amounts held by the State's municipal investment pool.

Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the Government's deposits may not be returned to it. State statutes require the Government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City of Newton has not designated peak periods as defined above. All deposits were legally secured at December 31, 2012.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

3. DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – deposits (continued)

At December 31, 2012, the City’s carrying amount of deposits was \$3,854,360 and the bank balance was \$4,208,946. Of the bank balance, \$1,000,000 was covered by federal depository insurance and \$3,208,946 was collateralized with securities held by the pledging financial institutions’ agents in the City’s name.

Custodial credit risk – investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. At December 31, 2012, the Government had invested \$8,053,661 in the State’s municipal investment pool. The fair value of the City’s position in the pool is the same as the value of the pool shares.

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.

Investments of Discreetly Presented Component Units

1. Newton Public Building Commission held no investments at December 31, 2012.
2. Newton Public Library investments consist of \$571,000 in collateralized bank deposits at December 31, 2012.

Financial Statement Presentation

Cash and investments, including cash on hand, is shown in the accompanying financial statements as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Total</u>
Statement of net assets			
Cash and investments	\$ 11,059,716	1,221,794	12,281,510
Restricted cash	762,858	1,213,055	1,975,913
Statement of fiduciary net assets			
Cash and investments	<u>95,162</u>	<u>-</u>	<u>95,162</u>
	<u>\$ 11,917,736</u>	<u>2,434,849</u>	<u>14,352,585</u>

City of Newton, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

4. CAPITAL ASSETS

Capital asset activity of the primary government for the year ended December 31, 2012, was as follows:

	Balance <u>January 1</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>December 31</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,896,880	-	-	3,896,880
Construction in progress	<u>12,532,323</u>	<u>6,804,001</u>	-	<u>19,336,324</u>
Total capital assets, not being depreciated	<u>16,429,203</u>	<u>6,804,001</u>	-	<u>23,233,204</u>
Capital assets, being depreciated:				
Buildings and structures	17,388,123	18,000	(75,453)	17,330,670
General infrastructure	35,494,352	-	-	35,494,352
Equipment	<u>10,201,640</u>	<u>798,126</u>	<u>(523,860)</u>	<u>10,475,906</u>
	<u>63,084,115</u>	<u>816,126</u>	<u>(599,313)</u>	<u>63,300,928</u>
Less accumulated depreciation:				
Buildings and structures	(6,297,083)	(492,055)	75,453	(6,713,685)
General infrastructure	(8,502,539)	(920,451)	-	(9,422,990)
Equipment	<u>(7,469,698)</u>	<u>(752,927)</u>	<u>492,264</u>	<u>(7,730,361)</u>
	<u>(22,269,320)</u>	<u>(2,165,433)</u>	<u>567,717</u>	<u>(23,867,036)</u>
Total capital assets, being depreciated	<u>40,814,795</u>	<u>(1,349,307)</u>	<u>(31,596)</u>	<u>39,433,892</u>
Total capital assets, net of depreciation	<u>\$ 57,243,998</u>	<u>5,454,694</u>	<u>(31,596)</u>	<u>62,667,096</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,082,579	-	-	1,082,579
Construction in progress	<u>1,587,698</u>	<u>881,041</u>	-	<u>2,468,739</u>
Total capital assets, not being depreciated	<u>2,670,277</u>	<u>881,041</u>	-	<u>3,551,318</u>
Capital assets, being depreciated:				
Buildings and improvements	17,596,095	-	(5,200)	17,590,895
Equipment	8,883,096	309,714	(378,294)	8,814,516
Utility service lines and infrastructure	<u>50,087,251</u>	<u>60,879</u>	-	<u>50,148,130</u>
	<u>76,566,442</u>	<u>370,593</u>	<u>(383,494)</u>	<u>76,553,541</u>
Less accumulated depreciation:				
Buildings and improvements	(3,560,100)	(421,224)	5,200	(3,976,124)
Equipment	(5,740,824)	(453,826)	344,225	(5,850,425)
Utility service lines and infrastructure	<u>(19,621,691)</u>	<u>(1,172,834)</u>	-	<u>(20,794,525)</u>
	<u>(28,922,615)</u>	<u>(2,047,884)</u>	<u>349,425</u>	<u>(30,621,074)</u>
Total capital assets, being depreciated	<u>47,643,827</u>	<u>(1,677,291)</u>	<u>(34,069)</u>	<u>45,932,467</u>
Total capital assets, net of depreciation	<u>\$ 50,314,104</u>	<u>(796,250)</u>	<u>(34,069)</u>	<u>49,483,785</u>

City of Newton, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

4. CAPITAL ASSETS (Continued)

Capital asset activity of component units for the year ended December 31, 2012, was as follows:

	Balance <u>January 1</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>December 31</u>
<b>Newton Public Library:</b>				
Capital assets, being depreciated				
Equipment	\$ 501,073	13,931	-	515,004
Less accumulated depreciation	<u>(394,792)</u>	<u>(43,990)</u>	<u>-</u>	<u>(438,782)</u>
Total capital assets, net of depreciated	<u>\$ 106,281</u>	<u>(30,059)</u>	<u>-</u>	<u>76,222</u>
<b>Newton Public Building Commission:</b>				
Capital assets, being depreciated:				
Building and structures	\$ 2,534,468	-	-	2,534,468
General infrastructure	<u>512,809</u>	<u>-</u>	<u>-</u>	<u>512,809</u>
	3,047,277	-	-	3,047,277
Less accumulated depreciation	<u>(988,505)</u>	<u>(163,262)</u>	<u>-</u>	<u>(1,151,767)</u>
Total capital assets, being depreciated	<u>\$ 2,058,772</u>	<u>(163,262)</u>	<u>-</u>	<u>1,895,510</u>

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

Governmental activities:	
General government	\$ 183,232
Public safety	367,905
Highway and streets	882,706
Cultural and recreation	374,811
Airport	309,946
Depreciation on capital assets held by internal service funds, charged to functions based on usage	<u>46,833</u>
Total depreciation expense - government activities	<u>\$ 2,165,433</u>
Business-type activities:	
Water	\$ 371,492
Sewer	1,278,007
Sanitation	120,035
Golf Course	<u>278,350</u>
Total depreciation expense - business-type activities	<u>\$ 2,047,884</u>
Component Units:	
Newton Public Library	\$ 43,990
Newton Public Building Commission	<u>163,262</u>
Total depreciation expense - component units	<u>\$ 207,252</u>

City of Newton, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

5. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2012:

	Payable from Governmental Activities			
	General	KDOT	Compensated	Total
	Obligation Bonds	Revolving Loan	Absences	
Primary Government:				
Outstanding January 1, 2011	\$ 39,057,716	565,424	534,904	40,158,044
Additions	3,570,000	-	(534,904)	3,035,096
Retirements	(5,080,838)	(91,517)	472,221	(4,700,134)
Principal outstanding	37,546,878	473,907	472,221	38,493,006
Add bond premium, net	489,688	-	-	489,688
Less balance of deferred refunding costs	(325,833)	-	-	(325,833)
Outstanding December 31, 2012	37,710,733	473,907	472,221	38,656,861
Due within one year	2,070,329	95,022	-	2,165,351
Due in more than one year	\$ 35,640,404	378,885	472,221	36,491,510

	Payable from Business-Type Activities				
	Revenue	General	KDHE	Golf Course	
	Bonds	Obligation Bonds	Revolving Fund Loans	Capital Lease	
				Total	
Primary Government:					
Outstanding January 1, 2012	\$ 330,000	6,822,284	11,057,137	6,915,000	25,124,421
Additions	-	-	-	5,915,000	5,915,000
Retirements	(105,000)	(329,162)	(610,328)	(5,320,000)	(6,364,490)
	225,000	6,493,122	10,446,809	7,510,000	24,674,931
Less deferred refunding costs	-	-	-	(687,200)	(687,200)
Outstanding December 31, 2012	225,000	6,493,122	10,446,809	6,822,800	23,987,731
Due within one year	110,000	344,671	631,701	395,000	1,481,372
Due in more than one year	\$ 115,000	6,148,451	9,815,108	6,427,800	22,506,359

City of Newton, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

5. LONG-TERM DEBT (Continued)

General Obligation Bonds – General obligation bonds are serial bonds to be retired through calendar year 2030. At December 31, 2012, the outstanding general obligation bonds consisted of the following:

	Interest Rates	Outstanding 01/00/00	Original Amount
Internal improvements, 2004	3.125 - 5.000	490,000	5,323,000
Airport refunding	5.250 - 6.000	380,000	515,000
Internal improvements, 2006-A	3.800 - 5.000	7,775,000	9,515,000
Airport improvements, 2006-B	5.375 - 7.000	505,000	1,100,000
Internal improvements, 2007-A	3.500 - 5.500	1,890,000	2,300,000
Internal improvements, 2008-A	3.500 - 4.500	11,175,000	12,600,000
Internal improvements, 2008-B	4.550 - 6.000	490,000	710,000
Internal improvements, 2009	3.000 - 5.000	5,720,000	6,815,000
Internal improvements/Refunding 2010-A	2.000 - 4.000	7,120,000	7,800,000
Taxable GO Bonds, 2010-B	4.500 - 6.250	2,000,000	2,000,000
Internal Improvement, 2010-C	2.000 - 4.375	2,935,000	2,935,000
GO Refunding, 2012-A	2.000 - 2.100	3,560,000	3,570,000
		<u>\$ 44,040,000</u>	

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:

	<u>Payable from Government Act.</u>		<u>Payable from Business Act.</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 2,070,329	1,457,508	344,671	281,325
2014	2,153,814	1,387,752	356,186	269,345
2015	2,129,064	1,312,661	290,936	256,486
2016	2,298,555	1,240,220	306,445	245,395
2017	2,365,743	1,156,403	319,257	233,427
2018-2022	12,440,490	4,452,225	1,824,510	953,244
2023-2027	11,008,994	2,070,362	2,321,006	495,212
2028-2030	3,079,889	255,813	730,111	42,927
	<u>\$ 37,546,878</u>	<u>13,332,944</u>	<u>6,493,122</u>	<u>2,777,361</u>

City of Newton, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

5. LONG-TERM DEBT (Continued)

Advance Refunding – During 2012, the City issued general obligation refunding bonds, series 2012 (new debt), in the principal amount of \$3,570,000. Proceeds from the issue were deposited to an irrevocable escrow account with a third party trustee to effect in substance defeasance of \$3,230,000 in existing series 2004-A general obligation bonds (old debt). Debt service requirements for the old debt totals \$5,288,880; debt service for the new debt will be \$4,904,196, resulting in a cash flow savings of \$384,684 and a net present value savings of \$348,199. Both the old and new debt mature in 2024.

The City's refunding issues that have underlying refunded debt outstanding at December 31, 2012, consisted of the following:

Refunding Year	Description of Issues Refunded	Defeased Debt	
		Final Maturing	Balance 01/00/00
2012	Internal improvements, 2004	2024	\$ 3,230,000

KDOT Revolving Loan – During 2006, the City received a \$1,070,150 revolving loan from the Kansas Department of Transportation (KDOT) to provide funding for certain street improvements. Terms of the loan agreement require the loan to be repaid as a general obligation of the City over a 10-year term. The loan is payable in semi-annual instalments with an annual interest rate of 3.83%.

Future principal payments on these loans are scheduled as follows:

2013	\$ 95,022
2014	98,662
2015	102,440
2016	106,364
2017	71,419
	<u>\$ 473,907</u>

Revenue Bonds - Outstanding revenue bonds, secured by revenues derived from the operations of enterprise funds, consist of \$330,000 of Series 2000 Waterworks bonds with interest rates ranging from 4.2% to 6.0%. All of the outstanding Series 1998 Wastewater Treatment Refunding bonds were retired with existing Sewer fund resources at the optional call date in 2011.

Annual debt service requirements to maturity for the revenue bonds outstanding at December 31, 2012, are as follows:

	Principal	Interest
2013	\$ 110,000	13,500
2014	115,000	6,900
	<u>\$ 225,000</u>	<u>20,400</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

5. LONG-TERM DEBT (Continued)

Revenue bond ordinances for the revenue bonds provide for deposits to (a) a principal and interest account each year to provide for the payment of principal and interest on the bonds as they become due and payable, (b) a bond reserve account to accumulate to a maximum stated amount to be used solely and exclusively for payment of principal and interest of such bonds for which funds might not otherwise be available, and (c) a maintenance reserve account to accumulate to a maximum stated amount to be used for unusual and unforeseen repair and replacement expenses. The revenue bond ordinance also provides for user rates to be established at a level that will generate net operating income at an amount not to be less than 125% of the amount required to be paid in the next succeeding year for both principal and interest on revenue bonds outstanding. The net operating income in the wastewater and waterworks system funds for the year ended December 31, 2012 was sufficient to meet the above-stated requirements. At December 31, 2012, the City was in compliance with the reserve requirements of the revenue bond ordinances.

Water Fund Revolving Loans – Consists of 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>01/00/00 Balance</u>
1999	4.17%	20 years	\$ 862,742
2002	4.17%	20 years	658,130
2009	3.37%	20 years	1,537,463
2009	3.75%	20 years	531,962
			<u>\$ 3,590,297</u>

Future principal payments on these loans are scheduled as follows:

2013	\$ 287,407
2014	298,835
2015	310,720
2016	323,082
2017	335,938
2018-2022	1,045,354
2023-2027	696,694
2028-2030	292,267
	<u>\$ 3,590,297</u>

City of Newton, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

5. LONG-TERM DEBT (Continued)

Sewer Fund Revolving Loans – Consists of two loans with KDHE to provide funding for City wastewater treatment improvements. 2011 Sewer revolving loan principle retirements include \$465,429 that was forgiven by the lender. This amount was treated as a capital contribution during the current year. Terms of the individual loans are as follows:

<u>Year of Inception</u>	<u>Interest Rate</u>	<u>Term</u>	<u>01/00/00 Balance</u>
2002	3.03%	20 years	\$ 634,880
2008	2.85%	20 years	6,221,632
			<u>\$ 6,856,512</u>

Future principal payments on these loans are scheduled as follows:

2013	\$ 344,294
2014	354,277
2015	364,550
2016	376,037
2017	385,998
2018-2022	2,103,609
2023-2027	2,031,271
2028-2030	896,476
	<u>\$ 6,856,512</u>

Golf Course Capital Lease – 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:

2013	\$ 586,126
2014	634,914
2015	674,020
2016	722,670
2017	673,795
2018-2022	3,557,938
2023-2025	1,894,482
Total	8,743,945
Less amount representing interest	<u>(1,233,945)</u>
Remaining principal	<u>\$ 7,510,000</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

5. LONG-TERM DEBT (Continued)

Compensated Absences - Consist of unused vacation time that has accrued to employees at year-end. Sick leave benefits are not paid to employees upon termination and have not been recorded as a liability in these financial statements.

The liability for accrued vacation for governmental activities is liquidated through governmental funds that have expenditures for personnel – the general and airport funds.

Component Unit - Newton Public Building Commission (NPBC)

During 2004 and 2005, the NPBC issued a total of \$10,345,000 in Revenue Bonds to finance athletic field improvements and to construct the Sand Creek Station Golf Course. At December 31, 2012, the outstanding NPBC revenue bonds consisted of the following:

	Interest Rates	Outstanding 01/00/00	Original Amount
Series 2004	4.36%	\$ 2,145,000	2,685,000
Series 2005	3.00-5.00%	1,595,000	6,685,000
Series 2005B	3.25-3.85%	-	975,000
2012 Refunding	2.00-2.40%	5,915,000	5,915,000
Principal balance		9,655,000	
Add balance of bond issue premium		189,500	
Less balance of deferred refunding costs		(687,200)	
		<u>\$ 9,157,300</u>	

Debt service requirements to maturity for NPBC bonds are as follows:

	Principal	Interest	Total
2013	\$ 505,000	282,250	787,250
2014	575,000	266,024	841,024
2015	640,000	244,680	884,680
2016	725,000	217,335	942,335
2017	710,000	186,920	896,920
2018-2022	4,165,000	595,951	4,760,951
2023-2025	2,335,000	86,828	2,421,828
	<u>\$ 9,655,000</u>	<u>1,879,988</u>	<u>11,534,988</u>

Advance Refunding – During 2012, the NPBC issued refunding revenue bonds, series 2012 (new debt), in the principal amount of \$5,915,000. Proceeds from the issue were deposited to an irrevocable escrow account with a third party trustee to effect in substance defeasance of \$5,175,000 in existing series 2005 and 2005-B revenue bonds (old debt). Debt service requirements for the old debt totals \$9,270,065; debt service for the new debt will be \$8,821,156, resulting in a cash flow savings of \$448,909 and a net present value savings of \$399,176. Both the old and new debt mature in 2025. At December 31, 2012, the NPBC’s refunded debt consisted of \$4,745,000 for the 2005 issue, and \$430,000 for the 2005-B issue.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

6. DEFINED BENEFIT PENSION PLANS

Plan Description - The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans as provided by K.S.A. 74-4901, et seq. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-1919 establishes the KPERS member-employee contribution rate at 4%-6% of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increase in the employer contribution rates. The KPERS employer rate at December 31, 2012 was 8.34%. The City's employer contributions to KPERS for the years ending December 31, 2012, 2011 and 2010 were \$445,030, \$408,267, and \$360,827 respectively, equal to the required contributions for each year. The KP&F uniform employer rate established for fiscal year 2012 was 16.54%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City's contributions to KP&F for the years ending December 31, 2012, 2011, and 2010 were \$772,158, \$669,651, and \$563,465 respectively, equal to the required contributions for each year.

Other Pension Plans - In addition to participating in Kansas Public Employees Retirement System, the City maintains an additional pension plan - Policemen's and Firemen's Pension. The plan, which is of the single-employer defined benefit variety, was established in 1947 to provide benefits for policemen and firemen (and surviving spouses) who retired prior to the City's participation in KP&F. Pension benefits paid during the year ended December 31, 2012, were \$4,703 under the plan. The plan will be phased out upon the deaths of the few remaining participants. During 1996, an actuarial computation was performed to determine the amount necessary to fund the pension benefit obligation of the plan. This amount, \$140,000, was transferred to a pension trust fund from the general fund to pay future benefits under the plan.

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.

City of Newton, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

8. 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 when 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. During the year ended December 31, 2012, interfund transfers totaled \$6,945,592. Transfers for the year were as follows:

<u>Transfer To</u>	<u>Transfer From</u>					<u>Total</u>
	<u>General</u>	<u>Nonmajor Government</u>	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	
General	\$ -	519,983	450,000	629,307	60,000	1,659,290
Debt Service	-	1,158,719	98,316	537,011	-	1,794,046
Nonmajor Government	2,178,816	845,425	181,025	163,370	-	3,368,636
Internal service-stores	-	-	46,648	46,648	23,324	116,620
Sewer Enterprise	-	7,000	-	-	-	7,000
	<u>\$2,178,816</u>	<u>2,531,127</u>	<u>775,989</u>	<u>1,376,336</u>	<u>83,324</u>	<u>6,945,592</u>

9. INTERFUND RECEIVABLE/PAYABLE

Interfund receivables and payables 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, 2012, the interfund balances consisted of the following:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 2,864,138	
Nonmajor Governmental:		
Capital Improvement Fund	2,205,844	
Municipal Equipment Fund	1,269,700	
Sewer Enterprise Fund	3,438,965	
Street Capital Projects		6,508,606
Airport Capital Projects		931,194
Nonmajor Governmental:		
Water Dept. Improvements		527,816
Sewer Dept. Improvements		605,769
Fire/EMS Facilities Project		602,327
EWS Upgrade Project		199,287
Kansas Logistics Park Project		10,500
Other Building Projects		393,148
	<u>\$ 9,778,647</u>	<u>9,778,647</u>

City of Newton, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

10. DEFICIT FUND BALANCES

The following governmental funds had a deficit fund balance at December 31, 2012:

<u>Fund</u>	<u>Deficit Balance</u>
Street Capital Projects	\$ 6,508,606
Airport Capital Projects	931,194
Meridian Convention Center	9,465
Water Dept. Improvements	527,816
Sewer Dept. Improvements	605,769
Fire/EMS Facilities Project	602,327
EWS Upgrade	199,287
Kansas Logistics Park Project	10,500
Other Building Projects	393,148

The deficit balance in capital project funds will be eliminated upon the issuance of bonds in succeeding years.

11. COMMUNITY DEVELOPMENT FUND

Restricted Assets - Restricted assets consist of cash and investments of \$327,898 restricted for the Community Development Rehabilitation Loan program.

Rehabilitation Loan Program - In 1984, the City of Newton received a Community Development Block Grant from the Department of Housing and Urban Development (HUD) for the purpose of establishing a low-income housing rehabilitation loan program.

Idle program funds remain in an interest-bearing account. When loans are repaid, the proceeds may be used for additional loans; other community development projects, or remain in the fund.

Rehabilitation and development loans outstanding at December 31, 2012, were \$244,838. No interest is being charged on the outstanding loans.

12. COMMITMENTS AND CONTINGENCIES

North Newton Sewage Treatment Agreement - The City of Newton provides sewage treatment and disposal services to the City of North Newton under an agreement dated December 12, 2000. In March 2010, North Newton began remitting payments for these services in amounts less than the total monthly billings as calculated by the City of Newton. As of December 31, 2012, the difference between the amounts billed and collected for these services totaled approximately \$409,000. The amounts as originally billed to the City of North Newton are reflected in the accounts receivable, equity and revenue accounts of the Sewer fund within these financial statements.

Management expects to resolve the issue during the year ended December 31, 2013; however, an estimate of any potential adjustment to the recorded amounts is not currently known.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

12. COMMITMENTS AND CONTINGENCIES (Continued)

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 operations, 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.

13. RISK MANAGEMENT AND CLAIMS

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.

Employee Health Care Benefits

During the year ended December 31, 2012, 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 \$50,000 and for aggregate loss, which is based on a factor determined monthly by the insurer.

City of Newton, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

13. RISK MANAGEMENT AND CLAIMS (Continued)

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 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Liability balance, beginning	\$ 9,000	-
Health benefit claims incurred	1,846,129	1,891,581
Add premiums and fees	<u>664,327</u>	<u>568,408</u>
Total costs incurred	2,519,456	2,459,989
Less claims paid	(1,800,129)	(1,882,581)
Less Premiums and fees paid	<u>(664,327)</u>	<u>(568,408)</u>
Liability balance, ending	<u>\$ 55,000</u>	<u>9,000</u>

14. COMPLIANCE WITH KANSAS STATUTES AND OTHER FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

Budget Violations – The City was not in compliance with K.S.A. 79-2935 which limits fund expenditures to the appropriated budget, in the following funds:

<u>Fund</u>	<u>Amount</u>
Airport	(117,708)
Meridian Convention Center	(19,582)
Tourism and Convention Promotion	(23,593)
Special law enforcement	(1,937)

Cash Basis Violations – The City was not in compliance with K.S.A. 10-1113 which requires all funds to maintain unencumbered cash balances of zero or above, in the following funds.

<u>Fund</u>	<u>Amount</u>
Airport	(3,638)
Sanitation	(198,321)

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

15. 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, 2012, eight City-issued Industrial Revenue bond issues were outstanding with a total balance of \$14,016,134.

16. JOINT VENTURE - PUBLIC WHOLESALE WATER SUPPLY DISTRICT NO. 17

Description of the Entity

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 in exchange for a 40% share in equity. Because of the nature of the operations of the District, this investment has been recorded within the City's Waterworks enterprise fund.

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

Commitments and Contingencies

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. The balance of this loan was \$1,684,145 at December 31, 2012. In the event that the District terminates or otherwise fails to meet debt service requirements on this loan, the member cities are required to tender their share of the deficiency based on percentages specified in the organization agreement.

17. SUBSEQUENT EVENTS

Date of Management Review

Management has performed an analysis of the activities and transactions subsequent to December 31, 2011, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through July 22, 2013, which is the date at which the financial statements were available to be issued.

**CITY OF NEWTON, KANSAS**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

**December 31, 2012**

	Special <u>Revenue Funds</u>	Capital <u>Project Funds</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash, including investments	\$ 456,335	-	456,335
Due from other funds	-	3,475,544	3,475,544
Receivables:			
Taxes	760,260	-	760,260
Other	317,307	-	317,307
Inventory	79,067	-	79,067
Restricted Assets:			
Cash	<u>327,898</u>	<u>-</u>	<u>327,898</u>
Total assets	<u>\$ 1,940,867</u>	<u>3,475,544</u>	<u>5,416,411</u>
 <b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>			
Accounts payable	\$ 20,188	-	20,188
Due to other funds	-	2,338,847	2,338,847
Deferred revenue	<u>988,670</u>	<u>-</u>	<u>988,670</u>
Total liabilities	<u>1,008,858</u>	<u>2,338,847</u>	<u>3,347,705</u>
Fund balance (deficit)			
Nonspendable:			
Inventory	79,067	-	79,067
Restricted for:			
Community development	377,836	-	377,836
Perpetual care	320,953	-	320,953
Law enforcement	52,287	-	52,287
Assigned to:			
Capital asset acquisition	-	3,475,544	3,475,544
Other purposes	111,331	-	111,331
Unassigned	<u>(9,465)</u>	<u>(2,338,847)</u>	<u>(2,348,312)</u>
Total fund balance (deficit)	<u>932,009</u>	<u>1,136,697</u>	<u>2,068,706</u>
Total liabilities and fund balance	<u>\$ 1,940,867</u>	<u>3,475,544</u>	<u>5,416,411</u>

**CITY OF NEWTON, KANSAS**

**COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS**

**December 31, 2012**

	<u>Airport</u>	<u>Library</u>	<u>Meridian Convention Center</u>	<u>Special Parks &amp; Recreation</u>	<u>Special Alcohol Program</u>	<u>Special Liability</u>
<b>ASSETS</b>						
Cash, including investments	\$ 3,057	11,269	29,153	-	-	39,616
Due from other funds	-	-	-	-	-	-
Receivables:						
Taxes	84,000	649,158	-	-	-	27,102
Other	64,085	-	8,384	-	-	-
Inventory	79,067	-	-	-	-	-
Restricted Assets:						
Cash	-	-	-	-	-	-
Total assets	<u>\$ 230,209</u>	<u>660,427</u>	<u>37,537</u>	<u>-</u>	<u>-</u>	<u>66,718</u>
 <b>LIABILITIES AND FUND BALANCE</b>						
Accounts payable	\$ 6,696	-	13,492	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	84,000	649,158	33,510	-	-	27,102
Total liabilities	<u>90,696</u>	<u>649,158</u>	<u>47,002</u>	<u>-</u>	<u>-</u>	<u>27,102</u>
Fund balance						
Nonspendable:						
Inventory	79,067	-	-	-	-	-
Restricted for:						
Community development	-	-	-	-	-	-
Perpetual care	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-
Assigned to:						
Other purposes	60,446	11,269	-	-	-	39,616
Unassigned	-	-	(9,465)	-	-	-
Total fund balance	<u>139,513</u>	<u>11,269</u>	<u>(9,465)</u>	<u>-</u>	<u>-</u>	<u>39,616</u>
Total liabilities and fund balance	<u>\$ 230,209</u>	<u>660,427</u>	<u>37,537</u>	<u>-</u>	<u>-</u>	<u>66,718</u>

<u>Tourism &amp; Convention Promotion</u>	<u>Special Highway</u>	<u>Community Development</u>	<u>Special Law Enforcement</u>	<u>Cemetery &amp; Mausoleum</u>	<u>Totals</u>
-	-	-	52,287	320,953	456,335
-	-	-	-	-	-
-	-	-	-	-	760,260
-	-	244,838	-	-	317,307
-	-	-	-	-	79,067
-	-	<u>327,898</u>	-	-	<u>327,898</u>
-	-	<u>572,736</u>	<u>52,287</u>	<u>320,953</u>	<u>1,940,867</u>
-	-	-	-	-	20,188
-	-	-	-	-	-
-	-	<u>194,900</u>	-	-	<u>988,670</u>
-	-	<u>194,900</u>	-	-	<u>1,008,858</u>
-	-	-	-	-	79,067
-	-	377,836	-	-	377,836
-	-	-	-	320,953	320,953
-	-	-	52,287	-	52,287
-	-	-	-	-	111,331
-	-	-	-	-	(9,465)
-	-	<u>377,836</u>	<u>52,287</u>	<u>320,953</u>	<u>932,009</u>
-	-	<u>572,736</u>	<u>52,287</u>	<u>320,953</u>	<u>1,940,867</u>

**CITY OF NEWTON, KANSAS**

**COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS**

**December 31, 2012**

	<u>Water Dept. Improve- ments</u>	<u>Sewer Dept. Improve- ments</u>	<u>Fire/EMS Facilities</u>	<u>EWS Upgrade</u>	<u>Kansas Logistics Park Project</u>	<u>Other Building Projects</u>
<b>ASSETS</b>						
Cash, including investments	\$ -	-	-	-	-	-
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>						
Accounts payable	\$ -	-	-	-	-	-
Due to other funds	<u>527,816</u>	<u>605,769</u>	<u>602,327</u>	<u>199,287</u>	<u>10,500</u>	<u>393,148</u>
Total liabilities	<u>527,816</u>	<u>605,769</u>	<u>602,327</u>	<u>199,287</u>	<u>10,500</u>	<u>393,148</u>
Fund balance (deficit)						
Assigned to capital asset acquisition	-	-	-	-	-	-
Unassigned	<u>(527,816)</u>	<u>(605,769)</u>	<u>(602,327)</u>	<u>(199,287)</u>	<u>(10,500)</u>	<u>(393,148)</u>
Total fund balance	<u>(527,816)</u>	<u>(605,769)</u>	<u>(602,327)</u>	<u>(199,287)</u>	<u>(10,500)</u>	<u>(393,148)</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

<u>Capital Improvement Fund</u>	<u>Municipal Equipment Fund</u>	<u>Totals</u>
-	-	-
<u>2,205,844</u>	<u>1,269,700</u>	<u>3,475,544</u>
<u>2,205,844</u>	<u>1,269,700</u>	<u>3,475,544</u>
-	-	-
<u>-</u>	<u>-</u>	<u>2,338,847</u>
<u>-</u>	<u>-</u>	<u>2,338,847</u>
2,205,844	1,269,700	3,475,544
<u>-</u>	<u>-</u>	<u>(2,338,847)</u>
<u>2,205,844</u>	<u>1,269,700</u>	<u>1,136,697</u>
<u>2,205,844</u>	<u>1,269,700</u>	<u>3,475,544</u>

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**CITY OF NEWTON, KANSAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE (DEFICIT) - NONMAJOR GOVERNMENTAL FUNDS**

**Year Ended December 31, 2012**

	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>	<u>Totals</u>
Revenues:			
Taxes	\$ 1,056,383	60,615	1,116,998
Intergovernmental	586,575	174,176	760,751
Use of money and property	589,106	-	589,106
Other	<u>1,267,959</u>	<u>36,745</u>	<u>1,304,704</u>
Total revenues	<u>3,500,023</u>	<u>271,536</u>	<u>3,771,559</u>
Expenditures:			
Personal services	547,420	-	547,420
Contractual services	1,211,860	-	1,211,860
Commodities	921,967	-	921,967
Capital outlay	<u>-</u>	<u>2,174,062</u>	<u>2,174,062</u>
Total expenditures	<u>2,681,247</u>	<u>2,174,062</u>	<u>4,855,309</u>
Revenues over (under) expenditures	818,776	(1,902,526)	(1,083,750)
Other financing sources (uses):			
Transfers in	202,321	3,166,315	3,368,636
Transfers out	<u>(1,027,117)</u>	<u>(1,504,010)</u>	<u>(2,531,127)</u>
Net change in fund balances	<u>(6,020)</u>	<u>(240,221)</u>	<u>(246,241)</u>
Fund balance (deficit), beginning of the year			
As originally reported	938,029	(1,731,970)	(793,941)
Prior period adjustment	<u>-</u>	<u>3,108,888</u>	<u>3,108,888</u>
As restated	<u>938,029</u>	<u>1,376,918</u>	<u>2,314,947</u>
Fund balance (deficit), end of the year	<u>\$ 932,009</u>	<u>1,136,697</u>	<u>2,068,706</u>

CITY OF NEWTON, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
- NONMAJOR SPECIAL REVENUE FUNDS

Year Ended December 31, 2012

	<u>Airport</u>	<u>Library</u>	<u>Meridian Convention Center</u>	<u>Special Parks &amp; Recreation</u>	<u>Special Alcohol Program</u>	<u>Special Liability</u>
Revenues:						
Taxes	\$ 91,000	693,976	-	23,051	23,051	26,712
Intergovernmental	80,000	-	-	-	-	-
Use of money and property	585,243	-	-	-	-	-
Other	<u>942,335</u>	<u>-</u>	<u>317,168</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,698,578</u>	<u>693,976</u>	<u>317,168</u>	<u>23,051</u>	<u>23,051</u>	<u>26,712</u>
Expenditures:						
Personal services	295,630	-	251,790	-	-	-
Contractual services	142,641	693,976	176,719	-	23,051	70,115
Commodities	<u>844,658</u>	<u>-</u>	<u>77,309</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,282,929</u>	<u>693,976</u>	<u>505,818</u>	<u>-</u>	<u>23,051</u>	<u>70,115</u>
Revenues over (under) expenditures	415,649	-	(188,650)	23,051	-	(43,403)
Other financing sources (uses):						
Transfers in	-	-	150,000	-	-	52,321
Transfers out	<u>(381,962)</u>	<u>-</u>	<u>-</u>	<u>(23,051)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	33,687	-	(38,650)	-	-	8,918
Fund balance, beginning of the year	<u>105,826</u>	<u>11,269</u>	<u>29,185</u>	<u>-</u>	<u>-</u>	<u>30,698</u>
Fund balance, end of the year	<u>\$ 139,513</u>	<u>11,269</u>	<u>(9,465)</u>	<u>-</u>	<u>-</u>	<u>39,616</u>

<u>Tourism &amp; Convention Promotion</u>	<u>Special Highway</u>	<u>Community Development</u>	<u>Special Law Enforcement</u>	<u>Cemetery &amp; Mausoleum</u>	<u>Totals</u>
198,593	-	-	-	-	1,056,383
-	496,932	-	9,643	-	586,575
-	-	3,863	-	-	589,106
-	-	-	-	8,456	1,267,959
<u>198,593</u>	<u>496,932</u>	<u>3,863</u>	<u>9,643</u>	<u>8,456</u>	<u>3,500,023</u>
-	-	-	-	-	547,420
73,421	-	-	31,937	-	1,211,860
-	-	-	-	-	921,967
<u>73,421</u>	<u>-</u>	<u>-</u>	<u>31,937</u>	<u>-</u>	<u>2,681,247</u>
125,172	496,932	3,863	(22,294)	8,456	818,776
-	-	-	-	-	202,321
<u>(125,172)</u>	<u>(496,932)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,027,117)</u>
-	-	3,863	(22,294)	8,456	(6,020)
-	-	<u>373,973</u>	<u>74,581</u>	<u>312,497</u>	<u>938,029</u>
<u>-</u>	<u>-</u>	<u>377,836</u>	<u>52,287</u>	<u>320,953</u>	<u>932,009</u>

**CITY OF NEWTON, KANSAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE (DEFICIT) - NONMAJOR CAPITAL PROJECT FUNDS**

**Year Ended December 31, 2012**

	Water Dept. Improve- ments	Sewer Dept. Improve- ments	Fire/EMS Facilities	EWS Upgrade	Kansas Logistics Park Project
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:					
Taxes	\$ -	-	-	-	-
Intergovernmental	-	-	148,118	10,200	-
Other	-	-	-	-	16,376
Total revenues	<u>-</u>	<u>-</u>	<u>148,118</u>	<u>10,200</u>	<u>16,376</u>
Expenditures:					
Capital outlay:					
General government		-	-	-	324,239
Public safety	-	-	24,953	209,487	-
Streets and Highways	-	-	-	-	-
Public works	164,615	363,972	-	-	-
Airport	-	-	-	-	-
Culture & recreation	-	-	-	-	-
Total expenditures	<u>164,615</u>	<u>363,972</u>	<u>24,953</u>	<u>209,487</u>	<u>324,239</u>
Revenues over (under) expenditures	(164,615)	(363,972)	123,165	(199,287)	(307,863)
Other financing sources (uses):					
Transfers in	-	-	-	-	472,482
Transfers out	-	-	-	-	-
Net change in fund balance	<u>(164,615)</u>	<u>(363,972)</u>	<u>123,165</u>	<u>(199,287)</u>	<u>164,619</u>
Fund balance (deficit), beginning of the year					
As originally reported	(363,201)	(241,797)	(725,492)	-	(175,119)
Prior period adjustment	-	-	-	-	-
As restated	<u>(363,201)</u>	<u>(241,797)</u>	<u>(725,492)</u>	<u>-</u>	<u>(175,119)</u>
Fund balance (deficit), end of the year	<u>\$ (527,816)</u>	<u>(605,769)</u>	<u>(602,327)</u>	<u>(199,287)</u>	<u>(10,500)</u>

<u>Other Building Projects</u>	<u>Capital Improvement Fund</u>	<u>Municipal Equipment Fund</u>	<u>Totals</u>
-	60,615	-	60,615
10,974	-	4,884	174,176
-	-	20,369	36,745
<u>10,974</u>	<u>60,615</u>	<u>25,253</u>	<u>271,536</u>
313,460	70,736	152,834	861,269
-	-	209,910	444,350
-	1,584	206,505	208,089
-	-	-	528,587
-	8,077	13,895	21,972
<u>106,375</u>	<u>-</u>	<u>3,420</u>	<u>109,795</u>
<u>419,835</u>	<u>80,397</u>	<u>586,564</u>	<u>2,174,062</u>
(408,861)	(19,782)	(561,311)	(1,902,526)
242,074	1,581,768	869,991	3,166,315
-	(1,504,010)	-	(1,504,010)
<u>(166,787)</u>	<u>57,976</u>	<u>308,680</u>	<u>(240,221)</u>
(226,361)	-	-	(1,731,970)
-	2,147,868	961,020	3,108,888
<u>(226,361)</u>	<u>2,147,868</u>	<u>961,020</u>	<u>1,376,918</u>
<u>(393,148)</u>	<u>2,205,844</u>	<u>1,269,700</u>	<u>1,136,697</u>

**CITY OF NEWTON, KANSAS**  
**SCHEDULE OF BUDGETARY ACCOUNTS**  
**(Non-GAAP Basis)**

**GENERAL FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		With Final <u>Budget</u>
Revenues and other sources:				
Taxes	\$ 10,990,769	10,990,769	11,344,987	354,218
Intergovernmental	422,000	422,000	438,564	16,564
License and permits	181,600	181,600	198,712	17,112
Charges for services	1,527,283	1,527,283	1,503,050	(24,233)
Fines, forfeitures and penalties	500,250	500,250	536,584	36,334
Use of money	20,300	20,300	25,961	5,661
Other	42,575	42,575	42,425	(150)
Transfers in	<u>2,055,000</u>	<u>2,055,000</u>	<u>2,209,290</u>	<u>154,290</u>
Total revenues and other sources	<u>15,739,777</u>	<u>15,739,777</u>	<u>16,299,573</u>	<u>559,796</u>
Expenditures and other uses:				
Current:				
General government	2,484,836	2,484,836	1,793,309	691,527
Public safety	8,230,537	8,230,537	7,796,879	433,658
Highway and streets	2,031,233	2,031,233	1,989,332	41,901
Parks and cemeteries	1,080,755	1,080,755	1,559,349	(478,594)
Capital outlay	81,268	81,268	30,740	50,528
Transfers out	<u>2,377,037</u>	<u>2,377,037</u>	<u>2,478,816</u>	<u>(101,779)</u>
Total expenditures and other uses	<u>16,285,666</u>	<u>16,285,666</u>	<u>15,648,425</u>	<u>637,241</u>
Excess (deficiency) of revenues over (under)				
expenditures and other uses	(545,889)	(545,889)	651,148	1,197,037
Unencumbered cash, beginning	<u>960,123</u>	<u>960,123</u>	<u>1,796,181</u>	<u>836,058</u>
Unencumbered cash, ending	<u>\$ 414,234</u>	<u>414,234</u>	<u>2,447,329</u>	<u>2,033,095</u>

**CITY OF NEWTON, KANSAS**

**SCHEDULE OF BUDGETARY ACCOUNTS  
(Non-GAAP Basis)**

**AIRPORT FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		With Final <u>Budget</u>
Revenues and other sources:				
Taxes	\$ 92,605	92,605	91,000	(1,605)
Intergovernmental	80,000	80,000	80,000	-
Use of money and property	528,700	528,700	585,242	56,542
Fuel and other sales	811,088	811,088	933,015	121,927
Other	<u>23,750</u>	<u>23,750</u>	<u>4,148</u>	<u>(19,602)</u>
Total revenues and other sources	<u>1,536,143</u>	<u>1,536,143</u>	<u>1,693,405</u>	<u>157,262</u>
Expenditures and other uses:				
Personal services	368,334	368,334	295,630	72,704
Contractual services	154,050	154,050	142,641	11,409
Commodities	590,850	590,850	843,351	(252,501)
Capital outlay	33,500	33,500	-	33,500
Transfers out	<u>399,142</u>	<u>399,142</u>	<u>381,962</u>	<u>17,180</u>
Total expenditures and other uses	<u>1,545,876</u>	<u>1,545,876</u>	<u>1,663,584</u>	<u>(117,708)</u>
Excess (deficiency) of revenues over (under)				
expenditures and other uses	(9,733)	(9,733)	29,821	39,554
Unencumbered cash, beginning	<u>9,733</u>	<u>9,733</u>	<u>(33,459)</u>	<u>(43,192)</u>
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>	<u>(3,638)</u>	<u>(3,638)</u>

**CITY OF NEWTON, KANSAS**  
**SCHEDULE OF BUDGETARY ACCOUNTS**  
**(Non-GAAP Basis)**  
**LIBRARY FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>With Final Budget</u>
Revenues and other sources:				
Taxes	\$ 701,543	701,543	693,976	(7,567)
Expenditures and other uses:				
Contractual services	703,880	703,880	693,976	9,904
Excess (deficiency) of revenues over (under) expenditures and other uses	(2,337)	(2,337)	-	2,337
Unencumbered cash, beginning	2,337	2,337	11,269	8,932
Unencumbered cash, ending	\$ -	-	11,269	11,269

**CITY OF NEWTON, KANSAS**  
**SCHEDULE OF BUDGETARY ACCOUNTS**  
**(Non-GAAP Basis)**

**MERIDIAN CONVENTION CENTER FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		With Final <u>Budget</u>
Revenues and other sources:				
Meridian Center revenue	\$ 510,200	510,200	304,805	(205,395)
Transfers in	-	-	150,000	150,000
Total revenues and other sources	<u>510,200</u>	<u>510,200</u>	<u>454,805</u>	<u>(55,395)</u>
Expenditures and other uses:				
Personal services	298,270	298,270	251,790	46,480
Contractual services	181,295	181,295	176,719	4,576
Commodities	-	-	70,638	(70,638)
Total expenditures and other uses	<u>479,565</u>	<u>479,565</u>	<u>499,147</u>	<u>(19,582)</u>
Excess (deficiency) of revenues over (under)				
expenditures and other uses	30,635	30,635	(44,342)	(74,977)
Unencumbered cash, beginning	-	-	60,004	60,004
Unencumbered cash, ending	<u>\$ 30,635</u>	<u>30,635</u>	<u>15,662</u>	<u>(14,973)</u>

CITY OF NEWTON, KANSAS

SCHEDULE OF BUDGETARY ACCOUNTS  
(Non-GAAP Basis)

SPECIAL PARKS AND RECREATION FUND

Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues and other sources:				
Taxes	<u>\$ 30,000</u>	<u>30,000</u>	<u>23,051</u>	<u>(6,949)</u>
Expenditures and other uses:				
Transfers out	<u>30,000</u>	<u>30,000</u>	<u>23,051</u>	<u>6,949</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered cash, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CITY OF NEWTON, KANSAS**  
**SCHEDULE OF BUDGETARY ACCOUNTS**  
**(Non-GAAP Basis)**

**SPECIAL ALCOHOL PROGRAMS FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		With Final <u>Budget</u>
Revenues and other sources:				
Taxes	\$ 30,000	30,000	23,051	(6,949)
Expenditures and other uses:				
Contractual services	<u>30,000</u>	<u>30,000</u>	<u>23,051</u>	<u>6,949</u>
Excess (deficiency) of revenues over (under)				
expenditures and other uses	-	-	-	-
Unencumbered cash, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CITY OF NEWTON, KANSAS**

**SCHEDULE OF BUDGETARY ACCOUNTS  
(Non-GAAP Basis)**

**SPECIAL LIABILITY FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>With Final Budget</u>
Revenues and other sources:				
Taxes	\$ 26,606	26,606	26,712	106
Transfers in	<u>52,321</u>	<u>52,321</u>	<u>52,321</u>	<u>-</u>
	<u>78,927</u>	<u>78,927</u>	<u>79,033</u>	<u>106</u>
Expenditures and other uses:				
Contractual services	<u>81,510</u>	<u>81,510</u>	<u>70,115</u>	<u>11,395</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	(2,583)	(2,583)	8,918	11,501
Unencumbered cash, beginning	<u>2,583</u>	<u>2,583</u>	<u>30,698</u>	<u>28,115</u>
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>	<u>39,616</u>	<u>39,616</u>

**CITY OF NEWTON, KANSAS**

**SCHEDULE OF BUDGETARY ACCOUNTS  
(Non-GAAP Basis)**

**TOURISM AND CONVENTION PROMOTION FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>With Final Budget</u>
Revenues and other sources:				
Taxes	\$ 175,000	175,000	198,593	23,593
Expenditures and other uses:				
Contractual services	118,500	118,500	73,421	45,079
Transfers out	56,500	56,500	125,172	(68,672)
Total expenditures and other uses	175,000	175,000	198,593	(23,593)
Excess (deficiency) of revenues over (under) expenditures and other uses	-	-	-	-
Unencumbered cash, beginning	-	-	-	-
Unencumbered cash, ending	\$ -	-	-	-

**CITY OF NEWTON, KANSAS**  
**SCHEDULE OF BUDGETARY ACCOUNTS**  
**(Non-GAAP Basis)**

**SPECIAL HIGHWAY FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		With Final <u>Budget</u>
Revenues and other sources:				
Intergovernmental	\$ 500,000	496,932	490,219	(6,713)
Expenditures and other uses:				
Transfers out	<u>500,000</u>	<u>496,932</u>	<u>490,219</u>	<u>6,713</u>
Excess (deficiency) of revenues over (under)				
expenditures and other uses	-	-	-	-
Unencumbered cash, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

**CITY OF NEWTON, KANSAS**  
**SCHEDULE OF BUDGETARY ACCOUNTS**  
**(Non-GAAP Basis)**

**SPECIAL LAW ENFORCEMENT FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		With Final <u>Budget</u>
Revenues and other sources:				
Forfeitures and other	\$ 30,000	30,000	9,643	(20,357)
Expenditures and other uses:				
Commodities and other	<u>30,000</u>	<u>30,000</u>	<u>31,937</u>	<u>(1,937)</u>
Excess (deficiency) of revenues over (under)				
expenditures and other uses	-	-	(22,294)	(22,294)
Unencumbered cash, beginning	<u>69,412</u>	<u>69,412</u>	<u>74,581</u>	<u>5,169</u>
Unencumbered cash, ending	<u>\$ 69,412</u>	<u>69,412</u>	<u>52,287</u>	<u>(17,125)</u>

**CITY OF NEWTON, KANSAS**  
**SCHEDULE OF BUDGETARY ACCOUNTS**  
**(Non-GAAP Basis)**

**CEMETERY & MAUSOLEUM FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		With Final <u>Budget</u>
Revenues and other sources:				
Sale of cemetery lots	\$ -	-	8,456	8,456
Expenditures and other uses:				
Capital outlay	20,000	20,000	-	20,000
Excess (deficiency) of revenues over (under)				
expenditures and other uses	(20,000)	(20,000)	8,456	28,456
Unencumbered cash, beginning	255,988	255,988	312,497	56,509
Unencumbered cash, ending	<u>\$ 235,988</u>	<u>235,988</u>	<u>320,953</u>	<u>84,965</u>

**CITY OF NEWTON, KANSAS**

**SCHEDULE OF BUDGETARY ACCOUNTS  
(Non-GAAP Basis)**

**BOND AND INTEREST FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>With Final Budget</u>
Revenues and other sources:				
Taxes and special assessments	\$ 1,547,036	1,547,036	1,540,288	(6,748)
Intergovernmental and other	37,000	37,000	148,887	111,887
Transfers in	2,415,184	2,415,184	2,415,184	-
Total revenues and other sources	<u>3,999,220</u>	<u>3,999,220</u>	<u>4,104,359</u>	<u>105,139</u>
Expenditures and other uses:				
Debt service:				
Principal	1,910,375	1,910,375	2,271,517	(361,142)
Interest	2,261,517	2,261,517	1,865,301	396,216
Fees and commissions	200	200	1,414	(1,214)
Projected future debt service	201,414	201,414	-	201,414
Total expenditures and other uses	<u>4,373,506</u>	<u>4,373,506</u>	<u>4,138,232</u>	<u>235,274</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	(374,286)	(374,286)	(33,873)	340,413
Unencumbered cash, beginning	374,286	374,286	686,886	312,600
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>	<u>653,013</u>	<u>653,013</u>

**CITY OF NEWTON, KANSAS**  
**SCHEDULE OF BUDGETARY ACCOUNTS**  
**(Non-GAAP Basis)**

**SEWER FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>With Final Budget</u>
Revenues and other sources:				
Service fees	\$ 5,537,917	5,537,917	5,313,587	(224,330)
Interest	200	200	-	(200)
Other	<u>5,235</u>	<u>5,235</u>	<u>4,457</u>	<u>(778)</u>
Total revenues and other sources	<u>5,543,352</u>	<u>5,543,352</u>	<u>5,318,044</u>	<u>(225,308)</u>
Expenditures and other uses:				
Personal services	1,597,443	1,597,443	1,446,517	150,926
Contractual services	980,005	980,005	764,011	215,994
Commodities	127,325	127,325	66,248	61,077
Principal and interest	2,071,937	2,071,937	-	2,071,937
Vehicle operating	65,000	65,000	82,494	(17,494)
Capital outlay	153,000	153,000	117,325	35,675
Transfers out	<u>768,283</u>	<u>768,283</u>	<u>3,015,133</u>	<u>(2,246,850)</u>
Total expenditures and other uses	<u>5,762,993</u>	<u>5,762,993</u>	<u>5,491,728</u>	<u>271,265</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	(219,641)	(219,641)	(173,684)	45,957
Unencumbered cash, beginning	<u>2,980,176</u>	<u>2,980,176</u>	<u>2,342,368</u>	<u>(637,808)</u>
Unencumbered cash, ending	<u>\$ 2,760,535</u>	<u>2,760,535</u>	<u>2,168,684</u>	<u>(591,851)</u>

**CITY OF NEWTON, KANSAS**  
**SCHEDULE OF BUDGETARY ACCOUNTS**  
**(Non-GAAP Basis)**

**SANITATION FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		With Final <u>Budget</u>
Revenues and other sources:				
Refuse collection	\$ 1,674,238	1,674,238	1,668,059	(6,179)
Other	<u>13,900</u>	<u>13,900</u>	<u>28,247</u>	<u>14,347</u>
Total revenues and other sources	<u>1,688,138</u>	<u>1,688,138</u>	<u>1,696,306</u>	<u>8,168</u>
Expenditures and other uses:				
Personal services	1,049,236	1,049,236	963,557	85,679
Contractual services	400,195	400,195	365,925	34,270
Commodities	50,410	50,410	25,758	24,652
Vehicle operating	219,200	219,200	232,530	(13,330)
Capital outlay	-	-	-	-
Transfers out	<u>169,824</u>	<u>169,824</u>	<u>172,774</u>	<u>(2,950)</u>
Total expenditures and other uses	<u>1,888,865</u>	<u>1,888,865</u>	<u>1,760,544</u>	<u>128,321</u>
Excess (deficiency) of revenues over (under)				
expenditures and other uses	(200,727)	(200,727)	(64,238)	136,489
Unencumbered cash, beginning	<u>207,227</u>	<u>207,227</u>	<u>(134,083)</u>	<u>(341,310)</u>
Unencumbered cash, ending	<u>\$ 6,500</u>	<u>6,500</u>	<u>(198,321)</u>	<u>(204,821)</u>

**CITY OF NEWTON, KANSAS**  
**SCHEDULE OF BUDGETARY ACCOUNTS**  
**(Non-GAAP Basis)**

**WATERWORKS REVENUE FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		With Final <u>Budget</u>
Revenues and other sources:				
Service fees	\$ 4,778,705	4,778,705	5,242,849	464,144
Interest	100	100	32	(68)
Other	98,000	98,000	97,887	(113)
Total revenues and other sources	<u>4,876,805</u>	<u>4,876,805</u>	<u>5,340,768</u>	<u>463,963</u>
Expenditures and other uses:				
Personal services	1,590,219	1,590,219	1,423,815	166,404
Contractual services	1,219,227	1,219,227	1,091,843	127,384
Commodities	169,500	169,500	102,025	67,475
Vehicle operating	81,100	81,100	63,615	17,485
Principal and interest	881,099	881,099	694,534	186,565
Capital outlay	60,000	60,000	43,802	16,198
Transfers out	522,436	522,436	1,022,436	(500,000)
Total expenditures and other uses	<u>4,523,581</u>	<u>4,523,581</u>	<u>4,442,070</u>	<u>81,511</u>
Excess (deficiency) of revenues over (under)				
expenditures and other uses	353,224	353,224	898,698	545,474
Unencumbered cash, beginning	<u>2,622,886</u>	<u>2,622,886</u>	<u>3,222,982</u>	<u>600,096</u>
Unencumbered cash, ending	<u>\$ 2,976,110</u>	<u>2,976,110</u>	<u>4,121,680</u>	<u>1,145,570</u>

**CITY OF NEWTON, KANSAS**  
**SCHEDULE OF BUDGETARY ACCOUNTS**  
**(Non-GAAP Basis)**

**GOLF COURSE REVENUE FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		With Final <u>Budget</u>
Revenues and other sources:				
Course and grounds	\$ 851,290	851,290	803,225	(48,065)
Golf shop and food sales	378,268	378,268	444,153	65,885
Cart rental	60,006	60,006	33,056	(26,950)
Other	<u>346,645</u>	<u>346,645</u>	<u>8,134</u>	<u>(338,511)</u>
Total revenues and other sources	<u>1,636,209</u>	<u>1,636,209</u>	<u>1,288,568</u>	<u>(347,641)</u>
Expenditures and other uses:				
Personal services	712,659	712,659	661,880	50,779
Contractual services	455,878	455,878	449,957	5,921
Commodities	-	-	188,818	(188,818)
Capital outlay	<u>510,000</u>	<u>510,000</u>	<u>16,058</u>	<u>493,942</u>
Total expenditures and other uses	<u>1,678,537</u>	<u>1,678,537</u>	<u>1,316,713</u>	<u>361,824</u>
Excess (deficiency) of revenues over (under) expenditures and other uses	(42,328)	(42,328)	(28,145)	14,183
Unencumbered cash, beginning	<u>280,841</u>	<u>280,841</u>	<u>374,066</u>	<u>93,225</u>
Unencumbered cash, ending	<u>\$ 238,513</u>	<u>238,513</u>	<u>345,921</u>	<u>107,408</u>

**CITY OF NEWTON, KANSAS**  
**COMBINING BALANCE SHEET - INTERNAL SERVICE FUNDS**  
**December 31, 2012**

	Health Benefits Risk <u>Management</u>	Stores and <u>Maintenance</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash, including investments	\$ 1,574,759	448,111	2,022,870
Inventories	<u>          -</u>	<u>96,120</u>	<u>96,120</u>
Total current assets	<u>1,574,759</u>	<u>544,231</u>	<u>2,118,990</u>
Capital assets:			
Property, plant and equipment, net of accumulated depreciation	<u>          -</u>	<u>681,819</u>	<u>681,819</u>
Total assets	<u>\$ 1,574,759</u>	<u>1,226,050</u>	<u>2,800,809</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Current liabilities:			
Accounts payable	\$ -	7,898	7,898
Compensated absences	-	6,011	6,011
Unreported claims payable	<u>55,000</u>	<u>          -</u>	<u>55,000</u>
Total current liabilities	<u>55,000</u>	<u>13,909</u>	<u>68,909</u>
<b>FUND EQUITY</b>			
Invested in capital assets, net of related debt	-	681,819	681,819
Unrestricted	<u>1,519,759</u>	<u>530,322</u>	<u>2,050,081</u>
Total fund equity	<u>1,519,759</u>	<u>1,212,141</u>	<u>2,731,900</u>
Total liabilities and fund equity	<u>\$ 1,574,759</u>	<u>1,226,050</u>	<u>2,800,809</u>

**CITY OF NEWTON, KANSAS**  
**COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN**  
**FUND EQUITY- INTERNAL SERVICE FUNDS**

**Year Ended December 31, 2012**

	Health Benefits Risk <u>Management</u>	Stores and <u>Maintenance</u>	<u>Total</u>
Operating revenues:			
Rental	\$ -	55,017	55,017
Reimbursed expenses	-	797,035	797,035
Health benefits charged to other funds	<u>2,411,068</u>	<u>-</u>	<u>2,411,068</u>
Total revenues	<u>2,411,068</u>	<u>852,052</u>	<u>3,263,120</u>
Operating expenses:			
Personal services	1,846,129	177,956	2,024,085
Contractual services	664,327	42,191	706,518
Commodities	-	581,459	581,459
Vehicle operating	-	37,672	37,672
Depreciation and amortization	<u>-</u>	<u>46,833</u>	<u>46,833</u>
Total expenses	<u>2,510,456</u>	<u>886,111</u>	<u>3,396,567</u>
Operating income (loss)	(99,388)	(34,059)	(133,447)
Capital contributions and transfers:			
Transfers in	<u>-</u>	<u>116,620</u>	<u>116,620</u>
Change in fund equity	<u>(99,388)</u>	<u>82,561</u>	<u>(16,827)</u>
Fund equity, beginning of the year			
As originally reported	1,619,147	1,141,109	2,760,256
Prior period adjustment	<u>-</u>	<u>(11,529)</u>	<u>(11,529)</u>
As restated	<u>1,619,147</u>	<u>1,129,580</u>	<u>2,748,727</u>
Fund equity, end of the year	<u>\$ 1,519,759</u>	<u>1,212,141</u>	<u>2,731,900</u>

**CITY OF NEWTON, KANSAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**- INTERNAL SERVICE FUNDS**  
**Year Ended December 31, 2012**

	Health Benefits Risk <u>Management</u>	Stores and <u>Maintenance</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 2,411,068	852,052	3,263,120
Cash payments to suppliers for goods and services	(664,577)	(674,892)	(1,339,469)
Cash payments to employees for services	-	(182,799)	(182,799)
Cash payments for employee health benefits	<u>(1,800,129)</u>	<u>-</u>	<u>(1,800,129)</u>
Net cash provided by (used in) operating activities	<u>(53,638)</u>	<u>(5,639)</u>	<u>(59,277)</u>
Cash flows from non-capital financing activities:			
Transfers in	<u>-</u>	<u>116,620</u>	<u>116,620</u>
Cash flows from capital and related financing activities:			
Payments for capital assets	<u>-</u>	<u>(68,207)</u>	<u>(68,207)</u>
Net increase (decrease) in cash	(53,638)	42,774	(10,864)
Cash, beginning of the year	<u>1,628,397</u>	<u>405,337</u>	<u>2,033,734</u>
Cash, end of the year	<u>\$ 1,574,759</u>	<u>448,111</u>	<u>2,022,870</u>

**CITY OF NEWTON, KANSAS**  
**COMBINING STATEMENT OF CASH FLOWS (CONTINUED)**  
**- INTERNAL SERVICE FUNDS**  
**Year Ended December 31, 2012**

	Health Benefits Risk <u>Management</u>	Stores and <u>Maintenance</u>	<u>Total</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (99,388)	(34,059)	(133,447)
Adjustments to reconcile operating income (loss) to net cash:			
Depreciation and amortization	-	46,833	46,833
Changes in operating assets and liabilities:			
Inventories	-	(16,144)	(16,144)
Accounts payable and accrued expenses	(250)	(2,269)	(2,519)
Claims payable	<u>46,000</u>	<u>-</u>	<u>46,000</u>
Total adjustments	<u>45,750</u>	<u>28,420</u>	<u>74,170</u>
Net cash provided by (used in) operating activities	<u>\$ (53,638)</u>	<u>(5,639)</u>	<u>(59,277)</u>
 <b>NONCASH INVESTING ACTIVITIES</b>	 <u>\$ -</u>	 <u>-</u>	 <u>-</u>

**CITY OF NEWTON, KANSAS**  
**SCHEDULE OF BUDGETARY ACCOUNTS**  
**(Non-GAAP Basis)**

**STORES AND MAINTENANCE FUND**

**Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		With Final <u>Budget</u>
Revenues and other sources:				
Rental	\$ 55,000	55,000	55,017	17
Fuel sales	575,000	575,000	441,722	(133,278)
Reimbursed expenses	371,185	371,185	355,313	(15,872)
Transfers in	<u>116,620</u>	<u>116,620</u>	<u>116,620</u>	<u>-</u>
Total revenues and other sources	<u>1,117,805</u>	<u>1,117,805</u>	<u>968,672</u>	<u>(149,133)</u>
Expenditures and other uses:				
Personal services	194,116	194,116	183,474	10,642
Contractual services	45,154	45,154	32,189	12,965
Commodities	719,845	719,845	597,603	122,242
Vehicle operating	53,424	53,424	37,672	15,752
Transfers out	<u>79,000</u>	<u>79,000</u>	<u>79,000</u>	<u>-</u>
Total expenditures and other uses	<u>1,091,539</u>	<u>1,091,539</u>	<u>929,938</u>	<u>161,601</u>
Excess (deficiency) of revenues over (under)				
expenditures and other uses	26,266	26,266	38,734	12,468
Unencumbered cash, beginning	<u>19,822</u>	<u>19,822</u>	<u>24,827</u>	<u>5,005</u>
Unencumbered cash, ending	<u>\$ 46,088</u>	<u>46,088</u>	<u>63,561</u>	<u>17,473</u>

**CITY OF NEWTON, KANSAS**

**COMPONENT UNIT FINANCIAL STATEMENTS - NEWTON PUBLIC LIBRARY  
BALANCE SHEET  
December 31, 2012**

	General Fund	Special Revenue Funds	Total
Assets			
Cash	\$ 467,655	754,139	1,221,794
	<u>467,655</u>	<u>754,139</u>	<u>1,221,794</u>
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ -	-	-
Fund Balance			
Unreserved	467,655	754,139	1,221,794
	<u>467,655</u>	<u>754,139</u>	<u>1,221,794</u>
	\$ 467,655	754,139	1,221,794
	<u>467,655</u>	<u>754,139</u>	<u>1,221,794</u>

**COMPONENT UNIT FINANCIAL STATEMENTS - NEWTON PUBLIC LIBRARY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
Year Ended December 31, 2012**

	General Fund	Special Revenue Funds	Total
Revenues:			
Taxes	\$ 693,976	-	693,976
Intergovernmental	15,532	51,324	66,856
Fines and fees	-	18,904	18,904
Interest	-	6,127	6,127
Other	-	33,939	33,939
	<u>709,508</u>	<u>110,294</u>	<u>819,802</u>
Expenditures			
Personal services	383,581	36,793	420,374
Contractual services	68,416	15,953	84,369
Commodities	149,588	22,170	171,758
Capital outlay	15,668	-	15,668
	<u>617,253</u>	<u>74,916</u>	<u>692,169</u>
Revenues over (under) expenditures	92,255	35,378	127,633
Fund balance, beginning	375,400	718,761	1,094,161
Fund balance, ending	\$ 467,655	754,139	1,221,794
	<u>467,655</u>	<u>754,139</u>	<u>1,221,794</u>

**CITY OF NEWTON, KANSAS**  
**COMPONENT UNIT FINANCIAL STATEMENTS - NEWTON PUBLIC BUILDING COMMISSION**  
**BALANCE SHEET**  
**December 31, 2012**

	Debt Service <u>Fund</u>
Assets	
Restricted assets	
Cash and investments	\$ <u>1,213,055</u>
Liabilities and Fund Balance	
Liabilities	\$ <u>-</u>
Fund balances	
Reserved for debt service	1,213,055
Unreserved	<u>-</u>
	<u>\$ 1,213,055</u>

**COMPONENT UNIT FINANCIAL STATEMENTS - NEWTON PUBLIC BUILDING COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**Year Ended December 31, 2012**

	Debt Service <u>Funds</u>
Revenues:	
Lease payments - other governments	\$ 328,127
Property tax	55,337
Interest	1,325
Other	<u>25,111</u>
	<u>409,900</u>
Expenditures	
Debt Service	
Principal	245,000
Interest	335,282
Debt issue costs	91,492
Other	<u>1,827</u>
	<u>673,601</u>
Revenues over (under) expenditures	(263,701)
Other financing sources (uses)	
Proceeds of refunding bonds	5,915,000
Contributed capital	475,000
Payment to refunding bond escrow agent	<u>(5,820,336)</u>
Net change in fund balances	305,963
Fund balance, beginning	<u>907,092</u>
Fund balance, ending	<u>\$ 1,213,055</u>